Accounts disclaimer

Important information about Syndicate Reports and Accounts

Access to this document is restricted to persons who have given the certification set forth below. If this document has been forwarded to you and you have not been asked to give the certification, please be aware that you are only permitted to access it if you are able to give the certification.

The syndicate reports and accounts set forth in this section of the Lloyd's website, which have been filed with Lloyd's in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005), are being provided for informational purposes only. The syndicate reports and accounts have not been prepared by Lloyd's, and Lloyd's has no responsibility for their accuracy or content. Access to the syndicate reports and accounts is not being provided for the purposes of soliciting membership in Lloyd's or membership on any syndicate of Lloyd's, and no offer to join Lloyd's or any syndicate is being made hereby. Members of Lloyd's are reminded that past performance of a syndicate in any syndicate year is not predictive of the related syndicate's performance in any subsequent syndicate year.

You acknowledge and agree to the foregoing as a condition of your accessing the syndicate reports and accounts. You also agree that you will not provide any person with a copy of any syndicate report and accounts without also providing them with a copy of this acknowledgment and agreement, by which they will also be bound.

TRAVELERS

Syndicate 5000

Annual Accounts as at December 2021

Contents

Directors and Administration

Managing Agent

Travelers Syndicate Management Limited

Directors

Sir J G T Carter (Independent Non-Executive Director)
A G Coughlan (Independent Non-Executive Chair)
G S Dibb (Independent Non-Executive Director)
P H Eddy (Non-Executive Director) (resigned 16/02/2022)
M J Gent
M Olivo (Non-Executive Director)
K C Smith (Non-Executive Director)
M L Wilson

Company Secretary

J M Abramson

Registered Office

One Creechurch Place
Creechurch Lane
London, EC3A 5AF

Registered number

3207530

Syndicate

Active Underwriter

C Allison

Bankers

Citibank N.A.

Royal Bank of Canada

Barclays Bank PLC

Investment Manager

The Travelers Indemnity Company

Registered Auditor

Mazars LLP
Tower Bridge House
St Katharine's Way
London, E1W 1DD

Strategic Report of the Directors of the Managing Agent

The Directors of Travelers Syndicate Management Limited present their strategic report for the year ended 31 December 2021.

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

	2021	As restated 2020	Change
	£000	£000	%
Gross premiums written	**337,257**	307,668	8.8
Net premiums earned	**266,059**	297,815	(11.9)
Total recognised profit/(loss) for the year	**30,117**	(22,334)	N/A

	2021	As restated 2020	Change
	%	%	%
Claims ratio	**52.6**	68.6	(16.0)
Commission ratio	**26.0**	26.9	(0.9)
Expense ratio	**14.0**	12.9	1.1
Combined ratio	**92.6**	108.4	(15.8)

The claims, commission, expense and combined ratios are all expressed as a percentage of net premiums earned.

Principal Activities

The principal activity of Syndicate 5000 (the Syndicate) during the year continued to be the transaction of insurance in its chosen direct and predominantly non-liability classes, namely:

- Marine
- Aviation
- Professional Lines
- Property
- Special Risks
- Energy

The Syndicate's business is produced through the Lloyd's broker network and written in the subscription market, in either a lead or follow capacity.

Review of the Business

The result for the year ended 31 December 2021 was a profit of £30.1m (2020: loss of £22.3m - as restated) and a combined ratio of 92.6% (2020: 108.4% - as restated).

The improved 2021 combined ratio reflects the impact of the disciplined execution of the underwriting remediation plan over the last three years, the benefit of the favourable market trading environment, lower levels of catastrophe losses in 2021 and the impact of COVID losses on the 2020 result. The reported 2021 combined ratio of 92.6% includes 9.7 pts of favourable prior year reserve development (2021 - 0.5pts of adverse development), mainly driven by improved attritional loss ratios on the 2019 and 2020 years of account.

Gross premiums written are up year on year by £30m, driven by growth in our Transactional Liability portfolio and favourable development on premiums for prior years of account.

The priority for the Syndicate in 2021 was to return to an underwriting profit, which has been achieved. In 2021 we achieved rate increases across the portfolio of 13%. The priority for 2022 is to repeat this whilst growing exposure to take advantage of the current rating environment.

The impact of COVID direct losses added 3.5pts to the 2020 combined ratio. We have not seen any significant development in these losses during 2021. As we look forward to 2022, given the nature of the Syndicate's book of business and the COVID exclusions applied, we do not expect significant future losses as a result of the pandemic.

During the year, it was identified that reinsurance recoveries in respect of certain reinsurance contracts were overstated by £7.2m as at 31 December 2020. Of the £7.2m, £3.0m originated in the 2020 financial year. The comparatives in these financial statements have been restated accordingly.

At 31 December 2021 the Member's balances were £150.9m (2020: £77.2m). The Directors consider this position to be satisfactory.

Going Concern

The Directors have assessed the suitability of using the Going Concern assumption in preparing these accounts. In making this assessment they have looked forward for a period of twelve months from the date that these accounts are signed. Due to the manner in which capital is provided, the nature of the business, and the investment and planning periods involved, there are no dates after this period that are material to the assessment of going concern. The Syndicate does not have any external debt nor is it dependent on any banking facilities. The Directors have prepared these accounts on the going concern basis. In doing so the Directors considered the 2022 business plan, the likely trading environment over the next twenty-four months and the financial strength of the parent company, The Travelers Companies, Inc., whose wholly owned subsidiaries are the capital providers of the Syndicate. The Directors concluded that it remained appropriate to continue to prepare the Syndicate's financial statements using the going concern assumption.

Part VII to Lloyd's Brussels

On 30 December 2020, the Members and former Members of the Syndicate, as comprised for each of the relevant years of account between 1993 and April 2019 (or October 2020 in the case of German reinsurance), transferred all relevant policies (and related liabilities) underwritten by them for those years of account to Lloyd's Insurance Company S.A. ('Lloyd's Brussels'), in accordance with Part VII of the Financial Services and Markets Act 2000. On the same date, the Members of the Syndicate entered into a 100% Quota Share Reinsurance Agreement whereby Lloyd's Brussels reinsured all risks on the same policies back to the relevant open years of account of the Syndicate which wrote the transferring policies and/or inherited liabilities on transferring policies through Reinsurance to Close of earlier years of account. Following the sanction of the scheme by the High Court on 25 November 2020, the scheme took effect on 30 December 2020 and the Members and former Members of the Syndicate transferred the impacted EEA policies and related liabilities to Lloyd's Brussels, together with cash of $60,485,700. On the same date, under the Reinsurance Agreement, Lloyd's Brussels reinsured the same risks back, together with an equal amount of cash of $60,485,700. The combined effect of the two transactions had no economic impact for the Syndicate, and accordingly there was no impact on the Syndicate's 2020 income statement or balance sheet. For 2021 and future years, results relating to those policies transferred will be reported under Inwards Reinsurance, reflecting the new contractual arrangements with Lloyd's Brussels.

Changing Climate Conditions

The Syndicate follows The Travelers Companies, Inc. in its approach to climate-related risks and opportunities. The approach is multi-faceted and allows the Syndicate to mitigate exposure to climate-related risks and provide products and services that both help customers mitigate those risks and support the transition to a low carbon economy. In the latter regard, the Syndicate provides insurance coverage to the Renewable Energy sector.

As part of its regular risk management activities, the Managing Agent's Board of Directors and its Risk and Remuneration Committee consider changing climate conditions, including changes in frequency and severity of catastrophe losses and uncertainty surrounding weather volatility and climate-related risk, and the impact on investment valuations that may occur as part of the transition to a low carbon economy.

The Syndicate's underwriting risk appetite is dependent on the ability to understand the property and casualty risks that it underwrites. Understanding the climate-related impacts on insured perils is part of this fundamental risk evaluation process. Core to this strategy is the incorporation of climate variability into underwriting and pricing decisions. We are also committed to supporting our clients with meaningful risk management and insurance capacity to help them transition to a low carbon future.

Market Risk is managed by employing a thoughtful and responsible investment philosophy that focuses on appropriate risk-adjusted returns. The investment strategy, approved by our Board of Directors, reflects a long-term approach to sustainable value creation and requires that Travelers consider environmental, social and governance (ESG) factors in the investment process to the extent relevant.

As part of the Syndicate's annual Own Risk and Solvency Assessment ('ORSA') process, two stress scenarios relating to changing climate conditions were considered and applied to our current balance sheet. Keeping the significant uncertainties associated with climate stress testing in mind, these scenarios took into consideration the insurance and market risks noted above, and in both scenarios the potential impacts on the Syndicate's modelled capital position were modest.

Subsequent event

The impact of the current conflict in Ukraine is being closely monitored. Whilst the Syndicate does not write significant amounts of business in either Russia or Ukraine, there is some exposure in these territories. At least some accounts in Russia will be impacted by the sanctions imposed, whilst there will also be an impact from the current inability to access certain Russian banks through the international payment systems.

