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Antares Syndicate 1274

# Annual Report and Accounts

31 December 2021



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Syndicate Annual Report and Accounts

31 December 2021



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## Directors and Administration

### Managing Agent:

Antares Managing Agency Limited

### Directors

E H Gilmour\*\*

T A Clegg\*\*

M C Graham

R A Sutlow\*

H E Clarke\*\*

M G Finch

Ahmed El Tabbakh\*

A Craggs

M Van Der Straaten\*

J L Lye

M Rajoo-Oakley (appointed 25 March 2021)

H R McKinlay\*\* (appointed 1 October 2021)

R J Camp (appointed 9 December 2021)

\* Non-Executive Director

\*\* Independent Non-Executive Director

### Secretary

C L Sweeney

### Managing Agent's Registered Office

21 Lime Street

London, EC3M 7HB

### Managing Agent's Registered Number

6646629

### Syndicate 1274:

### Active Underwriter

J L Lye

### Bankers

Lloyds TSB Bank plc

25 Gresham Street

London, EC2V 7HN

### Registered Auditor

Ernst & Young LLP

25 Churchill Place

London, E14 5EY

## Managing Agent's Report

The Directors of Antares Managing Agency Limited ('the Managing Agent') present their Report for the year ended 31 December 2021.

### Directors

The names of the Directors who served during the year can be found in the Directors and Administration information on page 3.

### Directors' Interests

None of the Directors hold any interests in Antares Managing Agency Limited.

### The Managing Agent

The Managing Agent is Antares Managing Agency Limited (AMAL), whose registered office is 21 Lime Street, London, EC3M 7HB and registered number is 6646629.

### Results and Review of the Business

Syndicate 1274 is a provider of global insurance and reinsurance products. The Syndicate is fully aligned with 100% of its capacity provided by Qatar Insurance Company QSPC ("QIC" formerly Qatar Insurance Company SAQ), a publicly listed composite insurer listed on the Qatar Exchange.

QIC Global Services Limited ("QGSL") provides insurance services to the Syndicate under an outsourcing agreement with AMAL.

In line with QIC's objective and strategy, the objective of the Syndicate is to contribute to profitable growth. The Syndicate provides a worldwide, diversified, range of insurance and reinsurance products and is dedicated to providing an efficient and effective service to its clients ensuring quality, security, continuity and a consistent approach to risk transfer.

\$000	2021	2020
Gross Premium Written	542,403	573,339
Net Premium Earned	457,158	500,083
Net Claims Incurred	(302,478)	(390,722)
Net Commission	(109,678)	(120,068)
<b>Net Underwriting Result</b>	<b>45,002</b>	<b>(10,707)</b>
Operating Expenses	(44,006)	(42,964)
Net Foreign Exchange	463	836
Investment Return	(581)	35,900
<b>Net Profit/(loss)</b>	<b>878</b>	<b>(16,935)</b>
<b>Ratios:</b>		
Claims Ratio	66.16%	78.13%
Commission Ratio	23.99%	24.01%
Expense Ratio	9.63%	8.59%
<b>Combined Ratio</b>	<b>99.78%</b>	<b>110.73%</b>

In 2021, the Syndicate made a profit of of \$0.9m (2020: \$16.9m loss).

At 100% (2020: 111%), the combined ratio has been impacted negatively by the strengthening of the prior year reserves on the older years of account, partially offset by releases in the more recent years.

### Premiums

The whole account reduced by 5% to \$542m (2020: \$573m) following the strategic decision to withdraw from Property D&F, Aviation and Agriculture lines of business.

The reduction was partially offset by improved market conditions with an overall rating increase of 11%.

### Claims

Net claims incurred of \$302m (2020: \$391m) were better than prior year, with the Claims Ratio decreasing from 78% to 66%.

COVID-19 impacted the prior year by \$29m adding 6% to the combined ratio. It was also another active year for natural catastrophes with Hurricane Ida, Windstorm Uri and the German Floods in particular impacting the Syndicate.

Moreover, the Syndicate was required to strengthen its 2018 and prior year of account reserves primarily in its Professional Indemnity, Management & Transactional Liability, Contractors liability and Hull classes.

### Commissions

The Syndicate continued to carefully manage commissions and its active focus succeeded in maintaining the ratio at 24% (2020: 24%).

### Expenses

Operating expenses increased to \$44.0m (2020: \$43.0m) and the expense ratio followed at 10% (2020 9%) driven primarily by changes in exchange rate.

### Investments

Overall, investments contributed a loss of (\$0.6m) to the result (2020 \$35.9m profit), representing a -0.1% return (2020: 5.1%).

Positive investment income from the Coupon payments on the bond portfolio was largely offset by the decline in bond prices over the same period. Underlying risk-free yields moved higher in developed markets over 2021 in the context of a rebound in global economic growth and rising inflation.

Rising interest rates and yield curves decreased the value of the bonds held over the year. Investment income was supplemented by positive returns on the alternative fund investments in what was a strong year for riskier asset classes.

### Financial Instruments

Details of financial instruments are provided in Note 20 to the accounts.

## Managing Agent's Report (continued)

### Going Concern

In assessing going concern for the Syndicate, Lloyd's approved the 2022 year of account Syndicate Business Forecasts and the Syndicate continues to underwrite in 2022. The Directors reviewed the budgets and forecasts as well as the available sources of capital and the uses of that capital and associated cash flow for the Syndicate. After consideration of these factors, the Directors have concluded that it is appropriate to adopt the going concern basis of accounting.

### Events after the Reporting Period and Future Developments

There are no events that are material to the operations of the Syndicate that have occurred since the reporting date other than those disclosed in Note 22.

### Principal Risk and Uncertainties

The Syndicate's activities expose the business to a number of risks which have the potential to affect the achievement of the business objectives. The Board of the Managing Agency (the AMAL Board) is responsible for maintaining an appropriate structure for managing these risks and acknowledges that it is not possible to eliminate risk(s) entirely. However, the AMAL Board seeks to manage risk in line with risk appetite by maintaining effective systems and controls.

### Risk Categories

The Syndicate is exposed to risk in the following categories:

**Underwriting Risk** is defined as the risk that the frequency and severity of insured events exceeds the expectations of Syndicate 1274 at the time of underwriting.

**Reserving Risk** is defined as the risk of loss due to the previously established reserves for claims reported on previously exposed business turning out to be incorrect in terms of quantum or timing.

**Claims Management Risk** is the risk of loss or regulatory breach due to inappropriate claim management process and/or inadequate governance.

**Credit Risk** is defined as the risk of loss due to counterparty default or failure to fulfil their obligations. This is the risk of loss or of adverse change in AMAL's financial position, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which AMAL is exposed, in the form of counterparty default risk, spread risk, or market risk concentrations.

**Market Risk** is defined as the risk of loss, or of adverse change in the financial situation, resulting directly or indirectly from fluctuations in the volatility of market prices of assets, liabilities and financial instruments. It is the risk that the value of AMAL's

basic own funds changes unfavourably, due to economic factors such as variations in interest rates.

**Liquidity Risk** is defined as the risk of loss, or inability to realise investments and other assets, in order to settle financial obligations when they fall due.

**Operational Risk** is defined as the risk of loss arising from inadequate or failed internal processes, people, and systems or from external events impacting AMAL's ability to operate. This risk encompasses all functions rendered in the course of conducting business. This includes legal and regulatory risk, but excludes risks arising from strategic and reputational risk.

**Strategic Risk** is defined as the risk to earnings or capital arising from adverse business decisions or improper implementation of those decisions. This risk is a function of the compatibility between AMAL's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, the quality of implementation and appropriateness of response to changing business conditions. This includes reputational risk that is recognised as a by-product of inappropriate and/or inadequate management and mitigation of other risk categories.

**Regulatory Risk** is the risk that the Managing Agency fails to meet the regulatory requirements of the Financial Conduct Authority, the Prudential Regulation Authority and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. Antares Managing Agency Limited has a Compliance department that monitors regulatory developments and assesses the impact on Agency policy.

**Covid-19 Risk** is defined as the risk to the Syndicate from the Covid-19 pandemic as disclosed in note 20.

AMAL recognises **reputational risk** as a by-product of inappropriate/inadequate management and mitigation of all other risk categories.

**Group Risk** is the possibility that the operation of one part of the Group adversely affects another. Group risk includes: negative publicity; inadequate communication within the organisation; undue influence from fellow subsidiaries; holding companies or stakeholders; financial pressures to make funds available to the Group; and financial restraint leading to shortcomings in core activities. The overall strategy is to minimise Group risk by ensuring that there are clear lines of authority and communication between related parties, and that any intra-Group agreements are formed objectively and clearly understood by all parties.

