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Syndicate 1084

Annual Report and Accounts 2020

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Syndicate Information

Directors of the Managing Agent

D C Bendle

R J Callan

J Faure

J Fowle

P A Jardine (appointed 17 September 2020)

P M Shaw (resigned 31 March 2020)

N J Stacey (appointed 8 January 2021)

C M Stooke (resigned 31 October 2020)

L S Watkins (appointed 31 January 2020)

Dr H Zuo

Chief Operating Officer

Chief Financial Officer

Senior Independent Non-Executive Director

Chief Executive Officer

Chairman and Independent Non-executive Director

Chief Risk Officer

Chief Underwriting Officer

Chairman and Independent Non-Executive Director

Independent Non-Executive Director

Non-Executive Director

Managing Agent's company secretary

R N Barnett

Managing Agent's registered office

30 Fenchurch Street

London EC3M 3AD

Managing Agent's registered number

00184915

Managing Agent's independent auditor

PricewaterhouseCoopers LLP

7 More London Riverside

London

SE1 2RT

Syndicate active underwriter

E Lines

Syndicate bankers

The custodians of the Syndicate's investment funds are as follows:

Citibank N.A.

Royal Bank of Canada

Syndicate investment managers

Goldman Sachs Asset Management International

Opus Investment Management, Inc.

Syndicate independent auditor

PricewaterhouseCoopers LLP

7 More London Riverside

London

SE1 2RT

Underwriter's Report

Results and performance

The loss for the year was \$11.0m (2019: \$101.5m profit), and the combined ratio deteriorated to 104.5% (2019: 95.2%).

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

	2020	2019
	\$m	\$m
Gross written premium	1,490.3	1,309.6
Net written premium	1,089.7	904.4
Net earned premium	975.9	875.7
Underwriting result	(47.0)	48.7
Investment return	54.4	59.7
Technical profit for the financial year	7.4	108.4
Non-technical account for the financial year	(18.4)	(6.9)
(Loss)/profit for the financial year	(11.0)	101.5
Combined ratio	104.5%	95.2%
Net liabilities	207.7	156.0
Amount due from member	207.7	156.0

Premiums

Gross written premiums for the Syndicate have increased by 13.8% in 2020 to \$1,490.3m (2019: \$1,309.6m), despite the global Covid-19 pandemic and resulting National Lockdowns, with growth in both the Direct Insurance and Reinsurance elements of the portfolio. The increase was consistent with the Syndicate's business plan for 2020.

Rates on renewal business across the majority of classes continued the improvement which began in 2019, with internal portfolio management actions, alongside wider (re)insurance market remediation actions, contributing to this and also presenting attractive, new business opportunities.

Analysis of the gross written premiums by class of business is presented in Note 3: Segmental Analysis in the notes to the financial statements.

Net written premiums increased by 20.4% to \$1,089.7m in 2020 (2019: \$904.4m) with reduced cessions on quota share protection purchased to cover our reinsurance account due to a challenging retro market, and active cycle management.

Underwriting result

The underwriting result for 2020 is a loss of \$47.0m versus a profit of \$48.7m for 2019. Net incurred claims increased from \$492.2m in 2019 to \$631.8m in 2020.

The underwriting loss for 2020 is driven by worse catastrophe claims experience than 2019. The unprecedented global Covid-19 pandemic, along with National Lockdowns and the ensuing global economic slump, has resulted in significant reserves being established in our Casualty, Political Risk and Credit, Property and Treaty Reinsurance classes. Additionally, 2020 experienced a high frequency of natural catastrophe events, notably Hurricanes Laura, Zeta, Sally and Delta and the Midwest Derecho, but these were of a relatively low severity, and therefore losses related to these events had limited recoveries from our excess of loss reinsurance programmes.

The underwriting result did benefit from more favourable prior year development than 2019 with significant releases on a number of large risk losses following favourable settlements.

Overall result

The loss for the year was \$11.0m (2019: \$101.5m profit), and the combined ratio deteriorated to 104.5% (2019: 95.2%). The deterioration in the combined ratio is primarily driven by the increased claims activity in 2020 as noted above.

The Syndicate delivered a strong investment performance during 2020. Financial assets grew in 2020 to \$1,446.6m (2019: \$1,331.2m) which generated a total return of 4%, \$54.4m (2019: 4.7%, \$59.7m). The majority of financial assets are held in fixed income securities which have experienced mark to market gains, primarily through exposure to movements in US risk free yields. These have declined to at or near zero following the decision of the US Federal Reserve to reduce interest rates in response to expected economic conditions during and post the pandemic. This action coupled with further support mechanisms, such as quantitative easing and direct lending to corporates, has resulted in low reinvestment rates for high credit quality debt securities which form the core element of the Syndicate's financial assets. This has reduced investment income during 2020 and will continue to impact future income as rates are predicted to stay low throughout 2021.

Strategy and outlook

Syndicate 1084 remains integral to Chaucer's business proposition, continuing to write a specialty underwriting portfolio, underpinned by strong and distinctive underwriting capabilities, and headlined by market leadership in selected specialty segments. The portfolio should continue to provide a good underwriting balance and opportunities for profitable business development in 2021, although growth will not be permitted at the expense of reduced underwriting standards.

The 2021 Business Plan, in which capacity has increased by a further 15% to £1.15bn (\$1.58bn), reflects this approach, with a positive response to the ongoing improvement in market conditions and the opportunities that Syndicate underwriters have identified, including establishing a presence in the strategically important Bermudian market. The Plan also reflects any remediation actions required for classes where performance has historically been inadequate, identified as part of a robust portfolio management framework. The performance of the Syndicate should continue to benefit from these actions in 2021. The Syndicate continues to support the Lloyd's Brussels platform, through which underwriters can write EEA business and then reinsure it back to Syndicate 1084.

2020 was a challenging year for the whole (re)insurance market given the backdrop of the global Covid-19 pandemic, however there have been positives most notably how the staff working on behalf of the Syndicate and infrastructure seamlessly adjusted to the National Lockdowns and work from home mandates, without comprising the quality of service provided to clients and brokers.

The components are in place for continued long-term successful development. We have a broad, highly valued specialty product range, a strong underwriting team with the right focus on delivering technically and commercially smart solutions for brokers and clients, and first class delivery of a clear and valued service proposition.

Effective 1 January 2021, the Syndicate accepted the reinsurance to close (RITC) of the liabilities of AXA Special Purpose Arrangement Syndicate 6130 for the 2018 Year of Account. Refer to Note 28 for further details on the RITC transaction.

E Lines, Active Underwriter
Chaucer Syndicate 1084
4 March 2021

Managing Agent's Report

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

This annual report is prepared using the annual basis of accounting as required by Statutory Instrument No. 1950 of 2008, The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (Lloyd's Regulations 2008).

The Managing Agent

The Managing Agent is Chaucer Syndicates Limited, whose registered office is 30 Fenchurch Street, London EC3M 3AD and registered number is 00184915.

Principal activities

This report covers the business of Syndicate 1084, whose principal activity during the year continued to be the transaction of worldwide general insurance and reinsurance business in the United Kingdom, underwriting at Lloyd's of London.

Principal risks and uncertainties

The following paragraphs describe the principal risks and uncertainties facing the Syndicate.

Underwriting risk

Each underwriting division of the Managing Agent undertakes an extensive annual underwriting planning process in order to determine its targets for premium income and return on capital for the Syndicate.

The detailed stochastic modelling of underwriting risk, both gross and net of reinsurance, using dynamic financial analysis techniques, assists with the setting and management of risk appetite.

Catastrophe risk is the main component of underwriting risk and the Managing Agent uses Exceedance Probability (EP) curves as one of the tools for managing this risk. For a defined underwriting portfolio, an EP curve plots expected probability against loss size. This represents a sliding scale of risk appetite against associated exceedance probabilities.

Managing risk aggregation

The Managing Agent monitors the aggregation of underwriting exposure using specialist modelling software tools where appropriate. The Managing Agent monitors its loss exposure to a suite of natural catastrophe events (including the prescribed Lloyd's Realistic Disaster Scenarios) and man-made events on a quarterly basis. Modelled loss caps are set at an underwriting business unit level for each event; this provides the underwriters with a practical tool for managing exposures.

