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Syndicate 4000
Annual Report
Year ended
31 December 2021

SYNDICATE 4000
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SYNDICATE 4000
DIRECTORS AND ADVISERS

Managing Agent

Hamilton Managing Agency Limited

Registered Office

Level 3, 8 Fenchurch Place, London, EC3M 4AJ

Registered Number

05832065

Directors

A. J. Baker (appointed 22 March 2021)	Executive
P. J. Barrett	Non-Executive
M. J. Beacham (resigned 28 February 2022)	Independent Non-Executive
M. J. Beane	Independent Non-Executive
A. J. Daws (appointed 8 June 2021)	Executive
H. M. Goodhew (appointed 2 February 2022)	Independent Non-Executive
P. C. F. Haynes	Independent Non-Executive, Chairman
R. S. Vetch	Executive

Company Secretary

D. McCormack

Syndicate

Active Underwriter

M. E. Colaço-Osorio

Bankers

Barclays plc
Citibank N.A.
HSBC
Royal Bank of Canada

Investment Managers

Conning Asset Management Limited

Auditor

Ernst & Young LLP
25 Churchill Place
London, E14 5EY

SYNDICATE 4000

MANAGING AGENT'S REPORT

The Directors of Hamilton Managing Agency Limited ("HMA") present the Managing Agent's Report for Syndicate 4000 ("the Syndicate") for the year ended 31 December 2021.

Principal Activity

The principal activity of the Syndicate continues to be the underwriting of general insurance and reinsurance business at Lloyd's.

The Syndicate's allocated capacity for the 2021 year of account was £350.0m (2020 year of account: £340.0m). The capacity for the 2022 year of account is £385.0m. Capital to support the underwriting of the Syndicate is provided by entities that are ultimately owned by Hamilton Insurance Group, Ltd (collectively with its subsidiaries, "the Hamilton Group"):

- Hamilton Corporate Member Limited ("HCM") for the 2020 and subsequent years of account.
- Ironshore CC (Three) Limited ("ICC3") for the 2019 year of account.

HMA also manages Syndicate 2014, Syndicate 6125, Syndicate 1947 and Syndicate 3334. HCM supports all open years of account of Syndicate 3334, otherwise, capital to support the underwriting of these syndicates is provided by third parties that are unrelated to the Hamilton Group. Transactions between these syndicates and entities within the Hamilton Group are conducted on a normal commercial basis.

On 15 February 2021, HMA entered into an external reinsurance to close contract (on behalf of Liberty Corporate Capital (Two) Limited, as the member of Lloyd's who constituted Syndicate 4000 for this year of account) with a fellow Lloyd's managing agency, RiverStone Managing Agency Limited. Under this agreement, the assets and liabilities of the 2018 underwriting year of account were transferred to the 2019 underwriting year of account of Syndicate 3500, including net technical provisions at the closing balance sheet date of £355.8m. Thus the economic balance sheet transferred effective 1 January 2021 and is no longer accounted for within Syndicate 4000's report and accounts.

Business of the Syndicate

The Syndicate continues to be a provider of specialist insurance and reinsurance products and aims to write a low volatility portfolio of niche Specialty, Casualty and Property classes of business. The portfolio is built around business which has a high technical barrier to entry. The underwriting risk selection process is supported by robust rating models. During the 2021 financial year gross written premium by product area was as follows:

	2021	2020
	£000	£000
Direct:		
- Specialty	136,510	149,870
- Casualty	137,158	105,572
- Property	23,120	34,943
Reinsurance	46,718	74,237
Run-off Lines	70,543	14,461
Total	414,049	379,083

Further details of the product areas are provided below.

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MANAGING AGENT'S REPORT (continued)

Direct – Speciality

This product area predominantly consists of Accident and Health (“A&H”), Political Risks, Political Violence, Selected Specialty Lines (“SSL”) and Marine/Energy classes.

The A&H product area includes individual and group accidental death and disability, worldwide excess of loss, medical expenses and kidnap and ransom cover.

The Political Risks / Political Violence product area includes cover for confiscation and contract frustration, trade credit and war & terrorism. The account is written on a worldwide basis.

Specie & Fine Art / High Value Cargo written via a selective number of specialist partners and also through Hamilton's consortium, where capacity is required.

The Marine Liability book includes both traditional marine liability and energy liability (predominantly offshore). This product area includes an international onshore & offshore energy book.

The SSL book includes cover for selective number of specialist lines namely Environmental, Surety Bonds, Energy Liability and Nuclear Pool.

Direct – Casualty

This product area consists of Professional Lines & Financial Institutions, Cyber and Mergers & Acquisitions (“M&A”) business.

The Professional Lines and Financial Institutions accounts are diverse portfolios, designed to minimise economic correlation between the two accounts. The accounts comprise crime, professional indemnity, directors' & officers' liability and medical malpractice products. The Financial Institutions account targets institutional facing business rather than retail exposure.

The Cyber division has developed a diverse portfolio of exposure by geography and sector, predominantly on an excess basis.

The Hamilton Group has successfully recruited an M&A team in London to write predominantly non-US based deals in Europe and the UK. The team commenced underwriting in the second quarter of 2021 and, alongside the core business, will continue to support the Certa Tax MGA who have necessary expertise in this area.

Direct - Property

The Property book has global exposures, written on both a Direct and Facultative basis as well as through a specialist Property Binders division. The underwriting strategy of the book is to minimise catastrophe exposure. Risks written include factories (particularly electronic and food manufacturers) and public buildings.

Reinsurance

The UK Treaty team write a combination of War & Terror Treaty, Energy Treaty (both onshore and offshore but excluding Gulf of Mexico) and Marine Treaty. The focus is on short-tail lines supported by cat modelling and other actuarial support.

In addition to underwriters located in the UK, the book is serviced by Hamilton Group owned coverholders based in local markets.

Run-off Lines

Lines in run-off include Agriculture, Property Treaty, Marine Re, Cargo, Product Recall and certain casualty & specialty classes.

The team ceased writing the Agriculture and Property Treaty classes of business during 2021.

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MANAGING AGENT'S REPORT (continued)

Strategic Partnerships Through Special Purpose Arrangements ("SPAs")

The HMA Strategic Partnership Team forms and develops SPAs and syndicates supported by third party capital.

For the 2016 year of account, HMA entered into a strategic partnership agreement with Patria Re S.A. ("Patria") which resulted in the formation of an SPA, Patria Syndicate 6125 which is a wholly aligned Special Purpose Arrangement. The capital to support underwriting is provided by Patria Corporate Member Limited ("PCM"). Patria and PCM are wholly owned subsidiaries of Peña Verde S.A.B. ("Peña Verde"). Peña Verde is a Mexican domiciled insurance and reinsurance group with an established presence in Central and South America. As is the case with all SPAs, Patria Syndicate 6125 sourced its underwriting by way of quota share reinsurance cessions from its host, which is Syndicate 4000. Syndicate 6125 was placed into run-off in November 2020.

Review of Financial Performance

The Syndicate's key financial indicators are as follows:

	2021	2020
	£000	£000
Syndicate capacity	350,000	340,000
Gross written premium	414,049	379,083
Profit/(loss) for the financial year	6,382	(4,413)
Total comprehensive income for the financial year	7,868	1,245
Combined ratio (being total of net loss ratio and net expense ratio)	96.5%	104.6%
Investments, cash and deposits	214,634	412,255

The Syndicate reports a profit for the year of £6.4m, reflecting a year of premium growth, management of expenses and improved claims ratio. The performance of the Syndicate's business through the current market conditions validates the Hamilton approach to managing the Syndicate which is characterised by careful risk selection, opportunistic organic growth of existing lines of business where conditions permit and the carefully managed introduction of new products and high calibre underwriting teams.