## Managing Agent's Report (continued)

### Climate Change Risk

Climate Change, and the response to climate change is an evolving risk area which has potential to impact AMAL along with the wider insurance industry. This risk could impact not only the physical environment, but also the liability environments in which we operate. There may also potential transition risks arising from the transition to low carbon economy. Such impacts could be short or long term in nature, and potentially affect our other key risk types described above.

AMAL has a process to monitor the risks arising from climate change on an ongoing basis. This includes the monitoring of qualitative and quantitative considerations across the business (including the utilisation of scenario testing where feasible) Climate change risks are considered as part of our wider ongoing risk management processes, as is the case for the other potential risks impacting the organisation. We continue to monitor developments in this space, including regulatory expectations in this area.

### Risk Governance

The AMAL Board is ultimately responsible for ensuring the effective management and control of risk affecting the Syndicate. The AMAL Board is committed to maintaining sound risk management and control systems that are suitable, effective and proportionate to protect the interests of all stakeholders. The AMAL Board has, for practical reasons, delegated its day-to-day responsibility for different aspects of the risk management to committees and the senior management.

Refer to Note 20 – Risk Management for more information on how the Syndicate 1274 monitors, controls, mitigates and manages the risks described above.

### 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.

By order of the Board

.....  
C L Sweeney

Company Secretary

4 March 2022



## 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 Auditor's Report to the Members of Syndicate 1274

## Opinion

We have audited the syndicate annual accounts of syndicate 1274 ('the syndicate') for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Members' Balances, the Statement of Cash Flows and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

- give a true and fair view of the syndicate's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the syndicate annual accounts section of our report. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

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.

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 to adopt the going concern basis of accounting for a period of at least twelve months from when the syndicate annual accounts are authorised for issue.

Our responsibilities and the responsibilities of the managing agent with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the syndicate's ability to continue as a going concern.

## Other information

The other information comprises the information included in the annual report set out on pages 3 to 7, other than the syndicate annual accounts and our auditor's report thereon. The directors of the managing agent is responsible for the other information contained within the annual report.

Our opinion on the syndicate annual accounts does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

## **Independent Auditor's Report to the Members of Syndicate 1274 (continued)**

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

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

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

### **Matters on which we are required to report by exception**

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

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

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual accounts are not in agreement with the accounting records; or
- certain disclosures of the managing agents' emoluments specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of the managing agent**

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 7, the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the 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 in operation, disclosing as applicable, matters related to its ability to continue in operation and using the going concern basis of accounting unless the managing agent either intends to cease to operate the syndicate, or has no realistic alternative but to do so.

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

### ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the managing agent and management.

## **Independent Auditor's Report to the Members of Syndicate 1274 (continued)**

Our approach was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the syndicate and determined that the most significant are direct laws and regulations, related to elements of Lloyd's Byelaws and Regulations, and the financial reporting framework (UK GAAP), and requirements referred to by Lloyd's in the instructions. Our considerations of other laws and regulations that may have a material effect on the syndicate annual accounts included permissions and supervisory requirements of Lloyd's of London, the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- We obtained a general understanding of how the syndicate is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the syndicate. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the syndicate, Lloyd's of London and other UK regulatory bodies; reviewed minutes of the Board and Risk Committee of the managing agent; and gained an understanding of the managing agent's approach to governance.
- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related syndicate annual accounts' items.
- For both direct and other laws and regulations, our procedures involved: making enquiry of the directors of the managing agent and senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the managing agent's methods of enforcing and monitoring compliance with such policies, inspecting significant correspondence with Lloyd's, the FCA and the PRA.
- The syndicate operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.
- We assessed the susceptibility of the syndicate's annual accounts to material misstatement, including how fraud might occur by considering the controls that the managing agent has established to address risks identified by the managing agent, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, including complex transactions, performance targets, economic or external pressures and their potential to influence management to manage earnings or influence the perceptions of stakeholders. The fraud risk was considered to be higher within the valuation of gross incurred but not reported (IBNR) reserves and estimated premium income.

Our audit procedures included:

- Reviewing accounting estimates for evidence of management bias. Supported by our Actuaries we assessed if there were any indicators of management bias in the valuation of gross IBNR reserves and the recognition of estimated premium income.
- Evaluating the business rationale for significant and/or unusual transactions.
- Testing the appropriateness of journal entries recorded in the general ledger, particularly in respect of judgemental areas including gross IBNR reserves and estimated premium income.

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

# **Independent Auditor's Report to the Members of Syndicate 1274 (continued)**

## **Use of our report**

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

Ed Jervis (Senior statutory auditor)  
For and on behalf of Ernst & Young LLP, Statutory Auditor  
London

5 March 2022

## Statement of Comprehensive Income

For the year ended 31 December 2021

		2021	2020
Technical Account – General Business	Notes	\$000	\$000
<b>Earned Premium, Net of Reinsurance</b>			
Gross Premium Written	4	542,403	573,339
Outward Reinsurance Premium		(91,994)	(94,036)
<b>Net Premiums Written</b>		<b>450,409</b>	<b>479,303</b>
Change in the Provision for Unearned Premium			
Gross Amount		11,183	31,776
Reinsurers' Share		(4,434)	(10,996)
<b>Net Change in Provision for Unearned Premium</b>		<b>6,749</b>	<b>20,780</b>
<b>Earned Premiums, Net of Reinsurance</b>		<b>457,158</b>	<b>500,083</b>
<b>Allocated Investment Return Transferred from the Non-Technical Account</b>		<b>(581)</b>	<b>35,900</b>
Claims Incurred, Net of Reinsurance			
Claims Paid			
Gross Amount		(328,376)	(382,474)
Reinsurers' Share		71,141	86,827
<b>Net Claims Paid</b>		<b>(257,235)</b>	<b>(295,647)</b>
Change in the Provision for Claims			
Gross Amount		(9,957)	(48,935)
Reinsurers' Share		(35,286)	(46,140)
<b>Net Change in the Provision for Claims</b>	5	<b>(45,243)</b>	<b>(95,075)</b>
<b>Claims Incurred, Net of Reinsurance</b>		<b>(302,478)</b>	<b>(390,722)</b>
<b>Net Operating Expenses</b>	6	<b>(153,684)</b>	<b>(163,032)</b>
<b>Balance on the Technical Account – General Business</b>		<b>415</b>	<b>(17,771)</b>

All the amounts above are in respect of continuing operations.

## Statement of Comprehensive Income

For the year ended 31 December 2021

		<b>2021</b>	<b>2020</b>
<b>Non - Technical Account</b>	Notes	\$000	\$000
Balance on General Business Account		415	(17,771)
Investment Income	10	19,600	21,630
Unrealised Losses/(gains)	10	(18,777)	15,605
Investment Expenses and Charges	10	(1,404)	(1,335)
Allocated Investment Return Transferred to General Business Technical Account		581	(35,900)
Exchange Gains		463	836
<b>Profit/(loss) for the Financial Year</b>		<b>878</b>	<b>(16,935)</b>

The Syndicate has no other comprehensive income other than the profit for the year.

## Statement of Financial Position - Assets

at 31 December 2021

		2021	2020
	Notes	\$000	\$000
<b>Investments</b>			
Financial Investments	9	728,347	627,847
Deposits with Ceding Undertakings		6,847	3,211
<b>Reinsurers' Share of Technical Provisions</b>			
Provision for Unearned Premiums	15	38,152	43,133
Claims Outstanding	15	230,131	267,038
		<b>268,283</b>	<b>310,171</b>
<b>Debtors</b>			
Debtors Arising out of Direct Insurance Operations	12	196,069	233,407
Debtors Arising out of Reinsurance Operations		112,257	109,601
Other Debtors		186	22,475
		<b>308,512</b>	<b>365,483</b>
<b>Other Assets</b>			
Cash at bank and in hand	13	85,076	40,220
Overseas Deposits	14	65,355	62,428
<b>Prepayments and Accrued Income</b>			
Other Prepayments and Accrued Income		2,915	3,208
Deferred Acquisition Costs	16	62,817	65,680
		<b>65,732</b>	<b>68,888</b>
<b>Total Assets</b>		<b>1,528,152</b>	<b>1,478,248</b>



**Statement of Financial Position – Liabilities**

at 31 December 2021

		2021	2020
	Notes	\$000	\$000
<b>Capital and Reserves</b>			
Members' Balances		11,025	(51,004)
<b>Technical Provisions</b>			
Provision for Unearned Premiums	15	254,788	270,045
Claims Outstanding	15	1,075,050	1,078,396
		<b>1,329,838</b>	<b>1,348,441</b>
Deposits Received from Reinsurers		1,422	1,584
<b>Creditors</b>			
Creditors Arising out of Direct Insurance Operations	17	47,060	47,655
Creditors Arising out of Reinsurance Operations		108,493	107,598
Other Creditors		22,752	15,243
		<b>178,305</b>	<b>170,496</b>
Accruals and deferred income		7,562	8,731
<b>Total Liabilities</b>		<b>1,528,152</b>	<b>1,478,248</b>

The annual accounts on pages 12 to 43 were approved by the Board of Antares Managing Agency Limited on 23 February 2022 and signed on its behalf by:

M G Finch  
Finance Director

4 March 2022

## Statement of Changes in Members' Balances

Year ended 31 December 2021

	2021	2020
	\$000	\$000
Members' Balances Carried Forward at 1 January	(51,004)	(36,128)
Settlement of Year of Account Loss	61,151	2,059
Financial Year Profit/(loss)	878	(16,935)
<b>Members' Balances Carried Forward at 31 December</b>	<b>11,025</b>	<b>(51,004)</b>

Members participate on syndicates by reference to Years of Account and their forecast ultimate result; assets and liabilities are assessed with reference to policies incepting in that Year of Account in respect of their membership of a particular year.