Strategic Report of the Directors of the Managing Agent

Investment Report

The Syndicate's investment portfolio is managed by the Travelers Indemnity Company, a subsidiary of The Travelers Companies, Inc. A summary of the invested assets and returns is as follows:

	2021 £m	2020 £m
Interest and realised gains and losses	**8.6**	10.4
Unrealised (losses)/gains	**(14.4)**	10.0
Total investment return	**(5.8)**	20.4
Cash and investment balance at 1 January	**568.6**	431.6
Cash and investment balance at 31 December	**642.2**	568.6

The Syndicate's total investment return was a loss of £5.8m compared to the prior year return of £20.4m. The portfolio is predominantly comprised of fixed income assets. The currency mix of the portfolio is:

	2021	2020
US Dollar	**68%**	89%
Sterling	**23%**	3%
Euro	**5%**	4%
Canadian Dollar	**4%**	4%
Total	**100%**	100%

The credit risk in the portfolio is actively managed. Investment guidelines are designed to mitigate credit risk by ensuring a diversification of holdings and setting average credit rating targets across the whole portfolio. The stratification of the portfolio's credit quality at 31 December was:

	2021	2020
AAA	**34%**	33%
AA	**35%**	40%
A	**31%**	27%
Total	**100%**	100%
Average credit quality	**AA+**	AA+

The average duration across the portfolio was 3.3 years at 31 December 2021 (2020: 2.2 years).

The total investment returns achieved for the major currencies were as follows:

	2021	2020
US Dollar	**-0.8%**	5.3%
Sterling	**-1.8%**	2.2%
Euro	**-1.1%**	0.2%
Canadian Dollar	**-1.2%**	3.8%

Investment returns are largely driven by prevailing market yields which remain low by historic standards. This applies to all currencies we invest in.

We do not anticipate any changes to the investment strategy in 2022.

Risk Review

Principal Risks and Uncertainties

The Board of Directors of Travelers Syndicate Management Limited has overall responsibility for the establishment and oversight of the Syndicate's Risk Management Framework.

The Board of Directors has established a Board Risk and Remuneration Committee and an Executive Risk Committee responsible for setting the risk appetite and approving it annually as part of the Syndicate's business planning process. The Board Risk and Remuneration Committee meets regularly to provide oversight of key risks and issues and to oversee performance against risk appetite. The Executive Risk Committee meets regularly to review and update key risks and issues arising from the risk register and to monitor performance against risk appetite using a series of metrics.

The principal risks and uncertainties facing the Syndicate are set out below.

Insurance Risk

Insurance risk relates to underwriting and claims management and the risk that arises from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities, and includes catastrophe risk and reserve risk.

The Managing Agent manages insurance risk by setting an appetite annually through the business planning process, which sets down the Syndicate's targets for underwriting classes, underwriting volumes, pricing sufficiency, line sizes and retentions by class of business. The Managing Agent subsequently monitors performance against the business plan throughout the year. The Syndicate uses catastrophe modelling software to model probabilities of loss from catastrophe exposed business.

Reserve adequacy is monitored through quarterly internal actuarial review. The Underwriting Committee oversees underwriting and catastrophe risks and the Finance Committee oversees reserving risk.

One aspect of underwriting risk is the risk of changing climate conditions. This is discussed further in the Strategic Report of the Directors of the Managing Agent.

Credit Risk

The major sources of credit risk arise from the risk of default by one or more of the Syndicate's reinsurers or from one or more of the Syndicate's investment counterparties. The Syndicate operates a rigorous policy for the selection of reinsurers and managing the quantum of exposure ceded to any one reinsurer. The Syndicate has a conservative appetite to credit risk from investment counterparties and maintains a high quality investment portfolio with an average credit rating of AA+. The Finance Committee monitors and manages the Syndicate's exposure to credit risk.

Market Risk

The primary source of market risk is the risk of adverse movements in the value of assets due to movements in interest rates, currency rates and other market factors. Market risk exposures are monitored through the Finance Committee.

One aspect of market risk is the risk of changing climate conditions. This is discussed further in the Strategic Report of the Directors of the Managing Agent.

Operational Risk

The primary source of operational risk is the failure of people, processes or systems. These risks are managed through well documented policies and procedures, sound internal control processes and business continuity management procedures. The Executive Risk Committee oversees this risk type.

The pandemic has forced a change in the way we operate. The vast majority of staff and the market have worked remotely for the majority of the year. The business continuity plans and procedures we have in place worked well and there was no material impact on the way we carried out business or on our internal processes and controls. The Lloyd's market electronic placing capabilities also played a major role in being able to continue transacting business.

Regulatory Risk

Regulatory risk comprises the failure to comply with relevant regulations and laws. This risk is overseen by the Executive Risk Committee.

Conduct Risk

Conduct risk is the risk that the Syndicate fails to pay due regard to the interest of its customers or fails to treat them fairly at all times. Conduct risk exposures are monitored through the Executive Risk Committee.

Approved by the Board of Travelers Syndicate Management Limited on 3 March 2022.

M L Wilson
Chief Executive Officer

3 March 2022

Report of the Directors of the Managing Agent

The Directors of the Managing Agent present their Managing Agent's Report for the year ended 31 December 2021.

This annual report is prepared using the annual basis of accounting as required by Statutory Instrument No. 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (‘FRS102’) and Financial Reporting Standard 103: Insurance Contracts (‘FRS103’).

The Managing Agent has agreed with the Syndicate's members to take advantage of the dispensation available and will not be producing separate underwriting year accounts for the Syndicate.

Results

The result for the year ended 31 December 2021 is a profit of £30.1m (2020: loss of £22.3m - as restated).

Principal Activities

The principal activities of the Syndicate are described within the Strategic Report of the Directors' of the Managing Agent.

Business Review

An analysis of the performance of the Syndicate is described within the Strategic Report of the Directors' of the Managing Agent.

Directors & Directors' Interests

All of the Directors set out on page 1 served throughout the year and to the date of this report. Paul Eddy resigned as a director on 16 February 2022.

No director participated in the Syndicate during the period under review.

The Directors benefited from qualifying third party indemnity provisions.

Active Underwriter

Chris Allison served as the Active Underwriter for the period under review.

Disclosure of Information to the Auditor

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

Auditor

Pursuant to Section 14(2) of Schedule 1 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the auditor will be deemed to be reappointed and Mazars will therefore continue in office.

On behalf of the Board

J M Abramson
Company Secretary

3 March 2022

Statement of Managing Agent's Responsibilities

The Directors of the Managing Agent are 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 requires the Directors of the Managing Agent to prepare their Syndicate's annual accounts for each financial year. Under that law they have elected to prepare the annual accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland and Financial Reporting Standard 103 Insurance Contracts (FRS 103).

Under Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 the Directors of the Managing Agent must not approve the annual accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Syndicate and of the profit or loss of the Syndicate for that period. In preparing these annual accounts, the Directors of the Managing Agent are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the annual accounts;
- Assess the Syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so.

The Directors of the Managing Agent are responsible for keeping adequate accounting records that are sufficient to show and explain the Syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the Syndicate and enable them to ensure that the annual accounts comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The Directors of the Managing Agent are responsible for the maintenance and integrity of the Syndicate and financial information included on the Syndicate's website. Legislation in the UK governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

On behalf of the Board

J M Abramson
Company Secretary

3 March 2022

Independent Auditor's Report to the Members of Syndicate 5000

Opinion

We have audited the syndicate annual accounts of Syndicate 5000 (the "syndicate") for the year ended 31 December 2021 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Members' Balances, the Statement of Cash Flows and the notes to the syndicate annual accounts, 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 Financial Reporting Standard 103 Insurance Contracts (FRS 103) (United Kingdom Generally Accepted Accounting Practice).

In our opinion the syndicate annual accounts:

- give a true and fair view of the state 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 Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the syndicate annual accounts, we have concluded that the directors of 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 at least twelve months from when the syndicate annual accounts are authorised for issue.

Our responsibilities and the responsibilities of the directors of the managing agent with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Syndicate Annual Report and Accounts, other than the syndicate annual accounts and our auditor's report thereon. The directors of the managing agent are responsible for the other information. Our opinion on the syndicate annual accounts does not cover the other information and, except to the extent otherwise explicitly stated in our 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the syndicate annual accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on the 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 Report of the Directors of the Managing Agent for the financial year for which the syndicate annual accounts are prepared is consistent with the syndicate annual accounts; and
- the Report of the Directors of the Managing Agent has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In 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 in relation to which 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 agent's 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 8, 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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

Based on our understanding of the syndicate and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the syndicate annual accounts: regulatory and supervisory requirements of the Prudential Regulation Authority and the Financial Conduct Authority, and regulations set by the Council of Lloyd's. We also considered those laws and regulations that have a direct impact on the preparation of the syndicate annual accounts such as The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of directors and management of the managing agent and syndicate's management as to whether the syndicate is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the syndicate which were contrary to applicable laws and regulations, including fraud.

In addition, we evaluated the directors' and management of the managing agent's and syndicate management's incentives and opportunities for fraudulent manipulation of the syndicate annual accounts (including the risk of override of controls) and determined that the principal risks were related to posting journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation the valuation of the provisions for the settlement of future claims and application of earning patterns, and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management of the managing agent and syndicate management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit 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.

