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SYNDICATE 1176 – 2019 YEAR OF ACCOUNT

UNDERWRITING YEAR ACCOUNTS

31 DECEMBER 2021

SYNDICATE 1176: 2019 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2021

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SYNDICATE 1176: 2019 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2021

DIRECTORS AND ADMINISTRATION

Managing Agent

Chaucer Syndicates Limited

Directors of the Managing Agent

The Directors set out below held office throughout the year ended 31 December 2021 and up to the date of signing the underwriting year accounts, unless otherwise indicated:

D C Bendle	Chief Operating Officer
R J Callan	Chief Financial Officer
J Faure	Senior Independent Non-executive Director
J Fowle	Chief Executive Officer
P Jardine	Chairman and Independent Non-executive Director
N J Stacey (appointed 8 January 2021)	Chief Underwriting Officer
L S Watkins	Independent Non-executive Director
Dr H Zuo	Group Non-executive Director

Managing Agent's company secretary

R N Barnett

Managing Agent's registered office

52 Lime Street
London EC3M 7AF

Managing Agent's registered number

00184915

Syndicate 1176 active underwriter

M G Dawson

Syndicate banker

The custodian of the Syndicate's investment funds is Citibank N.A.

Syndicate investment manager

Goldman Sachs Asset Management International

Syndicate independent auditors

PricewaterhouseCoopers LLP, London

SYNDICATE 1176: 2019 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2021

MANAGING AGENT'S REPORT

The Managing Agent presents its report at 31 December 2021 for the 2019 closed year of account.

This report is prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (No 8 of 2005). It accompanies the underwriting year accounts prepared on an underwriting year basis of accounting as required by Statutory Instrument No 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations ("the 2008 Regulations").

Please refer to the Directors and Administration section for further information with regards to the Syndicate and Managing Agent.

Review of the business

The gross premiums written for the 2019 year of account were £28.7m compared to the Syndicate's 2018 YOA gross premiums written of £28.0m.

The plan was for a premium income of £34.5m, the closing result shows premium gross of acquisition costs of £28.7m. The fall against plan is largely driven by delays in the ratification of the new liability conventions. We have received very few claims and those we did receive were settled at less than reserved. The total property losses advised to date are within forecast loss expectancy. The final profit achieved on the 2019 account is £17.8m, representing a return on capacity of 38%. This is less than in recent years, due to the increased stamp capacity, and fewer reserve releases, together with increased competition for business.

A review of the 2020 and 2021 open years of account and the outlook for the 2022 year of account is included in the Annual Report and Accounts for the year ended 31 December 2021.

I would like to take this opportunity to thank the team who worked on behalf of the Syndicate for their help. It is an efficient team that provides a real level of expertise in a highly specialised segment and I appreciate their support.

Disclosure of information to the auditors

The directors each confirm that:

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

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the China Reinsurance (Group) Corporation Audit Committee meeting.

Approved by order of the Board of Chaucer Syndicates Limited

R J Callan
Chief Financial Officer
2 March 2022

SYNDICATE 1176: 2019 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2021

STATEMENT OF COMPREHENSIVE INCOME FOR THE CLOSED 2019 YEAR OF ACCOUNT FOR THE 36 MONTHS ENDED 31 DECEMBER 2021

	Note(s)	£000
Syndicate allocated capacity		<u>46,470</u>
Technical account – general business		
Earned premiums, net of reinsurance		
Gross premiums written	3	28,671
Outward reinsurance premiums		<u>(177)</u>
Earned premiums, net of reinsurance		28,494
Reinsurance to close premium received, net of reinsurance	4	<u>20,900</u>
		49,394
Allocated investment return transferred from the non-technical account		148
Claims incurred, net of reinsurance		
Gross claims paid		(329)
Reinsurance to close premium payable, net of reinsurance	5	<u>(22,788)</u>
		(23,117)
Net operating expenses	3, 6	(8,078)
Balance on the technical account - general business	11	<u>18,347</u>
Non-technical account		
Other expenses	10	(513)
Investment income	9	1,010
Investment expenses and charges	9	(610)
Net unrealised gains on investments	9	(252)
Allocated investment return transferred to the Technical Account – General Business		(148)
Total comprehensive income for the 2019 closed year of account	17	<u>17,834</u>

There is no other comprehensive income in the accounting period other than those dealt with in the Statement of Comprehensive Income. The underwriting year has closed: all items therefore related to discontinued operations.

