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Verto Syndicate 2689

Syndicate Annual Report and Accounts

31 December 2021

Contents

Directors and Administration

Managing Agent

Asta Managing Agency Ltd

Directors

P A Jardine (Chairman)*
R P Barke
C V Barley
K A Green*
C N Griffiths
L Harfitt
A J Hubbard*
D J G Hunt
M D Mohn*
S P A Norton
S D Redmond*
K Shah*
J M Tighe

Non-Executive Directors*

Company Secretary

N J Burdett

Managing Agent's Registered Office

5th Floor
Camomile Court
23 Camomile Street
London
EC3A 7LL

Managing Agent's Registered Number

1918744

Active Underwriter

C P Sharp (Appointed 13 Jan 2022)
S Ashby (Resigned 12 Jan 2022)

Bankers

Barclays Bank
Citibank NA
RBC Dexia

Directors and Administration continued

Registered Auditors

Ernst & Young LLP

Signing Actuaries

Ernst & Young LLP

Active Underwriter's report

My appointment to the role of Active Underwriter took effect in January 2022. I have specialised in property and specialty insurance and reinsurance for the past 20 years, as well as leading exposure management teams, coordinating outwards reinsurance purchasing, chairing capital modelling committees and leading digital platform transformation initiatives, often in a start-up environment.

This experience, combined with extensive broker and client relationships, puts the syndicate in a decidedly strong position to achieve its strategic objectives. I am delighted to be joined by Leah Rose (Wellington, Ark, Brit, Parhelion) as General Counsel. The team has based itself in Hampden's offices to benefit from the broader synergies of the Hampden operation.

Verto 2689 has, for 2022, very much the energy of a start-up as we begin to transform the strategic direction. The results of the syndicate from inception have been underwhelming but this should not detract from the considerable re-underwriting and diversification brought to the portfolios in the last two years.

With the better aligned Chord Re single consortium structure and the new partners already underwritten, 2022 is positioned to take advantage of the best market conditions seen for many years. We have a profitable core book of business to build upon and are encouraged by the enthusiasm of our broker and client network in approaching the syndicate to discuss how the syndicate's follow-only, non-competing, intelligent follow model can assist in furthering their own strategic goals.

The successful RITC of 2019 YOA and prior means the syndicate can draw a line under the past, freeing up capital and resource to focus on the future and its unwavering ambition to grow in scale, product offering, reputation, and profitability.

The results of the recent past have been driven by the economic mismatch between a large book of Natural Catastrophe exposed business and the availability and effectiveness of reinsurance. I am therefore pleased to see that Verto, through Chord Re, have exited Property Catastrophe XOL for 2022 and are working to reduce shares on those Quota Share contracts that contain meaningful exposure to weather events.

There is little doubt that the Canadian Crop loss in 2021 is evidence that further refinements are required in terms of line size deployment to both peak and non-peak – indeed diversifying – perils in the context of market impact and reinsurance availability and effectiveness. The impact of climate change is complex in all aspects but particularly so to quantify, meaning the syndicate will need to ensure that it has a robust, risk appetite-based framework to all lines of business.

The world is slowly emerging from the COVID-19 pandemic. With this comes great opportunity as we re-emerge to trade face-to-face and, once again, this opens the door to a more meaningful engagement and exploration of our partners' ambitions, operations and their ability to deliver sustainable profitability that sits at the heart of Verto's transformation in 2022 and beyond. There is simply no substitute to sitting next to an underwriter and seeing how they view risk and formulate their decisions. It is these people, not the glossy underwriting submissions, that hold our pen.

As a follow only market, these personal insights into corporate behaviour are critical.

Active Underwriter’s report continued

With the next chapter of the global evolution, however, we face different issues with ballooning inflation - which leads to increased claims costs - and war in the Ukraine.

Verto’s partners, both current and future, are those who can navigate these scenarios, on our behalf, and achieve the results we have so long desired. Have no doubt, the focus is not to ‘track’ the market, rather deploy an intelligent follow model. Simply put, one that can and should outperform.

2021 Year Update

The Syndicate Business Plan was approved on a slightly increased capacity of £70.7m and saw the underwriting continue to be delegated to the Chord Re Managing General Agency, with the 3 Consortia Contracts written via Chord Re on the following basis:

Consortia 1 – 81% of premium - A quota share book of Verto’s expiring business re-underwritten by Chord Re for the 2020 year of account.

Consortia 2 – 10% of premium - An excess of loss book of Property Catastrophe reinsurance underwritten by Chord Re.

Consortia 3 - 9% of premium – An excess of loss book of Specialty reinsurance underwritten by Chord Re.