Andrew Heffron (Mar 3, 2022 16:49 GMT)

Andrew Heffron (Senior Statutory Auditor)

for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St. Katharine's Way
London E1W 1DD

03 March 2022

Statement of Profit & Loss Account: Technical Account

	Note	2021 £000	As restated 2020 £000
Gross premiums written	5	**337,257**	307,668
Outward reinsurance premiums		**(45,690)**	(45,259)
Net premiums written		**291,567**	262,409
Change in the provision for unearned premiums			
Gross amount	15	**(26,056)**	42,347
Reinsurers' share	15	**548**	(6,941)
Earned Premiums, net of reinsurance		**266,059**	297,815
Allocated Investment Return transferred from the non-technical account		**5,614**	7,908
Claims paid			
Gross claims paid		**(156,825)**	(203,356)
Reinsurers' share		**17,147**	16,913
Net claims paid		**(139,678)**	(186,443)
Change in the provision for claims			
Gross amount	15	**1,101**	(16,672)
Reinsurers' share	15	**2,105**	1,653
Change in the net provision for claims		**3,206**	(15,019)
Claims incurred, net of reinsurance		**(136,472)**	(204,456)
Change in other technical provisions net of reinsurance	15	**(3,695)**	-
Net operating expenses	7	**(106,332)**	(118,520)
Balance on the technical account for general business		**25,174**	(17,253)

Statement of Profit & Loss Account: Non-Technical Account

	Note	2021 £000	As restated 2020 £000
Balance on the technical account for general business		**25,174**	(17,253)
Realised gains on investments		**1,063**	920
Investment Income		**10,089**	9,980
Investment expenses and charges		**(370)**	(314)
Realised losses on investments		**(2,186)**	(195)
Investment return	18	**8,596**	10,391
Allocated investment return transferred to technical account for general business		**(5,614)**	(7,908)
Profit/(loss) on exchange		**1,961**	(7,564)
Profit/(loss) for the financial year		**30,117**	(22,334)

All operations relate to continuing activities.

Statement of Comprehensive Profit/(Loss)

	Note	2021 £000	As restated 2020 £000
Profit/(loss) for the year		**30,117**	(22,334)
Unrealised (losses)/gains on investments	18	**(14,424)**	9,976
Currency translation differences		**(1,287)**	(103)
Total comprehensive profit/(loss) for the year		**14,406**	(12,461)

The notes on pages 16 to 36 form part of these financial statements.

Balance Sheet

	Note	2021 £000	As restated 2020 £000
Investments			
Financial investments	11	**602,184**	511,117
Reinsurers' share of technical provisions			
Provision for unearned premiums	15	**20,346**	19,784
Claims outstanding	15	**83,367**	80,328
		103,713	100,112
Debtors			
Arising out of direct insurance operations	12	**72,306**	64,024
Arising out of reinsurance operations	12	**18,081**	16,663
Other debtors	12	**9,176**	3,601
		99,563	84,288
Other Assets			
Cash and cash equivalents	16	**17,452**	44,632
Overseas deposits		**17,148**	12,895
Deposits with ceding undertakings		**5,423**	-
		40,023	57,527
Prepayments and accrued income			
Accrued interest		**2,978**	2,514
Deferred acquisition costs	13	**46,042**	36,605
		49,020	39,119
Total Assets		**894,503**	792,163
Capital & Reserves			
Members' balances		**150,944**	77,167
Technical Provisions			
Provision for unearned premiums	15	**184,089**	158,109
Claims outstanding	15	**526,192**	521,835
		710,281	679,944
Creditors			
Arising out of direct insurance operations		**1,022**	317
Arising out of reinsurance operations		**31,822**	33,413
Other creditors		**434**	1,191
		33,278	34,921
Accruals & deferred income		**-**	131
Total Liabilities		**894,503**	792,163

The Syndicate financial statements on pages 13 to 36 were approved by the Board of Travelers Syndicate Management Limited on 3 March 2022 and were signed on its behalf by:

M J Gent
Director

3 March 2022

The notes on pages 16 to 36 form part of these financial statements.

Statement of Changes in Members' Balances

	Note	2021 £000	As restated 2020 £000
Members' balances brought forward at 1 January as previously reported		**77,167**	(49,631)
Correction of prior period error	3	-	(4,173)
Members' balances brought forward at 1 January as restated		**77,167**	(53,804)
Profit/(loss) for the financial year		**30,117**	(22,334)
Other comprehensive (loss)/ income		**(15,711)**	9,873
Total comprehensive profit/(loss)		**14,406**	(12,461)
Members' funds transferred to Funds in Syndicate (FIS)		**7,819**	49,045
Payment of losses re closed year of account		**51,553**	93,760
Non-standard Personal Expenses		**(1)**	627
Members' balances carried forward at 31 December		**150,944**	77,167

Statement of Cash Flows

	Note	2021 £000	As restated 2020 £000
Cash flows from operating activities			
Profit/(loss) for the financial year		**30,117**	(22,334)
Increase/(decrease) in gross technical provisions		**30,336**	(33,999)
(Increase)/decrease in reinsurers' share of gross technical provisions		**(3,600)**	8,880
(Increase)/decrease in debtors		**(24,712)**	44,951
Decrease in creditors		**(1,773)**	(12,818)
Movement in other assets/liabilities		**(4,253)**	2,277
Investment return		**(8,596)**	(10,391)
Other		**(2,997)**	7,697
Net cash inflow/(outflow) from operating activities		**14,522**	(15,737)
Cash flows from investing activities			
Acquisition of financial instruments		**(313,114)**	(233,424)
Proceeds from sale of financial instruments		**209,434**	128,041
Investment income received		**8,132**	10,098
Other		**(6,082)**	(585)
Net cash outflow from investing activities		**(101,630)**	(95,870)
Cash flows from financing activities			
Payment of losses re closed year of account		**51,553**	93,760
Net movement on Funds in Syndicate		**7,635**	49,531
Net cash inflows from financing activities		**59,188**	143,291
Net (decrease)/increase in cash and cash equivalents		**(27,920)**	31,684
Cash and cash equivalents at 1 January		**45,372**	13,688
Cash and cash equivalents at 31 December	16	**17,452**	45,372

The notes on pages 16 to 36 form part of these financial statements.

Notes to the Accounts

1 Basis of Preparation

Syndicate 5000 (the Syndicate) is supported by two corporate members' of the Society of Lloyd's and underwrites insurance business in the London market. The Syndicate's Managing Agent is Travelers Syndicate Management Limited. The registered address of the Syndicate's Managing Agent is One Creechurch Place.

These financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, and Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (FRS 102), and Financial Reporting Standard 103 *Insurance Contracts* (FRS 103).

The financial statements have been prepared on the historical cost basis, except for financial assets held for sale that are measured at fair value.

The Directors have assessed the suitability of using the Going Concern assumption in preparing these accounts. In making this assessment they have looked forward for a period of twelve months from the date that these accounts are signed. Due to the manner in which capital is provided, the nature of the business, and the investment and planning periods involved, there are no dates after this period that are material to the assessment of going concern. The Syndicate does not have any external debt nor is it dependent on any banking facilities. The Directors have prepared these accounts on the going concern basis. In doing so the Directors considered the 2022 business plan, the likely trading environment over the next twenty-four months and the financial strength of the parent company, The Travelers Companies, Inc., whose wholly owned subsidiaries are the capital providers of the Syndicate. The Directors concluded that it remained appropriate to continue to prepare the Syndicate's financial statements using the going concern assumption.

On 30 December 2020, the Members and former Members of the Syndicate, as comprised for each of the relevant years of account between 1993 and April 2019 (or October 2020 in the case of German reinsurance), transferred all relevant policies (and related liabilities) underwritten by them for those years of account to Lloyd's Insurance Company S.A. ('Lloyd's Brussels'), in accordance with Part VII of the Financial Services and Markets Act 2000. On the same date, the Members of the Syndicate entered into a 100% Quota Share Reinsurance Agreement whereby Lloyd's Brussels reinsured all risks on the same policies back to the relevant open years of account of the Syndicate which wrote the transferring policies and/or inherited liabilities on transferring policies through Reinsurance to Close of earlier years of account. Following the sanction of the scheme by the High Court on 25 November 2020, the scheme took effect on 30 December 2020 and the Members and former Members of the Syndicate transferred the impacted EEA policies and related liabilities to Lloyd's Brussels, together with cash of $60,485,700. On the same date, under the Reinsurance Agreement, Lloyd's Brussels reinsured the same risks back, together with an equal amount of cash of $60,485,700. The combined effect of the two transactions had no economic impact for the Syndicate, and accordingly there was no impact on the Syndicate's 2020 income statement or balance sheet. For 2021 and future years, results relating to those policies transferred will be reported under the Inwards Reinsurance class of business, reflecting the new contractual arrangements with Lloyd's Brussels.

The financial statements are presented in Pound Sterling (GBP), which is the Syndicate's presentational currency. The functional currency of the Syndicate is US Dollars. All amounts have been rounded to the nearest thousand, unless otherwise indicated. The Syndicate has chosen to have a presentational currency of sterling, which is different to its functional currency of dollars, as its regulatory reporting to Lloyd's is required in sterling and this allows for consistency between the Syndicate's Report and Accounts and its regulatory reporting to Lloyd's.