Concentrations of risk

The Syndicate has exposure to losses arising through the aggregation of risks in geographical areas. This mainly affects the property, marine and energy portfolios. Events giving rise to such aggregations are typically natural disasters such as earthquakes or weather-related disasters such as hurricanes, windstorms and typhoons. Other examples include major terrorism events.

As part of the risk management process, the Managing Agent assesses the Syndicate's exposures to Realistic Disaster Scenarios every quarter to enable the Managing Agent to monitor potential accumulations of underwriting exposure against a pre-determined suite of catastrophic events and to confirm no breach of underwriting risk appetite.

Maximum lines

Underwriters manage individual risks through adherence to set maximum line sizes.

Underwriting controls

The Managing Agent operates a number of underwriting controls, details of which are set out below.

Monitoring performance against plan

The Managing Agent manages Syndicate performance against plan through monthly divisional reporting; utilising centrally prepared underwriting management information packs. Each underwriting division reports to an Underwriting Board, which in turn reports to the Underwriting Committee and through to the Board of the

Managing Agent. This control process ensures several layers of review for underwriting risks, with particular focus on pricing, loss ratio forecasts, risk aggregation, catastrophe modelling and reinsurance protection.

Emerging risks

An emerging risk is a risk that is perceived to be potentially significant but which may not be fully understood or allowed for in insurance terms and conditions, pricing, reserving, capital setting or the operational activities of the Managing Agent. The Managing Agent has a defined emerging risk process to identify and assess the potential impact of such risks.

Peer, independent and underwriting risk reviews

Peer review is performed on a risk-based sample of business by a fellow underwriter to ensure adherence to sound underwriting practices. The independent review process involves detailed review of individual underwriting risks and supporting documentation. Themed underwriting reviews are conducted by the Underwriting Risk Management Function to ensure that underwriting procedures and discipline are followed.

Internal audit

The Managing agent's internal audit function provides assurance over the performance of the underwriting controls.

Claims risk

While claims events are inherently uncertain and volatile, the claims department is an experienced team covering a wide range of business classes. The Managing Agent has various management controls in place to mitigate claims risk; some of these controls are outlined below.

Claims settlement and reserving authority limits

The Managing Agent employs strict claims handling authority limits. All transactions in excess of an individual claims handler's authority are referred in a tiered approach to a colleague with the requisite knowledge and experience.

Peer review

The Managing Agent currently commissions an external random peer review on a quarterly basis. This review incorporates both qualitative and quantitative measures and findings are collated and reported to relevant committees.

Monthly reporting

Reports are produced for different aspects of the claims handling process, including significant movements, catastrophes, and static claims. These reports are communicated both within the business and with key external stakeholders, including Lloyd's Claims Management.

Management of external experts

The Managing Agent appoints third party loss adjusters, surveyors and legal advisors for claims investigation and assessment services. The development of long standing relationships with key experts and agreed Terms of Engagement aims to ensure the Syndicate receives a high quality service. Direct contact with external experts is actively encouraged. However, this process is not exclusive. If no suitable expert exists on the Managing Agent's panel for any one particular claim, an 'Expert Exception' process operates to ensure a timely appointment of an appropriate expert.

Reserving risk

The reserving policy for the Syndicate seeks to ensure appropriate allowance for reserving risk, consistency in reserving from year to year and the equitable treatment of capital providers on the closure of a year of account.

Reserves are set on a two tier hierarchical basis.

Tier 1: Actuarial best estimate reserves

Actuarial best estimate reserves are prepared on an underwriting year basis and are intended to be true best estimates, i.e. estimates of expected value claims reserves. These are the basis for internal reporting and the derivation of expected loss ratios for business planning. The actuarial best estimate reserves are the responsibility of the Internal Signing Actuary. The Managing Agent's Actuarial Team calculates the reserves in conjunction with extensive discussions with underwriting, claims and reinsurance staff.

Tier 2: Syndicate reserves

Determination of Syndicate reserves is a two-stage process: first, they are determined on an underwriting year basis and then they are converted to an annually accounted basis.

(a) Underwriting year syndicate reserves

Underwriting year Syndicate reserves are prepared on an underwriting year basis and equal the Tier 1 reserves plus any reserve risk loadings. The intention of such risk loadings is to match areas within the Syndicate where the perception is that there is a particularly high risk that the best estimate reserve may be inadequate. Such areas include, but are not limited to, the following:

- new classes of business
- classes where early development is materially better or worse than expected
- classes or events with abnormally skewed claim distributions
- claim events or reserving categories with a poorly understood distribution

To ensure consistency in the application of risk loadings, the starting point in their assessment is, where possible, formulaic. The formulaic risk loadings are adjusted wherever considered either excessive or understated. There may also be additional risk loadings in respect of risks not covered by the formulaic basis.

The underwriting year syndicate reserves provide the basis for all Syndicate results and forecasts.

(b) Annually accounted Syndicate reserves

Annually accounted Syndicate reserves are the underwriting year Syndicate reserves converted to an annually accounted basis, plus additional loadings.

The Managing Agent's Board approves all risk loadings within Syndicate reserves.

The assessment of actuarial best estimate reserves is a rolling quarterly process. The underwriting portfolio comprises a number of heterogeneous business types, each of which the analysis projects to ultimate. Where certain contracts or claim events obscure development trends, the analysis splits these out for separate review. The application of standard actuarial techniques to the historical attritional, large and catastrophe claims data supports the estimation of ultimate loss ratios. The analysis also draws on external data or market data or non-standard methodologies where appropriate. Whenever actual development of premiums or claims within a reserving category during a quarter is materially different from expected development based on the existing methodology, then that methodology is reassessed and, where appropriate, amended. The analysis takes credit for reinsurance recoveries and provides for the possibility of reinsurer failure.

Reserving risk is controlled by the robust application of actuarial methodologies, stepped sign-off procedures, quarterly tracking of projected ultimate loss ratios and reassessment of methodologies where appropriate, regular dialogue between actuaries and practitioners and access to a history of loss data. Finally, explicit risk loadings are applied in respect of the areas of greatest risk within the reserve assessment.

Although the risk loadings provide important protection against adverse developments in reserves, the degree of subjectivity in the reserving process, the exposure to unpredictable external influences (e.g. the legal environment) and the quantum of reserves relative to net tangible assets, mean that reserving remains a significant source of risk to the Syndicate.

Financial Risks

Credit risk

The Managing Agent reviews all reinsurer counterparties with whom the Syndicate wishes to conduct business and sets credit thresholds for the total potential recoveries due from each reinsurer. The review includes an analysis of the financial strength of the reinsurer, its payment performance record and standing in the market. Thereafter, management of reinsurer credit risk follows active and regular review, with the assistance of outside expertise, of the credit rating and financial exposure to all approved reinsurers.

The Syndicate predominantly purchases reinsurance from reinsurers rated strong or better by Standard & Poor's (or equivalent). Maximum exposures per reinsurer are set in response to a reinsurer's rating and net assets.

Broker credit risk limits are also determined depending on the grading of the relevant broker and exposures monitored against limits on a monthly basis.

Investment risk

The Managing Agent's approach is that investment activities are complementary to the primary underwriting activities of the business and should not therefore divert or utilise financial resources otherwise available for insurance operations.

The preservation of capital and maintenance of sufficient liquidity to support the business and the enhancement of investment returns, within a set of defined risk constraints, are at the heart of the financial market risk policies adopted by the Managing Agent.

Investment risk constraints, which quantify the maximum amount of investment risk permitted over a one-year time horizon, are approved by the Managing Agent's Board on an annual basis and are used to derive the maximum allocation, or risk budget, that can be allocated to each asset class.

The Managing Agent reviews and amends asset allocations in accordance with investment risk constraints. Due regard is given to the outlook for each asset class because of changes in market conditions and investment returns. Proposed asset allocations are tested using stochastic modelling techniques prior to formal adoption.

The Syndicate invests a proportion of funds in fixed income and variable yield securities managed by professional portfolio managers. Each manager operates within a defined set of investment guidelines and against an appropriate benchmark.

Refer to Note 13 (page 22) for more details on the Syndicate's exposure to investment risk and processes in place for managing these risks.

Operational risk

This is the risk that events caused by people, processes, systems or external events, lead to losses to the Syndicate. The Managing Agent seeks to manage this risk through business performance measures, formal disaster recovery and business continuity planning and other governing procedures, which are reviewed through a structured programme of testing of processes and systems by Internal Audit and other assurance processes.