SYNDICATE 1176: 2019 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2021

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2021

	Note(s)	£000
Assets		
Investments	12	30,685
Cash and cash equivalents		7,573
Reinsurers' share of technical provisions		1
Debtors arising out of direct insurance operations		1,018
Debtors arising out of reinsurance operations		2,841
Other debtors		53
Overseas deposits	13	250
Prepayments and accrued income		205
Total Assets		<u>42,626</u>
Liabilities		
Amounts due to members	14	11,817
Reinsurance to close premium's payable to close the account – net amount		22,789
Other creditors	16	6,717
Accruals and deferred income		1,303
Total Liabilities		<u>42,626</u>

The underwriting year accounts on pages 3 to 17 were approved by the Board of Chaucer Syndicates Limited on 2 March 2022 and were signed on its behalf by:

R J Callan
Chief Financial Officer

SYNDICATE 1176: 2019 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2021

STATEMENT OF CASH FLOWS FOR THE 36 MONTHS ENDED 31 DECEMBER 2021

	Note(s)	£000
Cash flows from operating activities	17	1,452
Transfer to members in respect of underwriting participations	14	(6,017)
		<hr/> (4,565)
Cash flows from investing activities:		
Increase in overseas deposits	18	(90)
Net sales of portfolio investments	18, 19	12,228
		<hr/> 12,138
Net increase in cash and cash equivalents		<hr/> 7,573
Cash and cash equivalents at 1 January 2019		<hr/> -
Cash and cash equivalents at end of the year of accounts	18	<hr/> 7,573

SYNDICATE 1176: 2019 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2021

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

1. Basis of preparation

These accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and applicable Accounting Standards in the United Kingdom, comprising Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102") as modified by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These accounts relate to the 2019 year of account which has been closed by reinsurance to close as at 31 December 2021. Consequently the Statement of Financial Position represents the assets and liabilities of the 2019 year of account at the date of closure. The underwriting account reflects the transactions for that year of account during the three-year period until closure. The Statement of Comprehensive Income and the Statement of Cash Flows reflect the transactions for that year of account during the three year period until closure.

These accounts cover the three years from the date of inception of the 2019 year of account to the date of closure. Accordingly, this is the only reporting period and so corresponding amounts are not shown. As these underwriting year accounts relate to a closed underwriting year of account, matters relating to going concern are not relevant to these underwriting year accounts.

2. Accounting policies

The accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of the three year period, outstanding liabilities can normally be determined with sufficient accuracy to permit the year of account to be closed by payment of a reinsurance to close premium to the successor year of account.

a) Insurance contracts

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

i) Premiums written

Premiums written comprise premiums on contracts attaching to the 2019 underwriting year. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due to the Syndicate not yet notified. Both the cash transferred for the Part VII transfer and the premium subsequently received back from Lloyd's Brussels have been included in the gross written premiums line of the Statement of Comprehensive Income.

ii) Unearned premiums

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

iii) Reinsurance premium ceded

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

iv) Claims paid and related recoveries

Gross claims paid include internal and external claims settlement expenses and are attributed to the same year of account as the original premium for the underlying policy.

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

2. Accounting policies (continued)

v) Reinsurance to close premium payable

The net reinsurance to close premium is determined on the basis of estimated outstanding liabilities and related claims settlement costs, including claims incurred but not reported, net of estimated collectible reinsurance recoveries relating to the closed year of account and all previous years of account reinsured therein.