Gross Written Premiums

The Syndicate reports gross written premiums for the financial year of £414.0m (2020: £379.1m), representing an increase of 9% on the prior year. This increase is due additional writing capacity obtained for the 2021 underwriting year with notable movements on the casualty and speciality lines.

Claims Incurred

The decrease in the net loss ratio to 58.5% (2020: 62.0%) is driven by improved attritional and large loss experience. Catastrophe losses during the year exceeded long term average expectations in 2021, with notable events including Hurricane Ida and European floods.

Investment Return

Investment return in 2021 was a loss of £0.9m (2020: gain of £8.4m), reflecting market performance during the year on a reduced investment portfolio post transfer of the closed years under the 2018 and prior years RITC agreement.

Net Operating Expenses

Net operating expenses (note 5) in 2021 were £89.7m (2020: £114.6m). This reflects continued management focus on reducing overall expenses along with reductions realised from termination of support agreements with Liberty, post acquisition of the managing agency.

Balance Sheet

Syndicate assets have decreased by £219.9m to £701.3m (2020: £921.2m) and the total liabilities have decreased by £253.0m to £734.1m (2020: £987.1m) as a result of the RITC of the 2018 and prior years of account to an external syndicate.

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MANAGING AGENT'S REPORT (continued)

Part VII Transfer

Following the UK's departure from the European Union, the Syndicate transferred its European non-life insurance policies written between 2009 and 2020 to Lloyd's Insurance Company S.A. (LIC) on the 30 December 2020 in order to continue to access business located in Europe. On the same day, LIC subsequently reinsured the same liabilities back to the Syndicate. There was no gain or loss in this transaction and both the Syndicate and LIC were left in the same economic position prior to the transaction. Note 3 of the financial statements contains more details of the transfer.

Future Prospects

The rating environment outlook remains positive for 2022, the Syndicate plan was based on a risk adjusted rate increase of 6%, with current expectations slightly higher. This is driven by strong performance in the Casualty lines.

During February 2022, Russia commenced further military conflict in Ukraine. Whilst the situation is developing rapidly, the directors are monitoring the situation and taking steps to mitigate against increasing levels of risk, to ensure compliance with emerging regulations and sanctions and to limit losses within impacted underwriting portfolios, such as Political Violence and Political Risks classes, and within investment portfolios. The impact on future profit and net assets could be material, the directors consider it is too early to be able to reliably estimate this.

Research and Development

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

Staff Matters

HMA believes that its staff members are key to its success and seeks to provide a good working environment for its staff that is safe and complies with appropriate employee legislation. There have been no significant injuries to staff in the workplace during the year or any significant actions taken by any regulatory bodies regarding staff matters. Human resources' key performance indicators are reviewed periodically by committees of the Board, and all such indicators are in line with the expectations of the Directors.

HMA has entered into a service agreement with Hamilton UK Services Limited to provide services in relation to its role as managing agent, including for Syndicate 4000. HMA and Hamilton UK Services Limited are both wholly owned subsidiaries of Hamilton UK Holdings Limited.

The Board ensures that the interests of its staff members are appropriately considered when making decisions. In 2021 this included:

- A comprehensive Performance Management process (including feedback and appraisal mechanisms)
- Regular Employee Town Halls where senior management facilitated discussion on key business developments in an open forum, complemented by frequent email and MS Teams-based communication
- A periodic staff engagement survey with appropriate follow up action taken
- An active Diversity & Inclusion Forum, working in unison with a Black Lives Matter working group
- Regular training for staff members on various topics such as unconscious bias and occupational-specific training

HMA is committed to supporting the health and well-being of its staff members and has partnered with a leading online workplace mental health platform as part of its Employee Wellbeing Programme. Hamilton is committed to creating an inclusive workspace where all employees thrive and can bring themselves to work. HMA embraces all backgrounds, perspectives, experiences and talents – without discrimination.

The Company actively monitored the evolving situation with the global Coronavirus (COVID-19) pandemic to ensure the well-being of staff members, as well as uninterrupted service and responsiveness to clients. A refreshed, flexible working policy was introduced to accommodate hybrid working arrangements during and beyond the pandemic.

Environmental Matters

HMA is dedicated to being a responsible business and taking care of its community and the environment. HMA's approach is to use its position of strength to create a positive change for the people and communities with which the Company interacts. HMA seeks to leverage its expertise and enable employees to support the communities around us.

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MANAGING AGENT'S REPORT (CONTINUED)

Business Relationships

HMA is committed to being a conscientious business and doing the right thing for its customers and business partners. The Board recognises that relationships with stakeholders are key to the delivery of the strategy. As such, HMA looks to conduct business with like-minded firms by undertaking the appropriate due diligence to ensure they have good prospects for future and longevity in the market. HMA ensures compliance with all applicable laws and has in place various internal policies, processes and procedures covering all aspects of the business to ensure outcomes of business practice achieve consistently high business and ethical standards. These policies, procedures and processes are reviewed and renewed, where applicable, regularly.

Business Conduct

The Board recognises that a commitment to a high standard of business conduct is critical to the delivery of the strategy and aspires to complete honesty and transparency in all activity. Among key documents reviewed and approved by the Board annually are the Conduct Management Framework, Whistleblowing Policy, Financial Crime Prevention Policy, and the Code of Conduct & Ethics. The Board further monitors conduct management at each meeting and is committed to maintaining high ethical standards.

Regulators

HMA has transparent communication with its key regulators which is facilitated through the compliance team. Any significant regulatory engagements are reported to the Board of HMA.

Principal Risks and Uncertainties

The Board sets risk appetite annually as part of the Syndicate's business planning and capacity setting process. HMA has established a Risk Committee which meets at least quarterly to review and update the risk register and to monitor performance against risk appetite using a series of key risk indicators. An Own Risk and Solvency Assessment ("ORSA") report is completed annually and reviewed on a quarterly basis. The ORSA is used to monitor changes in the risk profile of HMA and to ensure that HMA meets its current and future capital requirements.

The principal risks and uncertainties facing the Syndicate are set out in note 2 to the Annual Report.

Directors and Officers Serving During the Year

The Directors who served during the year ended 31 December 2021 and up to the date of this report (and the current Company Secretary) are detailed on page 3.

Annual General Meeting

The Directors do not propose to hold an annual general meeting for the Syndicate.

Auditor

Ernst & Young LLP has signified its willingness to continue in office as auditor.

Disclosure of Information to the Auditor

The Directors who held office at the date of the approval of this Managing Agent's Report confirm that, so far as they are individually aware, there is no relevant audit information of which the Syndicate's auditor is unaware and each director has taken all the steps that he ought to have taken as director to make himself aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

Board Approval

Approved by order of the Board of Hamilton Managing Agency Limited.

A. J. Daws
Chief Executive Officer
3 March 2022

SYNDICATE 4000

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 (the 2008 Regulations) 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 judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the 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 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 2008 Regulations. 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's website. Legislation in the United Kingdom governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

SYNDICATE 4000

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 4000

Opinion

We have audited the syndicate annual accounts of Syndicate 4000 ('the Syndicate') for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Changes in Members' Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the syndicate annual accounts section of our report. We are independent of the Syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, including the FRC's Ethical Standard as applied to other entities of public interest, 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 as a going concern for a period of 12 months from when the syndicate annual accounts are authorised for issue.

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

Other information

The other information comprises the information included in the annual report set out on pages 4 to 8, 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 this gives rise to 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.

