Chaucer

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Syndicate 6130

Annual Report and Accounts 2020

Contents

Syndicate Information

Directors of the Managing Agent

D C Bendle	Chief Operating Officer
R J Callan	Chief Financial Officer
J Faure	Senior Independent Non-Executive Director
J Fowle	Chief Executive Officer
P A Jardine (appointed 17 September 2020)	Chairman and Independent Non-executive Director
P M Shaw (resigned 31 March 2020)	Chief Risk Officer
N J Stacey (appointed 8 January 2021)	Chief Underwriting Officer
C M Stooke (resigned 31 October 2020)	Chairman and Independent Non-Executive Director
L S Watkins (appointed 31 January 2020)	Independent Non-Executive Director
Dr H Zuo	Non-Executive Director

Managing Agent's company secretary
R N Barnett

Managing Agent's registered office
30 Fenchurch Street
London EC3M 3AD

Managing Agent's registered number
00184915

Managing Agent's independent auditor
PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Syndicate active underwriter
E Lines

Syndicate independent auditor
PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Underwriter's Report

Syndicate 6130 was established on 1 May 2016 as part of a strategic partnership between Chaucer and AXA Africa Speciality Risks to support the development of specialty insurance business in Africa. The partnership utilised AXA's African distribution network combined with the long standing underwriting expertise of Chaucer.

Since 1 January 2019, Syndicate 6130 has not accepted new business and its scope of operation has been scaled back to one that is focused on managing exposure, liabilities and capital.

Underwriting performance
Following the decision to cease writing quota share re-insurance of Chaucer Syndicate 1084 from 1 January 2019, the underwriting performance in 2020 is solely based on the development in the portfolio that existed at the end of 2019. The 2018 Year of Account is therefore the last Year of Account on which Syndicate 6130 participated. Gross written premium is up from $(923)k in 2019, to $2,793k, due to endorsements on the Political Risk & Trade Credit and Construction classes.

Overall, the Syndicate generated an underwriting loss of $7,482k (2019 profit: $1,628k) due to Covid-19 reserves recorded in the year in response to the Coronavirus pandemic, as well as reserve strengthening. After investment income and other non-technical expenses, the loss for the year was $7,002k (2019 profit: $2,593k). The combined ratio for 2020 was 247% (2019: 72%), predominately driven by the Covid-19 reserves.

Underwriting outlook

The Managing Agent will close Syndicate 6130 following agreement of terms to reinsurance to close (RITC) the liabilities of Syndicate 6130 into the 2019 Year of Account of Syndicate 1084 effective 31 December 2020. Syndicate 1084 is also managed by Chaucer Syndicates Limited. The RITC transaction is not reflected in these annual accounts.

Ed Lines, Active Underwriter
Syndicate 6130
4 March 2021

Managing Agent's Report

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

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

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

Principal activities
This report covers the business of Syndicate 6130, which was established for the 2016 year of account as a Special Purpose Syndicate. The principal activity of the Syndicate was to underwrite quota share reinsurance of Chaucer Syndicate 1084 in respect of African specialty insurance and reinsurance business in the United Kingdom.

The quota share contracts with Chaucer Syndicate 1084 operated on a funds withheld basis.

The 2018 Year of Account was the last Year of Account on which Syndicate 6130 participated.

Review of the business and future developments
The Syndicate's key financial performance indicators during the year were as follows:

	2020 $'000	2019 $'000
Gross written premiums	2,793	(923)
Claims incurred, net of reinsurance	(11,297)	(1,056)
Total comprehensive (loss) / income	(7,002)	2,593
Combined ratio [1]	247%	72%

[1]The combined ratio is the ratio of net claims incurred and net operating expenses to net premiums earned. A lower combined ratio represents better performance.

The increase in gross written premiums to $2,793k is attributed to endorsements on Political Risk & Trade Credit and Construction classes. This has been offset by Covid-19 reserves recorded in the year in response to the coronavirus pandemic, as well as reserve strengthening, contributing to the total comprehensive loss of $7,002k.

The Managing Agent will close Syndicate 6130 following agreement of terms to RITC the liabilities of Syndicate 6130 into the 2019 Year of Account of Syndicate 1084 effective 31 December 2020. Syndicate 1084 is also managed by Chaucer Syndicates Limited. The RITC transaction is not reflected in these annual accounts.

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

Underwriting risk
As a run-off syndicate there is no further underwriting activity and therefore limited underwriting risk to the syndicate.