The estimate of claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date. It also includes the estimated cost of claims incurred but not reported ('IBNR') at the balance sheet date based on statistical methods.

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

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

The Directors consider that the estimates of gross claims are fairly stated on the basis of the information currently available to them. However, it is implicit in the estimation procedure that the ultimate liabilities will be at variance from the reinsurance to close premium so determined.

b) Foreign currencies

The functional and presentation currency of the Syndicate is Pound Sterling.

FRS 102 requires that a foreign operation must be an entity. Therefore, monetary items are retranslated at the closing rate with exchange differences reported through the non-technical account and non-monetary items (for example, tangible assets) are not retranslated.

Non-monetary items are translated into the functional currency using transactional rates/monthly average rate of exchange prevailing at the time of the transaction as a proxy for transactional rates.

FRS103 states that insurance assets and liabilities (UPR and DAC) are required to be treated as monetary items. These assets and liabilities have been retranslated at period end to functional currency at the closing rate and the resulting exchange differences have been reported through the Statement of Comprehensive Income.

c) Financial assets

All investments are classified as fair value through profit and loss and are measured at fair value. Fair value is determined using published bid price quotations of each security. Unquoted equity investments are initially carried at cost as the best estimate of fair value and are adjusted thereafter whenever events or changes in circumstances indicate that the carrying amount may not approximate to fair value. The fair value of an unquoted equity security is calculated using the most appropriate valuation technique, such as reference to current fair values of another instrument that is substantially the same, discounted cash flow analysis or option pricing models.

The directors consider the fair value through profit and loss option to be appropriate as financial assets are managed and their performance evaluated on a fair value basis, in accordance with a documented investment strategy and information is provided internally on that basis to key management personnel. In addition, investment risk is assessed on a total return basis, which is consistent with the adoption of fair value through profit and loss.

Deposits with credit institutions are stated at cost and overseas deposits are stated at market value (per Lloyd's valuation).

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

2. Accounting policies (continued)

c) Financial assets (continued)

Net gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the Statement of Comprehensive Income within 'Unrealised gains on investments' or 'Unrealised losses on investments'.

d) Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest. The returns on the overseas deposits are allocated to the year of account as notified by Lloyd's. The returns on other assets arising in a calendar year are apportioned to years of account open during the calendar year in proportion to the average funds available for investment on each year of account.

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

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments relate to the technical account.

e) Cash and cash equivalents

Cash and cash equivalents on the Statement of Financial Position represent cash balances and money market deposits lodged with banks.

f) Operating expenses

Syndicate operating expenses are allocated to the year of account for which they are incurred and are primarily comprised of a fixed fee paid to the Managing Agency to cover the Managing Agent's fee and the running costs of the Syndicate.

g) Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax deducted from Syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

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

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

h) Pension costs

Chaucer Underwriting Services Limited (CUSL) operates a defined contribution scheme. Pension contributions relating to CUSL staff working for the Syndicate are charged to the Syndicate and included within net operating expenses.

i) Profit commission

Profit commission is charged by the Managing Agent at a rate of 15% of profit subject to the operation of a deficit clause. Where profit commission is charged, it is included in members' standard personal expenses within administrative expenses.

SYNDICATE 1176: 2019 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2021

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

3. Segmental analysis

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

	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred¹ £000	Net operating expenses £000	Reinsurance balance² £000	Total £000
Direct insurance:						
Fire and Other damage	8,808	8,808	(1,891)	(2,433)	(22)	4,462
Third Party Liability	2,839	2,839	(707)	(601)	(36)	1,495
	<hr/> 11,647	<hr/> 11,647	<hr/> (2,598)	<hr/> (3,034)	<hr/> (58)	<hr/> 5,957
Reinsurance acceptances:						
Reinsurance	17,122	17,122	(3,889)	(5,049)	(119)	8,065
Movements in respect of RITC received	20,802	20,802	(16,630)	5	-	4,177
Total	<hr/> 49,571	<hr/> 49,571	<hr/> (23,117)	<hr/> (8,078)	<hr/> (177)	<hr/> 18,199

1. Gross claims incurred comprise gross claims paid and gross reinsurance to close premium payable.
2. The reinsurance balance comprises reinsurance premiums ceded less reinsurance recoveries on claims paid and reinsurance recoveries anticipated on reinsurance to close (RITC) payable.
3. Movement in 2018 & prior year of account premium of £98k has been included within Movements in respect of RITC received

All premiums are concluded in the UK.

