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2020 Annual Report

Neon Underwriting Limited Syndicate 2468

Year ended 31 December 2020

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Directors and administration

Managing Agent
Neon Underwriting Limited

Directors

C Andrew	
A R Creed	
K D Curtis	(Non-Executive Chairman)
R E Heppell	(Chief Financial Officer)
D Lawton-Bryce	
J Sterling	
L R Tanzer	
M J Wade	(Independent Non-Executive)
M S D Washington	

Syndicate secretary
Callidus Secretaries Limited

Managing Agent's registered number
03584320

Managing Agent's registered office
20 Gracechurch Street
London
EC3V 0BG

Run Off Manager
Matthew Washington

Auditors
Ernst & Young LLP
25 Churchill Place
Canary Wharf
E14 5EY

Bankers
Barclays Bank plc
One Churchill Place
London
E14 5HP

Solicitors
Clyde & Co

Consulting actuaries
Willis Towers Watson

Managing Agent's report

The directors of Neon Underwriting Limited (the Managing Agent) present their report for Syndicate 2468 (the Syndicate) for the year ended 31 December 2020 (the Financial Year).

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

Principal activity

The principal activity of the Syndicate remains the transaction of general insurance and reinsurance business. The stamp capacity of the Syndicate for each of the years of account open in 2020 was as follows:

Year of Account	Capacity £000
2018	305,000
2019	305,000
2020	337,000

On 6 January 2020, the Managing Agent's ultimate parent company American Financial Group Inc, (AFG) announced that it was exiting the Lloyd's insurance market. Consequently, the Managing Agent put the Syndicate into an orderly run-off. During this process the Managing Agent has been, and continues to be, in regular dialogue with Lloyd's of London (Lloyd's) and other relevant regulators.

Following an agreement signed on 26 September 2020, and receipt of change of control approval by all relevant regulatory bodies, including the PRA, FCA and Lloyd's, the Neon Group of companies (Neon), including the Managing Agent and Lloyd's Corporate Members GAI Indemnity Ltd, Lavenham Underwriting Ltd and Sampford Underwriting Ltd, became part of RiverStone Holdings Ltd (RiverStone) from 31 December 2020.

It is planned that Neon Underwriting Ltd (NUL) will remain the Managing Agent of Lloyd's Syndicate 2468 for the first half of 2021 with the intention that this management will be novated to RiverStone Managing Agency Limited as at 30 June 2021. NUL will continue to work in close partnership with RiverStone, an experienced legacy partner. RiverStone possesses experienced and knowledgeable teams and all parties are committed to ensuring continuity of service, at the same time as maintaining the Lloyd's Market reputation. Neon remains fully committed to all policyholders and all policies underwritten by the Syndicate will be honoured as per their terms and conditions. The Syndicate remains fully capitalised and, as with every other syndicate at Lloyd's will continue to benefit from Lloyd's full chain of security.

On 30 December 2020, the Members and former Members of the Syndicate, as comprised for each of the relevant years of account between 2016 and April 2019 (or October 2020 in the case of German reinsurance), transferred all relevant policies (and related liabilities) underwritten by them for those years of account to Lloyd's Insurance Company S.A. ('Lloyd's Brussels'), in accordance with Part VII of the Financial Services and Markets Act 2000. On the same date, the Members of the Syndicate entered into a 100% Quota Share Reinsurance Agreement whereby Lloyd's Brussels reinsured all risks on the same policies back to the relevant open years of account of the Syndicate which wrote the transferring policies and/or inherited liabilities on transferring policies through Reinsurance to Close of earlier years of account.

Managing agent's report (continued)

Principal activity (continued)

Following the sanction of the scheme by the High Court on 25 November 2020, the scheme took effect on 30 December 2020 and the Members and former Members of the Syndicate transferred the impacted EEA policies and related liabilities to Lloyd's Brussels, together with cash of $59.5m. On the same date, under the Reinsurance Agreement, Lloyd's Brussels reinsured the same risks back, together with an equal amount of cash of $59.5m. The combined effect of the two transactions had no economic impact for the Syndicate, and accordingly there is no impact on the Syndicate's income statement or balance sheet.

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

Business review

The Syndicate result for the Financial Year is comprised of the movement on all underwriting years that were open during the year and is an underwriting loss of £130,985k (2019: £52,942k). The total recognised loss of £131,234k (2019: £44,867k) additionally includes investment return and foreign exchange gains and losses.

The underlying underwriting performance in 2020 was driven by the decision to put the syndicate into run-off on 6 January 2020. The Syndicate Business Forecast (SBF) for 2020 anticipated premium income of £418m whereas the actual premium income for the 2020 year of account is £28.4m. In contrast the syndicate had already committed to purchase a full reinsurance programme for 2020. The expenses for the year include full provision for the costs of the run-off decision including staff redundancies, onerous leases and other onerous contacts that have contributed to the loss for the year.

The result was also notably influenced by the most active Atlantic hurricane season in recent memory and additionally, a number of large risk losses particularly in the Casualty and Political Risk classes. The major world event of 2020, the Covid-19 pandemic has also affected the result, where there have been a limited number of claim notifications. The Syndicate did not underwrite business exposed directly to the UK FCA test case and the held reserves for all COVID-19 claims liabilities of £15,600k net of reinsurance are considered to be robust.

Syndicate result – all years of account

	2020	*2019*
	£000	*£000*
Gross premiums written	72,176	435,443
Net written premiums	16,066	307,095
Net earned premiums	156,476	300,683
Claims ratio	109%	68%
Commission ratio	42%	41%
Expense ratio	32%	9%
Combined ratio	**184%**	**118%**
Underwriting result before investment return	(130,985)	(52,942)
Investment return	1,459	4,597
Result after investment return	(129,526)	(48,345)
Foreign exchange gain/ (loss)	(1,708)	3,478
Loss for the financial year	(131,234)	(44,867)

The combined ratio is stated before investment return and foreign exchange differences. An analysis of the result by underwriting year is presented below.

Gross written premiums decreased by £363,267k to £72,176k. The decision to place the Syndicate in run-off on 6 January 2020 meant that no business was written after that date unless a commitment was previously given.

Net earned premium decreased by £144,207k to £156,476k reflecting the decision to cease underwriting but also the purchase of a full reinsurance programme for 2020 prior to the run-off decision.

Net claims incurred decreased by £33,895k to £170,637k but the claims ratio increased from 68% to 109%. The reduction in quantum is driven by the reduction in exposure following the run-off, however the increased ratio reflects a very busy year for claims. We consider that the syndicate portfolio is exposed to Covid-19 in a number of business lines, but not to claims as a result of the FCA test case and recent Supreme Court judgement. Reserves for Covid-19 claims liabilities are held at £15,600k net of reinsurance in line with Scenario C of the 2020 Covid Liability assessment as set out by Lloyd's. This assumed that material social distancing and restrictions persisted until 30 June 2020 and Neon considers that this is an appropriate basis as it had no new written premium after that date. In addition to Covid-19, 2020 was the most active Atlantic hurricane season in recent memory combined with further Wildfires in the USA resulting in claims of $36,800k net of reinsurance to Syndicate 2468. There was also significant risk loss activity, particularly in the Casualty and Political Risk classes.

Claims liabilities are analysed by segment in note 16.

Managing agent's report (continued)

Syndicate result – all years of account (continued)

Operating expenses have increased overall. Administration expenses have increased largely as a result of costs and provisions required by the run-off. These expenses include staff redundancies and the provisions for all contracts that are now considered onerous, including most notably the lease on the Managing Agent's office. Acquisition costs have decreased in line with gross premiums.

The Syndicate investment return was £1,459k in the year (2019: £4,597k), being 0.79% (2019: 2.05%) of the average annual investment portfolio. The investment portfolio was held in cash, bonds and overseas regulatory deposits managed by Lloyd's Treasury. The reduced return reflects both the reduced balances as a result of the run-off and falling interest rates around the world in the wake of Covid-19.

The underwriting loss of £130,985k (2019: £52,942k) is analysed below by year of account. A segmental analysis, showing the underwriting result by class of business, is presented in note 2 to the accounts.