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

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

Peer Review
The Managing Agent commissioned an external random peer review of its claims procedures on a quarterly basis. This review incorporated both qualitative and quantitative measures and findings were collated and reported to relevant committees.

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

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

Reserving risk
The reserving policy for the Syndicate sought to ensure appropriate allowance for reserving risk and consistency in reserving from year to year.

Reserves are set on a two tier hierarchical basis.

Tier 1: Actuarial best estimate reserves
Actuarial best estimate reserves were prepared on an underwriting year basis and were intended to be true best estimates, i.e. estimates of expected value claims reserves. These were the basis for internal reporting and the derivation of expected loss ratios for business planning.

The actuarial best estimate reserves were the responsibility of the Internal Signing Actuary. The Managing Agent's Actuarial Team calculated the reserves in conjunction with extensive discussions with underwriting, claims and reinsurance functions.

Tier 2: Syndicate reserves
Determination of Syndicate reserves was a two-stage process: first, they were determined on an underwriting year basis and then they were converted to an annually accounted basis.

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

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

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

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

(b) Annually accounted Syndicate reserves
Annually accounted Syndicate reserves were the underwriting year Syndicate reserves converted to an annually accounted basis, plus additional loadings.

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

The assessment of actuarial best estimate reserves was a rolling quarterly process. The underwriting portfolio comprised a number of heterogeneous business types, each of which the analysis projected to ultimate. Where certain contracts or claim events obscured development trends, the analysis split these out for separate review.

The application of standard actuarial techniques to the historical attritional, large and catastrophe claims data supported the estimation of ultimate loss ratios. The analysis also drew on external data or market data or non-standard methodologies where appropriate.

Whenever actual development of premiums or claims within a reserving category during a quarter was materially different from expected development based on the existing methodology, then that methodology was reassessed and, where appropriate, amended. The analysis took credit for reinsurance recoveries and provided for the possibility of reinsurer failure.

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

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

Financial Risk

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

The Syndicate purchased reinsurance from an affiliated reinsurer rated strong or better by Standard & Poor's (or equivalent). Maximum exposures per reinsurer were set in response to a reinsurer's rating and net assets.

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

Investment risk
The Syndicate operated on a funds withheld basis with a notional investment return accrued based on the amount of funds withheld. This notional return was calculated using a market quoted floating interest rate and an additional fixed 'spread'. This limited the amount of investment risk the Syndicate was exposed to.

The preservation of capital and maintenance of sufficient liquidity were at the heart of the financial market risk policies adopted by the Managing Agent.

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

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

The Managing Agent was required to comply with the requirements of the Prudential Regulatory Authority, Financial Conduct Authority and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators. The Managing Agent has a Compliance Officer, who monitors regulatory developments and assesses the impact on agency policy. The Compliance function also undertook a compliance-monitoring programme.

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

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

Staff matters
All the staff of the Managing Agent are employed by Chaucer Underwriting Services Limited (CUSL). CUSL considers its staff to be a key resource and seeks to provide a good working environment for its staff that is rewarding and safe and complies with appropriate employee legislation. During the year there have been no significant injuries to staff in the workplace or any significant actions taken by any regulatory bodies with regard to staff matters.

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

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

Climate Change Risk Dashboard:
The Dashboard took a qualitative approach to assessing and reporting climate risk whilst ensuring it had a current view of Syndicate's risks. Further, the dashboard allowed for the identification of risks across a span of time horizons.

Modelling of Catastrophe exposures:
Modelling assessments of the Syndicate's exposures were reported to the Managing Agency's Board and Risk and Capital Committee, including highlighting where the frequency and impact of exposures may have been as a result of climate risks. The Managing Agent had in place an extensive programme of model development to form its own view of risk and adapt the offerings from model vendors. The model output provided an assessment of the key risks. These models enabled a range of metrics to be set, including risk appetites and limits that were continuously monitored. An experienced research team examined the latest science on the impact of climate change in both the long and short term, building it in to our view of catastrophe risks.

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

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

The Syndicate has experienced underwriting losses arising from Covid-19 and the related recessionary impact, as part of the normal course of its activities.

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

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

Disclosure of information to the Auditors
The Directors each confirm that:

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

Approved by the Board of Chaucer Syndicates Limited.