Geographical origin of gross premiums written:

An analysis of gross premiums written by reference to the location of the risk is provided below:

	£000
UK	763
Americas (including US)	3,971
Other	23,937
Gross premiums written	<hr/> 28,671

SYNDICATE 1176: 2019 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2021

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

3. Segmental analysis (continued)

Concentration of gross and net insurance liabilities by geographical area is as follows:

	£000
UK	606
Americas (including US)	3,156
Other	19,026
Reinsurance to close premium payable, net of reinsurance	<u>22,788</u>

4. Reinsurance to close premium received, net of reinsurance

	£000
Gross reinsurance to close premium receivable	20,898
Reinsurance to close premium receivable, reinsurers' share	2
Reinsurance to close premium received, net of reinsurance	<u>20,900</u>

5. Reinsurance to close premium payable, net of reinsurance

	£000
Gross outstanding claims	2,921
Provision for gross claims incurred but not reported	19,868
Provision for IBNR reinsurers' share	(1)
Reinsurance to close premium payable, net of reinsurance	<u>22,788</u>

The reinsurance to close is effected with the 2020 year of account of Syndicate 1176.

6. Net operating expenses

	£000
Acquisition costs – brokerage	949
Administrative expenses:	
Standard personal expenses	5,398
Members' Agents' fees	96
Other expenses	1,635
	<u>8,078</u>

SYNDICATE 1176: 2019 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2021

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

7. Staff costs

All staff working on behalf of the Syndicate are employed by a related group undertaking, Chaucer Underwriting Services Limited (CUSL).

Syndicate expenses, including the audit fee, are incurred by CUSL and recharged to the Syndicate via Chaucer Syndicates Limited as a flat fee included in administrative expenses.

The average number of employees employed by CUSL but working for the Syndicate during the three years was as follows:

	Number
Administration and finance	5
Underwriting	2
Other	2
	<u>9</u>

8. Emoluments of the directors of the Managing Agent

The directors of Chaucer Syndicates Limited were not remunerated in respect of their services to the Syndicate.

The Active Underwriter received the following consultancy fees, incurred by a related group undertaking and recharged to the Syndicate within Managing Agency fees in relation to the 2019 year of account.

	£000
Active Underwriter	<u>197</u>

9. Investment return

	£000
Investment income	
Income from financial assets at fair value through profit and loss	722
Interest on cash and cash equivalents	33
Other interest and similar income	218
Realised gains on investments	37
	<u>1,010</u>
Investment expenses and charges	
Realised losses on investments	(595)
Net unrealised losses on investments	(252)
Investment management charges	(15)
	<u>148</u>
Total investment return	

10. Other expenses

Net foreign exchange losses of £0.5m are included within other expenses in the non-technical account.

SYNDICATE 1176: 2019 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2021

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

11. Balance on technical account

	£000
Balance excluding investment return and operating expenses (other than acquisition costs):	
Total comprehensive income attributable to business allocated to the 2019 pure year of account	21,151
Total comprehensive income attributable to business reinsured into the 2019 year of account	4,177
	<hr/> 25,328
Allocated investment return transferred from the non-technical account	148
Net operating expenses other than acquisition costs	(7,129)
	<hr/> 18,347 <hr/>