Underwriting result by year of account	***Total***	*2020*	*2019*	*2018*
	£000	*£000*	*£000*	*£000*
Gross premiums written	72,176	28,435	37,388	6,353
Net written premiums	16.066	(8,889)	32,823	(7,868)
Net earned premiums	156,476	(11,139)	149,174	18,441
Net incurred claims	(170,637)	(23.181)	(112,274)	(35,182)
Commission and expenses	(116,824)	(56,631)	(52,582)	(7,611)
Underwriting result	(130,985)	(90,951)	(15,682)	(24,352)

Review of financial position

Financial investments, cash and other assets have increased to £243,075k from £241,159k. Balances have reduced through the year as premium receipts have fallen following the run-off, while claims payments have continued. This fall in financial assets has been offset by cash calls of £88,766k, net of profit distribution on the 2017 year of account

The members' balance deficit has increased to £69,873k from £27,405k as detailed in the statement of changes in members' balance on page 18 of the accounts. This reflects the current year loss offset by the cash calls noted above of £126,189k in April and November 2020, less the profit distribution of the 2017 year of account.

Principal risks and uncertainties

The Managing Agent has in place a risk management framework to ensure that all risks associated with the Syndicate's activities are identified, assessed and managed. The Managing Agent's Board is ultimately responsible for managing the risks to which the Syndicate is exposed and delegates this responsibility to the Risk Committee (RC). The terms of reference for the RC were last approved by the Managing Agent's Board on 11 February 2020. The Board sets the risk appetite annually. This is monitored throughout the year by the Managing Agent's Board, RC and relevant sub-committees.

Managing agent's report (continued)

Own Risk and Solvency Assessment (ORSA)
The RC annually reviews and recommends the approval of the ORSA report and ORSA Policy to the Managing Agent's Board. The RC is responsible for overseeing the ORSA process.

The Managing Agent uses an Internal Model to calculate the Syndicate's Solvency Capital Requirement (SCR). The Internal Model scope is reviewed annually to ensure that it reflects the risk profile of the Syndicate.

The Managing Agent submits a Lloyd's Capital Return (LCR) to Lloyd's each year, which Lloyd's use to review the Syndicate SCR and for input into the Lloyd's Internal Model (LIM). The final LCR submitted to Lloyd's each year is based on the Syndicate Business Forecast (SBF).

Regulatory risk
The Managing Agent is required to comply with the requirements of the PRA, the FCA and Lloyd's. Lloyd's requirements included those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Managing Agent has a Compliance function that monitors regulatory developments and assesses the impact on the Managing Agent and Syndicate. The Compliance function reports to the Chief Risk Officer who is a member of the Managing Agent's Board and has oversight of the function.

Premium Risk
The Managing Agent defines premium risk as the risk of uncertainty around all unexpired and planned future underwriting exposure. Following the decision to enter run-off, Neon's premium risk has greatly reduced. To manage unexpired exposure, the Syndicate purchases reinsurance as part of its risks mitigation programme. The Board, supported by the Run-off Conduct Committee (ROCC), monitors exposures against the run-off plan.

Reserve Risk
Reserve risk is the risk that current reserves are insufficient to cover claim liabilities as they fall due. This is influenced by the frequency and severity of claims, and subsequent development of long–term claims. The quarterly reserving exercise is undertaken by the Actuarial Function with input from the underwriters, claims and finance personnel. Reserving output is presented to the Claims and Reserving Committee for review and challenge, prior to submission to the Board.

Credit risk
Credit risk is the risk for potential loss due to the failure of a counterparty to meet its contractual obligation to repay a debt.

Reinsurer default is the agency's most material credit risk. Coverholder, broker and TPA insolvency are also considered as a credit risk to the Syndicate, as well as financial institution default.

The Managing Agent mitigates the risk of exposure to these risks through robust selection and monitoring processes, which includes ROCC oversight of reinsurance exposure, and oversight by the Finance Committee.

Market risk
Market risk relates to the Syndicate's exposure to fluctuations in asset values, interest rates or exchange rates. Loss arising from exchange rate fluctuations, due to mismatches between assets and liabilities is a material market risk. The approach to manage this risk is governed by the Investment Policy and Asset-Liability Management policy. Syndicate funds are held in cash and short-term deposits or invested with Lloyd's Treasury. Investment performance is monitored quarterly by the Finance Committee.

Liquidity risk
Liquidity risk is the risk that the Syndicate has insufficient financial resource available to meet obligations as they fall due. The Syndicate's main exposure relates to calls on funds resulting from large claims. The Board recognises the increased exposure to liquidity risk given the reduction in inwards premium, but considers that the size and availability of funds available to meet exposure is adequate. Routine cash management ensures that funds are available to meet daily cash requirements.

Operational risk
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. Operational risk is prevalent within all of the other risk categories and controls to mitigate these risks are contained within the Syndicate's risk register. The mitigation of operational risk was a key component of the run-off plan presented to the Board and Lloyd's following the decision to place the Syndicate into run-off. Control performance is presented to the ROCC, Risk Committee and the Board via risk reporting.

Strategic and Group Risk
Strategic risk is defined as the risk of loss arising from changes in the business environment and/or from adverse strategic decisions. The Managing Agent Board is responsible for the Syndicate's strategy and is supported in discharging this duty by the CEO and Executive Management. The Run-off plan sets out the Syndicate's plan up until the novation of management to RiverStone Managing Agency that is planned for 30 June 2021. Performance against the run-off plan is monitored by the Board.

Group risk is the risk that the Syndicate is adversely impacted by a member of the group potentially leading to a financial and/or reputational impact. Group risk could emanate from the decisions/actions of the Company's parent organisation RiverStone Holdings Ltd (American Financial Group Inc. until 31 December 2020), a subsidiary of the parent or an entity within the Neon group. There is ongoing dialogue with RiverStone and non-executive members on the Board to monitor this risk.

Financial instruments and risk management
Information on the use of financial instruments by the Syndicate and its management of financial risk is disclosed in note 16 to the financial statements.

Future developments and important events since the end of the financial year

As stated on page 3 the Syndicate was placed into an orderly run-off on 6 January 2020 and on 31 December 2020 became part of RiverStone.

Syndicate 2468 ceased underwriting in 2020 and has no open 2021 year of account. The 2018 year of account will close as at 31 December 2020 by reinsurance to close (RITC) into the 2019 year of account of syndicate 2468. It is the intention that the 2019 and 2020 years of account will close by reinsurance to close into syndicate 3500, managed by RiverStone Managing Agency Limited at their natural close after 3 years.

The Managing Agent will continue to manage syndicate 2468 in the first half of 2021 with the intention that this management is novated to RiverStone Managing Agency Limited as at 30 June 2021.

Research and development

The Syndicate has not participated in any research and development activity during the period.

Directors

The current directors of the Managing Agent are shown on page 2. Changes to directors since 1 January 2020 are as follows:

Name	Date of resignation
T S A Butt	27 March 2020
J E Consolino	12 June 2020
D M Lednor	1 April 2020
O G Reeves	30 September 2020
M Reith	20 February 2020

Name	Date of appointment
C Andrew	14 September 2020
A R Creed	31 December 2020
D Lawton-Bryce	30 September 2020
J Sterling	25 August 2020
L R Tanzer	31 December 2020

The Directors were appointed at Board meetings during the year subject to regulatory approval. The above appointment dates reflect the date that Companies House was notified following the regulatory approvals being received.

Disclosure of information to the auditors

In the case of each of the persons who are directors of the Managing Agent at the time the report is approved:

- So far as the directors are aware, there is no relevant audit information, being information needed by the Syndicate auditor in connection with the auditors' report, of which the auditor is unaware; and
- Having made enquiries of fellow directors of the agency and the syndicate's auditor, each director has taken all the steps that he or she ought to have taken as director to become aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

After making enquiries, the directors have a reasonable expectation that the Syndicate has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Director
4 March 2021

Statement of managing agent's responsibilities

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

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

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

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the notes to the Syndicate accounts; and
- Prepare the Syndicate 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 adequate accounting records, which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent auditors’ report to the members’ of Syndicate 2468

Opinion

We have audited the syndicate annual accounts of Syndicate 2468 (‘the syndicate’) for the year ended 31 December 2020 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Members’ Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 17, 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 2020 and of its loss 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.

Independent auditors' report to the members' of Syndicate 2468 (continued)

Other information

The other information comprises the information included in the annual report set out on pages 3 to 9, other than the syndicate annual accounts and our auditor's report thereon. The directors of the managing agent are 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.

Opinions on other matters prescribed by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008

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

- the information given in the managing agent's report for the financial year 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.

Independent auditors' report to the members' of Syndicate 2468 (continued)

Responsibilities of the directors of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 10 of the annual report, 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.

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 the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the financial reporting framework (UK GAAP). 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- 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, complex transactions, performance targets, economic or external pressures and the impact these have on the control environment. The fraud risk was considered to be higher within the valuation of claims outstanding liabilities 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 claims outstanding liabilities and estimated premium income;
  - Evaluating the business rationale for significant and/or unusual transactions; and
  - Testing the appropriateness of journal entries recorded in the general ledger, particularly in respect of judgemental areas including claims outstanding liabilities and estimated premium income.