R J Callan
Chief Financial Officer
4 March 2021

Statement of Comprehensive Income for the year ended 31 December 2020

	Notes	2020 $'000	2019 $'000
Technical Account – General Business			
Earned premiums, net of reinsurance			
Gross premiums written	3	2,793	(923)
Outward reinsurance premiums		(888)	(772)
Net premiums written		**1,905**	**(1,695)**
Change in the provision for unearned premiums			
Gross amount	13	5,277	11,240
Reinsurers' share	13	(2,083)	(3,742)
Net change in provision for unearned premiums		**3,194**	**7,498**
Earned premiums, net of reinsurance		**5,099**	**5,803**
Allocated investment return transferred from the Non-Technical Account		470	879
Total technical income		**5,569**	**6,682**
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	13	(2,730)	(1,285)
Reinsurers' share	13	575	475
Net claims paid		**(2,155)**	**(810)**
Change in the provision for claims			
Gross amount		(12,671)	(460)
Reinsurers' share		3,529	214
Net change in the provision for claims		**(9,142)**	**(246)**
Claims incurred, net of reinsurance		**(11,297)**	**(1,056)**
Net operating expenses	5	(1,284)	(3,119)
Total technical charges		**(12,581)**	**(4,175)**
Balance on the Technical Account – General Business		**(7,012)**	**2,507**
Non-Technical Account			
Other income	11	10	86
Investment income	9	470	879
Allocated investment return transferred to the Technical Account - General Business		(470)	(879)
Total comprehensive (loss) / income		**(7,002)**	**2,593**

All the amounts above are in respect of discontinued operations.

Statement of Financial Position as at 31 December 2020

	Notes	2020 $'000	2019 $'000
Assets			
Reinsurers' share of technical provisions			
Provision for unearned premiums	13	4,835	6,888
Claims outstanding	13	9,633	5,989
		14,468	12,877
Debtors			
Debtors arising out of reinsurance operations		28,738	35,958
Other debtors	12	919	1,298
		29,657	37,256
Prepayments and accrued income			
Deferred acquisition costs	13	3,427	4,655
Total assets		**47,552**	**54,788**
Liabilities			
Capital and reserves			
Member's balances		(6,522)	1,173
Technical provisions			
Provision for unearned premiums	13	13,577	18,778
Claims outstanding	13	26,828	13,932
		40,405	32,710
Creditors			
Creditors arising out of reinsurance operations		13,669	20,905
Total liabilities		**47,552**	**54,788**

The annual accounts on pages 8 to 21 were approved by the Board of Chaucer Syndicates Limited on 4 March 2021 and signed on its behalf by:

R J Callan
Chief Financial Officer

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

	2020 $’000	2019 $’000
Balance as at 1 January	1,173	(14)
Payment of profit to member's personal reserve fund	(693)	(1,406)
Total comprehensive (loss) / income	(7,002)	2,593
Balance as at 31 December	**(6,522)**	**1,173**

Statement of Cash Flows for the year ended 31 December 2020

	Notes	2020 $'000	2019 $'000
Cash flows from operating activities			
Total comprehensive (loss) / income		(7,002)	2,593
Increase / (decrease) in gross technical provisions		8,924	(8,209)
(Increase) / decrease in reinsurers' share of gross technical provisions		(1,591)	3,475
Decrease in debtors		7,220	7,672
Decrease in creditors		(7,237)	(3,467)
Investment return	9	(470)	(879)
Net cash (used in) / generated from operating activities		**(156)**	**1,185**
Cash flows from investing activities			
Investment income received		849	221
Net cash generated from investing activities		**849**	**221**
Cash flows from financing activities			
Distribution profit		(693)	(1,406)
Net cash used in financing activities		**(693)**	**(1,406)**
Cash and cash equivalents at inception		-	-
Cash and cash equivalents at end of year		**-**	**-**

The Syndicate operates on a funds withheld basis until a year of account closes. The 2017 year of account has closed with cash flows in the 2020 calendar year.

Notes to the Accounts for the year ended 31 December 2020

1. Basis of preparation

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

The Syndicate annual accounts have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies is set out below.

The 2018 year of account of the Syndicate has closed and all assets and liabilities transferred to the 2019 year of account of Syndicate 1084 by reinsurance to close. The Syndicate has no successor year of account. As a result the Syndicate is no longer a going concern. The reinsurance to close occurs in the normal course of business for a syndicate year of account at the 36 months stage of development. The Annual Accounts have therefore been prepared on a basis other than going concern where the recorded assets and liabilities represent the amounts that would be realised and discharged in the normal course of business were the going concern basis adopted. The Directors confirm that this basis of accounting is appropriate.