2 Use of Judgements and Estimates

The preparation of the annual accounts requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Syndicate's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual accounts are those listed below:

Incurred but not reported claims (IBNR)

The estimation of claims IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Syndicate, where more information about the claim event is generally available. In calculating the estimated cost of unpaid claims the Syndicate uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- Changes in processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous periods;
- Changes in the legal environment;
- The effects of inflation;
- Changes in the mix of business;
- The impact of large losses; and
- Movements in industry benchmarks.

A component of these estimation techniques is the estimation of the cost of notified but not paid claims. In estimating the cost of these claims, regard is given to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims affecting each relevant business class are generally assessed separately, either measured on a case by case basis or projected separately, in order to allow for the possible distorting effect of the development and incidence of these large claims. Where possible, multiple techniques are adopted in order to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year. The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements in the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly. Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability. An estimate of the future cost of indirect claims handling is calculated as a percentage of the claims reserves held at the balance sheet date.

The gross IBNR held at 31 December 2021 was £279.8m (2020: £268.3m). This is disclosed in note 15 to these accounts.

A sensitivity of the results and members balances to a 5% increase or decrease in net claims liabilities is disclosed on page 23 of these accounts.

Premiums written

Written premium is reported according to management estimation of when premium will be written. An estimate of premiums written during the year that have not yet been booked by the financial year-end ‘pipeline premiums’ is made on a risk by risk basis. The pipeline premium is booked as written and an assessment is made of the related unearned premium provision and an estimate of claims incurred but not reported in respect of the earned element. For delegated authority business the underwriters estimate how much business will attach to a facility based on information provided by the broker and using their experience with reference to the trading conditions of the market. This estimate is updated on a regular basis. It is assumed that risks attaching to the master facility incept evenly across the period of the facility and therefore only the proportion of risks which have incepted to the master facility by the year-end date are reported within written premium in these financial statements.

The premium debtors receivable held at 31 December 2021 was £72.3m (2020: £64.0m). This is disclosed in note 12 to these accounts.

Provision for unexpired risks

All reasonable steps are taken to ensure that the appropriate information regarding claims exposures is obtained. The calculation is based upon statistical analyses of historical experience, which assumes that the development pattern of premium and claims will be similar to past experience. However, given the uncertainty in establishing a provision for unexpired risks, it is likely that the final outcome will prove to be different from the original liability established.

The gross URR held at 31 December 2021 was £3.7m (2020: £ Nil). This is disclosed in note 15 to these accounts.

3 Significant Accounting Policies

Basis of accounting

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Syndicate's financial statements.

Gross premiums written

Gross premiums written comprise premiums written on direct insurance contracts and inwards reinsurance contracts incepting during the financial year. Written premiums are disclosed gross of commission payable to intermediaries and exclude taxes and duties levied on these premiums.

Written premium is reported according to management estimation of when premium will be written. An estimate of premiums written during the year that have not yet been booked by the financial year-end, 'pipeline premiums', is made on a risk by risk basis. The pipeline premium is booked as written and an assessment is made of the related unearned premium provision. For delegated authority business the underwriters estimate how much business will attach to a facility based on information provided by the broker and using their experience with reference to the trading conditions of the market. This estimate is updated on a regular basis. It is assumed that risks attaching to the master facility incept evenly across the period of the facility and therefore only the proportion of risks which have incepted to the master facility by the year-end date are reported within written premium in these financial statements.

Unearned premiums

For open market risks premiums are assumed to earn evenly over the duration of the policy. For facilities, on the whole the underlying risks are assumed to attach evenly through the policy period of the facility and premiums earn evenly over the period of the underlying risk. No adjustments are made for seasonal exposures. In a limited number of cases bespoke earning patterns are used to reflect the expected exposure profile of the underlying risks.

Outward reinsurance premiums

Outwards reinsurance premiums are accounted for in the accounting period in which the underlying reinsurance treaty or facultative contract incepts. Reinstatement premiums arise when a loss has been incurred that impacts our reinsurances and there is a clause in the underlying reinsurance policy which requires the reinstatement of the policy with the payment of a further premium. Reinstatement premiums are recognised as written and earned in full at the date of the event giving rise to the reinstatement premium.

Claims paid, claims incurred, claims provisions

Paid claims represent all claims paid during the year and include claims handling expenses. Claims incurred comprise paid claims and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported (IBNR) and related expenses, together with any adjustments to claims from previous years.

The provision for claims outstanding is assessed on an individual case basis for reported claims and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred by the balance sheet date but not reported until after the year end (IBNR), 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 from 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, together with a contract by contract assessment of problematical areas and major catastrophes that do not lend themselves to projection based methods.

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

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.

Reinsurance assets are assessed for impairment at each balance sheet date. A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Syndicate may not recover all amounts due, and that event has a reliably measurable impact on the amount that the Syndicate will receive from the reinsurer. Impairment losses are recognised in profit or loss in the period in which the impairment loss is recognised.

In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate, to reduce the likelihood of adverse run-off deviation.

The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. 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 after the deduction of any deferred acquisition costs. The provision for unexpired risks is calculated by reference to classes of business which are managed together, after taking into account the future investment return on investments held to back the unearned premiums.

If an unexpired risk provision is required it will be disclosed as a component of technical provisions. The calculation is based upon statistical analyses of historical experience, which assumes that the development pattern of premiums and claims will be similar to past experience. However, given the uncertainty in establishing a provision for unexpired risks, it is likely that the final outcome will prove to be different from the original liability established.

Acquisition costs

Acquisition costs are comprised of commission and fees paid to brokers and coverholders. They are deferred to the extent that they are attributable to premiums unearned at the balance sheet date. Where proportional reinsurances are bought the relevant share of gross commission is treated as commissions ceded to reinsurers.

Foreign currencies

Transactions in foreign currencies are translated to the functional currency using exchange rates at the date of transactions. The Syndicate's monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the balance sheet date. For the purposes of foreign currency translation, unearned premiums and deferred acquisition costs are treated as if they are monetary items.

Differences arising on translation of foreign currency amounts into the functional currency are included in the non-technical account. Differences arising from the conversion of the functional to the presentational currency are included in the statement of comprehensive income.

Financial assets and liabilities

The investments disclosure requirements are based on Section 11 and 12 of FRS 102, and presentation requirements are based on para 11.38A and 12.25B.

Classification

The accounting classification of financial assets and liabilities determines the way in which they are measured and changes in those values presented in the statement of profit and loss or the statement of comprehensive income. Financial assets and liabilities are classified on their initial recognition. Subsequent reclassifications are permitted only in restricted circumstances.

Debt and other fixed-income securities, loans, deposits and overseas deposits are designated as available for sale and initially recognised at cost which equates to fair value at initial recognition. After initial measurement, these assets are subsequently measured at fair value. Interest earned whilst holding available for sale financial assets is reported as interest income. Other fair value changes are recognised in other comprehensive income and accumulated in the fair value reserve.

If an available-for-sale investment is sold or impaired, the net cumulative gain or loss accumulated in the fair value reserve is reclassified to profit or loss. Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The net cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment, and the current fair value, less any impairment loss recognised previously in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. Otherwise it is reversed through the statement of comprehensive income.

Deposits with credit institutions, debtors and accrued interest are classified as loans and receivables.

Recognition

Financial instruments are recognised when the Syndicate becomes a party to the contractual provisions of the instrument. Financial instruments are derecognised if the Syndicate's contractual rights to the cash flows from the financial instruments expire or the Syndicate transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. A financial liability is derecognised when the Syndicate's contractual obligations are discharged, cancelled, or expire.

Identification & measurement of impairment

The Syndicate conducts a periodic review to identify invested assets that are impaired. Some of the factors considered in identifying assets that are impaired include: (1) whether the Syndicate intends to sell the investment or whether it is more likely than not that the Syndicate will be required to sell the investment prior to an anticipated recovery in value; (2) the likelihood of the recoveries in full of the principal and interest; (3) the financial condition, near-term and long-term prospects for the issuer, including the relevant industry conditions and trends, and implications of rating agency actions and offering prices.

Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after initial recognition of an asset, and that the loss event has an impact of future cash flows on the asset that can be estimated reliably. All impairment losses are recognised in full in the profit and loss.

Offsetting

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, the Syndicate has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Investment return

Investment return comprises investment income, and realised investment gains and losses, net of investment expenses and charges.

Realised gains and losses on investments are calculated as the difference between sale proceeds and the purchase price.

Investment return is initially recorded in the non-technical account. The investment return relating to the profits on closed years retained within the Syndicate is allocated to the non-technical account. The balance of the investment return is allocated to the technical account.

Movements in unrealised gains and losses on investments are reported in the statement of comprehensive income. They represent the difference between their valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date, as well as the reversal of previously recognised unrealised gains and losses in respect of investments disposed of in the current period.

Overseas deposits

Overseas deposits are stated at market value at the balance sheet date. US Situs trust funds are classified as investments.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less that are subject to insignificant risk of changes in valuation and are used by the Syndicate in the management of its short-term commitments.