## Statement of Cash Flows

### at 31 December 2021

	2021	2020
Notes	\$000	\$000
<b>Operating Result</b>	<b>878</b>	<b>(16,935)</b>
<i>Adjustments for non-cash items</i>		
Unrealised gains/losses on investments	18,777	(15,605)
<i>Changes in working capital</i>		
(Decrease)/increase in gross technical provisions	(1,226)	17,158
Decrease in reinsurers' share of gross technical provisions	39,720	57,137
Decrease/(increase) in debtors	52,907	(24,261)
Increase/(decrease) in creditors	8,230	12,491
Movement in other assets/liabilities	(6,398)	(9,590)
Investment return	(18,196)	(20,295)
<b>Net cash flows from operating activities</b>	<b>94,692</b>	<b>100</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equity and debt instruments	(497,475)	(376,919)
Sale of equity and debt instruments	380,905	376,339
Purchase of derivatives	(34,558)	(3,030)
Sale of derivatives	33,878	5,662
Investment income received	19,599	21,630
Other	(4,732)	(1,336)
<b>Net cash flows from investing activities</b>	<b>(102,383)</b>	<b>22,346</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Profit distribution	61,151	2,059
<b>Net cash flows from financing activities</b>	<b>61,151</b>	<b>2,059</b>
Cash and cash equivalents at beginning of year	47,020	23,103
Effect of exchange rate fluctuations on cash and cash equivalents	(906)	(588)
<b>Cash and cash equivalents at end of year</b>	<b>99,574</b>	<b>47,020</b>
Cash at bank and in hand	85,076	40,220
Short term deposits with credit institutions	14,498	6,800
<b>Cash and cash equivalents at end of year</b>	<b>99,574</b>	<b>47,020</b>
13		

# Notes to the Annual Accounts

at 31 December 2021

## 1. Managing Agent and Syndicate Information

The Managing Agent of Syndicate 1274 is Antares Managing Agency Limited (“AMAL”), whose registered office is 21 Lime Street, London, EC3M 7HB and registered number is 6646629. AMAL is a wholly owned subsidiary of Qatar Insurance Company QSCP (“QIC”), an insurance group listed on the Qatar Exchange.

The principal activity of Syndicate 1274 is the transaction of general insurance and reinsurance business in the London Market.

## 2. Basis of Preparation

The accounts for the year ended 31 December 2021 were approved by the Antares Managing Agency Board of directors on 23 February 2022.

These annual accounts have been prepared in accordance with The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008, and applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (“FRS 102”) and Financial Reporting Standard 103 Insurance Contracts (“FRS103”) and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

The annual accounts have been prepared on a going concern basis and a historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below. The Syndicate presents its annual accounts as an individual undertaking and not about its group.

Previously cash and cash equivalents were shown together on the face of the balance sheet. Cash equivalents have now been disclosed as investments and the remaining cash at bank separately disclosed in accordance with schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) regulations 2008.

The Syndicate’s functional currency and presentational currency is US Dollars and the level of rounding used is the nearest thousand.

## 3. Accounting Policies

### (a) Premiums written

Premiums written comprise premiums on contracts inception 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. Premiums include estimates for pipeline premiums, representing amounts due to the Syndicate not yet notified.

### (b) Unearned premiums

Written premiums are recognised as earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year 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.

### (c) Reinsurance premium ceded

Outwards reinsurance premiums are earned according to the type of policy. For losses occurring during (LOD) contracts the premium is earned on a straight line basis over the period of coverage. For risks attaching during (RAD) contracts the premium is earned in line with the gross premiums earned to which the risks attaching contract relates.

## Notes to the Annual Accounts at 31 December 2021

### **(d) Significant accounting judgements, estimates and assumptions**

The preparation of financial statements in conformity with FRS 102 and 103 requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the year. The estimates and associated assumptions are based on historical experience and other factors as deemed reasonable and appropriate. The results of these factors allow judgements to be made in respect of the carrying values of assets and liabilities that are not readily apparent from other sources. The nature of estimation means that actual outcomes could differ from those estimates. Uncertainties exist where current valuations are dependent on estimates of future results.

The Syndicate's areas of estimation primarily relate to premium estimates, valuation of liabilities in respect of insurance and reinsurance contracts and valuation of investments.

The estimates and assumptions are reviewed on an ongoing basis. To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of equity, it shall be recognised by adjusting the carrying amount of the related assets, liability or equity item in the period of change.

### **(d) (i) Premium estimates**

In the syndicate, the majority of the estimation arises within the binder and lineslip estimates where the premium amounts are dependent on the volume of policies that are insured under the binder / lineslip over the coverage period. In these cases underwriters estimate an initial premium volume and then adjust throughout the life of the binder / lineslip as and when new information becomes available. The process of determining the EPI is based on a number of factors, which can include:

- coverholder business plan documents supplied prior to binding;
- historical trends of business written;
- current and expected market conditions for this line of business; and
- life to date bordereaux submissions versus expectation.

As the year of account matures, the premium estimates are moved to ultimate premium. At a class of business level, ultimate premium is the total premium expected for all business. For older year of account, this estimation is based on statistical methods, where historical patterns comparing the booked premium against the ultimate over time are used to project the ultimate for those years believed to not yet be fully booked. For the middle year of account, the ultimate premium estimates are based on the combination of statistical methods for the lines of business that are more than 70% developed while others on underwriter information provided, with validations performed by internal actuaries using the statistical methods and by way of discussion with the underwriting teams for each class of business. For those classes of business where inwards reinstatement premiums are likely to be material to the ultimate premium estimate, these are explicitly modelled as a function of the ultimate claims for a year of account. Reinsurance premiums are estimated by reinsurance type: proportional and non-proportional.

### **(d) (ii) 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.

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

## Notes to the Annual Accounts at 31 December 2021

### (d) (ii) Claims provisions and related recoveries (cont'd)

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 regarding claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

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

### (d) (iii) Financial investments

The Syndicate classifies its investments as financial assets measured at fair value through profit or loss.

The Syndicate investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value at each reporting date. Fair value adjustments and realised gains and loss are recognised in the Income Statement.

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Refer to Note 20 Risk Management for details on the Fair Value Hierarchy and fair value measurement criteria.

The Syndicate measures the fair value of its financial assets based on market data from independent pricing services. The pricing services used obtain the actual transaction prices for securities that have quoted prices in active markets. For those securities which are not actively traded, the pricing services use common market valuation pricing models. Observable inputs used in common market valuation pricing models include, but are not limited to, broker quotes, credit ratings, interest rates and yield curves, prepayment speeds, default rates and other such inputs which are available from market sources.

### Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of the derivatives are recognised in profit or loss in finance costs as appropriate. The syndicate does not apply hedge accounting.

### (e) 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.

## Notes to the Annual Accounts at 31 December 2021

### (f) Deferred Acquisition Costs

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at year end.

### (g) Financial Assets/Liabilities

All financial assets/liabilities are recognised initially at fair value.

### (h) Foreign Currencies

The Syndicate's functional currency and presentational currency is US Dollars.

Foreign currency transactions are recorded in the functional currency using the exchange rates prevailing at the date of the transactions, or at the average rate for the period when this is a reasonable approximation. Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisition costs) denominated in foreign currencies are translated at period end exchange rates. Non-monetary assets and liabilities carried at historical cost denominated in a foreign currency are translated at historic rates. Non-monetary assets and liabilities carried at estimated fair value denominated in a foreign currency are translated at the exchange rate at the date the estimated fair value was determined.

Exchange differences are recorded in the non-technical account.

### (i) 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 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.

### (j) 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' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate are included in the balance sheet under the heading "other debtors".