In addition, we considered the impact of Covid-19 on the syndicate, including an assessment of the consistency of operations and controls in place as they transitioned to operating remotely for a significant proportion of 2020, making enquiries with management via the use of video conferencing. We performed analytical review procedures to assess for unusual movements throughout the year. Our audit procedures also incorporated unpredictability into the nature, timing and extent of our testing

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 auditors' report to the members' of Syndicate 2468 (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.

Robert Bruce (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

4 March 2021

Income Statement
Technical account – General business
For the year ended 31 December 2020

	Notes	*2020*	*2019*
		£000	*£000*
Gross premiums written	2	72,176	435,443
Outward reinsurance premium		(56,110)	(128,348)
Net written premiums		16,066	307,095
Change in provision for unearned premiums			
- Gross amount		168,772	(1,114)
- Reinsurers' share		(28,362)	(5,298)
Change in the net provision for unearned premiums		140,410	(6,412)
Earned premiums, net of reinsurance		156,476	300,683
Allocated investment return transferred from the non-technical account	6	1,459	4,597
Claims paid			
- Gross amount		(185,769)	(205,847)
- Reinsurers' share		77,386	66,283
		(108,383)	(139,564)
Change in claims outstanding			
- Gross amount		(87,891)	(65,449)
- Reinsurers' share		25,637	482
Change in the net provision for claims		(62,254)	(64,967)
Claims incurred, net of reinsurance		(170,637)	(204,531)
Net operating expenses	3	(116,824)	(149,094)
Balance on technical account - general business		(129,526)	(48,345)

Income Statement
Non-technical account – General business
For the year ended 31 December 2020

	Notes	*2020*	*2019*
		£000	*£000*
Balance on technical account - general business		(129,526)	(48,345)
Investment income	6	1,449	4,314
Unrealised gains on investments		218	360
Investment expenses and charges		(3)	(4)
Unrealised losses on investments		(205)	(73)
Allocated investment return transferred to the general business technical account		(1,459)	(4,597)
Exchange (losses)/gains		(1,708)	3,478
Loss for the financial year		(131,234)	(44,867)

Other than items reported in the income statement the Syndicate has no other comprehensive income in any of the periods for which the financial statements are presented.

In accordance with FRS102.3.19 the Syndicate only presents an income statement and does not present a statement of comprehensive income.

All the amounts disclosed on pages 16 & 17 are in respect of continuing business.

The notes on pages 22 to 50 form an integral part of these financial statements.

Statement of changes in members' balances
For the year ended 31 December 2020

	2020	*2019*
	£000	*£000*
Members' balance at 1 January	(27,405)	(43,538)
Loss for the financial year	(131,234)	(44,867)
2016 & prior year of account results	-	24,183
2017 & prior year of account results	(37,423)	-
2017 year of account open year cash distribution	-	(24,183)
2018 year of account open year cash call	23,471	61,000
2019 year of account open year cash call	49,479	-
2020 year of account open year cash call	53,239	-
Members' balance at 31 December	(69,873)	(27,405)

During the financial year the 2017 underwriting year closed and the final amount settled by members was £37,423k. The 2019 underwriting year made an open year cash call of £10,000k and the 2020 underwriting year made an open year cash call of £27,423k that was settled by members from the 2017 underwriting year profit. A cash call of £23,471k was made on the 2018 open year of account and total cash calls of £49,479k were made on 2019 open year of account and £53,239k on 2020 open years of account, including the amounts in respect of the 2017 underwriting year profit distribution above to enable the syndicate to continue to meet its liabilities in run-off.

Statement of financial position
As at 31 December 2020

	Notes	2020	2019
ASSETS		*£000*	*£000*
Investments			
Financial investments	7	107,190	171,993
Reinsurers' share of technical provisions			
Provision for unearned premiums	10	5,677	33,373
Claims outstanding	10	140,547	117,901
		146,224	151,274
Debtors			
Debtors arising out of direct insurance operations	8	33,464	120,657
Debtors arising out of reinsurance operations	8	27,678	29,052
Other debtors	9	18,741	27,704
		79,883	177,413
Cash and other assets			
Cash and cash equivalents	11	112,286	45,608
Other assets	12	23,599	23,558
		135,885	69,166
Prepayments and accrued income			
Deferred acquisition costs	10	9,735	54,826
Other prepayments and accrued income		911	2,039
		10,646	56,865
Total assets		479,828	626,711

The notes on pages 22 to 50 form an integral part of these financial statements.

Statement of financial position (continued)
As at 31 December 2020

	Notes	2020	2019
		£000	*£000*
MEMBERS' BALANCE AND LIABILITIES			
Members' balances		(69,873)	(27,405)
LIABILITIES			
Technical provisions			
Provision for unearned premiums	10	35,697	199,496
Claims outstanding	10	468,644	389,009
		504,341	588,505
Creditors			
Creditors arising out of direct insurance operations	8	13,116	10,060
Creditors arising out of reinsurance operations	8	15,732	50,991
Other creditors	9	15,283	410
		44,131	61,461
Accruals and deferred income		1,229	4,150
Total liabilities		549,701	654,116
Total members' balances and liabilities		479,828	626,711

The notes on pages 22 to 50 form an integral part of these accounts.

The financial statements have been approved by the Board of Directors on 4 March 2021 and were signed on its behalf by:

R.E.Heppell
Chief Financial Officer

Statement of cash flows
For the year ended 31 December 2020

	Notes	2020 £000	2019 £000
Loss on ordinary activities		(131,234)	(44,867)
Movement in general insurance unearned premiums and outstanding claims		(84,164)	47,137
Movement in reinsurers' share of unearned premiums and outstanding claims		5,050	9,466
Investment return		(1,459)	(4,597)
Movement in other assets/liabilities		124,001	(9,681)
Net cash flow from operating activities		(87,806)	(2,542)
Investing activities			
Purchase of debt and equity instruments		(165)	(1,271)
Sale of debt and equity instruments		6,318	6,306
Purchase of derivatives		4,050	-
Investment income received		1,462	4,398
Foreign exchange		-	5,309
Net cash flow from investing activities		11,665	14,742
Financing activities			
Open year cash distribution		-	(24,183)
Open year cash calls		126,189	61,000
Distribution (profit)/loss		(37,423)	24,183
Net cash flow from financing activities		88,766	61,000
Net increase in cash and cash equivalents		12,625	73,200
Cash and cash equivalents at 1 January		209,741	141,817
Exchange differences on opening cash		(4,423)	(5,276)
Cash and cash equivalents at 31 December	11	217,943	209,741

Notes to the financial statements
For the year ended 31 December 2020

1. Accounting Policies

1.1. Statement of compliance

These financial statements have been prepared on a going concern basis, under the historical cost convention except for certain financial assets which are measured at their fair value, using the annual basis of accounting in accordance with Regulation 5 the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts Regulations 2008) (the Regulations), and in compliance with United Kingdom Accounting Standards including Financial Reporting Standard 102, The Financial Reporting Standard Applicable in the UK and the Republic of Ireland (FRS 102) and Financial Reporting Standard 103, Insurance Contracts (FRS 103). FRS 102 and FRS 103 have been consistently applied to all years presented.

1.2. Basis of preparation

The financial statements for the year ended 31 December 2020 were approved for issue by the Board of Directors on 4 March 2021.

Syndicate 2468 ceased underwriting in 2020 and has no open 2021 year of account. The 2018 year of account will close as at 31 December 2020 by reinsurance to close (RITC) into the 2019 year of account of syndicate 2468. It is the intention that the 2019 and 2020 years of account will close by reinsurance to close into syndicate 3500, managed by RiverStone Managing Agency Limited at their natural close after 3 years. As a result, the directors of the managing agent have assessed that the syndicate is able to continue in operation for a period of at least 12 months from the date of approval of these financial statements.

The financial statements are prepared in Sterling which is the functional and presentation currency of the Syndicate and rounded to the nearest £'000. As permitted by FRS 103 the Syndicate continues to apply the existing accounting policies that applied prior to this standard for its insurance contracts.

1.3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 102 and FRS 103 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Syndicate's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities. Although these estimates are based on management's knowledge of current events and actions, actual results may ultimately differ from those estimates.