Taxation

Under Schedule 19 of the Finance Act of 1993 Managing Agents are not required to deduct basic income tax from trading income, including capital appreciation, of syndicates.

It remains the responsibility of members to agree their corporation tax liabilities with HM Revenue & Customs.

No provision has been made for any United States Federal Income Tax or Canadian Federal Income Tax payable on underwriting results and investment income. The Syndicate is required to fund on account assessments of US Dollar and Canadian Dollar source income and these amounts are then recovered by reimbursements from the Member Services Unit. Any payments on account made by the Syndicate during the year are included in the balance sheet under the heading 'Other debtors'.

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

Syndicate operating expenses

Where expenses are incurred by the Managing Agent, or on behalf of the Managing Agent, on the administration of the managed Syndicate, these expenses are apportioned using various methods depending on the type of expense. Expenses which are incurred jointly for the Managing Agent and managed Syndicate are apportioned between the Managing Agent and the Syndicate depending on the amount of work performed, resources used and the volume of business transacted.

Pensions costs

Travelers Management Limited, a service company and fellow group subsidiary, operates a group personal pension plan. Pension contributions relating to syndicate staff are charged to the Syndicate and included within net operating expenses or, where in respect of claims handling staff, as claims handling costs within gross claims paid.

Contingencies and commitments

Contingent liabilities arise as a result of past events when either it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Syndicate’s control. Contingent liabilities are disclosed in the annual accounts unless the probability of an outflow of resources is remote.

Debtors and creditors arising out of direct and reinsurance operations

Debtors and creditors arising out of direct and reinsurance operations are initially recognised at transaction price and are subsequently carried at the recoverable amount. The carrying value is reviewed for impairment whenever events or circumstances indicate that the carrying amount is greater than the recoverable amount, with the impairment adjustment recorded in the profit and loss. Debtors arising out of direct insurance and reinsurance operations are stated net of specific provisions against doubtful debts which are made on the basis of reviews conducted by management.

Other debtors and creditors

Any other debtors and creditors are recognised initially at transaction price and subsequently carried at the recoverable amount. The carrying value of other debtors is reviewed for impairment whenever events or circumstances indicate that the carrying amount is greater than the recoverable amount, with the impairment adjustment recorded in the profit and loss account. All other debtors and creditors are due within one year, unless otherwise stated.

Correction of prior period error

During the year management identified that reinsurance recoveries in respect of certain reinsurance contracts were overstated. The impact of the error was to have overstated reinsurance technical provisions as at 31 December 2020 by £7.2m. Of this amount £3.0m had originated during the 2020 financial year. Comparative figures in these financial statements have been restated accordingly.

Reinsurance technical provisions as at 31 December 2020 have been reduced by £7.2m. Reinsurance incurred claims for the 2020 financial year have been increased by £3.0m and opening members balances at 1 January 2020 have been reduced by £4.2m.

The presentation of Statement of Cash Flows was restated with regards to the ‘Foreign exchange’ line within investing activities. A £7.7m cash inflow was reclassified to the ‘Other’ line as part of operating activities.

4 Risk and Capital Management

Introduction and overview

This note presents information about the nature and extent of insurance and financial risks to which the Syndicate is exposed and the Managing Agent's objectives, policies and processes for measuring and managing these risks and for managing the Syndicate's capital.

Risk Management Framework

As described in the Strategic Report of the Directors of the Managing Agent, the Board of Directors has overall responsibility for the establishment and oversight of the Syndicate's risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Syndicate, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Insurance Risk

Management of insurance risk

A key component of the management of underwriting risk for the Syndicate is a disciplined underwriting strategy that is focused on writing quality business and not writing for volume. Product pricing is designed to incorporate appropriate premiums for each type of assumed risk. The underwriting strategy includes underwriting limits on the Syndicate's total exposure to specific risks and classes of business, together with limits on geographical and industry exposures.

The aim is to ensure that a well-diversified book is maintained with no over-exposure in any one geographical region, class or industry. Insurance contracts can contain a number of features which help to manage the underwriting risk, such as the use of deductibles, or capping the maximum permitted loss, or number of claims (subject to local regulatory and legislative requirements).

The Syndicate makes use of reinsurance to mitigate the risk of incurring significant losses linked to one risk or event, including excess of loss, quote share and catastrophe reinsurance. Where an individual exposure is deemed to be in excess of the Syndicate's appetite additional facultative reinsurance is also purchased.

The Underwriting Committee oversees the management of insurance risk, whilst the Finance Committee oversees reserving risk. The use of proprietary and standardised modelling techniques, internal and external benchmarking, and the quarterly reviews of claims development are all instrumental in mitigating reserving risk.

The Managing Agent's in-house actuaries perform a reserving analysis on a quarterly basis, liaising closely with underwriters, claims and reinsurance technicians. The aim of this exercise is to produce a probability-weighted average of the expected future cash outflows arising from the settlement of incurred claims. These projections include an analysis of claims development compared to the previous 'best estimate' projections. The Finance Committee performs a review of the results from the reserving analysis, both gross and net of reinsurance.

Following the quarterly reviews the Finance Committee makes recommendations to the Managing Agent's Board of Directors of the claims provisions to be established. In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate to reduce the probability of adverse run-off deviation.

Concentration of insurance risk

The Syndicate's exposure to insurance risk is well diversified. The following table provides an analysis of the geographical breakdown of its gross premiums written:

	2021 £000	2020 £000
Risks located in UK	**112,576**	99,520
Risks located in member states of the EU	**28,161**	26,100
Risks located in other countries	**196,520**	182,048
	337,257	307,668

The liabilities established as at 31 December 2021 could be significantly lower or higher than the ultimate cost of settling the claims arising. This level of uncertainty varies between the classes of business and the nature of the risk being underwritten and can arise from developments in case reserves for large losses and catastrophes, or from changes in estimates of claims incurred but not reported (IBNR). A five per cent increase or decrease in the ultimate cost of settling claims arising is considered to be reasonably possible at the reporting date.

A five per cent increase or decrease in total net claims liabilities would have the following effect on the Syndicate's result and financial position:

	2021 £000	2020 £000
Impact on profit and Members' balances	**22,141**	21,716

Credit risk

Credit risk is the risk of financial loss to the Syndicate if a counterparty fails to discharge a contractual obligation.

The Syndicate is exposed to credit risk in respect of the following:

- Debt securities;
- Reinsurers' share of insurance liabilities;
- Amounts due from intermediaries;
- Amounts due from reinsurers in respect of settled claims;
- Cash and cash equivalents; and
- Other debtors and accrued interest.

The nature of the Syndicate's exposures to credit risk and its objectives, policies and processes for managing credit risk have not changed significantly from the prior year.

Management of credit risk

The Syndicate's credit risk in respect of debt securities is managed by placing limits on its exposure to a single counterparty by reference to the credit rating of the counterparty. Financial assets are graded according to current credit ratings issued by rating agencies. The Syndicate has a policy of investing only in high quality government and corporate fixed income securities. The Syndicate targets an average portfolio credit quality of AA+.

The Syndicate has maintained its commitment to high quality assets with 69% of bonds having credit ratings of AA or higher.

The Syndicate limits the amount of cash and cash equivalents that can be deposited with a single counterparty, and maintains an authorised list of acceptable counterparties.

The Syndicate's exposure to intermediaries is monitored as part of its credit control processes. All intermediaries must meet minimum requirements established by the Syndicate. The credit ratings and payment histories of intermediaries are monitored on a regular basis.

The Syndicate assesses the creditworthiness of all reinsurers by reviewing public rating information and by internal investigations. The impact of reinsurer default is regularly assessed and managed accordingly. The Syndicate only uses reinsurers that have been pre-approved by its internal credit processes.

Exposure to credit risk

The carrying amount of financial assets and reinsurance assets represents the maximum credit risk exposure. The Syndicate does not hold any collateral as security or purchase any credit enhancements (such as guarantees, credit derivatives and netting arrangements that do not qualify for offset).