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

### (k) Pension Costs

QIC Global Services Limited operates a defined contribution scheme for staff working on behalf of Antares Syndicate 1274. Pension contributions relating to these members of staff are charged to the Syndicate and included within net operating expenses. QIC Global Services Limited is a wholly owned subsidiary within QIC Global.

## Notes to the Annual Accounts

### at 31 December 2021

#### 4. Segmental Analysis

An analysis of the underwriting result before investment return for 2021 and 2020 is set out below:

<b>2021</b>	Gross Written Premiums \$000	Gross Premiums Earned \$000	Gross Claims Incurred \$000	Gross Operating Expenses \$000	Reinsurance Balance \$000	Total \$000	Net Technical Provisions \$000
Marine, Aviation and Transport	199,597	202,361	(94,615)	(58,276)	(12,827)	36,643	(329,890)
Reinsurance	92,377	102,690	(59,188)	(27,470)	(19,189)	(3,157)	(184,938)
Specialty	252,847	235,989	(171,952)	(64,194)	(24,754)	(24,911)	(509,756)
Property	559	12,549	(24,095)	(3,147)	7,720	(6,973)	(35,070)
Motor	(2,977)	(3)	11,517	(597)	(11,523)	(606)	(1,901)
	<b>542,403</b>	<b>553,586</b>	<b>(338,333)</b>	<b>(153,684)</b>	<b>(60,573)</b>	<b>996</b>	<b>(1,061,555)</b>

  

<b>2020</b>	Gross Written Premiums \$000	Gross Premiums Earned \$000	Gross Claims Incurred \$000	Gross Operating Expenses \$000	Reinsurance Balance \$000	Total \$000	Net Technical Provisions \$000
Marine, Aviation and Transport	234,551	236,288	(127,065)	(71,966)	(9,181)	28,076	(337,049)
Reinsurance	98,889	98,585	(51,718)	(19,746)	(16,445)	10,676	(181,490)
Specialty	208,937	224,694	(201,272)	(59,114)	(22,229)	(57,921)	(427,969)
Property	24,269	37,198	(78,512)	(11,416)	18,045	(34,685)	(60,139)
Motor	6,693	8,350	27,158	(790)	(34,535)	183	(31,623)
	<b>573,339</b>	<b>605,115</b>	<b>(431,409)</b>	<b>(163,032)</b>	<b>(64,345)</b>	<b>(53,671)</b>	<b>(1,038,270)</b>

The above segmental analysis is broken down into the divisional structure by which management views the business. For the purpose of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations, the Specialty division consists of Third Party Liability insurance.

Commissions on direct insurance gross premiums earned were \$100,686,042 during 2021 and \$113,821,540 during 2020.

Gross Operating Expenses include reinsurance commission's receivable.

All premium transactions were concluded in the UK, Singapore and China.



## Notes to the Annual Accounts

### at 31 December 2021

#### 4. Segmental Analysis (continued)

The geographical analysis of premiums by destination (or by situs of the risk) is as follows:

	<b>2021</b>	<b>2020</b>
	\$000	\$000
UK	205,577	159,418
Other EU Countries	47,088	45,254
US	138,452	169,775
Central & South America	13,577	19,204
Japan	9,515	10,106
Australia	24,801	22,631
Other	103,393	146,951
<b>Total</b>	<b>542,403</b>	<b>573,339</b>

#### 5. Change in Net Provision for Claims

The change in net provision for claims is made up of the following:

	<b>2021</b>	<b>2020</b>
	\$000	\$000
Outstanding Claims	35,941	15,828
Claims Incurred but not Reported	8,738	78,126
Claims Handling Expenses Provision	564	1,121
<b>Change in Net Provision for Claims</b>	<b>45,243</b>	<b>95,075</b>

The movement in the net provision for claims includes a deterioration of (\$13,653,294) in respect of claims outstanding at the previous year end (2020: deterioration \$53,039,944). The deterioration comprises net claims including the change in claims incurred but not reported ('IBNR')

## Notes to the Annual Accounts at 31 December 2021

### 6. Net Operating Expenses

	<b>2021</b>	<b>2020</b>
	\$000	\$000
Acquisition costs	130,716	123,607
Change in deferred acquisition costs	(6,203)	1,173
Acquisition costs – other	4,106	7,874
Administrative expenses	37,778	32,952
	<b>166,397</b>	<b>165,606</b>
Reinsurance commissions receivable	(12,713)	(2,574)
<b>Net operating expenses</b>	<b>153,684</b>	<b>163,032</b>

#### Administrative Expenses Include:

	<b>2021</b>	<b>2020</b>
	\$000	\$000
Auditors' Remuneration		
Audit of the Syndicate Annual Accounts	349	311
Audit related services	175	170
Members' Standard Personal Expenses (Lloyd's Subscription, New Central Fund Contributions, Managing Agent's Fees and Profit Commission)	4,713	4,229

### 7. Staff Costs

The Syndicate and its Managing Agent have no employees. QIC Global Services Limited (the Service Company) hired employees and recharged the cost to the managing agent who in turn recharges to the syndicate. The following amounts were recharged to the Syndicate in respect of salary and related costs:

	<b>2021</b>	<b>2020</b>
	\$000	\$000
Wages and Salaries	18,552	12,239
Social Security Costs	2,273	2,621
Other Pension Costs	1,356	2,288
Other Staff Costs including Recruitment, Training and Medical Insurance	1,792	5,782
	<b>23,973</b>	<b>22,930</b>

## Notes to the Annual Accounts

### at 31 December 2021

#### 8. Emoluments of the Directors of Antares Managing Agency Limited

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

	2021	2020
	\$000	\$000
<b>Total Emoluments</b>	<b>2,759</b>	<b>2,095</b>

The active underwriter received the following remuneration charged as a syndicate expense:

	2021	2020
	\$000	\$000
<b>Total Emoluments</b>	<b>370</b>	<b>446</b>

No advances or credits were granted by the Managing Agent to any of its Directors during the year.

#### 9. Financial Investments

	Market Value		Cost	
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
Shares and Other Variable Yield Securities and Units in Unit Trusts	39,679	36,035	36,162	34,447
Debt Securities and other Fixed Income Securities	616,861	533,488	613,691	510,076
Derivatives	-	1,563	-	1,563
Participation in Investment Pools	71,807	56,761	74,138	56,654
	<b>728,347</b>	<b>627,847</b>	<b>723,991</b>	<b>602,740</b>

## Notes to the Annual Accounts at 31 December 2021

### 10. Investment Income and Expenses

	2021	2020
	\$000	\$000
<b>Investment Income</b>		
Income from Investments	16,231	15,959
Realised Gains on Investments	3,369	5,671
Unrealised Gains/Losses on Investments	(18,777)	15,605
	<b>823</b>	<b>37,235</b>
<b>Investment Expenses and Charges</b>		
Investment Management Expenses	(1,404)	(1,335)

### 11. Calendar Year Investment Yield

The average amount of syndicate funds available for investment during 2021 and the investment return and yield for that calendar year was as follows:

	2021	2020
	\$000	\$000
Average Fund	803,855	698,897
Investment Return	823	37,235
Calendar Year Investment Yield	(0.1%)	5.3%
<b>Average Funds Available for Investment by Currency</b>		
United States Dollars and Other	\$641,217	\$548,965
Sterling	£51,794	£57,360
Canadian Dollars	C\$61,558	C\$53,415
<b>Analysis of Calendar Year Investment Yield by Fund</b>		
	%	%
United States Dollars and Other	0.3	6.0
Sterling	(1.3)	3.9
Canadian Dollars	0.0	3.5

“Average fund” is the average of bank balances, overseas deposits and investments held during the calendar year.

## Notes to the Annual Accounts

### at 31 December 2021

#### 12. Debtors Arising out of Direct Insurance Operations

	2021	2020
	\$000	\$000
<b>Due from Intermediaries</b>	<b>196,069</b>	<b>233,407</b>

There were no balances due from policyholders arising out of direct insurance operations as at 31 December 2021 (2020: \$nil).

#### 13. Cash and Cash Equivalents

	2021	2020
	\$000	\$000
Cash at bank and in hand	85,076	40,220
Short term deposits with credit institutions	14,498	6,800
	<b>99,574</b>	<b>47,020</b>

#### 14. Overseas Deposits

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries. These assets are managed by Lloyd's on a pooled basis and are predominantly invested in fixed income securities.