Regulatory and legal risk

Regulatory risk is the risk of loss or reputational damage owing to a breach of regulatory and legal requirements or failure to respond to regulatory change.

The Managing Agent is required to comply with the requirements of the Prudential Regulatory Authority, Financial Conduct Authority and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. The Managing Agent has a Compliance Officer, who monitors regulatory developments and assesses the impact on agency policy. The Syndicate also undertakes a compliance-monitoring programme.

Legal risk is the risk that exposes the Managing Agent to actual or potential legal proceedings. The Managing Agent has legal risk resource, which monitors legal developments and assesses impact on the business.

Conduct risk

Conduct risk is the risk of treating our customers unethically or unfairly by delivering inappropriate outcomes due to improper attitudes, systems, controls and governance. The Managing Agent operates a suitable risk management and governance framework across the syndicate, which monitors the various areas of potential exposure to conduct risk matters and ensures appropriate design and performance of controls and the effective escalation and resolution of items as required.

Staff matters

Chaucer Underwriting Services Limited (CUSL), the service company employing staff who perform work on behalf of the Syndicate, considers its staff to be a key resource, seeks to provide a good working environment for its staff that is rewarding and safe, and complies with appropriate employee legislation. During the year there have been no significant injuries to staff in the workplace or any significant actions taken by any regulatory bodies with regard to staff matters.

Climate related risks

The Managing Agent's Board is responsible for overseeing climate-change risk. It has delegated the detailed regular oversight of climate related risk management processes and activities to its Risk and Capital Committee.

The major climate risks are recognised as Physical, Transition and Liability risks, which are monitored through the Managing Agent's Enterprise Risk Management (ERM) framework processes. The Managing Agent uses the following risk management process to monitor these risks:

Climate Change Risk Dashboard:

The Dashboard takes a qualitative approach to assessing and reporting climate risk whilst ensuring it has a current view of Syndicate's risks. Further, the dashboard allows for the identification of risks across a span of time horizons.

Modelling of Catastrophe exposures:

The Syndicate has material exposure to catastrophe risk as a market leading underwriter of US and International insurance and reinsurance protection. Detailed modelling assessments of the Syndicate's exposures are reported to the Managing Agency's Board and Risk and Capital Committee, including highlighting where the frequency and impact of exposures may be as a result of climate risks. The Managing Agent has in place an extensive programme of model development to form its own view of risk and adapt the offerings from model vendors. The model output provides an assessment of the key risks from well-studied exposures such as North America Hurricane, as well as exposures including Wildfire. These models enable a range of metrics to be set, including risk appetites and limits that are continuously monitored. An experienced research team examine the latest science on the impact of climate change in both the long and short term, building it in to our view of catastrophe risks.

Investment Portfolio Analysis:

The Managing Agent has conducted analysis of the investment portfolio to demonstrate potential exposure from liquidity and regulatory transitional risks and inform the Managing Agent's Board and Risk and Capital Committee more widely regarding Environmental, Social and Governance (ESG) factors.

General Insurance Stress Test:

The Managing Agent is fully engaged with the regulatory scenario testing required by the Prudential Regulatory Authority and will use the experience of the General Insurance Stress Test to inform and develop its scenario testing approach to take into account climate risks.

Given that climate risks are complex, multi-channelled and deep as well as broad, and further that the time horizons involved in the monitoring is beyond typical ERM reporting, the Managing Agent will continue to develop the ERM framework to manage the financial risks of climate change during 2021. This will include:

- Setting of appropriate risk appetites related to climate change exposures;
- The deeper integration of climate risk monitoring processes into the ERM framework, including pricing, underwriting and due diligence of third parties including operational outsourcing partners and counterparties;
- Consideration of risk management processes and activities that can be developed or introduced that take into account the varied time horizons of climate change risk; and
- Continued specific ERM risk assessments as requested by the Managing Agent's Board to support their view and decision making of specific areas of climate change risk.

Alongside the Managing Agent's development of a specific strategy for managing climate change risk, the Syndicate information provided to its Risk and Capital Committee will be augmented to include:

- The degree that underwriting activities are exposed to climate change transition, physical and liability risks;
- The potential increase in risk exposure in turn leading to potential increased claims as a result of natural catastrophes;
- The risks and opportunities contributed by energy efficient or low carbon products.

Brexit

The Managing Agent has implemented a number of measures and controls to mitigate the impact of Brexit to allow for continuity of operations following Britain's exit from the EU following the end of the Brexit transition period on 31 December 2020. The Managing Agent has been able to place direct EU business through Lloyd's Brussels Subsidiary since 1 January 2019, which in turn has been reinsured back into the Syndicate. Consequently, the Syndicate has been able to effectively transact EEA insurance business throughout this period. On 30th December 2020, all direct EEA business was transferred to Lloyd's Brussels Subsidiary via a Part VII transfer and immediately reinsured back into the Syndicate via a 100% quota share. Refer to note 1 for more detail.

The Managing Agent continues to monitor the situation as the full impact to the U.K. and European Market becomes clear.

Covid-19

The Managing Agent has exposure to the Covid-19 pandemic, primarily through operational risk related to business disruption, and principally through its outsourcing arrangement with CUSL. Business continuity has been fully maintained through effective remote working strategies applied to all the office locations where CUSL staff work, and through the implementation of the Chaucer Pandemic Plan which has been designed to ensure the safety of its staff whilst maintaining business operations.

The Syndicate has experienced material underwriting losses arising from Covid-19 and the related recessionary impact, as part of the normal course of its activities. The underwriting losses are primarily recognised within the Syndicate's Casualty, Political Risk & Credit, Property and Treaty reinsurance classes. The Syndicate has limited exposure to Business Interruption (BI) cover within the underwriting portfolios, and the recent Supreme Court ruling on BI has not materially increased the expected losses.

Uncertainties exist both in respect of the assessment of the initial losses that the syndicate might be obliged to pay and of how these will interact with the syndicate's reinsurance programme. This increases the uncertainty of the syndicate's total reserves but does not increase that uncertainty significantly beyond the normal range of uncertainty for the liabilities of an insurance carrier at this stage of development.

Risk management processes will continue to monitor and report on the developing pandemic situation to the Board and its sub-committees.

Directors' interests

The Directors who held office throughout the year and up to the date of signing the annual accounts are detailed on page 1.

None of the Directors of the Managing Agent has any participation in the Syndicate's premium income capacity.

Disclosure of information to the auditors

The Directors each confirm that:

- So far as they are aware, there is no relevant audit information of which the Syndicate's auditors are unaware, and
- They have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the China Reinsurance (Group) Corporation Audit Committee meeting.

Approved by the Board of Chaucer Syndicates Limited.

R J Callan
Chief Financial Officer
4 March 2021

Statement of Comprehensive Income for the year ended 31 December 2020

	Note(s)	2020 \$m	2019 \$m
Technical Account – General Business			
Earned premiums, net of reinsurance			
Gross premiums written	3	1,490.3	1,309.6
Outward reinsurance premiums		(400.6)	(405.2)
Net premiums written		1,089.7	904.4
Change in the provision for unearned premiums			
Gross amount	18	(112.4)	(14.5)
Reinsurers' share	18	(1.4)	(14.2)
Net change in provision for unearned premiums		(113.8)	(28.7)
Earned premiums, net of reinsurance			
		975.9	875.7
Other technical income, net of reinsurance	9	0.4	11.0
Allocated investment return transferred from the Non-Technical Account		54.4	59.7
Total technical income		1,030.7	946.4
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	18	(668.6)	(726.8)
Reinsurers' share	18	217.8	279.4
Net claims paid		(450.8)	(447.4)
Change in the provision for claims			
Gross amount		(160.9)	(124.1)
Reinsurers' share		(20.1)	79.3
Net change in the provision for claims		(181.0)	(44.8)
Claims incurred, net of reinsurance			
		(631.8)	(492.2)
Net operating expenses	5	(388.3)	(340.8)
Other technical charges, net of reinsurance	9	(3.2)	(5.0)
Total technical charges		(1,023.3)	(838.0)
Balance on the Technical Account – General Business			
		7.4	108.4
Non-Technical Account			
Other expenses	12	(18.4)	(6.9)
Investment income	10	36.3	35.8
Net unrealised gains on investments	10	26.3	30.0
Investment expenses and charges	10	(8.2)	(6.1)
Allocated investment return transferred to the Technical Account - General Business		(54.4)	(59.7)
(Loss)/profit for the financial year		(11.0)	101.5

All the amounts above are in respect of continuing operations.