The following table provides counterparty credit exposure by credit rating:

2021	AAA £000	AA £000	A £000	<A £000	NR £000	Total £000
Financial Investments:						
Debt securities and other fixed income securities	**197,161**	**200,571**	**176,515**	**-**	**-**	**574,247**
Loans with credit institutions	**-**	**-**	**-**	**-**	**4,555**	**4,555**
Deposits with credit institutions	**-**	**-**	**-**	**-**	**-**	**-**
Overseas deposits	**6,891**	**10,606**	**1,261**	**2,258**	**2,365**	**23,382**
	204,052	**211,177**	**177,776**	**2,258**	**6,920**	**602,184**
Reinsurers' share of technical provisions	**-**	**40,016**	**41,267**	**-**	**2,084**	**83,367**
Debtors arising out of direct insurance operations	**-**	**-**	**-**	**-**	**72,306**	**72,306**
Debtors arising out of reinsurance operations	**-**	**10,987**	**6,890**	**2**	**202**	**18,081**
Overseas deposits	**6,639**	**2,718**	**1,229**	**5,798**	**764**	**17,148**
Deposits with ceding undertakings	**-**	**-**	**5,423**	**-**	**-**	**5,423**
Cash and cash equivalents	**-**	**2,185**	**15,267**	**-**	**-**	**17,452**
Other debtors and accrued interest	**-**	**-**	**-**	**-**	**12,155**	**12,155**
Total	**210,691**	**267,083**	**247,852**	**8,058**	**94,431**	**828,116**

As restated 2020	AAA £000	AA £000	A £000	<A £000	NR £000	Total £000
Financial Investments:						
Debt securities and other fixed income securities	161,607	191,059	130,309	-	-	482,975
Loans with credit institutions	-	-	-	-	4,680	4,680
Deposits with credit institutions	-	-	740	-	-	740
Overseas deposits	6,450	10,937	954	1,880	2,501	22,722
	168,057	201,996	132,003	1,880	7,181	511,117
Reinsurers' share of technical provisions	-	46,002	33,341	9	976	80,328
Debtors arising out of direct insurance operations	-	-	-	-	64,024	64,024
Debtors arising out of reinsurance operations	-	10,125	6,350	2	186	16,663
Overseas deposits	5,461	2,830	1,028	3,486	90	12,895
Deposits with ceding undertakings	-	-	-	-	-	-
Cash and cash equivalents	-	3,512	41,120	-	-	44,632
Other debtors and accrued interest	-	-	-	-	6,114	6,114
Total	173,518	264,465	213,842	5,377	78,571	735,773

At 31 December 2021 the largest concentration of risk within the investment portfolio was to the Canadian government and amounted to £33.7m (2020: US government £64.6m).

In the prior year Overseas deposits held as Financial Investments were all most exclusively classified as non-rated. This presentation has been restated in the current year by reclassifying the Overseas deposits into the appropriate category.

The Syndicate has debtors arising from direct insurance and reinsurance operations that are past due but not impaired at the reporting date.

An analysis of the carrying amounts of past due debtors as at 31 December is presented in the table below:

	2021		2020	
	Debtors arising from direct insurance £000	Debtors arising from reinsurance operations £000	Debtors arising from direct insurance £000	Debtors arising from reinsurance operations £000
Past due but not impaired financial assets:				
Past due by:				
up to 90 days	9,004	2,139	9,246	48
91 to 180 days	2,119	173	3,024	745
Over 180 days	1,470	1,973	2,173	337
Past due but not impaired financial assets	12,593	4,285	14,443	1,130
Impaired financial assets	-	(145)	-	-
Neither past due not impaired financial assets	59,713	13,941	49,581	15,533
Net carrying value	72,306	18,081	64,024	16,663

Liquidity Risk

Liquidity risk is the risk that the Syndicate will encounter difficulty in meeting obligations arising from its insurance contracts and financial liabilities as they fall due. The Syndicate is exposed to daily calls on its available cash resources, mainly from claims arising from insurance contracts.

The nature of the Syndicate's exposures to liquidity risk and its objectives, policies and processes for managing liquidity risk have not changed significantly from the prior year.

Management of liquidity risk

The Syndicate's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Syndicate's reputation.

The Syndicate's approach to managing its liquidity risk is as follows:

- Forecasts are prepared and revised on a regular basis to predict cash outflows from insurance contracts over the short, medium and long term;
- The Syndicate maintains cash and liquid assets to meet daily calls on its insurance contracts.

Liquidity risk is not considered to be a principal risk to the Syndicate and therefore is not specifically quantified within these accounts.

2021	Total £000	Up to 1 year £000	2-5 years £000	Over 5 years £000
Gross Technical Provision	526,192	210,477	263,096	52,619
Creditors	33,279	33,279	-	-
	559,471	243,756	263,096	52,619

2020	Total £000	Up to 1 year £000	2-5 years £000	Over 5 years £000
Gross Technical Provision	521,835	208,734	260,918	52,183
Creditors	34,921	34,921	-	-
	556,756	243,655	260,918	52,183

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for the Syndicate comprises two principal types of risk: interest rate risk and currency risk.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The nature of the Syndicate's exposure to market risk and its objectives, policies and processes for managing market risk have not changed significantly from the prior year.

Management of market risk

For each of the major components of market risk the Syndicate has policies and procedures in place which detail how each risk should be managed and monitored. The management of each of these major components of market risk and the exposure of the Syndicate at the reporting date to each of these major components are addressed below.

Interest rate risk

Interest rate risk arises from primarily from the Syndicate's financial investments, cash and overseas deposits. The risk of changes in the fair value of these assets is managed by primarily investing in short-term financial investments and cash and cash equivalents. The Finance Committee monitors the duration of these assets on a regular basis and ensures the asset duration approximates the duration of the underlying liabilities.

Sensitivity analysis to market risks

An analysis of the Syndicate's sensitivity to interest rate and currency price risk is presented in the table below. The table shows the effect on the result and net assets of reasonably possible changes in the relevant risk variable, assuming that all other variables remain constant, if that change had occurred at the end of the reporting period and had been applied to the risk exposures at that date.

	2021	2020
	£000	£000
Interest rate risk		
Impact of 50 basis point increase on result and net assets	**(8,052)**	(5,957)
Impact of 50 basis point decrease on result and net assets	**8,167**	6,043
Currency risk		
Impact of 10% weakening in sterling on results and net assets	**(10,466)**	(13,962)
Impact of 10% strengthening in sterling on results and net assets	**11,512**	15,358

A 10% increase (or decrease) in exchange rates and a 50 basis point increase/(decrease) in yield curves have been selected on the basis that these are considered to be reasonably possible changes in these risk variables over the following year.

The sensitivity analysis demonstrates the effect of a change in a key variable while other assumptions remain unchanged. However, the occurrence of a change in a single market factor may lead to changes in other market factors as a result of correlations.

Currency risk

The Syndicate primarily writes business in Sterling, Euros, and US Dollars and is therefore exposed to currency risk arising from fluctuations in the exchange rates of these currencies.

The foreign exchange policy is to maintain assets in the currency in which the cash flows from liabilities are to be settled in order to hedge the currency risk inherent in these contracts. Any surplus assets are held in US Dollars. The table below summarises the carrying value of the Syndicate's assets and liabilities, at the reporting date:

2021	**Sterling £000**	**Euro £000**	**US Dollar £000**	**Other £000**	**Total £000**
Financial investments	**135,841**	**27,804**	**390,125**	**48,414**	**602,184**
Reinsurers' share of technical provisions	**18,437**	**5,003**	**74,347**	**5,926**	**103,713**
Debtors	**771**	**398**	**88,035**	**1,183**	**90,387**
Cash and cash equivalents (incl Overseas deposits)	**3,039**	**1,777**	**13,578**	**16,206**	**34,600**
Other assets	**11,585**	**8,627**	**41,775**	**1,632**	**63,619**
Total assets	**169,673**	**43,609**	**607,860**	**73,361**	**894,503**
Technical provisions	**(157,134)**	**(51,882)**	**(481,597)**	**(19,668)**	**(710,281)**
Insurance and reinsurance payables	**(4,745)**	**(2,992)**	**(23,843)**	**(1,264)**	**(32,844)**
Creditors	**(122)**	**(445)**	**133**	**-**	**(434)**
Total liabilities	**(162,001)**	**(55,319)**	**(505,307)**	**(20,932)**	**(743,559)**
Net assets	**7,672**	**(11,710)**	**102,553**	**52,429**	**150,944**

As restated 2020	Sterling £000	Euro £000	US Dollar £000	Other £000	Total £000
Financial investments	20,375	20,441	426,051	44,250	511,117
Reinsurers' share of technical provisions	14,622	6,457	75,224	3,809	100,112
Debtors	6,421	2,468	70,257	1,541	80,687
Cash and cash equivalents (incl Overseas deposits)	1,729	1,088	41,830	12,880	57,527
Other assets	5,632	5,646	30,484	958	42,720
Total assets	48,779	36,100	643,846	63,438	792,163
Technical provisions	(143,587)	(50,313)	(468,889)	(17,155)	(679,944)
Insurance and reinsurance payables	(2,985)	(2,402)	(27,239)	(1,104)	(33,730)
Creditors	(484)	(282)	(213)	(343)	(1,322)
Total liabilities	(147,056)	(52,997)	(496,341)	(18,602)	(714,996)
Net assets	(98,277)	(16,897)	147,505	44,836	77,167

Capital Management

Capital Framework at Lloyd's

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

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

Although Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only, not at syndicate level, accordingly, the capital requirement in respect of Syndicate 5000 is not disclosed in these financial statements.

Lloyd's capital setting process

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

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicates on which it is participating, but not other members' shares. Accordingly, the capital requirements that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2021 was 35% (2020: 35%) of the member's SCR 'to ultimate'.

In the case of Syndicate 5000, the Funds at Lloyd's ("FAL") is wholly provided by Aprilgrange Limited and F&G UK Underwriters Limited, which are both wholly owned subsidiaries of The Travelers Companies, Inc.