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 9, 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 elements of Lloyd's Byelaws and Regulations, and the financial reporting framework (UK GAAP), and requirements referred to by Lloyd's in the instructions. Our considerations of other laws and regulations that may have a material effect on the syndicate annual accounts included permissions and supervisory requirements of Lloyd's of London, the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- We obtained a general understanding of how the Syndicate is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the Syndicate. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the Syndicate, Lloyd's of London and other UK regulatory bodies; reviewed minutes of the Board and Risk Committee of the managing agent; and gained an understanding of the managing agent's approach to governance.
- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related syndicate annual accounts' items.

SYNDICATE 4000

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 4000 (continued)

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

- For both direct and other laws and regulations, our procedures involved: making enquiries of the directors of the managing agent and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the managing agent's methods of enforcing and monitoring compliance with such policies, and inspecting significant correspondence with Lloyd's, the FCA and the PRA.
- The Syndicate operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.
- We assessed the susceptibility of the Syndicate's annual accounts to material misstatement, including how fraud might occur by considering the controls that the managing agent has established to address risks identified by the managing agent, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, including complex transactions, performance targets, economic or external pressures and their potential to influence management to manage earnings or influence the perceptions of stakeholders. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. The fraud risk was considered to be higher in respect of inadequate reserving for gross claims liabilities and improper revenue recognition in relation to insurance premiums. These procedures included testing manual journals and were designed to provide reasonable assurance that the syndicate annual accounts were free from fraud or error.

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.

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
3 March 2022

SYNDICATE 4000
**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £000	2020 £000
TECHNICAL ACCOUNT – GENERAL BUSINESS			
Earned premiums, net of reinsurance			
Gross premiums written	3	414,049	379,083
Outward reinsurance premiums		(148,948)	(138,466)
Net premiums written		265,101	240,617
Change in the provision for unearned premiums			
Gross amount		(40,452)	2,214
Reinsurers' share		11,654	26,538
Change in the net provision for unearned premiums		(28,798)	28,752
Earned premiums, net of reinsurance		236,303	269,369
Allocated investment return transferred from the non-technical account		(897)	8,421
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(95,005)	(220,607)
Reinsurers' share		30,054	70,546
Net claims paid		(64,951)	(150,061)
Change in the provision for claims			
Gross amount		(159,052)	(43,093)
Reinsurers' share		85,686	26,052
Change in the net provision for claims		(73,366)	(17,041)
Claims incurred, net of reinsurance		(138,317)	(167,102)
Net operating expenses	5	(89,738)	(114,569)
Balance on the technical account for general business		7,351	(3,881)
NON-TECHNICAL ACCOUNT			
Investment income	9	690	5,277
Realised gains on investments	9	(1,435)	3,457
Unrealised (losses)/gains on investments	9	(29)	73
Investment expenses and charges	9	(122)	(386)
Allocated investment return transferred to the technical account	9	896	(8,421)
Foreign exchange losses		(969)	(532)
Profit/(loss) for the financial year		6,382	(4,413)
Other comprehensive income – currency translation differences			
Fair value gains on available for sale investments		1,486	2,642
		-	3,016
Total comprehensive income for the financial year		7,868	1,245

All the amounts above are in respect of continuing operations.

SYNDICATE 4000

**STATEMENT OF CHANGES IN MEMBERS' BALANCES
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Profit and loss account £000	Available for sale reserve £000	Total members' balances £000
Balance at 1 January 2021	(69,635)	3,747	(65,888)
Underlying loss for the financial year	6,382	-	6,382
Fair value losses realised on available for sale	-	-	-
Other movements	3,747	(3,747)	-
Profit for the financial year	10,129	(3,747)	6,382
Unrealised fair value gains on available for sale investments	-	-	-
Fair value currency translation differences	1,486	-	1,486
Total comprehensive income for the financial year	11,615	(3,747)	7,868
Payments of losses to members' personal reserve funds	25,161	-	25,161
Balance at 31 December 2021	(32,859)	-	(32,859)

	Profit and loss account £000	Available for sale reserve £000	Total members' balances £000
Balance at 1 January 2020	(51,000)	3,808	(47,192)
Underlying loss for the financial year	(4,413)	-	(4,413)
Fair value losses realised on available for sale	2,567	(2,567)	-
Other movements	510	(510)	-
Loss for the financial year	(1,336)	(3,077)	(4,413)
Unrealised fair value gains on available for sale investments	-	3,016	3,016
Fair value currency translation differences	2,642	-	2,642
Total comprehensive income for the financial year	1,306	(61)	1,245
Payments of profits to members' personal reserve funds	(19,941)	-	(19,941)
Balance at 31 December 2020	(69,635)	3,747	(65,888)

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**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**

	Note	2021 £000	2020 £000
ASSETS			
Financial investments	10	175,443	332,578
Reinsurers' share of technical provisions			
Provision for unearned premiums	15	65,414	63,315
Claims outstanding	15	150,132	156,544
		215,546	219,859
Debtors due within one year			
Debtors arising out of direct insurance operations – intermediaries	11	170,220	133,493
Debtors arising out of reinsurance operations	12	34,376	87,969
Other debtors – due from other syndicates	13	7,214	15,530
		211,810	236,992
Debtors due after one year			
Debtors arising out of reinsurance operations	12	-	18
Other debtors – due from other syndicates	13	6,180	2,944
		6,180	2,962
Other assets			
Cash at bank and in hand		17,324	22,514
Other assets	10	21,867	57,163
		39,191	79,677
Prepayments and accrued income			
Deferred acquisition costs	14	52,637	47,600
Other prepayments & accrued income		468	1,542
		53,105	49,142
TOTAL ASSETS		701,275	921,210
MEMBERS' BALANCES AND LIABILITIES			
Members' balances		(32,859)	(65,888)
Technical provisions			
Provision for unearned premiums	15	194,647	206,496
Claims outstanding	15	374,414	627,639
		569,061	834,135
Creditors due within one year			
Creditors arising out of direct insurance operations – intermediaries		14,726	2,249
Creditors arising out of reinsurance operations		69,703	106,987
Other creditors		737	4,780
		85,166	114,016
Creditors due after one year			
Creditors arising out of reinsurance operations		64,878	26,752
Accruals and deferred income		15,029	12,195
TOTAL MEMBERS' BALANCES AND LIABILITIES		701,275	921,210

The Syndicate Annual Accounts on pages 13 to 38 were approved by the Board of Hamilton Managing Agency Limited on 3 March 2022 and were signed on its behalf by:

R. S. Vetch
Chief Financial Officer

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Cash flow from operating activities			
Operating result		6,382	(4,413)
<i>Adjustments:</i>			
(Decrease)/increase in gross technical provisions		(265,075)	40,879
Decrease/(increase) in reinsurers' share of gross technical provisions		4,312	(36,993)
Decrease/(increase) in debtors		18,157	(10,737)
Increase in creditors		12,081	48,085
Movement in other assets and liabilities		(3,961)	8,499
Investment return		897	(8,421)
Net cash (outflow)/inflow from operating activities		(227,207)	36,899
Cash flows from investing activities			
Purchase of equity and debt instruments		(208,646)	(189,413)
Sale of equity and debt instruments		400,507	188,357
Investment income received		(868)	8,451
Net cash inflow from investing activities		190,993	7,395
Cash flows from financing activities			
Profit distributed to members (2017 year of account)		-	(12,150)
Other		25,160	(7,535)
Net cash inflow/(outflow) from financing activities		25,160	(19,685)
Net (decrease)/increase in cash and cash equivalents		(11,054)	24,609
Cash and cash equivalents at 1 January		73,032	49,913
Foreign exchange on cash and cash equivalents		(554)	(1,490)
Cash and cash equivalents at 31 December		61,424	73,032
<i>Comprises:</i>			
Cash at bank and in hand		17,324	22,514
Short term deposits with financial institutions	10	44,100	50,518
Cash and cash equivalents at 31 December		61,424	73,032

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NOTES TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

1. Statement of Accounting Policies

General Information

The Syndicate's corporate members are detailed on page 4. The Syndicate underwrites insurance and reinsurance business in the London market at the Society of Lloyd's on behalf of its corporate members. The registered address of the managing agent is Level 3, 8 Fenchurch Place, London, EC3M 4AJ.