Statement of Financial Position as at 31 December 2020

	Note(s)	2020 \$m	2019 \$m
Assets			
Investments			
Other financial investments	13	1,250.7	1,164.9
Reinsurers' share of technical provisions			
Provision for unearned premiums	18	202.8	197.7
Claims outstanding	18	1,190.6	1,107.3
		<u>1,393.4</u>	<u>1,305.0</u>
Debtors			
Debtors arising out of direct insurance operations - intermediaries		276.0	229.7
Debtors arising out of reinsurance operations		545.6	460.8
Other debtors	14	15.7	12.9
		<u>837.3</u>	<u>703.4</u>
Other assets			
Cash at bank		41.8	30.1
Overseas deposits	15	154.1	136.2
Other assets	16	-	95.7
		<u>195.9</u>	<u>262.0</u>
Prepayments and accrued income			
Deferred acquisition costs	18	165.1	140.6
Other prepayments and accrued income		8.4	9.6
		<u>173.5</u>	<u>150.2</u>
Total assets		<u>3,850.8</u>	<u>3,585.5</u>
Liabilities			
Capital and reserves			
Member's balance	17	(207.7)	(156.0)
Technical provisions			
Provision for unearned premiums	18	778.3	647.8
Claims outstanding	13, 18, 20	2,840.1	2,645.3
		<u>3,618.4</u>	<u>3,293.1</u>
Creditors			
Creditors arising out of direct insurance operations - intermediaries		14.0	11.0
Creditors arising out of reinsurance operations		385.7	388.0
Other creditors including tax and social security	21	5.7	15.9
		<u>405.4</u>	<u>414.9</u>
Accruals and deferred income		34.7	33.5
Total liabilities		<u>3,850.8</u>	<u>3,585.5</u>

The annual accounts on pages 10 to 32 were approved by the Board of Chaucer Syndicates Limited on 4 March 2021 and signed on its behalf by:

R J Callan
Chief Financial Officer

Statement of Changes in Member's Balance for the year ended 31 December 2020

	Note	2020 \$m	2019 \$m
Balance as at 1 January		(156.0)	(245.1)
(Loss)/profit for the financial year	17	(11.0)	101.5
Payments of profit to member's personal reserve funds	17	(41.0)	(16.8)
Other	17	0.3	4.4
Balance as at 31 December		(207.7)	(156.0)

Statement of Cash Flows for the year ended 31 December 2020

	Note	2020 \$m	2019 as restated \$m
Cash flows from operating activities			
(Loss)/profit for the financial year		(11.0)	101.5
Increase in gross technical provisions		325.3	158.3
Increase in reinsurers' share of gross technical provisions		(88.4)	(74.9)
Increase in debtors		(157.2)	(85.4)
(Decrease)/increase in creditors		(8.3)	8.9
Movement in other assets/liabilities		77.8	(29.3)
Investment return	10	(54.4)	(59.7)
Foreign exchange		18.6	24.6
Other		22.6	24.8
Net cash generated from operating activities		125.0	68.8
Cash flows from investing activities			
Purchase of equity and debt instruments		(1,103.8)	(1,114.7)
Sale of equity and debt instruments		1,003.5	1,044.4
Investment income received		27.7	29.7
Net cash used in from investing activities		(72.6)	(40.6)
Cash flows from financing activities			
Distribution profit		(41.0)	(16.8)
Net cash used in financing activities		(41.0)	(16.8)
Net increase in cash and cash equivalents		11.4	11.4
Cash and cash equivalents at beginning of year		30.1	18.4
Foreign exchange on cash and cash equivalents		0.3	0.3
Cash and cash equivalents at end of year		41.8	30.1
Cash and cash equivalents consists of:			
Cash at bank		41.8	30.1
Cash and cash equivalents		41.8	30.1

Notes to the Accounts for the year ended 31 December 2020

1. Basis of preparation

The Syndicate annual accounts have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103, "Insurance Contracts" ("FRS 103") and the Companies Act 2006. The Syndicate annual accounts have been prepared under regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("IAD"), and reflect the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI2008/410) as modified by the IAD.

The Syndicate annual accounts have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year.

Having assessed the principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the annual accounts.

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 sanction of the scheme by the High Court on 25 November 2020, the scheme took effect on 30 December 2020 and the Members and former Members of the Syndicate transferred the impacted EEA policies and related liabilities to Lloyd's Brussels, together with cash of \$100.9m. On the same date, under the Reinsurance Agreement, Lloyd's Brussels reinsured the same risks back, together with an equal amount of cash of \$100.9m. The combined effect of the two transactions had no economic impact for the Syndicate, and accordingly there is no impact on the Syndicate's income statement or balance sheet.

Current year underwriting results for the transferred policies have been reported in the same classes of business as in prior years, as the effective date of the transfer was 30 December 2020, and in line with Society of Lloyd's guidance no movements were processed on these policies on 31 December 2020. In future years, results relating to these risks will be reported under the Inwards Reinsurance class of business, reflecting the new contractual arrangement with Lloyd's Brussels.

2. Accounting policies

a) Insurance contracts

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk.

i) Premiums written

Premiums written comprise premiums on contracts incepted during the financial year as well as adjustments made in the year to premiums written in prior accounting periods. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due to the Syndicate not yet notified. Both the cash transferred for the Part VII transfer and the premium subsequently received back from Lloyd's Brussels have been included in the gross written premiums line of the income statement.

Notes to the Accounts for the year ended 31 December 2020

2. Accounting policies (continued)

ii) 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 balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

iii) Reinsurance premiums ceded

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

iv) Claims provisions and related recoveries

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years.

The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported (IBNR) at the balance sheet date based on statistical methods. Refer to reserving risk section in Managing Agent's Report (page 5) for more detail.

These methods generally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

The reinsurers' share of provisions for claims is based on the 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 methods are used to assist in making these estimates.

The two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

The Directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the accounts for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

v) Unexpired risks provision

A provision for unexpired risks is made where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

The provision for unexpired risks is calculated by reference to classes of business which are managed together, after taking into account relevant investment return.

vi) Deferred acquisition costs

Acquisition costs, which comprise commission, are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

Notes to the Accounts for the year ended 31 December 2020

2. Accounting policies (continued)

b) Investment contracts

Amounts paid in respect of certain reinsurance contracts, which principally involve the transfer of financial risk and not significant insurance risk, are accounted for using deposit accounting, under which amounts paid are debited directly to the Statement of Financial Position. Investment contract assets are initially recognised at fair value and subsequently carried in the Statement of Financial Position at amortised cost and shown as 'Other assets'. Investment contract liabilities are carried in the Statement of Financial Position at amortised cost and shown within 'Other creditors including tax and social security'. Contractual gains and losses are recognised in other technical income in the Statement of Comprehensive Income using the effective interest rate method.

c) Net operating expenses

Net operating expenses are recognised on an accruals basis. These comprise the Syndicate's operating expenses such as remuneration, office and administrative costs, acquisition costs, reinsurance commissions, Managing Agency costs, the costs of membership of Lloyd's and other expenses attributable to the Syndicate's underwriting.

d) Cash and cash equivalents

Cash and cash equivalents includes deposits held at call with banks.

e) Foreign currencies and restatement

The functional and presentation currency of the Syndicate is US Dollars.

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. For this purpose all assets and liabilities arising from insurance contracts (including unearned premiums, deferred acquisition costs and unexpired risks provisions) are monetary items. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the non-technical account.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period end exchange rates of non-monetary assets and liabilities denominated in foreign currencies are recognised in other comprehensive income for those items where the gain is required to be recognised within other comprehensive income, and in the non-technical account where the gain is required to be recognised within profit or loss.

f) Financial assets

All investments are classified as fair value through profit and loss and are measured at fair value. Fair value is determined using published bid price quotations of each security.

The Directors consider the fair value through profit and loss option to be appropriate as financial assets are managed and their performance evaluated on a fair value basis, in accordance with a documented investment strategy and information is provided internally on that basis to key management personnel. In addition, investment risk is assessed on a total return basis, which is consistent with the adoption of fair value through profit and loss.