Risk Adjusted Rate Change for the year has trended above plan at 13.2% (plan: 11.6%) with a commensurate improvement in priced loss ratios.

The book was impacted by multiple Natural Catastrophes during the year: Winter Storm Uri and Hurricane Ida were well protected by the Syndicate’s reinsurance programme which provided a USD 7.5m retention for the first event and USD 5.0m for the second event. This lower retention structure was a strategic plan executed post 2020’s discrepancy between gross and net combined ratios.

Outside of these claims which predominantly hit the Property QS and XOL writings, the syndicate was materially impacted by a crop loss event arising out of the drought conditions in Saskatchewan, Canada.

These conditions caused the largest historical loss to Canadian crop production and has resulted in a USD 10m claim to a single QS book for the syndicate’s share, with no outwards reinsurance in place. This event has pushed an otherwise profitable year into a loss.

The syndicate projects an ultimate Gross Combined Ratio of 104.9% with the Net Combined Ratio the same at 104.9%, generating a forecast loss to capacity of 5.2%.

2022 Trading Conditions and Strategic Update

The Chord Re relationship was simplified to one single consortium with a common share to the syndicate of 49%. On an ‘as-if’ basis, this single consortium structure would have generated a better result than the syndicate share in 2021. Chord Re are also actively reducing line sizes on accounts to reduce volatility and the potential for outsize loss experience.

In addition to this renewal, the syndicate has successfully added 5 new delegated structures. These relationships cover lines of business including Political Violence, Political Risk, D&O, Transactional Liability and Professional Liability. The underwriting teams have strong track-records and bring a diversifying and scalable income stream. For 2022, these new lines represent 13% of the syndicate's written premium.

The Chord Re book is showing rate change slightly ahead of plan (+3.6% compared to 3.2%) and, whilst modestly behind phased income plan as at 1st January, has a strong pipeline of new opportunities as well the potential for growth on existing business.

For 2022, Chord Re exited Property Catastrophe XOL business in line with the syndicate's own risk appetite for this difficult, retro-reliant class.

The outwards reinsurance market on 1st January proved itself to be a challenging market to extract the favourable terms seen of past years resulting in spend ahead of plan. The structure purchased, however, satisfies the syndicate's risk appetite statements and allows us to execute the inwards plan satisfactorily.

The syndicate has 6 core objectives for 2022:

Recruit new team – bring technical and market expertise on a multi-faceted scale.

Automation and refinement – most areas of reporting need a refresh, using automation and reporting tools to avoid time-consuming manual manipulation.

Branding – enhance Verto's reputation with Lloyd's, Asta, Capital Partners and key stakeholders at Chord Re and other Consortium Partners.

Enhance risk appetite – high level metrics are clear and understood but underlying portfolios need deeper analysis to establish downside appetite tolerance, pricing metrics and efficient deployment of capital.

Expand offering – outside of Chord Re, whilst using their underwriting strength and depth to attract business where Verto lacks bandwidth. Understand clash and respective offerings.

Bring in MI and technology platforms – become known and respected for proven technical expertise and advanced reporting capabilities resulting in profitability.

The growth in the portfolio for 2022 and beyond will focus on the following areas:

- Partners who have shown a track-record of outperformance through underwriting cycles.
- Lines of business that are accretive to what we do:
  - Bring diversification across product lines, geographies and distribution; and
  - Facilitate capital efficiencies, leading to lower ECA requirements and higher Return on Capital metrics.
- Line of business that lie within the syndicate's risk appetite, partnering with best-in-class operations who can provide the data we need in a timely, if not automated, manner.
- Lines of business that attract lower acquisition costs.

Active Underwriter's report continued

The syndicate will maintain a firm eye on our own internal expenses. As a Follow Only market, Verto needs to remain lean and low-cost, recruiting only those staff and using only those services that enhance service and profitability levels.

Whilst there is much work to be done, we look forward to seeing the results of the new team's efforts and experience translate into sustainable and enduring profitability.

Chris Sharp

Active Underwriter – Verto Syndicate 2689

3 March 2022

Managing Agent's report

The Syndicate's Managing Agent is a company registered in England and Wales. The Directors of the Managing Agent present their 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 ("Lloyd's Regulations 2008").

Results

The total recognised result for calendar year 2021 is a loss of $17.1m (2020: loss of $15.1m).

The Syndicate has presented its results under FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. In accordance with FRS102, the Syndicate has identified its insurance contracts and accounted for them in accordance with FRS103.

Principal activity and review of the business

The Syndicate’s principal activity is the underwriting of treaty reinsurance business.