Compliance with Accounting Standards

These Financial Statements have been prepared in accordance with United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", FRS 103 "Insurance Contracts" and the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies. There were no material departures from those standards.

Basis of Preparation

The financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value.

The financial statements are presented in pounds sterling, which is the Syndicate's reporting currency, in order for them to be consistent with returns provided to Lloyd's. The Syndicate's functional currency is US dollars, in order to better reflect the underlying business of the Syndicate. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

As permitted by FRS 103 the Syndicate continues to apply the existing accounting policies that were applied prior to this standard for its insurance contracts.

Going Concern Basis

These financial statements are prepared on a going concern basis. Syndicates by their nature only underwrite for single underwriting years on behalf of their supporting members. However, this is within a context of not finalising results until after 36 months so that typically there are three underwriting years in progress at any given time. In addition, syndicates will normally expect to continue to trade for more underwriting years into the future.

The Syndicate has capacity for the 2022 year of account and is continuing to underwrite. The Syndicate's business activities, together with the factors likely to affect its future development are set out in the Business Review contained within the Managing Agent's Report. In addition, note 2 to the Annual Report provides details of the financial risks the Syndicate is exposed to and how those risks are managed. Furthermore, the directors have assessed that the COVID-19 pandemic has no impact on the Syndicate's ability to continue as a going concern.

The Syndicate has considerable financial resources together with long term relationships with a number of brokers and policyholders across different classes of business and geographical areas. As a consequence, the Directors believe that the Syndicate is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors have a reasonable expectation that the Syndicate has adequate resources including the Funds at Lloyd's of the members supporting the Syndicate (as detailed in note 17) to continue in operational existence for the foreseeable future.

Use of Judgements and Estimates

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

Management have assessed the impact of the current COVID-19 pandemic. The degree of judgement (and uncertainty) in the booked reserves is somewhat higher because of COVID-19, otherwise, management do not consider that there are any impacts on accounting judgements for the Syndicate given that it is expected to maintain an appropriate level of liquidity and that its operational effectiveness has been maintained.

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NOTES TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

1. Statement of Accounting Policies (continued)

Use of Judgements and Estimates (continued)

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

Provision for Claims Outstanding

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

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

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate managing agent’s actuaries and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time in view of the likely ultimate claims to be experienced and for more recent underwriting, having regard to variations in business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of business accepted and assessments of underwriting conditions.

Further information about the risk that the provision for claims outstanding could be materially different from the ultimate cost of claims settlement is included in note 2.

Estimated Premium Income

For certain insurance contracts, premium is initially recognised based on an estimate. Where premium is sourced through delegated underwriting, the premium estimate is pro-rated across the facility period. This is calculated on a straight line basis unless the underlying writing pattern is understood to differ materially from this. Underwriters adjust the premium estimates as the year of account matures and after a set period, the premiums are adjusted to match the actual signed premium. These estimates are judgemental and could result in revisions in future accounting periods. The use of expert judgements and historical development patterns are the principle means by which the potential for revisions is minimised.

Basis of Accounting

The underwriting results are determined on an annual basis of accounting. Under the annual basis of accounting, the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance. The significant accounting policies are detailed below.

Premiums Written

Premiums written comprise direct and inwards reinsurance premiums on contracts inception during the financial year. Premiums are shown gross of brokerage payable to intermediaries and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due to the Syndicate not yet notified.

Unearned Premiums

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

Reinsurance Premiums Ceded

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

1. Statement of Accounting Policies (continued)

Basis of Accounting (continued)

Acquisition Costs

Acquisition costs include direct costs such as brokerage and commission, and indirect costs such as administrative expenses connected with the processing of proposals and the issuing of policies. The deferred acquisition cost asset represents the proportion of acquisition costs which corresponds to the proportion of gross premiums written that is unearned at the balance sheet date; this is then earned in future periods in line with the associated premium income.

Claims Provisions and Related Recoveries

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

The provision for claims outstanding is assessed on an individual case by case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated IBNR at the balance sheet date based on statistical methods.

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

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

The two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred. To the extent we do not believe this to be true in specific areas, adjustments are made by the actuarial team.

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

Unexpired Risks Provision

A provision for unexpired risks is made where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition cost deferred. The provision for unexpired risks is calculated by reference to classes of business which are managed together, after taking into account relevant investment return. As at 31 December 2021 and 31 December 2020, the Syndicate did not have an unexpired risk provision.

Foreign Currencies

The Syndicate's functional currency is US dollars. The financial statements are presented in pounds sterling, which is the Syndicate's reporting currency, in order for them to be consistent with returns provided to Lloyd's. Transactions in pounds sterling, Canadian dollars, Australian dollars and euros are translated at the average rates of exchange for the period. Transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

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NOTES TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

1. Statement of accounting policies (continued)

Basis of Accounting (continued)

Foreign Currencies (continued)

Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisitions costs) denominated in foreign currencies are translated at the rate of exchange at the balance sheet date.

Exchange differences arising on the retranslation of opening balance sheet items at the closing balance sheet rate and the retranslation of the profit and loss account for the year are recorded in the non-technical account. Exchange differences arising on the retranslation from functional to presentational currency are recorded in other comprehensive income.

The rates of exchange used to translate foreign currency monetary balances at year end to pounds sterling are as follows:

	31 December 2021	31 December 2020
US dollar	1.35	1.37
Canadian dollar	1.71	1.74
Euro	1.19	1.12
Australian dollar	1.86	1.77

Financial Investments

As permitted by FRS 102, the Syndicate has elected to apply the recognition and measurement provisions of IAS 39 – Financial Instruments (as adopted for use in the EU) to account for all of its financial instruments.

The Syndicate classifies its financial investments as either financial assets at fair value through profit or loss (“FVPL”) or available for sale (“AFS”), depending on the purpose for which the investments were acquired or originated. Where the intention is to only dispose of investment assets if required for liquidity purposes, the Syndicate classifies these assets as AFS. The Syndicate determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value plus, in the case of instruments not at FVPL, directly attributable transaction costs.

FVPL assets comprise two sub categories: financial assets held for trading and those designated as FVPL at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated as FVPL, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or
- The assets and liabilities are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value at each reporting date. Fair value adjustments and realised gains and losses are recognised in the income statement.

AFS financial assets are non-derivative financial assets that are designated as AFS. These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value at each reporting date. Fair value gains and losses are reported in Other Comprehensive Income as a separate component of members’ balances until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative fair value gains and losses previously reported through the statement of Other Comprehensive Income is transferred to the income statement.

Cash and Cash Equivalents

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

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NOTES TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

1. Statement of accounting policies (continued)

Basis of Accounting (continued)

Investment Return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest recognised in the income statement. Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments are held to support underwriting liabilities.

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

Unrealised and realised gains and losses in financial investments are recognised based on the appropriate classification of financial investments and are covered under the accounting policy for financial investments.

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 is gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate are included in the Statement of Financial Position under the heading members' balances.

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

Pension Costs

The Hamilton Group operates a defined contribution scheme for its UK staff. Pension contributions relating to syndicate staff are charged to the Syndicate and included within net operating expenses.