Deposits with credit institutions are stated at cost and overseas deposits are stated at market value (per Lloyd's valuation).

Net gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the Income Statement within 'Unrealised gains on investments' or 'Unrealised losses on investments'.

Notes to the Accounts for the year ended 31 December 2020

2. Accounting policies (continued)

g) Financial liabilities

Creditors are financial liabilities and are recognised initially at fair value, net of directly attributable transaction costs. Creditors are subsequently stated at amortised cost, using the effective interest method.

h) Investment return

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

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return is initially recorded in the non technical account. A transfer is made from the non technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments relate to the technical account.

i) 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 deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agent is gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earning. Any payments on account made by the Syndicate during the year are included in the Statement of Financial Position under the heading 'Member's Balance'.

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

j) Pension costs

CUSL operates a defined contribution scheme. Pension contributions relating to CUSL staff working for the Syndicate, are charged to the Syndicate and included within net operating expenses.

k) Key judgements and uncertainty

In application of accounting policies described in Note 2, the following estimates that have had the most significant impact on the annual accounts are:

- Valuation of general insurance contract liabilities (page 15)
- Premium recognition (pages 14 & 15)

Notes to the Accounts for the year ended 31 December 2020

3. Segmental analysis

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

	Gross premium written	Gross premiums earned	Gross claims incurred	Gross operating expenses*	Re-insurance balance	Total	Net technical provisions **
	\$m	\$m	\$m	\$m	\$m	\$m	£m
2020							
Direct insurance							
Accident and health	5.6	8.6	(7.1)	(2.2)	(1.3)	(2.0)	0.7
Motor (third party liability)	7.8	3.6	(1.7)	(0.6)	(0.3)	1.0	-
Motor (other classes)	0.6	0.3	(0.1)	0.8	(0.5)	0.5	-
Marine, aviation and transport	91.6	87.0	(36.3)	(49.1)	(9.3)	(7.7)	127.3
Energy	35.2	39.3	11.3	(18.7)	(29.0)	2.9	22.6
Fire and other damage to property	141.4	120.3	(59.6)	(33.6)	(16.3)	10.8	144.7
Third party liability	245.3	238.7	(181.7)	(96.9)	9.7	(30.2)	575.3
Miscellaneous	64.6	61.0	(104.2)	(34.5)	30.8	(46.9)	106.0
	592.1	558.8	(379.4)	(234.8)	(16.2)	(71.6)	976.6
Reinsurance	898.2	819.1	(450.1)	(184.5)	(159.9)	24.6	1,248.4
	1,490.3	1,377.9	(829.5)	(419.3)	(176.1)	(47.0)	2,225.0
2019							
Direct insurance							
Accident and health	12.6	20.0	(11.2)	(5.6)	(2.7)	0.5	4.2
Motor (third party liability)	6.4	6.6	(3.1)	(2.1)	(0.1)	1.3	0.0
Motor (other classes)	0.5	2.0	0.5	0.7	(1.3)	1.9	0.0
Marine, aviation and transport	83.8	90.7	(50.3)	(40.5)	(9.4)	(9.5)	122.4
Energy	82.7	87.6	(58.7)	(31.7)	(2.6)	(5.4)	30.8
Fire and other damage to property	105.4	104.3	(24.5)	(31.0)	(18.5)	30.3	96.6
Third party liability	184.3	190.8	(151.5)	(73.9)	13.5	(21.1)	542.7
Miscellaneous	48.7	60.6	(27.6)	(24.2)	(13.9)	(5.1)	78.5
	524.4	562.6	(326.4)	(208.3)	(35.0)	(7.1)	875.2
Reinsurance	785.2	732.5	(524.5)	(154.6)	2.4	55.8	1,112.9
	1,309.6	1,295.1	(850.9)	(362.9)	(32.6)	48.7	1,988.1

* Gross operating expenses are not the same as net operating expenses shown in the Income Statement because of commissions in respect of outward reinsurance received and other technical income.

** The 2020 net technical provisions are prepared on a consistent basis to 2019. However, the impact of the Part VII transfer would lead to a \$62.7m reclassification between direct insurance classes and reinsurance.

All premiums were concluded in the UK.

Commission on gross premiums written as direct insurance business, during 2020, was \$125.8m (2019: \$118.7m).

The reinsurance balance represents the charge to the technical account from the aggregate of all items relating to outwards reinsurance.

Notes to the Accounts for the year ended 31 December 2020

3. Segmental analysis (continued)

The geographical analysis of gross premiums written by reference to the location of the risk is as follows:

	2020 \$m	2019 \$m
UK	33.1	29.3
Other EU countries	74.2	83.2
Americas (including US)	532.9	542.8
Other	850.1	654.3
Gross premiums written	1,490.3	1,309.6

Concentration of gross and net insurance liabilities by geographical area is as follows:

	2020 Gross technical provisions \$m	2020 Net technical provisions \$m	2019 Gross technical provisions \$m	2019 Net technical provisions \$m
UK	80.3	49.4	73.6	44.4
Other EU	180.2	110.9	209.2	126.3
Americas (including US)	1,294.2	795.8	1,364.9	824.0
Other	2,063.7	1,268.9	1,645.4	993.4
Total	3,618.4	2,225.0	3,293.1	1,988.1

4. Movement in prior year's provision for claims outstanding

During 2020 the Syndicate released \$74.5m of technical reserves in respect of prior periods (2019: \$38.3m), arising predominantly from the Marine, Energy and Treaty divisions (2018: primarily from the Marine, Energy and Property Divisions). These releases were due to favourable claims development on prior year losses during 2020.

5. Net operating expenses

	2020 \$m	2019 \$m
Acquisition costs:		
- brokerage and commission	309.9	272.4
Change in deferred acquisition costs	(21.5)	(3.5)
Administrative expenses	128.1	99.9
Reinsurance commissions and profit participation	(28.2)	(28.0)
	388.3	340.8
Administrative expenses include:		
Member's standard personal expenses (Lloyd's subscriptions, New Central Fund contributions and managing agent's fees)	27.1	18.4

Notes to the Accounts for the year ended 31 December 2020

6. Auditors' remuneration

	2020 \$m	2019 \$m
Audit of the syndicate annual accounts	0.5	0.4
Other services pursuant to legislation including audit of regulatory returns	0.3	0.2
	0.8	0.6

7. Staff costs

The Managing Agent is recharged for staff costs by CUSL which employs all staff. The Managing Agent charges the following amounts to the Syndicate in respect of salary costs:

	2020 \$m	2019 \$m
Wages and salaries	40.5	33.3
Social security costs	4.8	4.2
Other pension costs	4.5	4.3
	49.8	41.8

The average number of employees employed by CUSL, but working for the Syndicate, during the year was as follows:

	2020 Number	2019 Number
Administration and finance	174	140
Underwriting	114	108
Claims	27	25
Other	90	65
	405	338

8. Emoluments of the directors of the Managing Agent

The Directors of Chaucer Syndicates Limited received the following aggregate remuneration for services rendered to the Syndicate:

	2020 \$m	2019 \$m
Directors of Chaucer Syndicates Limited	1.7	1.9
Active Underwriter	0.4	0.4

9. Other technical income and charges, net of reinsurance

Other technical income of \$0.4m (2019: \$11.0m) represents the service fee income on a transaction that did not transfer significant insurance risk, and was therefore subject to deposit accounting. In 2019, \$4.1m of the balance related to the recognition of contractual gains on a ceded reinsurance transaction, which also did not transfer significant insurance risk and was therefore subject to deposit accounting. In addition to this, \$6.9m related to expected recoveries on a reinstatement premium protection contract that did not meet the definition of a reinsurance contract, and was therefore considered an insurance contract held.

Other technical charges of \$3.2m (2019: \$5.0m) relate to a reduction in expected recoveries on reinstatement premium protection contract held. The 2019 charge related to the cost of obtaining this contract.