#### 15. Insurance Contracts and Reinsurance Contracts

	2021			2020		
	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net
	\$000	\$000	\$000	\$000	\$000	\$000
Claims Outstanding	1,075,050	230,131	844,919	1,078,396	267,038	811,358
Provision for Unearned Premiums	254,788	38,152	216,636	270,045	43,133	226,912
	<b>1,329,838</b>	<b>268,283</b>	<b>1,061,555</b>	<b>1,348,441</b>	<b>310,171</b>	<b>1,038,270</b>
Contracts due no more than 12 months after the reporting date	353,340	58,162	295,178	405,637	73,410	332,227
Contracts due more than 12 months after the reporting date	976,498	210,121	766,377	942,804	236,761	706,043
	<b>1,329,838</b>	<b>268,283</b>	<b>1,061,555</b>	<b>1,348,441</b>	<b>310,171</b>	<b>1,038,270</b>

## Notes to the Annual Accounts

### at 31 December 2021

#### 15. Insurance Contracts and Reinsurance Contracts (continued)

##### (a) Movement in Claims Outstanding

	2021			2020		
	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net
	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 January	1,078,396	267,038	811,358	1,009,562	308,966	700,596
Movements During the Year	9,957	(35,286)	45,243	48,935	(46,139)	95,074
Impact of Foreign Exchange	(13,303)	(1,621)	(11,682)	19,899	4,211	15,688
<b>Balance at 31 December</b>	<b>1,075,050</b>	<b>230,131</b>	<b>844,919</b>	<b>1,078,396</b>	<b>267,038</b>	<b>811,358</b>

##### (b) Movement in Unearned Premium

	2021			2020		
	Insurance Contract Liabilities	Reinsurance Contracts	Net	Insurance Contract Liabilities	Reinsurance Contracts	Net
	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 January	270,045	43,133	226,912	296,046	53,190	242,856
Premiums Written During the Year	542,403	91,994	450,409	573,339	94,036	479,303
Premiums Earned During the Year	(553,586)	(96,428)	(457,158)	(605,115)	(105,032)	(500,083)
Impact of Foreign Exchange	(4,074)	(547)	(3,527)	5,775	939	4,836
<b>Balance at 31 December</b>	<b>254,788</b>	<b>38,152</b>	<b>216,636</b>	<b>270,045</b>	<b>43,133</b>	<b>226,912</b>

## Notes to the Annual Accounts

at 31 December 2021

### 16. Deferred Acquisition Costs

	<b>2021</b>	<b>2020</b>
	\$000	\$000
Balance as 1 January	65,680	77,229
Charges during the year	6,203	(1,173)
Impact of Foreign Exchange	(9,066)	(10,376)
<b>Deferred Acquisitions Costs</b>	<b>62,817</b>	<b>65,680</b>

### 17. Creditors Arising out of Direct Insurance Operations

	<b>2021</b>	<b>2020</b>
	\$000	\$000
<b>Due to Intermediaries</b>	<b>47,060</b>	<b>47,655</b>

There were no balances due to policyholders arising out of direct insurance operations as at 31 December 2021 (2020: £nil).

## Notes to the Annual Accounts

at 31 December 2021

### 18. Related Parties

a) Related party insurance and reinsurance transactions with Syndicate 1274

During the year the Syndicate entered into transactions in the ordinary course of business with Qatar Insurance Company QSCP (QIC) as well as Qatar Reinsurance Company Limited (QRE), a subsidiary of QIC. QIC is the ultimate parent of QIC Global that supports the majority of the capacity of Syndicate 1274.

	2021			2020		
	Qatar Insurance Company	Qatar Reinsurance Company Limited	Total	Qatar Insurance Company	Qatar Reinsurance Company Limited	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Gross Written Premium	1,647	7	1,654	3,210	256	3,466
Reinsurance Written Premium	1,618	12,319	13,937	4,192	20,173	24,365
Gross Claims Paid	797	401	1,198	1,380	-	1,380
Reinsurance Recoveries	16,490	15,979	32,469	18,431	14,146	32,577
Gross Claims Outstanding	1,167	-	1,167	4,029	880	4,909
Reinsurance Claims Outstanding	13,472	5,377	18,849	31,813	32,638	64,451
Due from Related Party	633	4,179	4,812	904	5,412	6,316
Due to Related Party	-	5,477	5,477	1,058	10,589	1,058

b) Other related transactions with Syndicate 1274

During 2021, managing agency fees were charged to the Syndicate as follows:

	2021	2020
	\$000	\$000
<b>Antares Managing Agency Limited</b>	<b>486</b>	<b>463</b>

Antares Managing Agency Limited also charged the Syndicate \$31,557,678 (2020: \$32,772,886) for expenses paid on its behalf. A balance of \$nil was due to Antares Managing Agency Limited at 31 December 2021 (2020: nil), due from Antares Managing Agency Limited \$nil (2020:\$22,358,774), \$522,781 (2020: \$351,411) was due to Antares Underwriting Asia PTE Ltd, \$3,522,325 (2020:nil) was due to Antares Underwriting Limited (AUL) and \$43 was due to Antares Capital I Limited (2020: \$519,874) .



## Notes to the Annual Accounts at 31 December 2021

### 19. Funds at Lloyd's

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

### 20. Risk Management

#### Principal Risk and Uncertainties

The Syndicate's activities expose the business to a number of risks which have the potential to affect the achievement of the business objectives. The Board is responsible for maintaining an appropriate structure for managing these risks and acknowledges that it is not possible to eliminate risk entirely. However, the Board seeks to manage risk in line with risk appetite by maintaining effective systems and controls.

The Syndicate is exposed to risk in the following categories:

**Insurance Risk: Underwriting Risk** is defined as: "The risk that the frequency and severity of insured events exceeds the expectations of Syndicate 1274 at the time of underwriting".

Reinsurance is an important risk mitigation tool employed by the Syndicate to reduce its exposure to Underwriting Risk. Reinsurance strategy is developed as part of the Three Year Business Plan and the Annual Business Plan, with reference to the overall risk appetite of the Syndicate, historical and projected future reinsurance costs, and potential sources of capital alternatives. The reinsurance strategy is approved by the AMAL Board and implemented by senior management.

The other risk mitigation techniques/tools in respect of the Underwriting Risk include: increasing diversification; altering limits and attachment points; and changing product mix (including classes of business and territories).

Underwriting Risk is managed through underwriting authorities, and both peer and independent expert review procedures. Pricing is determined through the use of bespoke pricing models. Underwriting authorities are monitored through systems which report adherence to individual underwriter limits (including contract limits and jurisdiction restrictions). Any delegated underwriting authorities are subject to diligence review, and regular audit.

Realistic Disaster Scenario (RDS) and Probable Maximum Loss (PML) limits are set to limit the exposure to underwriting risk. Aggregate and Class of Business exposures are assessed and monitored, in line with the Exposure Management Framework, to control the risk from the underwriting activities.

Detailed underwriting management information is prepared regularly, including metrics for the main components of risk. These include pricing, loss ratio selection, experience variations, cycle management, reinsurance protection and catastrophe modelling through proprietary software.

## Notes to the Annual Accounts

### at 31 December 2021

#### 20. Risk Management (continued)

The table below sets out the concentration of outstanding claims liabilities by division:

	2021			2020		
	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net
	\$000	\$000	\$000	\$000	\$000	\$000
Marine, Aviation and Transport	257,540	14,610	242,930	260,783	12,527	248,256
Reinsurance	174,547	3,549	170,998	164,898	6,670	158,228
Specialty	516,269	121,689	394,580	427,497	95,155	332,342
Property	52,323	17,703	34,620	76,635	28,242	48,393
Motor	74,371	72,580	1,791	148,583	124,444	24,139
<b>Total</b>	<b>1,075,050</b>	<b>230,131</b>	<b>844,919</b>	<b>1,078,396</b>	<b>267,038</b>	<b>811,358</b>

The table below sets out the concentration of outstanding claims liabilities by geographic area:

	2021			2020		
	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net
	\$000	\$000	\$000	\$000	\$000	\$000
UK	453,639	132,294	321,345	407,120	164,093	243,027
Other EU Countries	86,873	13,678	73,195	73,390	11,255	62,135
US	255,430	40,216	215,214	275,334	42,225	233,109
Central & South America	25,048	3,943	21,105	31,145	4,776	26,369
Japan	17,555	2,764	14,791	16,388	2,513	13,875
Australia	45,755	7,204	38,551	36,701	5,628	31,073
Other	190,750	30,032	160,718	238,318	36,548	201,770
<b>Total</b>	<b>1,075,050</b>	<b>230,131</b>	<b>844,919</b>	<b>1,078,396</b>	<b>267,038</b>	<b>811,358</b>

## Notes to the Annual Accounts

at 31 December 2021

### 20. Risk Management (continued)

**Insurance Risk: Reserving Risk** is defined as: “The risk of loss due to the previously established reserves for claims reported on previously exposed business being incorrect in terms of quantum or timing”.

The Reserving Policy and Technical Provisions Framework, approved by the AMAL Board and the Finance Committee, sets out the detailed principles, methodologies, practice and governance arrangements for the estimation of reserves and technical provisions.