Profit Commission

Profit commission payable to Lloyd's coverholders or producing brokers has been provided for on all years of account and recognised within acquisition costs.

Insurance Receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement. Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

Insurance Payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Insurance liabilities are derecognised when the obligation under the liability is settled, cancelled or expired.

1. Statement of accounting policies (continued)

Basis of accounting (continued)

Derecognition of Financial Assets

A financial asset or, when applicable, a part of a financial asset is derecognised when:

- The rights to the cash flows from the asset have expired; or
- The Syndicate retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass through’ arrangement and either (a) the Syndicate has transferred substantially all the risks and rewards of the asset; or (b) the Syndicate has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Syndicate has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards nor transferred control of the asset, the asset is recognised to the extent of the Syndicate’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Syndicate could be required to repay. In that case, the Syndicate also recognises an associated liability.

2. Risk Management

Risk Framework

The primary objective of the Syndicate’s Risk Management Framework is to protect the Syndicate’s capital providers, from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. The Board recognises the critical importance of having efficient and effective risk management systems in place.

HMA has an established risk management function for the Syndicate with a clear remit from the Board. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the Board. The Risk Management Framework sets out the risk profiles for the Syndicate, risk management, control and business conduct standards for the Syndicate’s operations. It is reviewed annually and any changes are approved by the Board.

The Risk Committee and the Board approve the risk management policies and meet regularly to approve any commercial, regulatory and organisational requirements of such policies. Significant emphasis is placed on the assessment and documentation of existing and emerging risks and controls, including the articulation of risk appetite.

Insurance Risk - Underwriting

Insurance Risk is a core aspect of the Syndicate’s business model and it is recognised that uncertainty associated with the frequency and severity of claims is inherent to general insurance. The Syndicate accepts a measured amount of this risk in exchange for underwriting profit, relying on the skills and experience of our underwriters and a robust control framework to reduce the likelihood and impact of this risk as far as is practicable and without unreasonable expense.

HMA’s Board approves the risk appetite limit, considering the relativity between willingness to lose and potential forecast profitability for each year of account. The risk appetite will therefore reflect the view of forecast profitability, utilising the Syndicate’s latest business plan assumptions.

Principal Risks

The principal risk the Syndicate faces under insurance contracts is that the actual claims and payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, and the development of long term claims liabilities. The objective of the Syndicate is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical segments. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

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NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

2. Risk Management (continued)

Insurance Risk – Underwriting (continued)

Reinsurance

Reinsurance allows the Syndicate to manage capital exposure to both frequency and severity of claims. This includes the management of any systemic issues impacting a particular area of the account, as well as catastrophic losses across all business areas.

Underwriting Committee

The Syndicate organises underwriting through product areas. The Underwriting Committee provides direct oversight for each underwriting unit, and ultimately reports to the HMA Board via the Chief Underwriting Officer Reports.

Underwriting authorities, underwriting peer reviews of all risks, independent review procedures, and the audit and review of delegated arrangements all contribute to the strength of the underwriting control environment.

HMA records and monitors individual risk exposures to ensure they remain within the policies and guidelines set.

Diversification

Risks usually cover twelve months' duration, with longer duration risks of up to ten years written in selected accounts such as Political Risks and Mergers & Acquisitions. Risks deliberately emanate from a diverse range of sources. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geographical segmentation.

Claims Management

To reduce the risk exposure of the Syndicate, HMA has put in place strict claim review policies to assess all new and ongoing claims. HMA performs regular detailed reviews of claims handling procedures and conducts frequent investigations of possible fraudulent claims.

The following table gives an indication of the likely quantum and scale of the largest (on a gross basis) Realistic Disaster Scenarios estimated for 2021 (highest gross event loss for year ended 31 December 2020 was California Earthquake (Los Angeles) at £121.9m).

Realistic Disaster Scenarios	Gross event loss £000	Net event loss £000
Terrorism – Rockefeller Centre	147,323	15,433
Terrorism – One World Trade Centre	109,765	14,973
California Earthquake – Los Angeles	107,090	30,347

The Syndicate monitors exposures through a combination of deterministic modelling as part of the Realistic Disaster Scenarios Framework and stochastic modelling as part of Lloyd's catastrophe model reporting requirements.

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NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

2. Risk Management (continued)

Insurance Risk – Reserving

Principal Risk

HMA’s reserving policy seeks to ensure appropriate allowance for reserving risk and consistency in reserving from year to year. Booked reserves represent the level of reserves booked at syndicate level, and provide the basis for the syndicate results and forecasts.

Actuarial best estimate reserves are intended to be true best estimates, i.e. estimates of expected value claims reserves. These are the basis for internal reporting and the derivation of expected loss ratios for business planning.

The following table illustrates the sensitivity of the financial year results (before managing agent’s profit commission) to changes in the current year earned net loss ratio (negative movements reflect a decrease in results / members’ balances).

Impact on result and members’ balances (change in net reserves)	2021	2020
	£000	£000
Net loss ratio - increase of 5%	(11,815)	(13,468)
Net loss ratio - increase of 10%	(23,630)	(26,937)

Mitigation

Reserving risk is controlled by the robust application of actuarial methodologies, stepped sign-off procedures, quarterly tracking of projected ultimate loss ratios, reassessment of methodologies where appropriate, regular dialogue between actuaries and practitioners, and access to historical loss data. The use of independent external reserve assessments by professional services firms provides additional risk mitigation.

Regulatory Risk

HMA is required to comply with the requirements of the Prudential Regulation Authority, the Financial Conduct Authority and Lloyd’s. Lloyd’s requirements include those imposed on the Lloyd’s market by overseas regulators. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. HMA has a Compliance Officer, who monitors regulatory developments and assesses the impact on HMA policy. HMA also carries out a compliance-monitoring programme as documented in the Compliance Framework.

Capital Framework at 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. Lloyd’s is subject to the capital regime determined by the PRA which is based upon the Solvency II capital regime. 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 applies at Lloyd’s aggregate level, and not at syndicate level. Accordingly, the capital requirement in respect of the Syndicate is not disclosed in these financial statements.

SYNDICATE 4000**NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021****2. Risk Management (continued)**Regulatory Risk (continued)*Provision of Capital by Members*

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

Accordingly, all of the assets less liabilities of the Syndicate, as represented in the members' balances reported on the statement of financial position, represent resources available to meet members' and Lloyd's capital requirements.

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 key aspect of credit risk is the risk of default by a reinsurer, insurance intermediary or debt holder. The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2021 by classifying assets according to Standard & Poor's credit ratings of the counterparties for assets not yet due. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB and below are classified as speculative grade and have not been rated.

As at 31 December 2021	AAA	AA	A	BBB and below	Not rated	Total
	£000	£000	£000	£000	£000	£000
Variable yield securities and shares	-	44,100	5,962	-	-	50,062
Debt securities	11,235	40,158	58,535	11,922	3,531	125,381
Overseas deposits	-	-	21,867	-	-	21,867
Reinsurers' share of outstanding claims	-	522	146,219	-	3,391	150,132
Reinsurance debtors not yet past due	-	74	34,302	-	-	34,376
Cash at bank and in hand	-	-	17,324	-	-	17,324
Total	11,235	84,855	284,209	11,922	6,922	399,143

As at 31 December 2020	AAA	AA	A	BBB and below	Not rated	Total
	£000	£000	£000	£000	£000	£000
Variable yield securities and shares	6,210	50,271	-	-	-	56,481
Debt securities	55,123	106,792	82,427	24,764	6,991	276,097
Overseas deposits	-	-	57,163	-	-	57,163
Reinsurers' share of outstanding claims	-	7,180	140,470	-	8,894	156,544
Reinsurance debtors not yet past due	-	416	72,243	-	6,102	78,761
Cash at bank and in hand	-	250	22,264	-	-	22,514
Total	61,333	164,909	374,567	24,764	21,987	647,560

SYNDICATE 4000**NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021****2. Risk Management (continued)**Credit Risk (continued)

The HMA Reinsurance Working Group reviews all reinsurer counterparties with whom the Syndicate wishes to conduct business and sets credit limits for the recoveries due from individual reinsurers. The review includes an analysis of the financial strength of the reinsurer, its payment performance record and standing in the market. Thereafter, with the assistance of outside expertise, management of reinsurer credit risk follows active and regular review of credit ratings and financial exposure to all approved reinsurers.