Notes to the Accounts for the year ended 31 December 2020

10. Investment return

	2020 \$m	2019 \$m
Investment income		
Interest from financial assets at fair value through profit and loss	27.4	28.6
Interest on cash at bank	1.2	1.4
Other interest and similar income	3.1	3.0
Realised gains on investments	4.6	2.8
	36.3	35.8
Investment expenses and charges		
Investment management expenses including interest	(1.3)	(1.2)
Realised losses on investments	(6.9)	(4.9)
	(8.2)	(6.1)
Net unrealised gains on investments	26.3	30.0
Total investment return	54.4	59.7

11. Calendar year investment return

The average amount of syndicate funds available for investment and the calendar year investment return and yield were as follows:

	2020 \$m	2019 \$m
Average funds		
Investment return (net of expenses)	54.4	59.7
Calendar year investment return	4.0%	4.7%
Average funds available for investment by fund		
Sterling	142.1	135.0
United States Dollars	1,028.3	964.2
Canadian Dollars	201.7	172.6
Analysis of calendar year investment return by fund		
	%	%
Sterling	2.0	2.8
United States Dollars	4.2	5.2
Canadian Dollars	4.1	3.3

Average fund is the average of bank balances, overseas deposits and investments held at the end of each month during the calendar year. For this purpose, investments are revalued at month-end market prices, which include accrued income where appropriate.

12. Other expenses

Net foreign exchange losses of \$18.4m (2019: loss of \$6.9m) are included within other expenses in the non-technical account.

Notes to the Accounts for the year ended 31 December 2020

13. Financial instruments

	Cost \$m	2020 Market value \$m	Cost \$m	2019 (restated) Market value \$m
Shares and other variable yield securities at fair value through profit and loss	153.6	177.5	113.7	110.5
Debt securities and other fixed income securities at fair value through profit and loss	1,031.6	1,073.2	1,057.1	1,054.4
	1,185.2	1,250.7	1,170.8	1,164.9

Risk policies

Market risk

Interest rate risk

The most significant proportion of risk within the Syndicate's fixed income portfolio is interest rate risk, which increases as the duration of each portfolio gets longer. In order to manage this risk duration constraints are set, relative to a benchmark to provide downside protection for increases in interest rates with duration targets of minimum 2.5 years and maximum 3.5 years for each portfolio.

	Change in interest rates %	Impact on result \$m
31 December 2020	+1.0	(32.5)
	-1.0	24.9
31 December 2019	+1.0	(31.2)
	-1.0	26.9

Currency risk

The Syndicate writes a significant proportion of insurance business in currencies other than US Dollars, which gives rise to exposure to currency risk. The Managing Agent mitigates this through a policy of matching syndicate assets and liabilities by currency.

Liquidity risk

The Syndicate is subject to calls on cash resources, mainly in respect of claims on insurance business, on a daily basis. The Managing Agent operates and maintains a liquidity risk policy designed to ensure that syndicate cash is available to settle liabilities and other obligations when due without excessive cost to the business.

The expected payment profile of undiscounted liabilities is as follows:

	Maturity band (Years)				
	<1 \$m	1-3 \$m	3-5 \$m	>5 \$m	Total \$m
Other creditors	405.4	-	-	-	405.4
Claims outstanding	929.5	1,222.8	418.7	269.1	2,840.1
At 31 December 2020	1,334.9	1,222.8	418.7	269.1	3,245.5
Other creditors	414.9	-	-	-	414.9
Claims outstanding	872.5	1,147.7	386.6	238.5	2,645.3
At 31 December 2019	1,287.4	1,147.7	386.6	238.5	3,060.2

Notes to the Accounts for the year ended 31 December 2020

13. Financial instruments (continued)

Credit risk

The Syndicate holds the majority of its investments in investment grade securities and money market funds, managed by external portfolio managers. Investment managers may take credit risk as a tactical enhancement to fixed income returns when suitable opportunities arise within the risk budget set for each manager. Investment fund managers mitigate credit risk through diversification and by setting maximum limits for individual counterparties.

The assets bearing credit risk are summarised below, together with an analysis by credit rating:

	2020 \$m	2019 (restated) \$m
Debt securities	1,073.2	1,054.4
Cash at bank	41.8	30.1
Shares and other variable yield securities	177.5	110.5
Overseas deposits	154.1	136.2
Reinsurers' share of claims outstanding	1,190.6	1,107.3
	2,637.2	2,438.5
AAA	775.3	692.5
AA	478.0	501.9
A	1,174.5	1,056.7
BBB	126.6	126.2
BB or less	64.3	46.1
Not rated	18.5	15.1
Total assets bearing credit risk	2,637.2	2,438.5

Determination of fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been identified as follows:

- The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly (Level 2); and
- Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability (Level 3).

The following table presents the Syndicate's assets measured at fair value at 31 December 2020 and at 31 December 2019.

	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Shares and other variable yield securities and unit trusts	29.4	126.5	21.6	177.5
Debt securities and other fixed income securities	66.7	1,006.5	-	1,073.2
Overseas deposits	22.2	131.9	-	154.1
At 31 December 2020	118.3	1,264.9	21.6	1,404.8
Shares and other variable yield securities and unit trusts	106.5	-	4.0	110.5
Debt securities and other fixed income securities	71.3	980.8	2.3	1,054.4
Overseas deposits	20.5	115.7	-	136.2
At 31 December 2019 (restated)	198.3	1,096.5	6.3	1,301.1

Notes to the Accounts for the year ended 31 December 2020

13. Financial instruments (continued)

The majority of the Syndicate's investments are valued based on quoted market information or other observable market data. The Syndicate holds 1.7% (2019: 0.2%) of its net financial investments at a fair value based on estimates and recorded as Level 3 investments. Where estimates are used, these are based on a combination of independent third party evidence and internally developed models, calibrated to market observable data where possible. While such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions might result in a higher or lower fair value measurement, though this is unlikely to be significant.

14. Other debtors

	2020	2019
	\$m	\$m
Amounts due from Service Company	12.3	7.4
Amounts due from related group undertakings	0.5	-
Amounts due from Syndicate 1176	-	2.7
Other debtors	2.9	2.8
	15.7	12.9

Other debtors comprises amounts due from Syndicate 6130 and amounts due from Lloyd's.

15. Overseas deposits

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries. The funds are required in order to protect policyholders and enable the Syndicate to operate in those markets. The Syndicate has only restricted access to these funds and no influence over their investment.

16. Other assets

In 2019, other assets included a deposit asset arising on a ceded reinsurance transaction, which did not transfer significant reinsurance risk and was subject to deposit accounting. In 2020, this contract was cancelled and re-written with revised terms, resulting in a change in the accounting treatment. See Note 26 for further detail.

17. Member's balance

	2020	2019
	\$m	\$m
Member's balance at 1 January	(156.0)	(245.1)
(Loss)/profit for the financial year	(11.0)	101.5
Payments of profit to member's personal reserve funds	(41.0)	(16.8)
Movement in member's balance in respect of tax, member's agent's fees and other	0.3	4.4
Member's balance at 31 December	(207.7)	(156.0)

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 the year of account of their membership.

Notes to the Accounts for the year ended 31 December 2020

18. Technical reserves

	Provisions for unearned premiums \$m	Claims outstanding \$m	Deferred acquisition costs* \$m	Total \$m
Gross				
At 1 January 2020	647.8	2,645.3	(140.6)	3,152.5
Exchange differences	18.1	33.9	(3.0)	49.0
Claims paid in year	-	(668.6)	-	(668.6)
Movement in provision	112.4	829.5	(21.5)	920.4
At 31 December 2020	778.3	2,840.1	(165.1)	3,453.3
Reinsurance				
At 1 January 2020	197.7	1,107.3	(26.6)	1,278.4
Exchange differences	6.5	7.7	(4.2)	10.0
Contract replacement (Note 26)	-	95.7	-	95.7
Reinsurance recoveries in the year	-	(217.8)	-	(217.8)
Movement in provision	(1.4)	197.7	0.9	197.2
At 31 December 2020	202.8	1,190.6	(29.9)	1,363.5
Net technical provisions				
At 31 December 2020	575.5	1,649.5	(135.2)	2,089.8
At 31 December 2019	450.1	1,538.0	(114.0)	1,874.1

* Reinsurers' share of deferred acquisition cost is included in accruals and deferred income

2019 events

The Syndicate has exposure to a number of natural catastrophe events that occurred in 2019. The largest of these are typhoons Faxai and Hagibis and hurricane Dorian. The current estimated ultimate claims for these events are \$148.4m gross and \$64.8m net of reinsurance. After inwards and outwards reinstatement premiums this reduces to \$61.2m.