1. Accounting Policies (continued)

Insurance contract technical provisions
The most significant estimate made in the financial statements relates to unpaid insurance claim reserves and related loss adjustment expenses of the Syndicate. Unpaid claims reserves are estimated on an undiscounted basis. Provisions are subject to a detailed quarterly review where forecast future cash flows and existing amounts provided are reviewed and reassessed. Any changes to the amounts held are adjusted through the income statement.

Actuarial projection techniques are used to calculate the ultimate cost of outstanding claims. The provision for claims outstanding is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with claims incurred but not reported (IBNR) and related claims handling cost.

Estimates of future premiums
Gross written premiums are recognised on insurance contracts incepting during the financial year and include an estimate of the total premiums expected to be received under each contract. Revenue recognised on policies written through contracts with third parties, such as binding authorities and line slips is particularly judgemental. Adjustments to estimates from previous years are included in the reported premiums.

1.4. Significant accounting policies

Premiums and unearned premiums
Gross premiums written comprise amounts due for contracts commencing in the financial year, together with any differences between booked premiums for the prior years and those previously accrued, and estimates of premiums due but not yet receivable or notified to the Syndicate. All premiums are shown gross of commission payable to intermediaries and exclude any taxes or duties based on premiums. Premium is recognised as earned based on the policy contract period. The earned element is calculated as an apportionment over the period of risk. For premium written under facilities, the earned element is calculated based on the estimated inception date and coverage period of the underlying contracts. The proportion of premiums written, gross of commission payable, attributable to periods after the balance sheet date is deferred as a provision for unearned premiums. The change in this provision is taken to the income statement in order that revenue is recognised over the period of the risk. Under FRS 103, unearned premiums are monetary liabilities. These are therefore valued at closing exchange rates at the reporting date and any foreign currency gains or losses are recognised in the income statement.

Reinsurance premiums ceded
Reinsurance premiums ceded comprise premium on purchased reinsurance arrangements incepting during the financial year, together with adjustments to premiums ceded on reinsurance purchased in previous financial years. The proportion of reinsurance premium ceded attributable to periods after the reporting date is deferred as reinsurers' share of unearned premium. Reinsurance premium ceded is earned over the policy contract period in accordance with the terms of the reinsurance contract.

1. Accounting Policies (continued)

1.4. Significant accounting policies continued

Acquisition costs

Acquisition costs comprise brokerage and commissions incurred on insurance contracts commencing during the financial year. They are incurred on the same basis as the earned proportions of the premiums they relate to. Deferred acquisition costs represent the proportion of acquisition costs incurred in respect of unearned premiums at the balance sheet date and are amortised over the period in which the related revenues are earned. Deferred acquisition costs are reviewed at the end of each reporting period and are impaired where they are no longer considered to be recoverable out of future margins in the related revenues. Under FRS 103, deferred acquisition costs are monetary assets. These are therefore valued at closing exchange rate at the reporting date and any foreign currency gains or losses are recognised in the income statement.

Claims

Claims paid are defined as those claims transactions settled up to the balance sheet date including the internal and external claims settlement expenses allocated to those transactions. The reinsurers' share represents recoveries received from reinsurance protections in the period plus recoveries receivable against claims paid that have not been received at the balance sheet date, net of any provision for bad debt. Where applicable, deductions are made for salvage and other recoveries.

Claims reserves are estimated on an undiscounted basis. Provisions are subject to a detailed quarterly review where forecast future cash flows and existing amounts provided are reviewed and reassessed. Any changes to the amounts held are adjusted through the income statement. Unpaid claims reserves are made for known or anticipated liabilities under insurance contracts which have not been settled up to the reporting date. Included within the provision is an allowance for the future costs of settling those claims. This is estimated based on past experience and current expectations of future cost levels. The unpaid claims reserves also include, where necessary, a reserve for unexpired risks where, at the reporting date, the estimated costs of future claims and related deferred acquisition costs are expected to exceed the unearned premiums provision.

Although the claims provision is considered to be reasonable, having regard to previous claims experience (including the use of certain statistically based projections) and case by case reviews of notified losses, on the basis of information available at the date of determining the provision, the ultimate liabilities will vary as a result of subsequent information and events. These adjustments are reflected in the financial statements for the period in which the related adjustments are made.

Unexpired risk provision

Provision has been made where the future cost of claims and expenses arising on contracts concluded before the end of the financial year is expected to exceed the provision for unearned premium, net of deferred acquisition costs. The need for such provision is assessed by each year of account. No provision for unexpired risks was required at 31 December 2020 (2019: £nil).

1. Accounting Policies (continued)

Reinsurance recoveries
The benefits to which the Syndicate is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer-term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Where there is objective evidence that a reinsurance asset is impaired, the carrying amount of the reinsurance asset is reduced to its recoverable amount and the impairment loss recognised in the income statement.

1.4. Significant accounting policies continued

Financial investments
The Syndicate's financial assets are classified at fair value through profit or loss (FVPL). This classification requires all fair value changes to be recognised immediately within the investment return line in the income statement.

Derivative financial instruments
Financial assets at fair value through profit or loss include derivative financial instruments. The Syndicate uses derivatives in the form of forward foreign currency contracts. Such derivative financial instruments are initially recognised at fair value on the date that the derivative contract is entered into and are subsequently re-measured at fair value through profit or loss at each balance sheet date. Derivative financial instruments are carried as assets when the fair values are positive and as liabilities when the fair values are negative. The Syndicate employs a hedging strategy of purchasing currency forward contracts to protect against currency fluctuations in the members' balance. The Syndicate has used hedge accounting for the presentation of gains and losses arising from these derivatives.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only if there is a currently enforceable legal right to offset the recognised amounts, and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Investment return
All of the Syndicate's financial investments are measured at fair value through profit and loss, accordingly unrealised gains and losses are shown within the non-technical account. Gains and losses on financial investments are realised when the underlying investment is sold and the amount of gain or loss realised is recognised as investment income.

An allocation of actual investment return on investments supporting the general insurance technical provisions and associated members' balance is made from the non-technical account to the technical account. Investment return has been wholly allocated to the technical account as all investments relate to the general insurance technical provisions.

Profit commission
Profit commission is charged by the managing agent at a rate of 15% of the profit on a year-of-account basis subject to the operation of a deficit clause. This is charged to the Syndicate as incurred but does not become payable until after the appropriate year of account closes, normally at 36 months.

1. Accounting Policies (continued)

1.4. Significant accounting policies continued

Foreign currencies
The Syndicate's functional currency and presentational currency is Sterling. Transactions denominated in currencies other than the functional currency are initially recorded in the functional currency at the exchange rate ruling at the date of the transactions. 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 retranslated into the functional currency at the exchange rate ruling on the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items denominated in a foreign currency, measured at fair value are translated into the functional currency using the exchange rate ruling at the date when the fair value was determined. Exchange differences are recorded in the non-technical account.

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.

Pension costs
Neon Management Services Limited contributes to employees' individual pension plans on behalf of the Managing Agent. Pension contributions relating to Syndicate employees are charged to the Syndicate, and included within net operating expenses.

Claims Floats
Claims floats represent funds deposited with third party claims administrators by the Syndicate to allow them to settle claims below agreed thresholds. These are measured at the contractual value of the float.

Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Debtors and creditors
Debtors and creditors are measured on initial recognition and subsequently at the fair value of the consideration receivable or payable. Provision is made for specific bad debts and no general provision is held.

2. Segmental analysis

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

2020	Gross written premiums	Gross premium earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Direct insurance:						
Accident and health	1,078	1,325	476	(608)	0	1,193
Motor – other	0	0	0	0	0	0
Marine aviation and transport	14,402	33,769	(21,067)	(16,060)	(4,737)	(8,095)
Fire and other damage to property	38,094	111,441	(147,837)	(54,754)	29,123	(62,027)
Third party liability	22,053	61,404	(91,540)	(31,619)	12,216	(49,539)
Credit and suretyship	86	126	(152)	(52)	140	62
	75,713	208,065	(260,120)	(103,093)	36,742	(118,406)
Reinsurance acceptances	(3,537)	32,883	(13,540)	(13,731)	(18,191)	(12,579)
	72,176	240,948	(273,660)	(116,824)	18,551	(130,985)

2019	Gross written premiums	Gross premium earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Direct insurance:						
Accident and health	2,900	8,832	(8,554)	(3,274)	(1,456)	(4,452)
Motor – other	6,587	6,076	(4,025)	(1,600)	(51)	400
Marine aviation and transport	62,598	53,999	(34,756)	(20,132)	(5,025)	(5,914)
Fire and other damage to property	126,438	115,480	(83,359)	(41,836)	(20,613)	(30,328)
Third party liability	121,178	120,140	(75,826)	(43,661)	1,205	1,858
Credit and suretyship	19,986	21,015	(16,971)	(5,951)	569	(1,338)
	339,687	325,542	(223,491)	(116,454)	(25,371)	(39,774)
Reinsurance acceptances	95,756	108,787	(47,805)	(32,640)	(41,510)	(13,168)
	435,443	434,329	(271,296)	(149,094)	(66,881)	(52,942)

The reinsurance balance is the aggregate total of all those items included in the technical account which relate to reinsurance outwards transactions including items recorded as reinsurance commissions and profit participation. The reinsurance balance includes reinsurance commission receivable. All premiums were concluded in the UK.