Investment credit risk is managed through investment management guidelines and monitored by the HMA Finance and Investments Committee.

The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of any mitigation arrangements.

As at 31 December 2021	Not yet due	Past due by three months	Past due three to six months	Past due over six months	Greater than one year	Total
	£000	£000	£000	£000	£000	£000
Variable yield securities and shares	50,062	-	-	-	-	50,062
Debt securities	125,381	-	-	-	-	125,381
Overseas deposits	21,867	-	-	-	-	21,867
Reinsurers share of outstanding claims	150,132	-	-	-	-	150,132
Reinsurance debtors	34,376	-	-	-	-	34,376
Cash at bank and in hand	17,324	-	-	-	-	17,324
Insurance debtors	118,816	22,056	-	-	29,348	170,220
Other debtors	131,911	-	-	-	-	131,911
Total	649,869	22,056	-	-	29,348	701,275

As at 31 December 2020	Not yet due	Past due by three months	Past due three to six months	Past due over six months	Greater than one year	Total
	£000	£000	£000	£000	£000	£000
Variable yield securities and shares	56,481	-	-	-	-	56,481
Debt securities	276,097	-	-	-	-	276,097
Overseas deposits	57,163	-	-	-	-	57,163
Reinsurers share of outstanding claims	156,544	-	-	-	-	156,544
Reinsurance debtors	78,761	-	-	-	-	78,761
Cash at bank and in hand	22,514	-	-	-	-	22,514
Insurance debtors	76,163	9,060	17,483	18,240	12,547	133,493
Other debtors	140,157	-	-	-	-	140,157
Total	863,880	9,060	17,483	18,240	12,547	921,210

As at the balance sheet date, all financial assets of the Syndicate are unimpaired (2020: all unimpaired).

Liquidity Risk

Liquidity Risk is the risk that the Syndicate, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due or can secure such resources only at excessive cost. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

The Syndicate is subject to calls on cash resources, mainly in respect of claims on insurance business, on a daily basis. HMA operates and maintains procedures designed to ensure that cash is available to settle liabilities and other obligations when due without excessive cost to the business. The procedures set limits for cash required to meet expected cash flows. Contingency arrangements exist to meet liquidity requirements in extreme circumstances.

SYNDICATE 4000**NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021****2. Risk Management (continued)**Liquidity Risk (continued)

The table below summarises the maturity profile of the Syndicate's financial liabilities based on remaining undiscounted contractual obligations, including interest payable, and outstanding claim liabilities based on the estimated timing of claim payments resulting from recognised insurance liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately.

As at 31 December 2021	No stated maturity £000	Up to one year £000	One to three years £000	Three to five years £000	Greater than five years £000	Total £000
Claims outstanding	-	115,699	142,968	70,088	45,659	374,414
Creditors	85,398	-	64,646	-	-	150,044
Total	85,398	115,699	207,614	70,088	45,659	524,458

As at 31 December 2020	No stated maturity £000	Up to one year £000	One to three years £000	Three to five years £000	Greater than five years £000	Total £000
Claims outstanding	-	234,278	247,036	91,919	54,406	627,639
Creditors	944	133,104	6,720	-	-	140,768
Total	944	367,382	253,756	91,919	54,406	768,407

Market Risk*Investment Risk*

The syndicate's investments are exposed to two key risks: interest rate risk and credit risk. Interest rate risk is driven by changes in the value or future cash flows of a financial instrument due to changes in market interest rates. Credit risk is driven by the change in the value of an instrument due to either a change in the market's view of its credit worthiness or alternatively due to a default - the risk of a default on instrument is described in the credit risk section above. Since the syndicate holds investments in government and corporate bonds, it is exposed to these risks.

The below sets out the impact of a 50 basis point movement in interest rates. Note insurance liabilities are not discounted in these accounts and therefore are not exposed to interest rate risk, although they are under the Solvency II regime used under the Lloyd's capital framework.

Interest rate risk	2021 £000	2020 £000
Impact of 50 basis point increase on result	(1,701)	(3,493)
Impact of 50 basis point decrease on result	1,701	3,493
Impact of 50 basis point increase net assets	(1,701)	(3,493)
Impact of 50 basis point decrease net assets	1,701	3,493

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 writes a significant proportion of insurance business in currencies other than US dollars, which creates an exposure to currency risk. The Syndicate seeks to manage this exposure by matching foreign currency assets and liabilities. The table below summarises the exposure of financial assets and liabilities to foreign currency exchange risk at the balance sheet date.

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**NOTES TO THE ANNUAL REPORT
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2. Risk Management (continued)

Market Risk (continued)

Currency Risk (continued)

As at 31 December 2021	GBP £000	USD £000	EUR £000	CAD £000	AUD £000	Total £000
Financial investments	5,962	147,682	-	21,799	-	175,443
Reinsurers' share of technical provisions	21,528	178,777	7,203	2,879	5,159	215,546
Insurance assets	27,620	154,953	14,719	1,416	5,888	204,596
Cash and overseas deposits	11,616	1,776	6,320	4,945	14,534	39,191
Other assets	18,249	36,770	7,011	3,719	750	66,499
Total assets	84,975	519,958	35,253	34,758	26,331	701,275
Technical provisions	82,848	394,384	44,984	21,391	25,454	569,061
Insurance liabilities	11,994	125,951	5,407	1,733	4,222	149,307
Other creditors	449	14,457	707	77	76	15,766
Total liabilities	95,291	534,792	51,098	23,201	29,752	734,134
Currency (deficiency)/surplus	(10,316)	(14,834)	(15,845)	11,557	(3,421)	(32,859)

As at 31 December 2020	GBP £000	USD £000	EUR £000	CAD £000	AUD £000	Total £000
Financial investments	38,673	209,819	15,946	68,140	-	332,578
Reinsurers' share of technical provisions	65,156	136,670	9,296	1,315	7,422	219,859
Insurance assets	44,861	162,426	3,356	5,444	5,393	221,480
Cash and overseas deposits	37,360	6,021	5,222	12,225	18,849	79,677
Other assets	18,300	36,135	9,800	2,615	766	67,616
Total assets	204,350	551,071	43,620	89,739	32,430	921,210
Technical provisions	187,186	496,336	61,953	53,634	35,026	834,135
Insurance liabilities	16,438	104,617	7,655	4,817	2,461	135,988
Other creditors	11,199	6,459	512	(1,377)	182	16,975
Total liabilities	214,823	607,412	70,120	57,074	37,669	987,098
Currency (deficiency)/surplus	(10,473)	(56,341)	(26,500)	32,665	(5,239)	(65,888)

The table below gives an indication of the impact on the result of a percentage change in the relative strength of pounds sterling against the value of the US dollar, Canadian dollar, Australian dollar and euro simultaneously.