2020 events

The Syndicate has exposure to losses from emanating from the Covid-19 pandemic and the ensuing Global Economic Crisis. The current estimated ultimate claims are \$215.8m gross and \$129.0m net of reinsurance. After inwards and outwards reinstatement premiums this increases to \$131.0m.

The Syndicate also has exposure to a number of natural catastrophe events that occurred in 2020. The largest of these are hurricanes Laura and Zeta. The current estimated ultimate claims for these events are \$37.7m gross and \$29.2m net of reinsurance. After inwards and outwards reinstatement premiums this reduces to \$27.1m.

19. Sensitivity of insurance risk

The following table shows the impact of a 1% variation in the loss ratio on profit or loss and member's balance:

	2020	2019
Net loss ratio	64.7%	56.2%
Impact of 1% variation (\$m)	9.8	8.8

20. Claims outstanding

The development of insurance liabilities provides a measure of the Managing Agent's ability to estimate the ultimate value of claims.

Pure underwriting year	2010 and prior \$m	2011 \$m	2012 \$m	2013 \$m	2014 \$m	2015 \$m	2016 \$m	2017 \$m	2018 \$m	2019 \$m	2020 \$m	Total \$m
<i>Estimate of gross claims incurred</i>												
At end of underwriting year		507.8	384.4	442.5	601.3	372.9	310.0	670.9	552.8	508.1	515.7	
One year later		862.5	635.8	839.6	941.2	705.1	660.9	1,035.5	928.6	866.0		
Two years later		853.5	627.1	816.2	983.8	757.2	732.8	1,090.9	944.8			
Three years later		835.7	606.4	783.3	969.9	738.0	741.3	1,102.2				
Four years later		834.6	634.5	732.1	923.8	706.3	751.2					
Five years later		821.2	619.6	646.6	827.2	707.2						
Six years later		797.4	582.0	628.9	790.8							
Seven years later		744.0	577.5	637.5								
Eight years later		751.0	578.6									
Nine years later		745.1										
As at 31 December 2020	860.1	745.1	578.6	637.5	790.8	707.2	751.2	1,102.2	944.8	866.0	515.7	8,499.2
Less gross claims paid	756.8	700.6	540.1	564.4	627.3	546.5	486.5	681.4	453.1	251.3	51.1	5,659.1
Gross reserves	103.3	44.5	38.5	73.1	163.5	160.7	264.7	420.8	491.7	614.7	464.6	2,840.1

20. Claims outstanding (continued)

Pure underwriting year	2010 and prior \$m	2011 \$m	2012 \$m	2013 \$m	2014 \$m	2015 \$m	2016 \$m	2017 \$m	2018 \$m	2019 \$m	2020 \$m	Total \$m
<i>Estimate of net claims incurred</i>												
At end of underwriting year		412.9	305.9	351.9	451.8	240.6	224.2	305.3	286.5	279.1	401.7	
One year later		668.3	520.3	650.5	614.5	466.9	491.8	518.8	508.4	563.0		
Two years later		660.9	506.7	561.6	627.7	500.5	545.5	548.9	519.5			
Three years later		627.1	449.6	536.8	629.3	515.7	560.7	564.5				
Four years later		593.1	452.9	525.9	637.2	502.1	510.1					
Five years later		580.3	442.1	516.5	588.5	442.0						
Six years later		574.3	441.6	502.9	574.3							
Seven years later		567.5	440.2	498.0								
Eight years later		566.7	437.9									
Nine years later		563.5										
As at 31 December 2020	653.8	563.5	437.9	498.0	574.3	442.0	510.1	564.5	519.5	563.0	401.7	5,728.3
Less net claims paid	582.5	539.8	414.4	453.3	466.7	364.3	379.5	357.5	278.5	196.2	46.1	4,078.8
Net reserves	71.3	23.7	23.5	44.7	107.6	77.7	130.6	207.0	241.0	366.8	355.6	1,649.5

Gross and net claims incurred that are denominated in non-functional currency are converted to United States Dollar as of 31 December 2020, the most recent balance sheet date, for all years presented.

21. Other creditors including tax and social security

	2020 \$m	2019 \$m
Amounts due to Service Companies	1.0	2.5
Amounts due to Managing Agent	1.9	0.6
Taxation	0.1	1.7
Deposit accounting creditor	2.4	7.4
Investment proceeds creditor	0.3	3.7
	5.7	15.9

Deposit accounting creditor relates to liabilities established in connection with contracts which do not transfer significant insurance risk.

22. Related parties**a) The following are related party transactions with the Managing Agent, service company and the capital provider:**

Chaucer Syndicates Limited and Chaucer Underwriting Services Limited, wholly owned subsidiaries of China Reinsurance (Group) Corporation, act as Managing Agent and service company respectively for the Syndicate.

	2020 \$m	2019 \$m
Managing agency fees	14.4	10.5
Expenses recharged	97.8	79.3
Balance due to Chaucer Syndicates Limited at 31 December	1.9	0.6
Balance due from Chaucer Underwriting Services Limited at 31 December	12.9	5.7
Balance due from Syndicate 1176 at 31 December	-	2.7

Chaucer Corporate Capital (No. 3) Limited, a wholly owned subsidiary of China Reinsurance (Group) Corporation, supports the underwriting capacity of Syndicate 1084 as follows:

	Year of account		
	2020	2019	2018
Chaucer Corporate Capital (No. 3) Limited - GBP	1,000.0	789.0	770.0
Chaucer Corporate Capital (No. 3) Limited - USD (converted at 31 December 2020 exchange rates)	1,360.3	1,073.3	1,047.5

b) The following are related party transactions with Chaucer branches and other Chaucer group companies:

Chaucer Underwriting A/S, a wholly owned subsidiary of China Reinsurance (Group) Corporation, provides underwriting services to the Syndicate.

	2020 \$m	2019 \$m
Fees paid to Chaucer Underwriting A/S	1.0	2.0
Balance due (to)/from Chaucer Underwriting A/S at 31 December	(0.1)	0.5

22. Related parties (continued)

Chaucer Singapore PTE, a wholly owned subsidiary of China Reinsurance (Group) Corporation, provides underwriting services to the Syndicate.

	2020 \$m	2019 \$m
Fees paid to Chaucer Singapore PTE	2.3	3.8
Balance due (to)/from Chaucer Singapore PTE at 31 December	(0.8)	(1.0)

Chaucer Oslo AS, a wholly owned subsidiary of China Reinsurance (Group) Corporation, provides underwriting services to the Syndicate.

	2020 \$m	2019 \$m
Fees paid to Chaucer Oslo AS	0.1	0.2
Balance due from Chaucer Oslo AS at 31 December	-	0.1

Chaucer Labuan Limited, a wholly owned subsidiary of China Reinsurance (Group) Corporation, provides underwriting services to the Syndicate.

	2020 \$m	2019 \$m
Fees paid to Chaucer Labuan Limited	0.1	0.1
Balance due (to)/from Chaucer Labuan Limited at 31 December	(0.1)	(0.1)

Lonham Limited, a wholly owned subsidiary of China Reinsurance (Group) Corporation, provides underwriting services to the Syndicate.

	2020 \$m	2019 \$m
Fees paid to Lonham Limited	0.2	0.3
Balance due (to)/from Lonham Limited at 31 December	(0.1)	(0.1)

Sports, Leisure and Entertainment Limited (SLE), a wholly owned subsidiary of China Reinsurance (Group) Corporation, provides underwriting services to the Syndicate.

	2020 \$m	2019 \$m
Commissions paid to SLE	1.2	1.5
Balance due from SLE at 31 December	5.1	4.2

c) The following are related party transactions with the ultimate parent and its subsidiaries outside the Chaucer group of companies:

China Property & Casualty Reinsurance Company Limited, a wholly owned subsidiary of China Reinsurance (Group) Corporation, has entered into certain reinsurance policies with the Syndicate.

	2020 \$m	2018 \$m
Outwards reinsurance premium	11.3	0.5
Reinsurance claims recovery	2.7	2.6
Balance due (to)/from China Re at 31 December	(9.3)	2.1

22. Related Parties (continued)

China Property & Casualty Reinsurance Company Limited, a wholly owned subsidiary of China Reinsurance (Group) Corporation, has entered into a transaction with the Syndicate that does not meet the definition of a reinsurance contract and is considered an insurance contract held, and is therefore accounted for within other technical income and other technical charges.