12. Investments

	Cost £000	Market Value £000
Shares and other variable yield securities at fair value through profit and loss	6,333	6,376
Debt securities and other fixed income securities at fair value through profit and loss	24,811	24,306
Deposits with ceding undertakings	3	3
	<hr/> 31,147 <hr/>	<hr/> 30,685 <hr/>

Risk policies

Effective from 31 December 2019, the RITC process means that Insurance, Financial, Credit, Liquidity, Market and Capital risks are transferred to the accepting 2020 Year of Account of the Syndicate. Accordingly, these Underwriting Year accounts do not have any associated disclosures as required by section 34 of FRS 102. Full disclosures relating to these risks are provided in the Annual Accounts of the Syndicate, which are publicly available.

13. Overseas deposits

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries. The funds are required in order to protect policyholders and enable the Syndicate to operate in those markets. The Syndicate has only restricted access to these funds and no influence over their investment.

14. Amounts due to members

	£000
Total comprehensive income for the 2019 closed year of account	17,834
Transfers to members' personal reserve funds	(6,017)
	<hr/> 11,817 <hr/>

SYNDICATE 1176: 2019 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2021

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

15. Claims Development Tables

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

Pure underwriting year	2011 & prior £000	2012 £000	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	Total £000
<i>Estimate of gross claims incurred</i>										
At end of underwriting year		6,121	11,851	5,185	7,553	10,483	7,495	6,618	6,625	
One year later		7,219	11,574	6,220	9,955	13,590	8,710	9,139	10,294	
Two years later		4,351	7,264	4,825	5,979	11,339	6,107	6,849	6,496	
Three years later		2,999	6,807	3,787	5,419	6,868	4,260	5,927		
Four years later		2,563	5,386	3,218	4,963	6,329	3,618			
Five years later		2,153	4,966	2,473	3,842	5,823				
Six years later		1,769	4,599	1,970	3,472					
Seven years later		1,383	4,230	1,444						
Eight years later		999	3,868							
Nine years later		618								
As at 31 December 2021	22,853	618	3,868	1,444	3,472	5,823	3,618	5,927	6,496	54,119
Less gross claims paid	22,133	118	3,022	138	1,899	3,267	52	378	323	31,330
Gross reserves	720	500	846	1,306	1,573	2,556	3,566	5,549	6,173	22,789

SYNDICATE 1176: 2019 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2021

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

15. Claims Development Table (continued)

Pure underwriting year	2011 & prior £000	2012 £000	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	Total £000
<i>Estimate of net claims incurred</i>										
At end of underwriting year		6,121	11,851	5,185	7,553	10,472	7,495	6,618	6,580	
One year later		7,219	11,574	6,220	9,955	13,579	8,710	9,139	10,268	
Two years later		4,351	7,264	4,825	5,979	11,337	6,107	6,849	6,495	
Three years later		2,999	6,807	3,787	5,419	6,868	4,260	5,927		
Four years later		2,563	5,386	3,218	4,963	6,328	3,618			
Five years later		2,153	4,966	2,473	3,842	5,823				
Six years later		1,769	4,599	1,970	3,472					
Seven years later		1,383	4,230	1,444						
Eight years later		999	3,868							
Nine years later		618								
As at 31 December 2021	22,853	618	3,868	1,444	3,472	5,823	3,618	5,927	6,495	54,118
Less net claims paid	22,133	118	3,022	138	1,899	3,267	52	378	323	31,330
Net reserves	720	500	846	1,306	1,573	2,556	3,566	5,549	6,172	22,788

The Syndicate has a number of unsettled obligations arising out of insurance contracts from the 2011 and prior underwriting years, for which net reserves are still carried.

Gross and net claims incurred that are denominated in non-functional currency are converted to Pound Sterling as of 31 December 2021, the most recent balance sheet date, for all years presented.