2. Accounting policies

a) Insurance contracts

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

i) Premiums written

Premiums written comprise adjustments made in the year to premiums written in prior accounting periods. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due to the Syndicate not yet notified.

ii) Unearned premiums

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

iii) Reinsurance premiums ceded

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

iv) Claims provisions and related recoveries

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

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

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

Notes to the Accounts for the year ended 31 December 2020

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

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

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

v) Unexpired risks provision

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

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

vi) Deferred acquisition costs

Acquisition costs, which comprise commission and other costs related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the Statement of Financial Position date.

b) Net operating expenses

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

c) Foreign currencies

The functional and presentation currency of the Syndicate is United States Dollars.

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

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

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

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

d) Investment income

Investment income consists solely of interest earned on the funds withheld balance. It is credited to the technical account as all investment assets relate to the technical account.

Notes to the Accounts for the year ended 31 December 2020

e) Financial Liabilities

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

f) 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 member's agent is gross of tax.

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

g) Key judgements and uncertainty

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

- Valuation of insurance contract liabilities (pages 12 & 13)
- Premium recognition (page 12)

Notes to the Accounts for the year ended 31 December 2020

3. Segmental analysis

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

	Gross premiums written $'000	Gross premiums earned $'000	Gross claims incurred $'000	Gross operating expenses* $'000	Reinsurance balance $'000	Total $'000	Net technical provisions $'000
2020							
Energy	2,050	2,077	(4,364)	(527)	1,138	(1,676)	(4,678)
Property	183	183	713	(27)	(392)	477	(1,192)
Political Risks & Political Violence	557	5,807	(11,668)	(828)	397	(6,292)	(19,886)
Liability	1	1	7	2	(3)	7	(15)
Marine	-	-	-	4	-	4	-
Aviation	2	2	(89)	45	40	(2)	(166)
	2,793	**8,070**	**(15,401)**	**(1,331)**	**1,180**	**(7,482)**	**(25,937)**
2019							
Energy	912	2,070	(262)	(677)	(551)	580	(2,276)
Property	(60)	790	(253)	(173)	(179)	185	(2,069)
Political Risks & Political Violence	(1,428)	7,595	(1,429)	(2,271)	(3,073)	822	(15,217)
Liability	(9)	6	(1)	-	-	5	(19)
Marine	(1)	(1)	3	(2)	(3)	(3)	-
Aviation	(337)	(143)	197	30	(45)	39	(252)
	(923)	**10,317**	**(1,745)**	**(3,093)**	**(3,851)**	**1,628**	**(19,833)**

* Gross operating expenses are not the same as net operating expenses shown in the profit and loss account because of commissions in respect of outwards reinsurance received.

All premiums were concluded in the UK.

Commission on gross premiums written as direct insurance business, during 2020, was nil (2019: $nil).

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

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

	2020 $'000	2019 $'000
Africa	2,793	(923)
Gross premiums written	**2,793**	**(923)**

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

During 2020 the Syndicate released $2,308k of technical reserves in respect of prior periods (2019: strengthening of $1,737k) arising predominantly from the Property and Marine divisions. These releases were due to favourable claims development on prior year losses during 2020.

Notes to the Accounts for the year ended 31 December 2020

5. Net operating expenses

	2020 $'000	2019 $'000
Acquisition costs:		
- brokerage and commission	629	143
Change in deferred acquisition costs	1,249	2,461
Administrative expenses	(547)	489
Reinsurance commissions and profit participation	(47)	26
	1,284	**3,119**
Administrative expenses include:		
Member standard personal expenses (Lloyd's subscriptions, New Central Fund contributions and managing agent's fees)	(83)	-

6. Auditors' remuneration

	2020 $'000	2019 $'000
Audit of the syndicate accounts	30	25
Other services pursuant to legislation including audit of regulatory returns	11	18
	41	**43**

Audit fees were borne by a related party.

7. Staff costs

The Syndicate did not employ any staff in the year. Staff costs in relation to the Syndicate's operations were borne by a related party of the Corporate member.

8. Emoluments of the directors of the Managing Agent

The Directors of Chaucer Syndicates Limited received no remuneration in relation to the Syndicate.