	2020 \$m	2019 \$m
Other technical income	-	6.9
Other technical charges	3.2	5.0
Balance due from China Re at 31 December	-	6.9

Syndicates 1084 and 6130, both managed by Chaucer Syndicates Limited, have entered into three reinsurance contracts with each another. These transactions are subject to the Managing Agent's internal controls, which ensure that all are compliant with Lloyd's Related Party Byelaw provisions.

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 Lloyd's (FAL). These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's, based on Prudential Regulatory Authority requirements and resource criteria. FAL has regard to a number of factors, including the nature and amount of risk to be underwritten by the member and an 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 accounts by way of such capital resources. However, the Managing Agent is able to make a call on the member's FAL to meet liquidity requirements or to settle losses.

24. Capital

Capital framework at Lloyd's

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

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

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at syndicate level. Accordingly the capital requirement in respect of Syndicate 1084 is not disclosed in these annual accounts.

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.

24. Capital (continued)

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

Provision of capital by members

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

Accordingly all of the assets less liabilities of the Syndicate, as represented in the member's balance reported on the Statement of Financial Position on page 11, represent resources available to meet member's and Lloyd's capital requirements.

25. Immediate and Ultimate parent company of the Managing Agent

The Managing Agent's immediate parent company is Chaucer Capital Investments Limited.

The largest and smallest group of undertakings for which group financial statements are prepared, and in which the results of the Managing Agent are included, is China Reinsurance (Group) Corporation. The Company considers China Reinsurance (Group) Corporation to be its ultimate parent company. A copy of the most recent consolidated financial statements is available from the website of China Reinsurance (Group) Corporation (www.chinare.com/cn).

26. Contract replacement

A ceded reinsurance transaction which did not transfer significant reinsurance risk, and was subject to deposit accounting, was previously recognised in other assets. Effective 1 January 2020, the contract was cancelled and re-written with revised terms. This resulted in de-recognition of the deposit asset of \$95.7m, and the new contract being recognised as a reinsurance contract with a corresponding asset of \$102.7m, included in the reinsurers' share of technical provisions. The difference in asset values at replacement of \$7.0m has been reflected prospectively, as a cumulative true up in the current year claims incurred.

There has been no retrospective reversal of prior year income statement activity under the old contractual terms, and re-booking under the new contractual terms. The table below summarises the impact of the change on prior year income statement activity, had a retrospective adjustment been made:

	2019
	\$m
Outwards reinsurance premiums	72.9
Other technical income	23.8
Claims incurred, net of reinsurance	(95.7)
Net operating expenses	(1.0)
Total	-

27. Restatement of comparatives

In 2020, the loan to Lloyd's Central Fund to support Lloyd's Brussels Subsidiary was determined to be more appropriately reported within Shares and Other Variable Yield Securities in Note 13. Accordingly, the \$4.0m balance in 2019 comparatives has been restated within these 2020 Annual Accounts (previously reported as Loans to Credit Institutions), with a net nil impact to total assets. The comparative Statement of Cash Flows for the year ended 31 December 2019 has also been restated to correctly reclassify the balance of \$4.0m from Loans to Credit Institutions to Purchase of equity and debt instruments.

28. Subsequent events

Effective 1 January 2021, the Syndicate accepted the RITC of the liabilities of AXA Special Purpose Arrangement Syndicate 6130 for the 2018 Year of Account. Syndicate 6130 ceased underwriting quota-share reinsurance of the Syndicate's specialty risks in Africa from 1 January 2019, and as a Special Purpose Arrangement, was also managed by Chaucer Syndicates Limited, and only reinsured the Syndicate, as host. Syndicate 6130 itself, had entered into 3rd party reinsurance arrangement with AXA Global Re, rights to which are assigned to the Syndicate as part of the RITC transaction.

The RITC premium charged was \$22.5m, and the transaction resulted in the transfer to the Syndicate of gross and net technical provisions, including deferred acquisition costs, of \$40.4m and \$22.5m, respectively. Given Syndicate 6130 solely reinsured the Syndicate, a reinsurance recoverable of \$35.4m is included within the reinsurer's share of technical provisions within these annual accounts, as at 31 December 2020. As a result of the RITC, effective 1 January 2021, the Syndicate will de-recognise the \$35.4m recoverable from Syndicate 6130, recognise an additional \$5.0m in gross technical provisions, and recognise the assigned reinsurance recoverable asset rights from AXA Global Re of \$14.5m.

Related to the RITC transaction, the Syndicate has also purchased additional reinsurance protection from an AXA XL group company, effective 1st January 2021, to cover any movement in net technical provisions on African construction project risks assumed with the RITC. The premium paid for this reinsurance was \$1.4m.

Statement of Managing Agent's Responsibilities

The Managing Agent is responsible for preparing the Syndicate annual report and annual accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare syndicate annual accounts at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The annual accounts are required by law to give a true and fair view of the state of affairs of the Syndicate as at that date and of its profit or loss for that year.

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

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

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

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

Independent Auditors' Report To The Member Of Syndicate 1084

Report on the audit of the syndicate annual accounts

Opinion

In our opinion, 1084's syndicate annual accounts:

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2020 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have audited the syndicate annual accounts included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2020; the Statement of Comprehensive Income, the Statement of Cash Flows, and the Statement of Changes in Member's Balance for the year then ended; and the notes to the syndicate annual accounts, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and other applicable law. Our responsibilities under ISAs (UK) are further described in the *Auditors' responsibilities for the audit of the syndicate annual accounts* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

In auditing the syndicate annual accounts, we have concluded that the Managing Agent's use of the going concern basis of accounting in the preparation of the syndicate annual accounts is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the syndicate's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the syndicate annual accounts and our auditors' report thereon. The Managing Agent is responsible for the other information. Our opinion on the syndicate annual accounts does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the syndicate annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the syndicate annual accounts or a material misstatement

of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Managing Agent's Report, we also considered whether the disclosures required by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 have been included.

Based on our work undertaken in the course of the audit, The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires us also to report certain opinions and matters as described below.

Managing Agent's Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Managing Agent's Report for the year ended 31 December 2020 is consistent with the syndicate annual accounts and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we did not identify any material misstatements in the Managing Agent's Report.

Responsibilities for the syndicate annual accounts and the audit

Responsibilities of the Managing Agent for the syndicate annual accounts

As explained more fully in the Statement of Managing Agent's Responsibilities, the Managing Agent is responsible for the preparation of the syndicate annual accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Managing Agent is also 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.

In preparing the syndicate annual accounts, the Managing Agent is responsible for assessing the syndicate's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless it is intended for the syndicate to cease operations, or it has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the syndicate annual accounts

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these syndicate annual accounts.

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

Based on our understanding of the syndicate and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK and European regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and those regulations set by the Council of Lloyd's, and we considered the extent to which non-compliance might have a material effect on the syndicate annual accounts. We also considered those laws and regulations that have a direct impact on the syndicate annual accounts such as The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. We evaluated management's incentives and opportunities for fraudulent manipulation of the syndicate annual accounts (including the risk of override of controls), and determined that the principal risks were related to the risk of fraud in revenue recognition and management override of controls, including the potential for management bias in significant accounting estimates, particularly in relation to claims outstanding and estimated premium income. Audit procedures performed included:

- inspecting relevant meeting minutes, including those of the Board, Risk & Capital Committee and Audit Committee of the Managing Agent, and correspondence with regulatory authorities, including Lloyd's of London, Prudential Regulatory Authority and the Financial Conduct Authority;
- discussions with the Board, management, compliance function and internal audit function of the Managing Agent, including consideration of known or suspected instances of fraud and non-compliance with laws and regulations;
- evaluation and testing of the operating effectiveness of management's controls designed to prevent or detect misstatements in the Annual Accounts;
- testing and challenging where appropriate the assumptions and judgements made by management in their significant accounting estimates, particularly in relation to the estimation of claims outstanding and the estimation of estimated premium income;
- identifying and testing journal entries, particularly journal entries with unusual account combinations, posted to unusual accounts or posted by unexpected users; and
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the syndicate annual accounts. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the syndicate's member in accordance with part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Managing Agent in respect of the syndicate; or
- certain disclosures of Managing Agent remuneration specified by law are not made; or
- the syndicate annual accounts are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Deepti Vohra (Senior statutory auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
4 March 2021