SYNDICATE 1176: 2019 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2021

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

16. Other creditors

	£000
Inter year loans	6,714
Other creditors	3
	<u>6,717</u>

17. Reconciliation of total comprehensive income for the year of account to net cash inflow from operating activities

	£000
Total comprehensive income for the closed year of account	17,834
Unrealised investment losses excluding foreign exchange	462
Net reinsurance to close premium payable	22,788
Increase in debtors and prepayments and accrued income, excluding those received as consideration for RITC receivable	(1,130)
Decrease in creditors and accruals, excluding those received as consideration for RITC receivable	(6,025)
Non cash consideration for net RITC receivable	(32,423)
Foreign exchange movement	(54)
Net cash inflow from operating activities	<u>1,452</u>

Consideration for net RITC receivable comprised:

	£000
Portfolio investments	43,250
Overseas deposits	157
Debtors	2,800
Prepayments and accrued income	279
Creditors	(14,063)
	<u>32,423</u>
Cash and amounts due from members	(11,510)
	<u>20,913</u>
Foreign exchange movement on RITC	(13)
	<u>20,900</u>

SYNDICATE 1176: 2019 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2021

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

18. Movement in cash, portfolio investments and financing

	£000
Net cash outflow from the three years	19,096
Cash flow	
Increase in overseas deposits	90
Decrease in portfolio investments	(12,228)
Net cash outflow arising from cash flows	<u>6,958</u>
Received as consideration for net RITC receivable	
Cash and cash equivalents	(11,523)
Overseas deposits	157
Portfolio investments	43,250
Changes in market value and exchange rates	(334)
Total movement in portfolio investments	<u>38,508</u>
Portfolio at 1 January 2019	-
Portfolio at 31 December 2021	<u>38,508</u>

	At 1 January 2019 £000	Cash flow £000	Received as consideration for net RITC receivable £000	Changes to market value and currencies £000	At 31 December 2021 £000
Cash and cash equivalents	-	19,096	(11,523)	-	7,573
Overseas deposits	-	90	157	3	250
Total cash and cash equivalents and overseas deposits	<u>-</u>	<u>19,186</u>	<u>(11,366)</u>	<u>3</u>	<u>7,823</u>
Shares and other variable yield securities	-	(12,459)	18,710	125	6,376
Debt securities and other fixed income securities	-	228	24,540	(462)	24,306
Deposits with ceding undertakings	-	3	-	-	3
Total portfolio investments	<u>-</u>	<u>(12,228)</u>	<u>43,250</u>	<u>(337)</u>	<u>30,685</u>
Total cash, portfolio investments and financing	<u>-</u>	<u>6,958</u>	<u>31,884</u>	<u>(334)</u>	<u>38,508</u>

19. Net cash (inflow)/outflow to portfolio investments

	£000
Sale of shares and other variable yield securities	(44,348)
Sale of debt securities and other fixed income securities	(15,715)
Purchases of shares and other variable yield securities	31,889
Purchases of debt securities and other fixed income securities	15,943
Deposits with ceding undertakings	3
	<u>(12,228)</u>

SYNDICATE 1176: 2019 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2021

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

20. Related Parties

Chaucer Syndicates Limited, a wholly owned subsidiary of China Reinsurance (Group) Corporation, is the Managing Agent of the Syndicate. Chaucer Syndicates Limited has charged the Syndicate with the following expenses during the year along with the outstanding balances at the year end:

Year of Account	2019
	£000
Managing Agency fees	1,983
Profit commission	3,201

A subsidiary of China Reinsurance (Group) Corporation supports the underwriting capacity of the Syndicate as follows:

Year of Account	2019
	£000
Chaucer Corporate Capital (No. 3) Limited	<u>26,484</u>

Syndicate 1176 is the leading participant of the British Nuclear Pool, NRI Limited, and owns a share of the associated management company in proportion to its share (approximately 46%) of the Pool. Any profit or loss from these operations is paid to the Syndicate. The Pool underwrote premium of £23.2m on behalf of the Syndicate. The year-end balance due from the Pool is £0.9m and is included within debtors arising out of direct insurance operations.