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

	2021 $’000	2020 $’000	Change %
Gross written premiums	**115,910**	**147,193**	**-21.3%**
Loss for the financial year	**(17,126)**	**(15,110)**	**13.4%**
Combined ratio*	**117.5%**	**113.1%**	**4.4%**

**The combined ratio is the ratio of net claims incurred and net operating expenses to net premiums earned. Lower ratios represent better performance.*

The performance of the Syndicate has been assessed by measuring, as a percentage of underwriting capacity, the 36-month forecasted result on a funded accounting basis for a “closed‟ underwriting year of account.

	2021 YOA Open	2020 YOA Open	2019 YOA Closed
Capacity ($’000)	95,495	96,315	93,263
Forecasted result (Unaudited) ($’000)	(4,946)	(12,975)	(8,214)
Forecast return on capacity (%)	(5.2)%	(13.5)%	(8.8)%

Principal risks and uncertainties

The Syndicate sets risk appetite annually, which is approved by the Agency as part of the Syndicate's business planning and Solvency Capital Requirement ('SCR') process. The Agency Risk Committee meets at least quarterly to oversee the risk management framework. The Syndicate Board, a sub-committee of the Agency Board, reviews the risk profile as reflected in the risk register, and monitors performance against risk appetite using a series of key risk indicators. The principal risk and uncertainties facing the Syndicate are as follows:

Insurance risk

Insurance risk includes the risks that a policy will be written for too low a premium or provide inappropriate cover (underwriting risk), that the frequency or severity of insured events will be higher than expected (claims risk), or that estimates of claims subsequently prove to be insufficient (reserving risk). The Syndicate Board manages insurance risk through the approved business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. The Syndicate Board then monitors performance against the business plan through the year. Reserve adequacy is monitored through quarterly review by the Asta Actuarial team and the Reserving Committee.

Credit risk

The key aspect of credit risk is reinsurance counterparty risk which is the risk of default by one or more of the Syndicate's reinsurers and intermediaries. The Syndicate Board's policy is that the Syndicate will only reinsure with approved reinsurers, supported by collateralisation where required. The Agency Reinsurance Security Committee sets approval and usage criteria, monitors reinsurer ratings and is required to approve and oversee the application of the reinsurer approval policy.

Market risk

Market risk exposure impacting the Syndicate relates to fluctuations in interest rates or exchange rates. The Syndicate is exposed to foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. The Agency's policy is to maintain received income or incurred expenditure in the core currencies in which they were received or paid. Any surplus or deficit in a core currency would be subject to review by the Syndicate Board.

Exposure to changes in interest rates comes from the Syndicate's investment portfolio. The Agency seeks to minimise this risk through investing in either fixed interest securities or high quality floating rate notes.

In addition, an Investment Committee which reports to the Syndicate Board ensures that the Syndicate's investment portfolio is managed by the external investment manager in accordance with the Syndicate's risk appetite and to guidelines as approved by the Syndicate Board.

Liquidity risk

This is the risk that the Syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash or can only meet obligations at excessive cost. To mitigate this risk the Syndicate Board and Investment Committee reviews cash flow projections regularly and ensures that, where needed, the Syndicate has liquidity facilities in place or has utilised the option of a cash call from Capital providers.

The Syndicate has in place an overdraft facility with Barclays and also has in place a line of credit with Barclays Bank.

Operational risk

This is the risk that errors caused by people, processes, systems and external events lead to losses to the Syndicate. The Agency seeks to manage this risk through the use of an operational risk and control framework, detailed procedures manual, thorough training programme and a structured programme of testing of processes and systems by internal audit. Business continuity and disaster recovery plans are in place and are regularly updated and tested.

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Agency is required to comply with the requirements of the Financial Conduct Authority (FCA), Prudential Regulatory Authority (PRA) and Lloyd’s. Lloyd’s requirements include those imposed on the Lloyd’s market by overseas regulators, particularly in respect of US situs business. The Agency has a Compliance Officer who manages a function that monitor business activity and regulatory developments to assess any effects on the Agency.

The Syndicate has no appetite for failing to treat customers fairly. The Syndicate manages and monitors its customer risk through a suite of risk indicators and reporting metrics as part of its documented customer risk framework. The customer risk framework is consistently applied across all Asta syndicates and is overseen by the Conduct Oversight Group (COG), which is an AMA Board Committee that includes a non-executive director as a member who fulfils the role of Customer Champion.

Group / strategic risk

This is the risk of contagion that arises from being associated with key stakeholders and the impact that activities and events that occur within other connected or third parties has on the business.

Strategic risk covers the risks faced by the Syndicate due to changes in underlying strategy of the business or that of its key stakeholders (including strategic conflicts of interest).