5 Analysis of Underwriting Result

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

2021	Gross premiums written £000	Gross premium earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000	Net technical provisions £000
Direct Insurance							
Accident & Health	**10,927**	**8,519**	**(7,651)**	**(3,253)**	**(751)**	**(3,136)**	**(28,253)**
Marine, Aviation & Transport	**63,654**	**58,343**	**(28,725)**	**(23,723)**	**(8,391)**	**(2,496)**	**(114,265)**
Fire & Other Damage to Property	**79,592**	**72,686**	**(33,668)**	**(22,579)**	**196**	**16,635**	**(119,750)**
Third Party Liability	**53,336**	**38,585**	**(18,597)**	**(13,216)**	**(3,440)**	**3,332**	**(68,045)**
Energy	**24,182**	**22,164**	**(10,912)**	**(9,012)**	**(464)**	**1,776**	**(43,409)**
Other	**4,027**	**2,649**	**(1,564)**	**(1,195)**	**(3,988)**	**(4,098)**	**(5,514)**
	235,718	**202,946**	**(101,117)**	**(72,978)**	**(16,838)**	**12,013**	**(379,236)**
Reinsurance	**101,539**	**108,255**	**(54,607)**	**(39,296)**	**(6,804)**	**7,548**	**(227,332)**
Total	**337,257**	**311,201**	**(155,724)**	**(112,274)**	**(23,642)**	**19,561**	**(606,568)**

As restated 2020	Gross premiums written £000	Gross premium earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000	Net technical provisions £000
Direct Insurance							
Accident & Health	13,049	12,497	(4,788)	(6,776)	(774)	159	(8,465)
Marine, Aviation & Transport	63,958	73,034	(40,858)	(35,703)	(6,378)	(9,905)	(112,842)
Fire & Other Damage to Property	83,766	108,417	(71,407)	(36,601)	(13,741)	(13,332)	(178,129)
Third Party Liability	36,802	36,145	(17,985)	(16,008)	(7,930)	(5,778)	(63,022)
Energy	15,760	17,997	(10,068)	(8,777)	(1,572)	(2,420)	(27,806)
Other	3,646	3,946	(1,072)	(2,092)	(138)	644	(1,098)
	216,981	252,036	(146,178)	(105,957)	(30,533)	(30,632)	(391,362)
Reinsurance	90,687	97,979	(73,850)	(16,664)	(1,994)	5,471	(188,470)
Total	307,668	350,015	(220,028)	(122,621)	(32,527)	(25,161)	(579,832)

6 Claims Outstanding

The surplus/(deficit) following the reassessment of claims outstanding, net of expected reinsurance recoveries, held at the end of the previous year are set out below:

	2021 £000	2020 £000
Accident & health	**479**	(299)
Marine, aviation and transport	**4,697**	1,956
Fire and other damage to property	**8,827**	424
Third party liability	**5,110**	(4,363)
Energy	**2,801**	(10)
Other	**1,141**	(7)
Total direct	**23,055**	(2,299)
Reinsurance acceptances	**2,650**	958
	25,705	(1,341)

7 Net Operating Expenses

	2021 £000	2020 £000
Acquisition costs - commissions	**78,737**	67,335
Change in deferred acquisition costs	**(9,590)**	12,644
Administrative expenses	**37,185**	38,541
	106,332	118,520

Included in acquisition costs are £59.2m (2020: £50.4m) in relation to commissions on direct business.

8 Administrative Expenses

Administrative expenses for the year ended 31 December include:

	2021 £000	2020 £000
Auditor's remuneration:		
Fees payable to the Syndicate's auditor for the audit of these financial statements	**174**	177
Fees payable to the Syndicate's auditor and its associates in respect of other services pursuant to legislation	**218**	152
	392	329
Members' standard personal expenses	**2,568**	2,347

9 Key Management Personnel Compensation

The Directors of Travelers Syndicate Management Limited received the following aggregate remuneration charged to the Syndicate and included within net operating expenses for the years ended 31 December:

	2021 £000	2020 £000
Fees	**94**	90
Emoluments	**591**	593
	685	683

The Active Underwriter received remuneration during the year of £769,027 (2020: £414,428). These amounts were charged to the Syndicate.

10 Staff Numbers and Costs

All staff are employed by Travelers Management Limited. All staff numbers and cost disclosures are made in that company's financial statements.

11 Financial Investments

	2021		2020	
	Market Value	**Cost**	Market Value	Cost
	£000	**£000**	£000	£000
Debt securities and other fixed income securities	**574,247**	**573,548**	482,975	467,949
Loans with credit institutions	**4,555**	**4,582**	4,680	4,680
Deposits with credit institutions	**-**	**-**	740	740
Overseas deposits	**23,382**	**23,382**	22,722	22,722
	602,184	**601,512**	511,117	496,091

The Syndicate's estimates of fair value for investments are based on the framework established in the fair value accounting guidance. The framework is based on the inputs used in valuation, gives the highest priority to quoted prices in active markets and requires that observable inputs be used in the valuations when available. The disclosure of estimates in the fair value accounting guidance hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Syndicate's significant market assumptions. The level in the fair value hierarchy within which the fair value measurement is reported is based on the lowest level input that is significant to the measurement of its entirety. The three levels of the hierarchy are as follows:

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

The Syndicate utilized a pricing service to estimate the fair value of its investments at both 31 December 2021 and 31 December 2020.

The fair value of a financial instrument is the estimated amount at which the instrument could be exchanged in an orderly transaction between knowledgeable, unrelated, willing parties, i.e. not in a forced transaction. The estimated fair value of a financial instrument may differ from the amount that could be realised if the security was sold in an immediate sale, e.g. a forced transaction. Additionally, the valuation of investments is more subjective when markets are less liquid due to the lack of market based inputs, which may increase the potential that the estimated fair value of an investment is not reflective of the price at which an actual transaction would occur.

For investments that have quoted market prices in active markets, the Syndicate uses the unadjusted quoted market prices as fair value and includes these prices in the amounts disclosed in Level 1 of the hierarchy. The Syndicate receives the quoted market prices from third party, nationally recognized, pricing services. When quoted market prices are unavailable, the Syndicate utilises these pricing services to determine an estimate of fair value. The fair value estimates provided from these pricing services are included in the amount disclosed in Level 2 of the hierarchy. If quoted market prices and an estimate from a pricing service are unavailable, the Syndicate produces an estimate of fair value based on internally developed valuation techniques, which, depending on the level of observable market inputs, will render the fair value estimate as Level 2 or Level 3. The Syndicate bases all of its estimates of fair value for assets on the bid price as it represents what a third-party market participant would be willing to pay in an arm's length transaction.

The following table presents the level within the fair value hierarchy at which the Syndicate's investments are categorised as at 31 December:

2021	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Debt securities and other fixed income securities	**22,362**	**551,885**	**-**	**574,247**
Loans and deposits with credit institutions	**-**	**-**	**4,555**	**4,555**
Overseas deposits as investments	**18,019**	**5,363**	**-**	**23,382**
Financial investments	**40,381**	**557,248**	**4,555**	**602,184**
Overseas deposits as other assets	**1,176**	**15,972**	**-**	**17,148**
	41,557	**573,220**	**4,555**	**619,332**

2020	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Debt securities and other fixed income securities	64,562	418,413	-	482,975
Loans and deposits with credit institutions	740	-	4,680	5,420
Overseas deposits as investments	18,491	4,231	-	22,722
Financial investments	83,793	422,644	4,680	511,117
Overseas deposits as other assets	1,228	11,667	-	12,895
	85,021	434,311	4,680	524,012

12 Debtors

	2021 £000	2020 £000
Arising out of direct insurance operations		
Amounts due within one year	**72,300**	64,022
Amounts due after one year	**6**	2
Arising out of reinsurance operations		
Amounts due within one year	**18,000**	16,495
Amounts due after one year	**81**	168
Other debtors	**9,176**	3,601
	99,563	84,288

13 Deferred Acquisition Costs

The table below shows changes in deferred acquisition costs assets from the beginning of the period to the end of the period:

	2021 £000	2020 £000
Balance at 1 January	**36,605**	48,776
Incurred costs deferred	**78,737**	67,335
Amortisation	**(69,147)**	(79,979)
Effect of movement in exchange rates	**(153)**	473
Balance at 31 December	**46,042**	36,605

14 Claims Development

Claims development is shown in the tables below, both gross and net of reinsurance ceded, on an underwriting year basis. The Syndicate has taken advantage of the transitional arrangements incorporated in FRS103 and accordingly is presenting the data for the last nine underwriting years only. Balances have been translated at exchange rates prevailing at 31 December 2021.