21. Ultimate parent company

The Managing Agent's immediate parent company is Chaucer Capital Investments Limited.

The largest and smallest group of undertakings for which group financial statements are prepared, and in which the results of the Managing Agent are included, is China Reinsurance (Group) Corporation. The Company considers China Reinsurance (Group) Corporation to be its ultimate parent company. A copy of the most recent consolidated financial statements is available from the website of China Reinsurance (Group) Corporation (www.chinare.com.cn).

SYNDICATE 1176: 2019 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2021

SEVEN YEAR SUMMARY (UNAUDITED)

at 31 December 2021

	2013	2014	2015	2016	2017	2018	2019
Syndicate allocated capacity (£000)	31,666	31,666	31,666	34,931	37,480	46,500	46,470
Number of underwriting members	256	255	266	233	274	307	311
Aggregate net premiums (£000)	26,626	26,626	24,834	29,857	30,976	28,044	28,494
Results for an illustrative share of £10,000	£	£	£	£	£	£	£
Gross premiums	8,408	8,042	7,842	8,547	8,265	6,026	6,170
Net premiums	8,408	8,042	7,842	8,547	8,267	6,031	6,132
Premium for the reinsurance to close an earlier year of account	6,469	6,696	8,019	7,373	6,483	4,365	4,497
Net claims	(1,027)	(22)	(409)	(2,360)	(745)	(84)	(71)
Premium for the reinsurance to close the year of account	(6,642)	(8,028)	(8,137)	(6,898)	(5,447)	(4,495)	(4,904)
Syndicate operating expenses	(536)	(462)	(718)	(694)	(567)	(531)	(577)
Balance on technical account	6,672	6,226	6,597	5,968	7,991	5,286	5,077
Investment return	255	332	105	53	299	284	32
Other income/(charges)	(4)	274	(47)	151	34	82	(110)
Total comprehensive income for the closed year	6,923	6,832	6,655	6,172	8,324	5,652	4,999
Illustrative profit commission -Managing Agent's share	(951)	(945)	(916)	(847)	(1,164)	(779)	(689)
Illustrative personal expenses ^{1,2}	(616)	(614)	(589)	(539)	(583)	(457)	(473)
Total comprehensive income after illustrative profit commission and illustrative personal expenses	5,356	5,273	5,150	4,786	6,577	4,416	3,837
Percentage applicable for an illustrative share of £10,000	%	%	%	%	%	%	%
Gross premiums	84.1	80.4	78.4	85.5	82.7	60.3	61.7
Net premiums	84.1	80.4	78.4	85.5	82.7	60.3	61.3
Balance on technical account to gross premiums	79.4	77.4	84.1	69.8	96.7	87.7	82.3

SYNDICATE 1176: 2019 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2021

NOTES TO THE SEVEN YEAR SUMMARY (UNAUDITED)

1. Illustrative personal expenses comprise managing agent's fee, Lloyd's subscription, and contribution to Lloyd's Central Guarantee Fund. The managing agent's fee, where applicable, has been calculated so as to disregard the minimum charge to any member underwriting for less than a certain premium limit.

2. Illustrative personal expenses have been shown for individual Names and MAPAs.

Under the standard agency agreements in force an underwriting member who dies prior to 31 December in any year does not participate in that year; if death occurs on 31 December the underwriting member participates fully in that year.

SYNDICATE 1176: 2019 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2021

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The managing agent is responsible for preparing Syndicate Underwriting Year Accounts in accordance with applicable law and Lloyd's Syndicate Accounting Byelaw.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Syndicate Accounting Byelaw (No. 8 of 2005) (the "Lloyd's Regulations") require the managing agent to prepare Syndicate Underwriting Year Accounts for each Syndicate in respect of any underwriting year which is being closed by reinsurance to close at 31 December.

The managing agent must prepare Syndicate Underwriting Year Accounts which give a true and fair view of the result of the closed year of account.