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

2. Segmental analysis (continued) – Geographical analysis

Gross operating expenses are the same as net operating expenses shown in the income statement as no commissions in respect of outward reinsurance were received and offset in arriving at the net operating expenses for 2020.

The geographical analysis of premiums by situs of risk is as follows:

	2020	*2019*
	£000	*£000*
United Kingdom	30,309	101,435
Other EU counties	15,676	14,140
Australia	7,517	10,020
North America	17,747	235,401
Other territories	927	74,447
	72,176	435,443

3. Net operating expenses

	2020	*2019*
	£000	*£000*
Acquisition costs	19,992	121,811
Change in deferred acquisition costs	46,344	839
Administrative expenses	50,488	26,444
Net operating expenses	116,824	149,094

Total written commissions for direct insurance business for the year amounted to £20,924k (2019:£94,843k)

The Syndicate receives consortium fee income where it is manages consortia. These consortium fees, amounting to £971k (2019: £3,327k) are deducted from expenses.

Members' standard personal expenses amounting to £2,878k (2019: £5,228k) are included in administrative expenses, these include Lloyd's subscriptions, New Central Fund contributions, Managing Agent's fees and profit commission.

Net operating expenses include fees payable to the Syndicates auditor for:

	2020	*2019*
	£000	*£000*
Audit of the Syndicate	322	316

3. Net operating expenses (continued)

An additional fee of £51k is charged to the parent company for the work performed in relation to the Group Audit. This fee is related to procedures performed over and above what is required for the local statutory audit of the Syndicate. This fee is settled by the parent company.

	2020	*2019*
	£000	*£000*
Audit-related assurance services	51	51

4. Staff costs

All staff were employed by Neon Management Services Limited, a wholly owned subsidiary of Neon Holdings (U.K.) Limited, the immediate parent company of Neon Underwriting Limited. The following amounts were recharged to the Syndicate in respect of staff costs:

	2020	*2019*
	£000	*£000*
Wages and salaries	9,339	16,402
Social security costs	2,972	2,277
Pension contributions	708	1,127
	13,019	19,806

The average number of Neon Management Services Limited employees providing services for the Syndicate during the year was as follows:

	2020	*2019*
Administration and finance	68	122
Underwriting	6	43
Claims	7	9
	81	174

5. Directors' emoluments

The directors of the Managing Agent received the following aggregate remuneration charged and allocated to the Syndicate within administrative expenses.

	2020 £000	2019 £000
Aggregate remuneration in respect of qualifying services	4,060	3,573
Aggregate contributions to defined contribution scheme	28	74
	4,088	3,647

£1,616k (2019: £500k) was paid to directors for loss of office.

The following remunerations were charged as a Syndicate expense in respect of the active underwriter and run-off manager.

		2020 £000	2019 £000
Aggregate remuneration in respect of qualifying services –	Active Underwriter	-	379
Aggregate remuneration in respect of qualifying services –	Run-Off Manager	671	-

6. Investment return

	2020 £000	2019 £000
Income from financial investments at fair value through profit or loss	1,475	4,306
Net (losses)/gains on realisation of investments at fair value through profit or loss	(26)	8
Total investment income	1,449	4,314
Net unrealised gains on investments at fair value through profit or loss	13	287
Investment expenses and charges	(3)	(4)
Total investment return	1,459	4,597

6. Investment return (continued)

	2020	*2019*
	£000	*£000*
Average amount of funds available for investment during the year:		
Sterling	20.930	10,114
United states dollars	182,863	194,810
Canadian dollars	44,599	36,251
Euro	15,481	23,196
Australian dollars	47,572	38,646
Combined in sterling	226,235	224,748

Gross calendar year investment yield:		
Sterling	0.51%	0.18%
United states dollars	0.55%	2.27%
Canadian dollars	1.31%	2.34%
Euro	0.00%	0.00%
Australian dollars	0.90%	2..88%
Combined in sterling	0.79%	2.05%

Average funds are calculated as the monthly average of bank balances, overseas deposits and investments.

7. Financial investment

At 31 December 2020	*Valuation*	*Cost*
Financial assets at fair value through profit or loss	*£000*	*£000*
Share and other variable yield securities and units in unit trusts	107,093	107,093
Debt securities and other fixed income securities	-	-
Derivative assets at fair value through profit and loss	97	-
Total financial assets at fair value through profit or loss	107,190	107,093

7. Financial investments (continued)

At 31 December 2019 Financial assets at fair value through profit or loss	*Valuation* *£000*	*Cost* *£000*
Share and other variable yield securities and units in unit trusts	165,404	165,404
Debt securities and other fixed income securities	6,434	6,375
Derivative assets at fair value through profit and loss	155	-
Total financial assets at fair value through profit or loss	171,993	171,779

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

- Level 1: quoted (unadjusted) prices in active market 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

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

At 31 December 2020	*Level 1* *£000*	*Level 2* *£000*	*Level 3* *£000*	*Total* *£000*
Shares and variable yield securities and units in unit trusts	387	105,270	1,436	107,093
Debt securities and other fixed income securities	-	-	-	-
Total Syndicate financial investments	387	105,270	1,436	107,093
Loans and deposits with credit institutions	3,820	19,779	-	23,599
Derivative asset	-	97	-	97
Total	4,207	125,146	1,436	130,789

Level 3 investments are made up of loan to the Lloyd’s Central Fund of £1,435,500 (2019: £1,270,500). This is valued at fair value.

7. Financial investments (continued)

At 31 December 2019	*Level 1* *£000*	*Level 2* *£000*	*Level 3* *£000*	*Total* *£000*
Shares and variable yield securities and units in unit trusts	24,453	139,680	1,271	165,404
Debt securities and other fixed income securities	1,462	4,972	-	6,434
Total Syndicate financial investments	25,915	144,652	1,271	171,838
Loans and deposits with credit institutions	3,690	19,868	-	23,558
Derivative asset	-	155	-	155
Total	29,605	164,675	1,271	195,551

8. Debtors and creditors arising out of direct insurance and reinsurance operations

All amounts due to or receivable from the Syndicate in respect of direct insurance and reinsurance operations are in relation to intermediaries.

Of the debtors arising out of direct insurance operations, £nil (2019: £37k) are due after more than one year. Of the debtors arising out of reinsurance operations £141k (2019: £98k) are due after more than one year.

Of the creditors arising out of direct insurance operations, £11,276k (2019: £9,206k) are due after more than one year. Of the creditors arising out of reinsurance operations £94k (2019: £nil) are due after more than one year.

Creditors arising out of direct insurance operations due after more than one year includes £11,276k commission due to coverholders (2019:£9,198k).

9. Other debtors and creditors

Other debtors	*2020* *£000*	*2019* *£000*
Overseas taxation	3,812	2,877
Rent deposit	-	1,514
Claims Loss Funds	14,256	10,357
Consortium Fees	639	1,645
Other debtors	34	28
Amounts due from group undertakings	-	11,283
	18,741	27,704

All balances are due within one year.

9. Other debtors and creditors (continued)

Other creditors	*2020* *£000*	*2019* *£000*
Derivative Creditor	3,992	-
Amount due to group undertakings	10,882	-
Other creditors	409	410
	15,283	410

All balances are due within one year.