9. Investment income

	2020 $'000	2019 $'000
Investment income		
Interest received on funds withheld balance	470	879
	470	**879**

Notes to the Accounts for the year ended 31 December 2020

10. Financial instruments

Risk policies

Market risk

Currency risk
The Syndicate has written a proportion of insurance business in currencies other than US Dollars, which gives rise to exposure to currency risk. The Syndicate mitigates this through a policy of matching assets and liabilities by currency.

Liquidity risk
As the quota share arrangement with Syndicate 1084 operates on a funds withheld basis, there is no day to day exposure to liquidity risk.

The expected payment profile of undiscounted liabilities is as follows:

						2020 Maturity band (Years)
	No stated maturity	**<1**	**1-3**	**3-5**	**>5**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Claims outstanding	-	10,296	11,513	3,105	1,914	26,828
Creditors	-	13,669	-	-	-	13,669
At 31 December 2020	**-**	**23,965**	**11,513**	**3,105**	**1,914**	**40,497**

						2019 Maturity band (Years)
	No stated maturity	**<1**	**1-3**	**3-5**	**>5**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Claims outstanding	-	5,241	5,710	2,094	887	13,932
Creditors	20,905	-	-	-	-	20,905
At 31 December 2019	**20,905**	**5,241**	**5,710**	**2,094**	**887**	**34,837**

*The balance under 'No stated maturity' is purely made up of a creditor with the Corporate Member.

11. Other income

Net foreign exchange gains of $10k (2019: $86k) are included within other income in the non- technical account.

12. Other debtors

	2020	**2019**
	$'000	**$'000**
Interest Income receivable	919	1,298
	919	**1,298**

Notes to the Accounts for the year ended 31 December 2020

13. Technical provisions

	Provision for unearned premiums	Claims outstanding	Deferred acquisition costs	Total
	$'000	$'000	$'000	$'000
Gross				
At 1 January 2020	18,778	13,932	(5,002)	27,708
Exchange differences	76	225	(22)	279
Claims paid in year*	-	(2,730)	-	(2,730)
Movement in provision	(5,277)	15,401	1,344	11,468
At 31 December 2020	**13,577**	**26,828**	**(3,680)**	**36,725**
Reinsurance				
At 1 January 2020	(6,888)	(5,989)	347	(12,530)
Exchange differences	(30)	(115)	1	(144)
Reinsurance recoveries in the year	-	575	-	575
Movement in provision	2,083	(4,104)	(95)	(2,116)
At 31 December 2020	**(4,835)**	**(9,633)**	**253**	**(14,215)**
Net technical provisions				
At 31 December 2020	**8,742**	**17,195**	**(3,427)**	**22,510**
At 31 December 2019	**11,890**	**7,943**	**(4,655)**	**15,178**

* The Syndicate operates on a funds withheld basis. As such all claims paid are settled using the funds held by Syndicate 1084, on Syndicate 6130's behalf.

2020 events

The Syndicate has exposure to losses emanating from the Covid-19 pandemic and the ensuing Global Economic Crisis. The current estimated ultimate claims are $10.5m gross and $6.3m net of reinsurance.

2019 events

The Syndicate has no exposure to catastrophe events that occurred in 2019.

14. Sensitivity of insurance risk

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

	2020 $'000	2019 $'000
Net loss ratio	222%	18%
Impact of 1% variation ($'000)	51	58

Notes to the Accounts for the year ended 31 December 2020

15. Claims development triangles

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

Pure underwriting year	**2016 $'000**	**2017 $'000**	**2018 $'000**	**Total $'000**
Estimate of gross claims incurred				
At end of underwriting year	1,168	4,239	4,991	
One year later	4,996	10,829	6,626	
Two years later	2,347	10,947	16,691	
Three years later	2,106	14,541		
Four years Later	3,985			
As at 31 December 2020	3,985	14,541	16,691	35,217
Less gross claims paid	870	6,349	1,170	8,389
Gross reserves	**3,115**	**8,192**	**15,521**	**26,828**

Pure underwriting year	**2016 $'000**	**2017 $'000**	**2018 $'000**	**Total $'000**
Estimate of Net claims incurred				
At end of underwriting year	657	2,379	2,787	
One year later	2,936	6,392	3,777	
Two years later	1,347	6,485	11,838	
Three years later	1,213	8,656		
Four years later	2,381			
As at 31 December 2020	2,381	8,656	11,838	22,875
Less net claims paid	520	4,335	825	5,680
Net reserves	**1,861**	**4,321**	**11,013**	**17,195**

*The Syndicate operates on a funds withheld basis. As such all claims paid are settled using the funds held by Syndicate 1084, on Syndicate 6130's behalf.