In preparing the Syndicate underwriting year accounts, the managing agent is required to:

- select suitable accounting policies which are applied consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable as between the members of the Syndicate affected. In particular, the amount charged by way of premium in respect of the reinsurance to close shall, where the reinsuring members and reinsured members are members of the same Syndicate for different years of account, be equitable as between them, having regard to the nature and amount of the liabilities reinsured;
- make judgements and estimates that are reasonable and prudent;
- take into account all income and charges relating to a closed year of account in the underwriting account prepared in respect of that year of account, without regard to the date of receipt or payment; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the underwriting year accounts.

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate underwriting year accounts comply with the 2008 Regulations. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report on the audit of the syndicate underwriting year financial statements

Opinion

In our opinion, 1176's syndicate underwriting year financial statements for the 2019 year of account for the 36 months ended 31 December 2021 (the "underwriting year financial statements"):

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2021 and of its profit and cash flows for the 2019 closed year of account;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

We have audited the underwriting year financial statements included within the Underwriting Year Accounts, which comprise: the Statement of Financial Position as at 31 December 2021; the Statement of Comprehensive Income for the Closed 2019 Year of Account and the Statement of Cash Flows for the 36 months then ended; and the notes to the underwriting year financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800, and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and other applicable law. Our responsibilities under ISAs (UK) are further described in the *Auditors' responsibilities for the audit of the underwriting year financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the underwriting year financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – Basis of preparation

Without modifying our opinion, we draw attention to note 1 of the underwriting year financial statements, which describes the basis of preparation. In particular, as these underwriting year financial statements relate to a closed underwriting year of account, matters relating to going concern are not relevant to these underwriting year financial statements. The underwriting year financial statements are prepared in accordance with a special purpose framework for the specific purpose as described in the *Use of this report* paragraph below. As a result, the underwriting year financial statements may not be suitable for another purpose.

Reporting on other information

The other information comprises all of the information in the Underwriting Year Accounts other than the underwriting year financial statements and our auditors' report thereon. The Managing Agent is responsible for the other information. Our opinion on the underwriting year financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the underwriting year financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNDICATE 1176 – 2019 CLOSED YEAR OF ACCOUNT (continued)

with the underwriting year financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the underwriting year financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the underwriting year financial statements and the audit

Responsibilities of the Managing Agent for the underwriting year financial statements

As explained more fully in the Statement of Managing Agent's Responsibilities, the Managing Agent is responsible for the preparation of the underwriting year financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view of the result for the 2019 closed year of account. The Managing Agent is also responsible for such internal control as they determine is necessary to enable the preparation of underwriting year financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibilities for the audit of the underwriting year financial statements

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

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

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

- inspecting relevant meeting minutes, including those of the Board, Risk & Capital Committee and Audit Committee of the Managing Agent, and correspondence with regulatory authorities, including Lloyd's of London, Prudential Regulatory Authority and the Financial Conduct Authority;
- discussions with the Board, management, compliance function and internal audit function of the Managing Agent, including consideration of known or suspected instances of fraud and non-compliance with laws and regulations;
- evaluation and testing of the operating effectiveness of management's controls designed to prevent or detect misstatements in the syndicate underwriting year financial statements;

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNDICATE 1176 – 2019 CLOSED YEAR OF ACCOUNT (continued)

- testing and challenging where appropriate the assumptions and judgements made by management in their significant accounting estimates, particularly in relation to the estimation of claims outstanding and the estimation of estimated premium income;
- identifying and testing journal entries, particularly journal entries with unusual account combinations, posted to unusual accounts or posted by unexpected users; and
- assessing the appropriateness of closing the 2019 year of account and testing and challenging where appropriate the equity of the estimate for reinsurance to close premium charged.

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the syndicate's members as a body in accordance with part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and Part C of the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005), we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Managing Agent in respect of the syndicate; or
- the underwriting year financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Deepti Vohra (Senior statutory auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
3 March 2022