10. Technical provisions

Outstanding claims 2020	*Gross* *£000*	*Reinsurers' share* *£000*	*Net* *£000*
At 1 January 2020	389,009	(117,901)	271,108
Claims incurred in current underwriting year	27,722	(4,540)	23,182
Claims incurred in prior underwriting years	245,939	(98,484)	147,455
Claims paid during the year	(185,769)	77,386	(108,383)
Foreign exchange	(8,257)	2,992	(5,265)
At 31 December 2020	468,644	(140,547)	328,097

Outstanding claims 2019	*Gross* *£000*	*Reinsurers' share* *£000*	*Net* *£000*
At 1 January 2019	337,016	(121,686)	215,330
Claims incurred in current underwriting year	91,440	(22,141)	69,299
Claims incurred in prior underwriting years	179,857	(44,624)	135,233
Claims paid during the year	(205,847)	66,283	(139,564)
Foreign exchange	(13,457)	4,267	(9,190)
At 31 December 2019	389,009	(117,901)	271,108

10. Technical provisions (continued)

Unearned Premium 2020	Gross	Reinsurers' share	Net
	£000	£000	£000
At 1 January 2020	199,496	(33,373)	166,123
Premiums written in the year	72,176	(56,110)	16,066
Premiums earned in the year	(240,948)	84,472	(156,476)
Foreign exchange	4,973	(666)	4,307
At 31 December 2020	35,697	(5,677)	30,020

Unearned Premium 2019	Gross	Reinsurers' share	Net
	£000	£000	£000
At 1 January 2019	204,352	(39,054)	165,298
Premiums written in the year	435,443	(128,348)	307,095
Premiums earned in the year	(434,329)	133,646	(300,683)
Foreign exchange	(5,970)	383	(5,587)
At 31 December 2019	199,496	(33,373)	166,123

	2020	2019
Deferred Acquisition Costs	£000	£000
At 1 January	54,826	57,158
Change in deferred acquisition costs	(46,344)	(839)
Foreign exchange	1,253	(1,493)
At 31 December	9,735	54,826

11. Cash and cash equivalents

	2020	2019
	£000	£000
Cash at bank and in hand	112,286	45,608
Cash equivalents held in collective investment schemes	105,657	164,133
	217,943	209,741

Cash and cash equivalents comprises deposits not subject to time restrictions on withdrawal, with approved credit institutions and approved financial institutions and local authorities.

12. Other assets

Other assets of £23,599k (2019: £23,558k) comprise overseas deposits which are lodged as a condition of conducting underwriting business in certain countries.

13. Related parties

On 31 December 2020, Neon Underwriting Limited's ultimate parent company American Financial Group Inc, (AFG) completed the sale of GAI Holding Bermuda Ltd (GAIHBL), the holding company for the whole Neon group, including the Managing Agent, to Riverstone Holdings Limited.

Neon Underwriting Limited's immediate parent company is Neon Holdings (U.K.) Limited and the Company's indirect UK holding company is RiverStone Holdings Limited. Both of these companies are registered in England and Wales with the former at 20 Gracechurch Street, London, EC3V 0BG, United Kingdom and the latter at Park Gate, 161-163 Preston Road, Brighton, East Sussex, BN1 6AU. The ultimate parent company is RiverStone Barbados Limited, a company incorporated in Barbados. Copies of their Financial Statements may be obtained from Pine Commercial Centre, #12 Pine Commercial, The Pine, St Michael, Barbados, BB11103.

Transactions with directors

Certain directors of the Managing Agent are also directors of other Group companies. In all cases, transactions between the Syndicate and other entities within the group are carried out on normal arm's length commercial terms.

Managing Agent

Neon Underwriting Limited acts as Managing Agent to the Syndicate. Managing agency fees of £2,528k (2019: £2,288k) were charged to Syndicate 2468 during the year. These fees are calculated as 0.75% of the Syndicate's approved stamp capacity for the youngest open underwriting year.

There have been no transactions entered into or carried out during the year by the Managing Agent on behalf of the Syndicate in which it or any of its executives had, directly or indirectly a material interest.

13. Related parties (continued)

Management compensation

All of the Syndicate’s management personnel are employed by fellow group company Neon Management Services Limited. Remuneration of management is included in note 5 to the accounts and shows the total directors remuneration on behalf of the Neon group.

Intercompany balances & transactions

Amounts due from/(to) other group companies are as follows:

	2020	*2019*
	£000	*£000*
Neon Management Services Limited	(10,249)	11,271
Neon Underwriting Limited	(633)	12
	(10,882)	11,283

Great American Insurance Co. (GAIC) is a wholly owned subsidiary of AFG and participates as a reinsurer of the Syndicate. The premiums paid to that reinsurer in 2020 amounted to £530k (2019: £657k) which represents 0.47% of outward reinsurance spend of the Syndicate. Of this amount the outstanding premium payable is £937k (2019: £1,972k). Reinsurance recoveries received from GAIC amounted to £655k (2019: £451k). At 31 December 2020 there is a receivable amount outstanding of £83k (2019: £349k). The Syndicate also has inwards reinsurance agreements with GAIC which amounted to premiums of £nil (2019: £97k). No amounts remain due at the balance sheet date.

GAI Indemnity Limited (GAII) is a wholly owned subsidiary of GAI Holdings Bermuda Ltd, the ultimate parent of both of these companies is RiverStone Barbados Limited. GAII is a corporate member of the Syndicate and participates on all open years of account. Lavenham Underwriting Limited (LUL) and Sampford Underwriting Limited (SUL) are wholly owned subsidiaries of Neon Holdings (U.K.) Limited (NHL), the ultimate parent of these companies is RiverStone Barbados Limited. LUL and SUL are corporate members of the Syndicate and participate on all open years of account. For more information see note 16.

Advent Syndicate 780 is managed by RiverStone Managing Agency Limited, a wholly owned subsidiary of RiverStone Holdings Limited. Advent Syndicate 780 participates as a reinsurer of the syndicate. At 31 December 2020 there is a receivable amount outstanding of £13k.

Neon group owns or owned several managing general agents that write marine, property, reinsurance and casualty business into the Syndicate. They are or were all subsidiaries of Neon Holdings (U.K.) Limited (NHL) that was the immediate parent of the Managing Agent.

13. Related parties (continued)

Amounts due to these companies are as follows:

	2020	*2019*
	£000	*£000*
Neon Underwriting Bermuda Limited	-	5,403
Neon Sapphire Underwriting Limited	657	593
Orca Insurance Agency A/S	2,286	2,820
Neon Italy S.r.l	-	1,344

On 31 December 2020 the Members voluntary winding-up pursuant to section 213 of the Bermuda Companies Act 1981 of Neon Underwriting Bermuda Limited (NUBL) was completed and NUBL was dissolved.

On 24 November 2020 NHL agreed to sell its shares in Neon Sapphire Underwriting Limited to Spring Partners (Holdings) Limited, subject to change of control approval from the Guernsey Financial Services Commission. That approval was received on 26 January 2021 and the sale was completed on 8th February 2021.

On 22 December 2020 NHL completed the sale of its shares in Orca Insurance Agency A/S to DUPI MGA Invest BV.

On 29 October 2020 Neon Italy S.r.l was successfully liquidated and removed from the Commercial Register.

On 29 December 2017, certain senior management and staff of Neon Management Services Limited purchased on an arm's length basis 76.65% of membership interests in Neon Employee Ownership LLC (NEO), domiciled in Delaware, USA from Helium Holdings Limited, a wholly owned subsidiary of American Financial Group Inc. NEO indirectly owns via intermediate holding companies, 30% of the operations of Neon including Syndicate 2468 and the managing agent. On 30 June 2020 all of the membership interests in Neo owned by Neon senior management and staff were sold to Helium Holdings Limited.

On 25 November 2020 Lloyd's confirmed it had received final approval from the High Court of England and Wales to transfer EEA policies (the Part VII transfer) to Lloyd's Insurance Company SA. This Part VII transfer affected all Syndicate 2468's EEA policies for underwriting years 2018 and prior. As at 30 December 2020 the Syndicate has 508 policies with liabilities valued at $59.5m that are within the scope of the Part VII transfer. Cash backing those liabilities as well as premium receivables were transferred and reinsured back to the Syndicate on this date.

There are no other transactions or arrangements to disclose.

14. Funds at Lloyd's

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

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

15. Off-balance sheet items

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

16. Risk management

a) Governance framework

The Board of Directors of the Managing Agent (the Board) recognises that the effective management of risk is essential for the Syndicate to achieve its objectives. The primary objective of the Syndicate's risk and financial management framework is to protect the Syndicate's members from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place to identify, assess, control, monitor and report the risks posed to the achievement of the Syndicate's objectives.

The Board, with support from the Risk Committee, chaired by an independent non-executive, oversees the risk management framework and monitors the Syndicate's risk profile at risk category level (e.g. premium risk). Oversight of specific risks and appetites, set in conjunction with the risk management function, is delegated to the Risk Committee. In order to discharge their duties, the Board and Risk Committee receive regular risk reports measuring the Syndicate's risk appetite metrics.

b) Capital management objectives, policies and approach

Capital framework at Lloyd's

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

Within the supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II capital requirements, and beyond that to meet its own financial strength, licence and ratings objectives. Although Lloyd's capital setting processes use a capital requirement set at Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at a syndicate level.