The reserving policy seeks to ensure consistency in reserving from year to year, and the equitable treatment of capital providers on closure of a Syndicate Year of Account.

Reserving risk is monitored by the robust application of actuarial methodologies, sign-off procedures, quarterly tracking of projected ultimate loss ratios and reassessment of methodologies where appropriate. Regular dialogue between actuaries, underwriters and claims adjusters also assists the process.

The claims liabilities are sensitive to a number of assumptions. A key, quantifiable, assumption is the average claim cost. If the average claim cost were to increase by 1%, loss and Members' Balances would be impacted by \$8.4m (2020: \$8.1m).

**Insurance Risk: Claims Management Risk** is the risk of loss or regulatory breach due to inappropriate claim management process and/or inadequate governance.

Claims related risks are managed through a number of control activities and Key Performance Indicators that range from claim authority and claims processing time to potential significant loss event reporting and outstanding case reserve monitoring.

Claims development tables are shown on an underwriting year basis; these set out the development of claims over time on a gross and net of reinsurance basis (without any adjustment for any impact from changes to projected premiums). These claims are shown on an earned basis for each successive development year. Balances have been translated at exchange rates prevailing at 31 December 2021 in all cases.

# Notes to the Annual Accounts

at 31 December 2021

## 20. Risk Management (continued)

Whole Account Underwriting Year	2011 & prior	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Gross Claims</b>												
<b>Estimate of incurred gross claims</b>												
At the end of underwriting year		103,933	104,798	103,654	103,739	115,043	210,551	167,401	155,612	147,148	127,120	
One year later		161,020	173,708	196,544	194,648	270,632	385,791	374,714	356,791	286,292		
Two years later		177,312	187,379	207,730	217,022	560,825	442,385	419,670	379,722			
Three years later		178,282	184,213	205,329	222,552	501,227	472,825	426,196				
Four years later		188,572	184,448	227,869	228,261	533,288	492,802					
Five years later		189,245	183,783	221,955	232,619	534,138						
Six years later		186,437	179,771	232,527	238,967							
Seven years later		184,686	181,668	238,459								
Eight years later		188,161	185,893									
Nine years later		194,017										
2011 & prior years	785,917											
<b>Gross paid claims position</b>												
At the end of underwriting year		10,126	18,062	11,804	6,849	9,726	20,982	15,444	17,158	9,660	9,482	
One year later		64,135	63,870	62,082	56,884	87,041	142,668	139,831	99,756	55,457		
Two years later		106,287	106,492	102,732	111,367	205,211	271,639	228,121	188,184			
Three years later		131,326	126,627	141,411	140,091	219,448	349,812	279,519				
Four years later		141,472	140,825	155,368	164,270	274,816	397,979					
Five years later		156,157	150,988	177,382	179,140	397,367						
Six years later		165,355	163,682	191,601	193,192							
Seven years later		169,349	165,687	197,733								
Eight years later		172,717	169,463									
Nine years later		178,450										
2011 & prior years	747,647											
<b>Gross claims reserve</b>	<b>38,270</b>	<b>15,567</b>	<b>16,430</b>	<b>40,726</b>	<b>45,775</b>	<b>136,771</b>	<b>94,823</b>	<b>146,677</b>	<b>191,538</b>	<b>230,835</b>	<b>117,638</b>	<b>1,075,050</b>

## Notes to the Annual Accounts at 31 December 2021

### 20.Risk Management (continued)

Whole Account Underwriting Year	2011 & prior	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Net Claims</b>												
<b>Estimate of ultimate gross claims</b>												
At the end of underwriting year		70,962	95,446	93,989	96,776	105,550	149,651	153,502	133,796	122,096	114,584	
One year later		124,479	164,440	184,541	187,967	247,227	301,449	328,035	296,836	247,519		
Two years later		142,344	181,401	195,346	213,573	281,329	344,000	377,255	307,338			
Three years later		144,454	179,418	192,978	216,993	272,448	362,679	374,858				
Four years later		155,092	180,060	216,671	222,706	290,665	384,051					
Five years later		156,722	179,561	210,459	228,137	298,733						
Six years later		154,082	176,589	220,239	236,343							
Seven years later		152,407	178,223	223,136								
Eight years later		155,968	181,693									
Nine years later		162,834										
2011 & prior years	610,870											
<b>Net paid claims position</b>												
At the end of underwriting year		10,126	17,578	11,804	6,775	9,725	20,835	15,290	15,878	9,269	9,465	
One year later		51,987	62,838	62,080	56,802	84,439	114,467	127,907	90,713	54,013		
Two years later		85,574	104,181	102,628	111,322	148,545	212,976	206,069	157,795			
Three years later		106,294	124,274	135,920	140,025	183,205	264,866	253,207				
Four years later		114,953	138,498	156,490	162,228	219,168	305,423					
Five years later		128,086	148,634	169,069	177,462	239,668						
Six years later		135,964	161,328	183,216	191,448							
Seven years later		138,929	163,087	189,271								
Eight years later		145,334	166,850									
Nine years later		148,071										
2011 & prior years	581,829											
<b>Net claims reserve</b>	<b>29,041</b>	<b>14,763</b>	<b>14,843</b>	<b>33,865</b>	<b>44,895</b>	<b>59,065</b>	<b>78,628</b>	<b>121,651</b>	<b>149,543</b>	<b>193,506</b>	<b>105,119</b>	<b>844,919</b>

## Notes to the Annual Accounts

### at 31 December 2021

#### 20. Risk Management (continued)

**Credit Risk** is defined as: “The risk of loss due to counterparty default or failure to fulfil their obligations”. This is the risk of loss or of adverse change in the Syndicate’s financial position, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which the Syndicate is exposed, in the form of counterparty default risk, spread risk, or market risk concentrations.

Syndicate Investment Guidelines are approved by the AMAL Board and include details of permitted securities (including limits), minimum credit ratings and maximum concentrations, to mitigate credit and counterparty default risk exposures in respect of the investment portfolio. Adherence to these guidelines is monitored on a monthly basis.

The Syndicate deals primarily with brokers that are registered with Lloyd’s and with which it has a current, signed Terms of Business Agreement (TOBA). The financial standing of the brokers, their payment performance and adherence to approved procedures is monitored and all exceptions are escalated to the Security Committee, which recommends a bad and doubtful debt provision to be applied against amounts due from brokers.

The Security Committee sets reinsurer exposure thresholds based on credit ratings. This is supported by placing limits on exposure to a single reinsurer in respect of the largest Realistic Disaster Scenario exposures. Reinsurer exposures are monitored on a regular basis and reported to the Security Committee, which considers the ongoing appropriateness of the thresholds and agrees strategies for reducing exposure in respect of any breaches. The Security Committee also monitors the creditworthiness of approved reinsurers, their payment performance and sets out bad debt write-off provisions. All commutation agreements are approved by the Finance Committee.

The Syndicate’s maximum exposure to counterparty credit risk analysed by credit quality is detailed below.

As at 31 December 2021	AAA	AA	A	BBB & Below	Lloyd’s syndicates	Unrated	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Financial investments (Including Overseas deposits)	55,978	186,005	186,621	322,895	-	42,203	793,702
Cash at bank and in hand	13,730	-	69,418	1,928	-	-	85,076
Insurance and other receivables	-	-	3,209	-	-	3,638	6,847
Reinsurance contracts assets	-	80,901	97,934	-	52,106	3,751	234,692
	<b>69,708</b>	<b>266,906</b>	<b>357,182</b>	<b>324,823</b>	<b>52,106</b>	<b>49,592</b>	<b>1,120,317</b>

As at 31 December 2020	AAA	AA	A	BBB & Below	Lloyd’s syndicates	Unrated	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Financial investments (Including Overseas deposits)	62,878	144,804	151,907	288,978	-	41,708	690,275
Cash at bank and in hand	140	1,941	37,968	171	-	-	40,220
Insurance and other receivables	-	-	-	-	-	3,211	3,211
Reinsurance contracts assets	-	107,971	102,413	-	54,101	14,771	279,256
	<b>63,018</b>	<b>254,716</b>	<b>292,288</b>	<b>289,149</b>	<b>54,101</b>	<b>59,690</b>	<b>1,012,962</b>

In addition to above, debtors arising out of insurance operations amounting to \$196m (2020:\$233m) and debtors arising out of reinsurance operations in respect of inward business amounting to \$99m (2020:\$98m) are considered as unrated, however, since these assets are linked to the claim liabilities, the credit risk is mitigated by way of payments being withheld in the event the premiums are not received by the Syndicate.