Notes to the Accounts for the year ended 31 December 2020

16. Related parties

Chaucer Syndicates Limited, a wholly owned subsidiary of China Reinsurance (Group) Corporation, is the Managing agent of the Syndicate. The following table shows the expenses that Chaucer Syndicates Limited has charged the Syndicate during the period and the outstanding balance due from the Syndicate at the year end:

	2020 $'000	2019 $'000
Balance due to Chaucer Syndicates Limited at 31 December	-	217

AXA Global Re has the same ultimate parent as the Corporate member providing capital to the Syndicate. The Syndicate has purchased reinsurance from this company. The following table shows the costs and the outstanding balance due from the Syndicate at the year- end:

	2020 $'000	2019 $'000
Reinsurance	313	297
Balance due to AXA Global Re at 31 December	3,904	4,798

Syndicates 1084 and 6130, both managed by Chaucer Syndicates Limited, have entered into a reinsurance contract with one another. These transactions are subject to Chaucer's internal controls which ensure that all are compliant with Lloyd's Related Party Bylaw provisions.

17. Funds at Lloyd's

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

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

18. Capital

Capital framework at Lloyd's

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

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

Notes to the Accounts for the year ended 31 December 2020

18. Capital (continued)

Capital framework at Lloyd's (continued)

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at syndicate level. Accordingly the capital requirement in respect of Syndicate 6130 is not disclosed in these financial statements.

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

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

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

Accordingly all of the assets less liabilities of the syndicate, as represented in the member's balance reported on the Statement of Financial Position on page 9, represent resources available to meet the member's and Lloyd's capital requirements.

19. Ultimate parent company

The Managing Agent considers China Reinsurance (Group) Corporation to be its ultimate parent company. A copy of the most recent consolidated financial statements is available from the website of China Reinsurance (Group) Corporation (www.chinare.com/cn).

20. Subsequent events

The Managing Agent agreed terms to RITC the liabilities of Syndicate 6130 into the 2019 Year of Account of Syndicate 1084 effective 31 December 2020. Syndicate 1084 is also managed by Chaucer Syndicates Limited. This transaction resulted in the transfer to Syndicate 1084 of gross and net technical provisions of $40.4m and $22.5m, respectively. The RITC transaction is not reflected in these annual accounts.

Statement of Managing Agent's Responsibilities

The Managing Agent is responsible for preparing the Syndicate report and 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 accounts at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The 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 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 accounts; and

4. prepare the accounts on the basis that the Syndicate will continue to write future business unless the Syndicate is unable to continue to realise its assets and discharge it liabilities in the ordinary course of business.

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 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 financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SYNDICATE 6130

Report on the audit of the syndicate annual accounts

Opinion

In our opinion, 6130's syndicate annual accounts:

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

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

Basis for opinion

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

Independence

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

Emphasis of matter – Basis of preparation

Without modifying our opinion, we draw attention to note 1 in the Syndicate Annual Accounts which explains that the 2018 year of account of the syndicate has closed and all assets and liabilities transferred to Syndicate 1084 by reinsurance to close. The Syndicate has no successor year of account.

As a result the Syndicate is no longer a going concern. The reinsurance to close occurs in the normal course of business for a syndicate year of account at the 36 months stage of development. The Syndicate Annual Accounts have therefore been prepared on a basis other than going concern where the recorded assets and liabilities represent the amounts that would be realised and discharged in the normal course of business were the going concern basis adopted.

Reporting on other information

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

In connection with our audit of the syndicate annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the syndicate annual accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

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

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

Responsibilities for the syndicate annual accounts and the audit

Responsibilities of the Managing Agent for the syndicate annual accounts
As explained more fully in the Statement of Managing Agent's Responsibilities, the Managing Agent is responsible for the preparation of the syndicate annual accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Managing Agent is also responsible for such internal control as they determine is necessary to enable the preparation of syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate annual accounts, the Managing Agent is responsible for assessing the syndicate's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the syndicate is unable to continue to realise its assets and discharge its liabilities in the ordinary course of business.

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

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

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

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

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

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

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

Other required reporting

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

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

We have no exceptions to report arising from this responsibility.

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