16. Risk Management (continued)

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 (99.5% confidence over a one-year time frame), 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 and approval by Lloyd's.

A syndicate may be comprised of one or more underwriting members of Lloyd's. Over and above the SCR, Lloyd's applies an uplift to the capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2020 was 35% of the SCR 'to ultimate'.

Provision of capital by members of Syndicate 2468

The Syndicate is comprised of a number of underwriting members of Lloyd's. Each member is only liable for its own share of underwriting liabilities on the Syndicate on which it participates. Each member's SCR is determined by the sum of the member's share of the Syndicate SCR 'to ultimate'. Each member provides capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (Funds at Lloyd's), held within and managed within a Syndicate (Funds in Syndicate) or as the member's share of the members' balances on each syndicate on which it participates. All of the assets required by the members of the Syndicate (over and above their share of the Syndicate's Solvency II net assets), are held as Funds at Lloyds (FAL).

At 31 December 2020, the Syndicate's agreed ECA was £183.6m (2019: £323.2m). The Syndicate also benefits from mutualised capital within the Lloyd's Central Funds, for which an annual levy of 0.35% of Syndicate gross premium is payable.

Participation for each underwriting year that was open during 2020, is as follows:

Members' participations (% of Syndicate stamp capacity)	2020 *£000*	2019 *£000*	2018 *£000*
Lavenham Underwriting Limited	35%	35%	35%
Samford Underwriting Limited	36%	36%	36%
GAI Indemnity Limited	29%	29%	29%
Total	100%	100%	100%

16. Risk Management (continued)

Provision of capital by members of Syndicate 2468

Members' premium limits	2020	2019	2018
Lavenham Underwriting Limited	117,950	106,750	106,750
Sampford Underwriting Limited	121,320	109,800	109,800
GAI Indemnity Limited	97,730	88,450	88,450
Total	337,000	305,000	305,000

All of the corporate members providing capital to support the 2020 year of account are subsidiaries wholly owned by the Managing Agent's ultimate parent RiverStone Barbados Limited.

c) Insurance risk

The principal risk the Syndicate faces under insurance contracts is Insurance Risk. NUL breaks this down into Premium Risk and Reserve Risk.

Premium Risk

The Managing Agent defines premium risk as the risk of uncertainty around all unexpired and planned future underwriting exposure. Following the decision to enter run-off, Neon's premium risk has greatly reduced. To manage unexpired exposure, the Syndicate purchases reinsurance as part of its risks mitigation programme. The Board, supported by the Run-off Conduct Committee (ROCC), monitors exposures against the run-off plan.

Reserve Risk

The risk that current reserves are insufficient to cover claim liabilities as they fall due. This is influenced by the frequency and severity of claims, and subsequent development of long–term claims.

Therefore, the objective of the Syndicate is to ensure that sufficient reserves are available to cover these liabilities. The principal assumption underlying the estimated liabilities is that future claims development will follow a similar pattern to past claims development experience. Historical development data is used to calculate reserves on a class basis with reference to both the type of business as well as the length of tail of the specific class. Where possible, large losses are reserved with reference to specific case data and market information. The liabilities calculated could be significantly higher or lower than the final cost of settling the claims and this uncertainty can vary between classes depending on the type of business written and the quantity of large or catastrophe losses included within these estimates.

Sensitivity analysis

The claim liabilities are sensitive to the assumptions above. The table below shows the impact on the syndicate's profit of a 5% improvement or deterioration in the net incurred claims ratio:

16. Risk Management (continued)

	Accident & Health	*Motor*	*Marine aviation & transport*	*Fire and other damage to property*	*Third-party liability*	*credit & suretyship*	*Reinsurance acceptances*	*Total*
Converted £000								
At 31 December 2020								
5% increase in NIC	24	-	(1,052)	(4,161)	(3,107)	(4)	(232)	(8,532)
5% decrease in NIC	(24)	-	1,052	4,161	3,107	4	232	8,532
Converted £000								
At 31 December 2019								
5% increase in NIC	(444)	(201)	(1,821)	(2)	(5,232)	(334	(2,192)	(10,226)
5% decrease in NIC	444	201	1,821	2	5,232	334	2,192	10,226

Claims concentration

The table below shows the concentration of claims liabilities at the balance sheet date, by type of contract. These figures include claims outstanding and incurred but not reported claims (IBNR), consistent with the figures reported in the statement of financial position.

	31 December 2020			31 December 2019		
	Gross Liabilities	Re-insurance of liabilities	Net Liabilities	Gross Liabilities	Re-insurance of liabilities	Net Liabilities
	£000	£000	£000	£000	£000	£000
Accident and health	4,476	(168)	4308	10,940	(706)	10,234
Motor - other	1,137	0	1,137	1,682	-	1,682
Marine aviation and transport	35,040	(554)	34,486	43,311	(1,358)	41,953
Fire and other damage to property	119,762	(55,633)	64,129	44,968	(42,763)	2,205
Third-party liability	202,654	(41,694)	160,960	184,177	(20,790)	163,387
Credit and suretyship	37,887	(9,181)	28,706	27,221	(7,830)	19,391
	400,956	(107,230)	293,726	312,299	(73,447)	238,852
Reinsurance acceptances	67,688	(33,317)	34,371	76,710	(44,454)	32,256
Total	468,644	(140,547)	328,097	389,009	(117,901)	271,108

The geographic concentration of outstanding claims liabilities is shown below, these figures are prepared on the same basis of the segmentation analysis above. Where reinsurance liabilities are held to cover all classes of business, these liabilities have been apportioned to territories based on the value of outstanding claims (excluding IBNR) at the balance sheet date, this is considered to be the most appropriate means to allocate the reinsurance element of liabilities as shown below

	31 December 2020			31 December 2019		
	Gross Liabilities	Re-insurance of liabilities	Net Liabilities	Gross Liabilities	Re-insurance of liabilities	Net Liabilities
				£000	£000	
United Kingdom	136,370	(18,949)	117,421	89,284	(25,858)	63,426
Other EU countries	79,586	(18,342)	61,244	50,755	(15,137)	35,618
Australia	17,724	(3,580)	14,144	19,634	(5,530)	14,104
North America	168,610	(66,827)	101,783	190,833	(58,976)	131,857
Other territories	66,354	(32,849)	33,505	38,503	(12,400)	26,103
Total	468,644	(140,547)	328,097	389,009	(117,901)	271,108

16. Risk Management (continued)

Claims development table

The following tables show the estimate of cumulative incurred claims, including both notified and IBNR for each successive underwriting year at each reporting date, together with cumulative payments to date. All of the amounts shown in the tables are in converted sterling

In setting claims provisions the Syndicate considers the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an underwriting year is greatest when the underwriting year is at an early stage of development and the margin necessary to provide the necessary confidence in the adequacy of the provision at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

Claims development table

Gross outstanding claims provision as at 31 December 2020	*2016*	*2017*	*2018*	*2019*	*2020*	*Total*
Underwriting year	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Estimate of cumulative claims incurred						
At end of underwriting year	41,367	146,119	160,166	86,177	26,965	
12 months later	72,453	224,452	288,461	251,336		
24 months later	90,344	262,651	313,773			
36 months later	97,252	278,620				
48 months later	127,176					
Current estimate of cumulative claims incurred	127,176	278,620	313,773	251,336	26,965	
Cumulative paid claims						
At end of underwriting year	2,902	19,973	11,812	9,589	3,886	
12 months later	17,605	111,398	126,896	69.801		
24 months later	32,266	158,642	191,127			
36 months later	56,391	194,965				
48 months later	69,447					
Cumulative payments to date	69,447	194,965	191,127	69,801	3,886	
Total gross outstanding claims provision per the statement of financial position	57,729	83,655	122,646	181,535	23,079	468,644

16. Risk Management (continued)

Claims development table

Net outstanding claims provision as at 31 December 2020	*2016*	*2017*	*2018*	*2019*	*2020*	*Total*
Underwriting year	£000	£000	£000	£000	£000	£000
Estimate of cumulative claims incurred						
At end of underwriting year	34,042	83,733	89,659	65,937	22,636	
12 months later	65,149	135,615	189,046	173.869		
24 months later	81,493	165,142	208,026			
36 months later	82,337	169,514				
48 months later	92,625					
Current estimate of cumulative claims incurred	92,625	169,514	208,026	173,869	22,636	
Cumulative paid claims						
At end of underwriting year	2,902	17,015	9.798	8,330	3,316	
12 months later	17,562	59,520	87,130	44,695		
24 months later	31,367	93,917	125,905			
36 months later	45,061	110,285				
48 months later	54,372					
Cumulative payments to date	54,372	110,285	125,905	44,695	3,316	
Total net outstanding claims provision per the statement of financial position	38,253	59,229	82,121	129,174	19,320	328,097

d) Financial risk management

The following section describes the Syndicate’s investment risk management from a quantitative and qualitative perspective. The investment policy determines investment governance and the investment risk tolerances. It is reviewed regularly and reported to the Finance Committee and Board to ensure that the Board’s fiduciary and regulatory responsibilities are being met. Day-to-day management of the investments is delegated to the Investment Committee.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The tables below show the maximum exposure to credit risk for the components of the statement of financial position.