## Notes to the Annual Accounts

### at 31 December 2021

#### 20. Risk Management (continued)

Overdue reinsurance receivables, including premiums and claims, were as follows:

Overdue Reinsurance Receivable	0-1 month	2-3 months	4-6 months	7-12 months	Total
	\$000	\$000	\$000	\$000	\$000
<b>At 31 December 2021</b>	<b>1,234</b>	<b>1,217</b>	<b>855</b>	<b>19,454</b>	<b>22,759</b>
At 31 December 2020	-	5,884	2,139	6,434	14,458

Approx 7% of the Insurance and other receivables are past due. More than 50% of the past due balance is up to 12 months overdue with the remaining balance over 12 months overdue. All overdue balances are deemed to be fully recoverable, as such no impairment as been recognised against these receivables.

**Market Risk** is defined as: “The risk of loss, or of adverse change in the financial situation, resulting directly or indirectly from fluctuations in the volatility of market prices of assets, liabilities and financial instruments”. Market risk is driven by currency risk, interest risk, and spread risk as follows:

**Currency Risk:** the sensitivity of the values of assets, liabilities and financial instruments to changes in the level, or in the volatility of, currency exchange rates.

The Syndicate underwrites a significant proportion of business in currencies other than US Dollars, which gives rise to a potential exposure to currency risk. In addition, the Syndicate has a natural currency mismatch, as a higher proportion of its expenses are incurred in Sterling.

The most significant non-US Dollar currency exposure relates to Sterling and Euro.

Currency risk is controlled through an Asset Liability Matching (ALM) process. The ALM process is performed on a quarterly basis to achieve alignment of assets and liabilities in currency, to address any mismatch between currency premiums and claims, and the natural mismatch between US Dollar income and Sterling expenses. The income and expenditure process is performed on an annual basis and, in particular, endeavours to align the currency mix of outward reinsurance premiums paid with that of related inwards premium received. AMAL does not specifically target asset liability matching for duration. Benchmarks are broadly in line with average liabilities on the main trust fund assets, and deliberate mismatching is viewed as a valid strategy to limit any losses arising from interest rate risk and, where possible, to enhance returns.

The syndicate uses derivative financial instruments as an economic hedge for the risk of revaluation of net monetary assets denominated in non-functional currency. The syndicate does not apply hedge accounting. The marked to market value of open contracts at 31 December 2021 is a liability of \$2,367k (2020: Asset \$1,563k).

If the Sterling and the Euro were to weaken against the US Dollar by 10%, with all other variables constant, loss and receivable from members would be higher by an estimated \$2.8m (2020: Lower \$0.1m). This analysis is based on the current information available and the assumptions in making this assessment are:

- The closing year-end spot rates and average rates throughout the year are 10% higher
- There is no active hedging of currency during the period
- The analysis includes an estimate of the impact on foreign borrowings
- The impact of foreign exchange movements on non-monetary items is assumed to be nil

## Notes to the Annual Accounts at 31 December 2021

### 20. Risk Management (continued)

**Interest Risk:** the sensitivity of the values of assets, liabilities and financial instruments to changes in the term structure of interest rates, or in the volatility of interest rates.

Interest rate risk is the risk that the value and/or future cash flows of a financial instrument will fluctuate due to changes in interest rates. The Syndicate's exposure to interest rate risk is spread across the Syndicate's investment portfolio, and cash and cash equivalents.

In managing interest rate risk, the Syndicate currently invests in short duration financial investments, cash and cash equivalents. Interest rate risk is controlled by imposing maximum duration limits to the conventional fixed income assets, as defined in the investment guidelines provided to investment managers.

Duration is a commonly used measure of risk and gives an indication of the likely sensitivity of the Syndicate's portfolio of fixed interest securities to changes in interest rates. The average duration for investment assets is 3.96 years (2020 3.5 years).

The Syndicate's financial assets comprise a portfolio of fixed income securities, UCITS funds and bank deposits. The portfolio of fixed income securities is managed by professional fund managers, under a segregated investment mandate, and in accordance with guidelines approved by the AMAL Board. The guidelines permit investment in a range of fixed income investment products, including government securities, corporate bonds and asset backed securities, as well as a modest allocation to equities and other alternative investments.

An increase of 50 basis points in interest rates, with all other variables constant, would decrease the valuation of the Syndicate's investments by an estimated 174 basis points. Therefore if interest rates were to increase by 0.5%, with all other variables constant, loss and receivable from members would increase by an estimated \$15m (2020: \$19m).

A comparable decrease in interest rates would increase the valuation by an estimated 164 basis points.

**Spread Risk:** the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure.

Volatility (spread risk) is controlled by imposing Value at Risk (VaR) limits, at a specified confidence level and time period, to the overall investment funds. This is reviewed on a quarterly basis by the Finance Committee.

#### *Fair value hierarchy*

The tables below summarise the fair value hierarchy for the Syndicate. The levels of the fair value hierarchy are defined as follows:

- Level 1 – Fair values are measured using quoted prices (unadjusted) in active markets for identical instruments
- Level 2 – When quoted prices are unavailable, fair values are measured using the price of a recent transaction for an identical instrument. The price can be adjusted if it can be demonstrated that the last transaction price is not a good estimate of fair value.
- Level 3 – Fair values measured using valuation techniques. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

The Syndicate measures the fair value of its financial assets based on prices provided by investment managers (who obtain market data from independent pricing services). These are reviewed by the finance team. The pricing services used by the investment manager obtain the actual transaction prices for securities that have quoted prices in active markets. For those securities which are not actively traded, the pricing services use common market valuation pricing models. Observable inputs used in common market valuation pricing models include, but are not limited to, broker quotes, credit ratings, interest rates and yield curves, prepayment speeds, default rates and other such inputs which are available from market sources.



## Notes to the Annual Accounts at 31 December 2021

### 20. Risk Management (continued)

#### At 31 December 2021:

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Financial investments (Including Overseas deposits)	606,649	154,036	30,651	791,336

#### At 31 December 2020:

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Financial investments (Including Overseas deposits)	500,653	157,610	32,012	690,275

Level 1 of the hierarchy includes all government bonds/bills and corporate bonds only which are measured based on prices representing actual and regularly occurring market transactions. Level 2 of the hierarchy includes all other financial assets except those included in Level 3.

The Syndicate asset portfolio in respect of the level 3 investments primarily consists of Private Equity instruments and Syndicate loan. The Syndicate has valued Private Equity instruments based on the latest available audited statements/financial statements provided by investment managers as of 30 September 2021 and accounted for any subsequent contributions/distributions after the September NAV's during the last quarter of 2021. In addition, management has assessed the movement in a range of broader market indices which, although not directly comparable, maybe used as an indicative benchmark to determine if the NAV's reported by fund managers would be significantly different as of 31 December 2021. Based on this assessment Management has concluded the NAV's reported by investment managers would fairly represent their current fair value as of 31 December 2021

There have been no transfers between level 1 and level 2 in either direction in 2021 or 2020.

**Liquidity Risk** is defined as: "The risk of loss, or inability to realise investments and other assets, in order to settle financial obligations when they fall due."

Liquidity policy includes a specific requirement to hold sufficient funds in working capital to meet the following quarter's estimated claims liabilities and this position is reviewed by the Finance Committee on a quarterly basis. Additionally, an annual stress test is performed to ensure that sufficient liquidity is maintained in order to meet a Realistic Disaster Scenario ("RDS") event without unnecessary cost to AMAL. Rolling 12-month cash flow projections, in each of the underlying main operating currencies, are prepared quarterly, reviewed against available liquid funds and used in the quarterly balance sheet asset liability matching exercise. The review recognises the restrictions placed on funds committed to meet Lloyd's overseas trust fund requirements. Liquidity requirements for all accounts and respective currency amounts are determined periodically via a process of analysis of historic daily settlements.

A summary showing the undiscounted expected timing of future cash flows is as follows (insurance contract liabilities and reinsurance contract assets have been analysed based on actuarial cash flow estimates):

Provisions, reinsurance and other payables includes \$2,367k of derivatives liabilities (2020: nil). Derivative liabilities are included in Other Creditors in the balance sheet.