	2021 £000	2020 £000
<i>Sterling weakens</i>		
10% against other currencies	(2,505)	(6,157)
20% against other currencies	(5,636)	(13,853)
<i>Sterling strengthens</i>		
10% against other currencies	2,049	5,037
20% against other currencies	3,757	9,235

Operational Risk

The Syndicate is potentially exposed to direct or indirect losses resulting from inadequate or failed internal processes, systems, or people, or from external events. HMA seeks to manage this risk with detailed procedure manuals and a structured programme of testing of processes and systems by internal audit.

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NOTES TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

2. Risk Management (continued)

Climate Change

HMA undertakes assessments of the Syndicate's exposure to climate change risk. Within market risk, it is possible that the Syndicate's investments could be exposed to climate change risk, this is monitored using various metrics in conjunction with the Syndicate's investment managers which suggests that there is only marginal exposure to climate change risk. Within underwriting risk, climate change is relevant for a number of product areas, and HMA assesses current and future climate change risk in a variety of ways, including stress and scenario testing, over short and long term time horizons. HMA does not believe that these financial statements are subject to material uncertainty arising from climate change risk.

3. Segmental Analysis

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

2021	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000
Direct insurance:						
Accident & health	31,504	25,791	(12,290)	(12,008)	(3,531)	(2,038)
Marine aviation and transport	15,214	13,411	(18,397)	(4,788)	8,598	(1,176)
Fire and other damage to property	48,298	50,409	(42,988)	(17,958)	3,298	(7,239)
Third party liability	158,764	132,206	(88,693)	(40,916)	(101)	2,496
Miscellaneous	34,198	25,779	(16,589)	(9,959)	(2,694)	(3,463)
	287,978	247,596	(178,957)	(85,629)	5,570	(11,420)
Reinsurance	126,071	126,001	(75,100)	(33,472)	2,239	19,668
Total	414,049	373,597	(254,057)	(119,101)	7,809	8,248
2020						
	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross Operating Expenses £000	Reinsurance balance £000	Total £000
Direct insurance:						
Accident & health	30,423	33,663	(20,231)	(18,268)	2,255	(2,581)
Marine aviation and transport	24,857	19,653	(17,987)	(8,165)	1,429	(5,070)
Fire and other damage to property	62,126	52,504	(38,210)	(20,843)	(1,895)	(8,444)
Third party liability	100,462	120,747	(68,631)	(43,668)	3,734	12,182
Miscellaneous	27,084	35,740	(19,553)	(13,010)	(247)	2,930
	244,952	262,307	(164,612)	(103,954)	5,276	(983)
Reinsurance	134,131	118,990	(99,088)	(36,373)	5,152	(11,319)
Total	379,083	381,297	(263,700)	(140,327)	10,428	(12,302)

Commissions on direct insurance gross premiums during 2021 were £70.0m (2020: £62.6m).

The reinsurance balance is the aggregate total of all those items in the technical account which relate to outwards reinsurance transactions including items recorded as reinsurance commission and profit participations.

All premiums were concluded in the UK.

On 30 December 2020, the Syndicate transferred its EEA non-life insurance policies written between 2009 and 2020 to Lloyd's Insurance Company S.A. ('Lloyd's Brussels') pursuant to Part VII of the Financial Services and Markets Act 2000. The value of the net liabilities transferred was \$73.5m. The Syndicate transferred cash of the same amount to Lloyd's Brussels. Lloyd's Brussels subsequently reinsured the same liabilities back to the Syndicate on the same day. The reinsurance premium received was of the same amount of \$73.5m. There was no gain or loss arising on either transaction.

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**NOTES TO THE ANNUAL REPORT
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3. Segmental Analysis (continued)

Both the cash transferred for the Part VII transfer and the premium subsequently received back from Lloyd's Brussels have been included in gross written premiums within the income statement. This treatment best reflects the connection between economic substance of both the Part VII transfer and the associated reinsurance arrangement, and the resulting economic substance of the combined transaction. 2020 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. From 2021 onwards, results relating to these risks are reported under the Inwards Reinsurance class of business, reflecting the new contractual arrangement with Lloyd's Brussels. The transaction has no impact on equity.

The geographical analysis of gross premiums written by destination is as follows:

	2021	2020
	£000	£000
UK, Channel Islands and Isle of Man	115,464	115,210
Rest of Europe	39,572	49,046
US	193,332	172,580
Other	65,681	42,247
Total	414,049	379,083

4. Claims Incurred, Net of Reinsurance

In setting claims provisions, the Syndicate gives consideration to 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 provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherent in the estimation process, the actual overall claim provision may not always be in surplus. Claims incurred, net of reinsurance, include favourable prior year development of £2.3m (2020 favourable development: £8.3m). Prior year claims development is analysed by line of business in the table below.

	2021	2020
	£000	£000
Accident & health	150	(1,338)
Marine aviation and transport	67	(6,716)
Fire and other damage to property	338	(1,341)
Third party liability	779	11,937
Miscellaneous	157	8,832
Reinsurance	852	(3,047)
Favourable development	2,343	8,328

Gross Claims Development

Pure underwriting year	2019	2020	2021	Total
	£000	£000	£000	£000
Estimate of cumulative claims incurred				
At the end of the underwriting year	85,399	107,113	97,355	
One year later	164,602	233,141		
Two years later	198,065			
Less: cumulative payments to date	(92,729)	(53,833)	(7,585)	
Gross claims outstanding provision	105,336	179,308	89,770	374,414

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**NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

4. Claims Incurred, Net of Reinsurance (continued)

Net Claims Development

Pure underwriting year	2019	2020	2021	Total
	£000	£000	£000	£000
Estimate of cumulative claims incurred				
At the end of the underwriting year	65,401	68,108	62,386	
One year later	128,497	139,365		
Two years later	133,687			
Less: cumulative payments to date	(66,695)	(38,844)	(5,617)	
Gross claims outstanding provision	66,992	100,521	56,769	224,282

5. Net Operating Expenses

	2021	2020
	£000	£000
Acquisition costs	104,262	92,465
Change in deferred acquisition costs	(11,101)	15,365
Administrative expenses	25,940	32,497
Gross operating expenses	119,101	140,327
Reinsurers' commissions	(29,363)	(25,758)
Net operating expenses	89,738	114,569

6. Auditor's Remuneration

	2021	2020
	£000	£000
<i>Fees payable to the Syndicate's auditor for:</i>		
Audit of the Syndicate Annual Accounts	55	61
Other services pursuant to regulations and Lloyd's byelaws	113	125
Other non-audit services	107	98
	275	284

Auditor's remuneration is included as part of administrative expenses in note 5.

7. Staff Numbers and Costs

All staff were employed by Hamilton UK Services Limited. The following amounts were recharged to the Syndicate in respect of salary costs:

	2021	2020
	£000	£000
Wages and salaries	12,751	14,709
Social security costs	1,948	1,828
Other pension costs	1,129	924
Other	106	206
	15,934	17,667

SYNDICATE 4000**NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021****7. Staff Numbers and Costs (continued)**

The average number of employees employed by the managing agent or UK service company but working for the Syndicate during the year was as follows:

	2021	2020
	Number	Number
Administration and finance	34	21
Underwriting	122	95
Claims	27	22
Compliance	35	29
Other	48	32
	265	198

8. Emoluments of the Directors of Hamilton Managing Agency Limited

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

	2021	2020
	£000	£000
Emoluments	770	856
Pension contributions	1	1
	771	857

This excludes a number of deferred awards which vested during the year, which would have been partially charged to the Syndicate (in this and prior years).

No other director related compensation or amounts considered to represent key management personnel compensation was charged to the Syndicate.