16. Risk Management (continued)

Credit risk (continued)

31 December 2020	*Neither past due not impaired*	*Impaired*	*Past due*	*Total*
	£000	*£000*	*£000*	*£000*
Shares and other variable yield securities	107,093			107,093
Other financial investments				
- Debt securities	-			-
- Derivative assets/liabilities	97			97
Overseas deposits	23,599			23,599
Reinsurers' share of claims outstanding	140,547			140,547
Debtors arising out of direct insurance operations	25,210		8,254	33,464
Debtors arising out of reinsurance operations	27,678			27,678
Other debtors	18,741			18,741
Cash at bank and in hand	112,286			112,286
	455,251	-	8,254	463,505

31 December 2019	*Neither past due not impaired*	*Impaired*	*Past due*	*Total*
	£000	*£000*	*£000*	*£000*
Shares and other variable yield securities	165,404	-	-	165,404
Other financial investments				
- Debt securities	6,434	-	-	6,434
- Derivative assets/liabilities	155	-	-	155
Overseas deposits	23,558	-	-	23,558
Reinsurers' share of claims outstanding	117,901	-	-	117,901
Debtors arising out of direct insurance operations	111,760	-	8,897	120,657
Debtors arising out of reinsurance operations	29,052	-	-	29,052
Other debtors	27,704	-	-	27,704
Cash at bank and in hand	45,608	-	-	45,608
	527,576	-	8,897	536,473

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2020 by classifying assets according to approved credit rating agencies' credit ratings of the counterparties. AAA is the highest possible rating. Debtors, other than amounts due from reinsurers, have been excluded from the table as these are not rated. This excludes any amounts that are impaired or past due.

16. Risk Management (continued)

Credit risk (continued)

31 December 2020	*AAA*	*AA*	*A*	*BBB*	*Less than BBB*	*Not rated*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Shares and other variable yield securities	-	-	-	-	-	107,093	107.093
Other financial Investments							
- Debt securities	-	-	-	-	-	-	-
- Derivative asset	-	-	-	-	-	97	97
Overseas deposits	14,013	2,234	1,773	1,556	577	3,446	23,599
Reinsurers' share of claims outstanding	-	27,064	79,547	19,089	-	14,847	140,547
Debtors arising out of reinsurance operations	-	4,882	17,936	3,811	-	1,049	27,678
Cash at bank and in hand	-	-	112,286	-	-	-	112,286
	14,013	34,180	211,542	24,456	577	126,532	411,300

31 December 2019	*AAA*	*AA*	*A*	*BBB*	*Less than BBB*	*Not rated*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Shares and other variable yield securities	-	-	-	-	-	165,404	165,404
Other financial Investments							
- Debt securities	1,165	-	5,269	-	-	-	6,434
- Derivative asset	-	-	-	-	-	155	155
Overseas deposits as investments	13,460	2,848	2,432	1,371	655	2,792	23,558
Reinsurers' share of claims outstanding	-	21,880	75,352	-	-	20,669	117,901
Debtors arising out of reinsurance operations	-	4,459	19,830	-	-	4,763	29,052
Cash at bank and in hand	-	-	45,608	-	-	-	45,608
	14,625	29,187	148,491	1,371	655	193,783	388,112

Liquidity risk

Liquidity risk is the risk that the Syndicate will encounter difficulty in meeting obligations associated with its financial instruments. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out flows and expected reinsurance recoveries.

The table below summarises the maturity profile of the Syndicate’s financial liabilities based on remaining undiscounted contractual obligations, including interest payable, and outstanding cash liabilities based on the estimated timing of claim payments resulting from recognised insurance liabilities.

16. Risk Management (continued)

Liquidity risk (continued)

31 December 2020	*Carrying amount*	*Up to one year*	*1-3 years*	*3-5 years*	*5-10 years*	*Over 10 years*
Outstanding claim liabilities	468,644	110,508	251,003	59,134	38,080	9,919
Creditors arising out of direct insurance	13,116	13,116	-	-	-	-
Creditors arising out of reinsurance	15,732	15,732	-	-	-	-
Other creditors	15,283	15,283	-	-	-	-

31 December 2019	*Carrying amount*	*Up to one year*	*1-3 years*	*3-5 years*	*5-10 years*	*Over 10 years*
Outstanding claim liabilities	389,009	93,488	207,380	48,201	31,685	8,255
Creditors arising out of direct insurance	10,060	10,060	-	-	-	-
Creditors arising out of reinsurance	50,991	50,991	-	-	-	-
Other creditors	410	410	-	-	-	-

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk, and equity price risk, as discussed below:

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Syndicate's functional currency is Sterling and its exposure to foreign exchange risk arises primarily with respect to transactions in Euro, US dollars, Australian dollars, and Canadian dollars.

The table below summarises the exposure of the financial assets and liabilities to foreign exchange risk at the reporting date (as converted Sterling amounts), as follows:

16. Risk Management (continued)

d. Financial risk management - currency risk (continued)

Converted £'000	UK £	US $	EUR €	CAD $	AUD $	Total
31 December 2020						
Total assets	90,382	288,980	37,491	31,848	31,127	479,828
Total Liabilities	(104,439)	(326,653)	(72,689)	(28,354)	(17,566)	(549,701)
Net assets	(14,057)	(37,673)	(35,198)	3,494	13,561	(69,873)

Converted £'000	UK £	US $	EUR €	CAD $	AUD $	Total
31 December 2019						
Total assets	93,248	435,352	35,471	30,056	32,584	626,711
Total Liabilities	(107,201)	(444,872)	(56,476)	(18,932)	(26,629)	(654,116)
Net assets	(13,959)	(9,520)	(21,005)	11,124	5,955	(27,405)

The table below shows the impact on the syndicate's net assets of a 5% appreciation or depreciation in each currency relative to Sterling.

Converted £'000

31 December 2020	UK £	US $	EUR €	CAD $	AUD $	Total
5% appreciation	-	(1,884)	(1,760)	175	678	(2,791)
5% depreciation	-	1,884	1,760	(175)	(678)	2,791

Converted £'000

31 December 2019	UK £	US $	EUR €	CAD $	AUD $	Total
5% appreciation	-	(476)	(1,050)	556	298	(672)
5% depreciation	-	476	1,050	(556)	(298)	672

The Syndicate employs a hedging strategy of purchasing currency forward contracts to protect against currency fluctuations in the members' balance.

16. Risk Management (continued)

(ii) Interest rate risk

The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit and members' balance of the effects of changes in interest rate.

Changes in variables	*Impact on profit*	*Impact on members' balance*
	£000	*£000*
31 December 2020		
+ 50 basis points	(646)	(646)
- 50 basis points	646	646
31 December 2019		
+ 50 basis points	(971)	(971)
- 50 basis points	971	971

(iii) Equity price risk

The analysis below is performed for reasonable possible movements in market indices on financial instruments, insurance assets and liabilities with all other variables held constant, showing the impact on profit before tax due to changes in fair value of financial assets and liabilities.

Change in stock market prices	*Impact on profit*	*Impact on members' balance*
	£000	*£000*
31 December 2020		
5% increase	528	528
5% decrease	(528)	(528)
31 December 2019		
5% increase	821	821
5% decrease	(821)	(821)

17. Post Balance Sheet Event

On 20th December 2020, Fairfax Financial Holdings Limited ("Fairfax") entered into a binding agreement with CVC Capital Partners to sell all of its equity interest in the RiverStone Barbados Limited Group, which, from 31 December 2020 includes the Neon Group of Companies, to CVC Strategic Opportunities Fund II. Fairfax currently own 60% of the equity of RiverStone Barbados Limited and OMERS, the Ontario Municipal Employees Retirement System, own the remaining 40%. OMERS have also agreed to sell its interests as part of this transaction. The transaction is subject to regulatory approval and is expected to close in the first quarter of 2021.