Gross

Pure Underwriting Year - Estimate of ultimate claims	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	Total £m
At end of underwriting year	91.6	82.4	90.7	79.4	73.2	131.7	90.2	86.8	81.4	52.4	52.4
One year later	170.5	177.9	155.3	174.3	204.2	244.7	270.4	205.2	163.7	-	163.7
Two years later	164.3	207.3	161.0	191.7	228.0	294.6	284.1	221.4	-	-	221.4
Three years later	158.7	184.2	170.9	195.6	239.8	296.8	290.5	-	-	-	290.5
Four years later	154.8	184.3	179.1	198.1	236.0	298.1	-	-	-	-	298.1
Five years later	156.4	179.0	175.6	198.4	236.9	-	-	-	-	-	236.9
Six years later	162.1	181.7	175.5	199.4	-	-	-	-	-	-	199.4
Seven years later	162.5	179.7	175.4	-	-	-	-	-	-	-	175.4
Eight years later	161.4	179.2	-	-	-	-	-	-	-	-	179.2
Nine years later	160.8	-	-	-	-	-	-	-	-	-	160.8
	160.8	**179.2**	**175.4**	**199.4**	**236.9**	**298.1**	**290.5**	**221.4**	**163.7**	**52.4**	**1,977.8**
Cumulative payments	152.9	166.2	164.8	183.1	210.9	259.6	186.7	123.4	45.0	5.7	1,498.3
Estimated Balance to pay	**8.0**	**13.0**	**10.7**	**16.3**	**25.9**	**38.6**	**103.8**	**98.0**	**118.6**	**46.7**	**479.5**
Estimated Balance to pay 2011 & Prior											**46.7**
Total Estimated Balance to pay											**526.2**

Net

Pure Underwriting Year - Estimate of ultimate claims	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	Total £m
At end of underwriting year	83.4	75.0	83.8	73.9	81.0	116.4	84.0	80.8	71.2	48.0	48.0
One year later	156.9	159.7	146.4	152.3	195.7	224.3	241.6	185.5	149.1	-	149.1
Two years later	160.2	182.5	147.0	170.8	216.1	271.7	251.5	187.4	-	-	187.4
Three years later	155.5	166.9	155.1	173.3	227.8	278.8	254.1	-	-	-	254.1
Four years later	153.4	160.3	157.1	184.8	220.2	278.4	-	-	-	-	278.4
Five years later	149.9	160.3	156.2	184.0	220.2	-	-	-	-	-	220.2
Six years later	152.3	160.8	156.2	183.6	-	-	-	-	-	-	183.6
Seven years later	151.7	164.9	154.8	-	-	-	-	-	-	-	154.8
Eight years later	149.3	163.3	-	-	-	-	-	-	-	-	163.3
Nine years later	149.9	-	-	-	-	-	-	-	-	-	149.9
	149.9	**163.3**	**154.8**	**183.6**	**220.2**	**278.4**	**254.1**	**187.4**	**149.1**	**48.0**	**1,788.7**
Cumulative payments	146.6	152.3	145.3	169.0	199.4	243.2	164.0	114.6	43.2	5.7	1,383.1
Estimated Balance to pay	**3.4**	**11.1**	**9.5**	**14.6**	**20.8**	**35.2**	**90.1**	**72.8**	**105.9**	**42.3**	**405.6**
Estimated Balance to pay 2011 & Prior											**37.2**
Total Estimated Balance to pay											**442.8**

15 Technical Provisions

The table below shows changes in the insurance contract liabilities and assets from the beginning of the period to the end of the period.

	2021			As restated 2020		
	Gross provisions	**Reinsurance assets**	**Net provisions**	Gross provisions	Reinsurance assets	Net provisions
	£000	**£000**	**£000**	£000	£000	£000
Claims Outstanding						
Balance at 1 January	**521,835**	**(80,328)**	**441,507**	513,980	(82,700)	431,280
Change in claims outstanding	**(1,101)**	**(2,105)**	**(3,206)**	16,672	1,341	18,013
Effect of movements in exchange rates	**5,458**	**(934)**	**4,524**	(8,817)	1,031	(7,786)
Balance at 31 December	**526,192**	**(83,367)**	**442,825**	521,835	(80,328)	441,507
Claims notified	**227,042**	**(46,457)**	**180,585**	239,729	(33,231)	206,498
Claims incurred but not reported	**279,780**	**(36,910)**	**242,870**	268,287	(47,097)	221,190
Unallocated loss adjustment expenses	**15,675**	**-**	**15,675**	13,819	-	13,819
Unexpired risk provision	**3,695**	**-**	**3,695**	-	-	-
Balance at 31 December	**526,192**	**(83,367)**	**442,825**	521,835	(80,328)	441,507
Unearned Premiums						
Balance at 1 January	**158,109**	**(19,784)**	**138,325**	199,963	(26,293)	173,670
Change in unearned premiums	**26,056**	**(548)**	**25,508**	(42,347)	6,941	(35,406)
Effect of movements in exchange rates	**(76)**	**(14)**	**(90)**	492	(432)	60
Balance at 31 December	**184,089**	**(20,346)**	**163,743**	158,109	(19,784)	138,325

16 Cash and Cash Equivalents

	2021	2020
	£000	£000
Cash at bank	**17,452**	44,632
Deposits with credit institutions	**-**	740
Total cash and cash equivalents	**17,452**	45,372

17 Foreign Exchange Rates

The following currency exchange rates have been used for principal foreign currency translations:

	2021	2020
Rates ruling at 31 December:		
US Dollar	**1.35**	1.37
Canadian Dollar	**1.71**	1.74
Euro	**1.19**	1.12
Average rates applied for calendar year:		
US Dollar	**1.38**	1.28
Canadian Dollar	**1.72**	1.72
Euro	**1.16**	1.13

18 Investment Yield

The average Syndicate funds available for investment during the year, including cash and overseas deposits, and the investment return and yield for the calendar year, were as follows:

Average amount of Syndicate funds available for investment during the year:

	2021 £000	2020 £000
Sterling	**90,655**	53,427
US Dollar	**431,289**	405,064
Canadian Dollar	**30,160**	25,913
Euro	**26,622**	26,675
Total funds available for investment	**578,726**	511,079

	2021 £000	2020 £000
Interest income and realised gains and losses	**8,596**	10,391
Unrealised investment gains	**(14,424)**	9,976
Total investment return	**(5,828)**	20,367
Total annual investment yield	**-1.0%**	4.0%

Analysis of investment yield by currency:

	2021	2020
Sterling	**-1.8%**	2.2%
US Dollar	**-0.8%**	5.3%
Canadian Dollar	**-1.2%**	3.8%
Euro	**-1.1%**	0.2%

The above investment yields are calculated on total investment returns, including unrealised gains and losses, from all interest generating assets and include all income earned from investments, cash balances and overseas deposits.

19 Related Party Transactions

All related party transactions are entered into on arms-length terms.

No guarantees were given to, or received from, related parties during the year (2020: £ Nil). No provision was held for uncollectible receivables from related parties at 31 December 2021 (2020: £ Nil) and no bad debt expense in relation to such balances recognised during the year (2020: £ Nil).

The Syndicate is related to Travelers Underwriting Agency Limited (TUAL) by virtue of common control. TUAL acts as a coverholder to Lloyd's underwriters. During the year TUAL placed inwards premium income with the Syndicate on normal commercial terms. Brokerage and commissions paid by the Syndicate to TUAL in the year amounted to £0.2m (2020: £0.4m).

The Syndicate is related to The Travelers Indemnity Company (TIC) by virtue of common control. Investment Management fees paid by the Syndicate to TIC in the year amounted to £0.4m (2020: £0.3m).

The Syndicate is also related to Travelers Casualty and Surety Company of America by virtue of common control. Intercompany reinsurance premiums ceded to Travelers Casualty and Surety Company of America amounted to £2.2m (2020: £1.9m).

The Syndicate is also related to Travelers Syndicate Management Limited (TSM) by virtue of common control. The agency fees charged to the Syndicate amounted to £0.1m (2020: £0.1m).

The Syndicate is also related to Travelers Management Limited (TML) by virtue of common control. The recharged expenses amounted to £35.6m (2020: £38.7m).

The following balance sheet amounts were outstanding at year end with related parties:

	2021 **£000**	2020 £000
Travelers Underwriting Agency Limited (TUAL)	**(172)**	(701)
The Travelers Indemnity Company (TIC)	**-**	-
Travelers Casualty and Surety Company of America	**(2,189)**	(1,881)
Travelers Syndicate Management Limited (TSM)	**-**	-
Travelers Management Limited (TML)	**3,824**	599

20 Contingent Liabilities

At 31 December 2021 the Syndicate had no contingent liabilities (2020: £ Nil).

21 Ultimate Controlling Party

The immediate and ultimate parent company of Travelers Syndicate Management Limited (TSM) is The Travelers Companies, Inc. (TRV), a company registered in the USA. Group accounts for TRV are available from the Company Secretary of TSM, at One Creechurch Place.

22 Funds at Lloyd's

Every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's ('FAL'). These funds are intended primarily to cover circumstances where Syndicate assets prove insufficient to meet participating members' underwriting liabilities. The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on Prudential Regulatory Authority requirements. The determination of FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the Managing Agent, no amount has been shown in these Financial Statements by way of such capital resources. However, the Managing Agent is able to make a call on the Member's FAL to meet liquidity requirements or to settle losses.

23 Off-balance Sheet Items

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

24 Post Balance Sheet Event

The impact of the current conflict in Ukraine is being closely monitored. Whilst the Syndicate does not write significant amounts of business in either Russia or Ukraine, there is some exposure in these territories. At least some accounts in Russia will be impacted by the sanctions imposed, whilst there will also be an impact from the current inability to access certain Russian banks through the international payment systems.