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

	2021	2020
	£000	£000
Emoluments	257	337
Pension contributions	2	-
	259	337

SYNDICATE 4000**NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021****9. Investment Return**

	2021	2020
	£000	£000
Interest from fair value through profit or loss investments	571	495
Interest from available for sale investments	-	4,494
Interest on cash at bank	13	77
Interest on overseas deposits	106	211
Investment income	690	5,277
<i>Other income from investments designated as at fair value through profit or loss:</i>		
Realised gains/(losses)	(1,435)	889
Unrealised gains/(losses)	(29)	73
	(1,464)	962
<i>Other income from investments designated as available for sale:</i>		
Realised gains	-	2,567
Investment management charges	(122)	(385)
Total investment return transferred to the technical account	(896)	8,421

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**NOTES TO THE ANNUAL REPORT
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10. Financial Investments

	2021 Market Value £000	2021 Cost £000	2020 Market Value £000	2020 Cost £000
Short term deposits with financial institutions	44,100	44,100	56,481	56,481
Shares and other variable yield securities	5,962	5,962	-	-
Debt securities and other fixed income securities:				
- Available for sale	-	-	210,766	204,474
- Fair value through profit or loss	125,381	126,467	65,332	65,332
	175,443	170,567	332,578	326,286

The Syndicate classifies its financial instruments held at fair value in the balance sheet using a fair value hierarchy, as follows:

- Level 1 Included in the level 1 category are financial assets that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry syndicate, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.
- Level 2 Included in the level 2 category are financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. For example, assets for which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Syndicate's own models whereby the significant inputs into the assumptions are market observable.
- Level 3 Included in the level 3 category are financial assets measured using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Therefore, observable inputs reflect the Syndicate's own assumptions about the assumptions that market participants would use in pricing the asset. These inputs are developed based on the best information available, which might include the Syndicate's own data.

2021	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Short term deposits with financial institutions	44,100	-	-	44,100
Shares and other variable yield securities	-	-	5,962	5,962
Debt securities and other fixed income securities	-	125,381	-	125,381
Other assets: overseas deposits	-	21,867	-	21,867
Total	44,100	147,248	5,962	197,310

2020	Level 1 £000	Level 2 £000	Level 3 £'000	Total £000
Short term deposits with financial institutions	50,518	-	5,963	56,481
Debt securities and other fixed income securities	64,803	211,294	-	276,097
Other assets: overseas deposits	-	57,163	-	57,163
Total	115,321	268,457	5,963	389,741

Other assets comprise overseas deposits which are lodged as a condition of conducting underwriting business in certain countries.

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**NOTES TO THE ANNUAL REPORT
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11. Debtors Arising Out of Direct Insurance Operations

	2021	2020
	£000	£000
<i>Amounts due from intermediaries:</i>		
Due within one year	170,220	133,493
Due after one year	-	-
	170,220	133,493

12. Debtors Arising Out of Reinsurance Operations

	2021	2020
	£000	£000
Due within one year	34,376	87,969
Due after one year	-	18
	34,376	87,987

13. Other Debtors

	2021	2020
	£000	£000
Due within one year	7,214	15,530
Due after one year	6,180	2,944
	13,394	18,474

14. Deferred Acquisition Costs

	2021	2020
	£000	£000
Balance at 1 January	47,600	54,201
Change in deferred acquisition costs	14,711	(3,413)
Effect of exchange rates	191	(3,188)
RITC to Syndicate 3500	(9,865)	-
	52,637	47,600

SYNDICATE 4000

**NOTES TO THE ANNUAL REPORT
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15. Technical Provisions

Year ended 31 December 2021	Provision for unearned premium £000	Claims Outstanding £000
Gross technical provisions:		
Balance at 1 January	206,496	627,639
Movement in the provision	40,452	159,052
RITC to Syndicate 3500	(52,712)	(414,695)
Foreign exchange movements	411	2,418
Balance at 31 December	194,647	374,414
Reinsurers' share of technical provisions:		
Balance at 1 January	63,315	156,544
Movement in the provision	11,654	85,686
RITC to Syndicate 3500	(10,575)	(94,096)
Foreign exchange movements	1,020	1,998
Balance at 31 December	65,414	150,132
Net technical provision:		
Balance at 1 January	143,181	471,095
Balance at 31 December	129,233	224,282

Year ended 31 December 2020	Provision for unearned premium £000	Claims Outstanding £000
Gross technical provisions:		
Balance at 1 January	211,342	597,739
Movement in the provision	(2,214)	43,093
Foreign exchange movements	(2,632)	(13,193)
Balance at 31 December	206,496	627,639
Reinsurers' share of technical provisions:		
Balance at 1 January	39,148	133,540
Movement in the provision	26,538	26,052
Foreign exchange movements	(2,371)	(3,048)
Balance at 31 December	63,315	156,544
Net technical provision:		
Balance at 1 January	172,194	464,199
Balance at 31 December	143,181	471,095

SYNDICATE 4000
NOTES TO THE ANNUAL REPORT
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16. Related Parties

Managing Agent

The Syndicate is managed by Hamilton Managing Agency Limited (“HMA”). The immediate parent company of HMA is Hamilton UK Holdings Limited.

Ada Re, Ltd

In 2020, the Hamilton Group established Ada Capital Management Limited, an insurance agent incorporated and regulated in Bermuda, which is authorised to underwrite on behalf of Ada Re, Ltd. Ada Re, Ltd is a special purpose insurer funded by third party investors and formed to provide fully collateralised reinsurance and retrocession to both the Hamilton Group and third party cedents. Business ceded to Ada Re by the Syndicate was as follows for the year ended 31 December 2021:

	2021	2020
	\$000	\$000
Outward reinsurance premiums, net of acquisition costs	2,253	
Reinsurers’ share of claims incurred	1,182	-

Syndicate 2014

Prior to 31 December 2020, the Directors of HMA had made a working capital facility available to Syndicate 2014, a non-aligned syndicate also managed by HMA, in the form of an inter-syndicate loan from Syndicate 4000. The balance was repaid during the year ended 31 December 2020 and interest of £0.3m was charged in 2020.

Syndicate 6125

The Syndicate cedes business by way of variable rate quota share arrangements to Syndicate 6125, which is also managed by HMA. The creditor balance relating to this arrangement as at 31 December 2021 is £42.0m (2020: £52.7m), and the debtor balance is £24.5m (2020: £38.5m).

Capital

Capital to support the underwriting of the Syndicate is provided by ICC3 / HCM.

Ultimate Parent Company

The ultimate parent company of ICC3, HMA and HCM is Hamilton Insurance Group, Ltd, a company registered in Bermuda.

Related Party Disclosure Exemption

The Syndicate has taken advantage of the exemption given by FRS 102 Section 33 Related Party Disclosures to wholly owned subsidiary undertakings, by not disclosing information on related party transactions with entities that are part of the group, or investees of the group qualifying as related parties.

17. Funds at Lloyd’s

Every member is required to hold capital at Lloyd’s which is held in trust and known as Funds at Lloyd’s (“FAL”) and 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 accounts by way of such capital resources. However, the managing agent is able to make a call on the members’ FAL to meet liquidity requirements or to settle losses.

SYNDICATE 4000

**NOTES TO THE ANNUAL REPORT
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18. Off Balance Sheet Items

The Syndicate has not been a party to any arrangements which are not reflected in its Statement of Financial Position, where material risks and benefits arise to the Syndicate.

19. Subsequent Events

Effective 1 January 2022, the assets and liabilities of Syndicate 3334 have been transferred to Syndicate 4000's 2020 underwriting year of account. A loss distribution of \$25.4m will be settled direct into Syndicate 4000 in June 2022.