## Notes to the Annual Accounts

### at 31 December 2021

#### 20. Risk Management (continued)

At 31 December 2021:

	< 1years	1-3 years	3-5 years	> 5 years	Total
	\$000	\$000	\$000	\$000	\$000
Financial investments	98,132	193,510	207,189	240,355	728,347
Cash at bank and in hand	85,076	-	-	-	85,076
Overseas Deposits	65,355	-	-	-	65,355
Insurance and other receivables	377,990	-	-	-	377,990
Reinsurance contracts assets	58,162	59,626	115,390	35,105	268,283
Other assets	3,101	-	-	-	3,101
<b>Total assets</b>	<b>687,816</b>	<b>253,136</b>	<b>322,579</b>	<b>264,621</b>	<b>1,528,152</b>
Insurance contracts liabilities	353,340	363,894	468,566	144,038	1,329,838
Provisions, reinsurance and other payables	187,289	-	-	-	187,289
<b>Total liabilities</b>	<b>540,629</b>	<b>363,894</b>	<b>468,566</b>	<b>144,038</b>	<b>1,517,127</b>
<b>Net assets</b>	<b>147,187</b>	<b>(110,758)</b>	<b>(145,987)</b>	<b>120,583</b>	<b>11,025</b>

At 31 December 2020:

	< 1years	1-3 years	3-5 years	> 5 years	Total
	\$000	\$000	\$000	\$000	\$000
Financial investments	75,342	150,683	194,633	207,189	627,847
Cash at bank and in hand	40,220	-	-	-	40,220
Overseas Deposits	62,428	-	-	-	62,428
Insurance and other receivables	411,899	-	-	-	411,899
Reinsurance contracts assets	73,410	78,831	125,638	32,292	310,171
Other assets	25,683	-	-	-	25,683
<b>Total assets</b>	<b>688,982</b>	<b>229,514</b>	<b>320,271</b>	<b>239,481</b>	<b>1,478,248</b>
Insurance contracts liabilities	405,636	408,821	418,723	115,261	1,348,441
Provisions, reinsurance and other payables	180,787	18	5	1	180,811
<b>Total liabilities</b>	<b>586,423</b>	<b>408,839</b>	<b>418,728</b>	<b>115,262</b>	<b>1,529,252</b>
<b>Net assets</b>	<b>102,559</b>	<b>(179,325)</b>	<b>(98,457)</b>	<b>124,219</b>	<b>(51,004)</b>

## Notes to the Annual Accounts

at 31 December 2021

### 20. Risk Management (continued)

**Operational Risk** is defined as: “The risk of loss arising from inadequate or failed internal processes, people, systems or from external events impacting the Syndicate’s ability to operate. This risk encompasses all functions rendered in the course of conducting business. This includes legal and regulatory risk, but excludes risks arising from strategic and reputational risk”.

AMAL has formally documented policies and procedures for all key aspects of the business that define the end-to-end business processes, provide guidelines, put in place appropriate governance structures and include control activities to ensure the robustness of the business operations. Internal Audit provides independent assurance over the robustness of the business operations and compliance with the internal policies/procedures.

**Strategic Risk** is defined as: “The risk to earnings or capital arising from adverse business decisions or improper implementation of those decisions. This risk is a function of the compatibility between the Group’s strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, the quality of implementation and appropriateness of response to changing business conditions. This includes reputational risk that is recognised as a by-product of inappropriate/inadequate management and mitigation of other risk categories”.

The Syndicate mitigates this risk through a variety of planning techniques including robust business planning, stress and scenario testing and capital contingency planning.

**Regulatory Risk** is the risk that the Managing Agency fails to meet the regulatory requirements of the PRA, FCA and Lloyd’s. Lloyd’s requirements include those imposed on the Lloyd’s market by overseas regulators, particularly in respect of US situs business. AMAL has a Compliance department that monitors regulatory developments and assesses the impact on agency policy.

**Group Risk** is the possibility that the operation of one part of the Group adversely affects another. Group risk includes: negative publicity; inadequate communication within the organisation; undue influence from fellow subsidiaries; holding companies or stakeholders; financial pressures to make funds available to the Group; and financial restraint leading to shortcomings in core activities. The overall strategy is to minimise Group risk by ensuring that there are clear lines of authority and communication between related parties, and that any intra-Group agreements are formed objectively and clearly understood by all parties

#### Risk Governance

The AMAL Board is ultimately responsible for ensuring the effective management and control of risk affecting the Syndicate. The AMAL Board is committed to maintaining sound risk management and control systems that are suitable, effective and proportionate to protect the interests of all stakeholders, including those of its capital providers and policyholders. The AMAL Board has, for practical reasons, delegated its day-to-day responsibility for different aspects of the risk management to committees and the senior management.

The AMAL Board utilises a “Three Lines of Defence” model for risk governance.

**First Line:** Those individuals undertaking any activity or making decisions on behalf of Antares are responsible for managing the risk that is attached to that activity. They are the ‘first risk managers’.

**Second Line:** Those functions and executive level committees responsible for the provision of the risk management framework and policies within which the First Line is expected to operate and who are responsible for providing assurance to the Board of adherence to that framework.

**Third Line:** Oversight of the above by the Board, Audit Committee together with Internal Audit. The majority of risk reporting is through the Risk, Actuarial and Exposure Management Departments, that routinely engage individual business units and report to the Board and its Committees.

## Notes to the Annual Accounts at 31 December 2021

### 20. Risk Management (continued)

#### *Risk Appetite*

Risk Appetite is the amount of risk that the AMAL Board is prepared to take in pursuit of its objectives. Although set by the AMAL Board, Risk Appetite is driven by key stakeholders and includes both qualitative and quantitative statements.

The Risk Appetite Statement covers all material risk categories (Underwriting, Reserve, Credit, Market, Liquidity and Operational Risk). In addition, it details the approved Risk Appetite and Risk Tolerances for losses arising from various events, based upon the extent to which the risks could impact the business.

#### *Risk Monitoring and controls*

Risk management processes are based on risk identification; assessment and quantification; response; and monitoring and reporting.

All risk categories are identified in the risk register. Supporting controls mitigate the inherent impact of the risks to a residual level that is within the approved risk appetite and tolerance levels. All risk categories and related controls are assigned risk owners and control owners that are responsible for managing the risks.

The risk register is maintained through regular review by the Risk Department and through the monthly self-certification process by the risk and control owners. The Risk Department provides regular reports on key risk issues and actions required to the AMAL Board and its Committees.

#### **Covid-19 Risk**

Covid-19 pandemic has continued to develop throughout 2021 leading to increased uncertainty in the market. The level of catastrophe exposure in respect of COVID-19 is considered to be material for the Syndicate and continues to be monitored closely. Following the Supreme Courts final judgement on the FCA's business interruption test case, which substantially allowed the FCA's appeal on behalf of policy holders, the COVID-19 reserves held by the Syndicate were reviewed in light of the updated court ruling and found to be appropriate. As the experience continues to develop, the reserves continue to be subject to ongoing review.

In addition to the reserve risk, considerations have been given to other risks arising out of the COVID-19 pandemic. These include impacts on the economy, the insurance industry and individual classes of business, such as interest rate and currency volatility, increased risk of security defaults and an increased risk of inability to bind business. As the Syndicate continues to be closely currency matched, the exposure to currency volatility is significantly reduced, whilst the interest rate risk continues to be monitored in conjunction with the investment manager. To date, no increase in security defaults have been observed or notified by the investment manager but the investment committee continues to monitor the performance of the Syndicate's investment portfolio. Lastly, the transition to working fully digitally has been successful with the ability to successfully bind business not being impacted by the COVID-19 pandemic.

The operational risks to the Syndicate arising out of the COVID-19 pandemic broadly relate to maintaining the operating effectiveness of risk and control procedures and ensuring efficiency and effectiveness of staff working 100% remotely. To ensure the operating effectiveness of risk, the risk function performed an in-depth review of the risk and control procedures in conjunction with the business. The review focused on whether, and to what extent, business risks had changed as a result of the pandemic and whether the effectiveness of any controls would be compromised due to staff working 100% remotely. The review concluded that on a whole, operational risk had not materially increased due to the pandemic and that the business was able to function broadly as prior to the COVID-19 outbreak. The impact on risk and controls continues to be monitored.

During the early stages of the COVID-19 pandemic, a working from home policy was implemented across all UK staff and offices closed ahead of the government mandated action. The policy continues to be revised to align with the latest government advice. To enable a successful remote working environment, new IT initiatives were rolled out to facilitate better communication, positively impacting team collaboration whilst additional IT equipment was sourced to provide conducive home working environments. Whilst there have been no reports of significant infection rates amongst staff, with limited impact on workforce productivity, infection rates continue to be monitored on an ongoing basis.

## **Notes to the Annual Accounts**

### **at 31 December 2021**

#### **21. Off-Balance Sheet Items**

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

#### **22. Events After the Reporting Period**

The Russian invasion of Ukraine in February 2022 is continuing to be monitored closely with respect to the impact on the Syndicate. While it is far too early to have any concrete information around whether the Syndicate is likely to have suffered a loss, there are potentially a number of areas where there is exposure namely Terrorism and Political & Financial risks classes of business. The Exposure Management team has followed its Large Loss Process for cases like this. The exposure to gross premiums is not expected to be material since the Syndicate does not participate on large Russian Energy treaties.

There is a small exposure to one sanctioned Russian holding on the asset side of the balance sheet and we are currently looking to exit this position.