Future developments

The Syndicate will continue to transact reinsurance business. If opportunities arise to write new classes of business, these will be investigated at the appropriate time. There are two new classes of business that will be written in 2022 via Consortia leaders Arch and Mosaic.

The capacity for the 2022 year of account is £71.5m (2021 year of account £70.7m).

Environmental, Social and Governance (ESG)

In 2020 Asta initiated work to identify ESG priorities and build out its ESG framework, incorporating sections covering Asta’s own ESG framework and the framework for its managed syndicates. This work will be built out in 2022 and used to inform the ESG frameworks for managed syndicates. The framework is aligned to Lloyd's ESG guidance from October 2021, and to Asta's climate change work detailed below.

Climate change

Following the Prudential Regulation Authority's (PRA) Supervisory Statement in 2019 and subsequent Dear CEO letter in 2020, Asta have built a climate change framework, applicable to all syndicates, covering the physical, transition and liability climate change risks, based on the underlying business written by each syndicate. Asta and its managed syndicates accept climate change risk where it is an inherent part of an insurance business model, providing it is understood, managed and controlled and/or compensated. There is no appetite for uncontrolled, unmanaged exposure to the financial risks of climate change.

A measure for climate change exposure within insurance risk appetites has been implemented to highlight where time and resource is most required in order to manage the potential exposure and successfully steer portfolios through global changes. The Syndicate has identified the level of climate change exposure in its business plans and will manage this accordingly, with the ability to change the level of risk being taken in future and thereby amend the oversight and monitoring framework.

The framework ensures Board-level engagement and accountability with the PRA's requirements, assigning clear responsibilities for managing Asta's and its syndicate's financial risks associated with climate change. The AMA Finance Director, who is a Board member, is responsible for the climate change framework, including identifying and managing financial climate related risks.

Coronavirus

The Agency and Syndicate have continued to monitor Government guidelines throughout 2021 and have implemented a trial phase of "Hybrid" working. Hybrid working allows staff to work both remotely and in the more traditional office environment to meet business needs. The pre pandemic 9 to 5 office regime would appear to be a thing of the past as the demand for flexible working becomes a key consideration for both new and existing members of staff.

The Agency are committed to finding an operational Hybrid working policy that delivers on all client and regulatory needs while offering staff the flexibility to work remotely. The Agency also recognises the need for staff to develop within their roles and that face to face on the job training is essential in ensuring staff are able to reach their full potential. The Hybrid working structure will be updated through 2022 to optimise working practices. The Agency and Syndicate are ready to adapt to any change in guidelines and potential seasonal spikes and foresee no business interruptions throughout 2022.

Hybrid working through 2021 has seen the Agency deliver from both a regulatory and client standpoint with no adverse outcomes through remote working.

The reserve held at the end of 2020 in relation to Covid has proven to be materially robust with minimal movements.

There is continued assessment of liquidity, market and credit risk and the implications on the Syndicate are monitored, in conjunction with other insurance events, and are escalated to Board level where appropriate.

Managing Agent's report continued

Directors

Details of the Directors of the Managing Agent that were serving at the year end and up to the date of signing of the financial statements are provided on page 1. Changes to directors from the last report were as follows:-

S D Redmond	Appointed 20 April 2021

Disclosure of information to the auditors

So far as each person who was a director of the Managing Agent at the date of approving the report is aware, there is no relevant audit information, being information needed by the Syndicate auditor in connection with the auditor's report, of which the auditor is unaware. Having made enquiries of fellow directors of the Agency and the Syndicate's Auditors, each director has taken all the steps that he or she ought to have taken as a director to become aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

Auditors

The Managing Agent intends to reappoint EY as the Syndicate's auditors.

Going Concern

The Directors of the Managing Agent have assessed the Syndicate's ability to continue as a going concern by considering the available capital and any expected material changes to its operations. Based on the assessment, they continue to adopt the going concern basis in preparing the financial statements

Syndicate Annual General Meeting

In accordance with the Syndicate Meetings (Amendment No 1) Byelaw (No 18 of 2000) the Managing Agent does not propose holding an annual meeting this year; objections to this proposal or the intention to reappoint the auditors for a further 12 months can be made by Syndicate members before 29 April 2022.

On behalf of the Board

N J Burdett
Company Secretary
3 March 2022

Statement of Managing Agent's responsibilities

The Managing Agent is responsible for preparing the financial statements in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare financial statements at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland. The Financial statements are required by law to give a true and fair view of the state of affairs of the Syndicate as at that date and of its profit or loss for that year.

In preparing the financial statements, the managing agent is required to:

- select suitable accounting policies and then apply them consistently subject to changes arising on the adoption of new accounting standards in the year;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the notes to the Syndicate accounts; and
- prepare the Syndicate accounts on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume that the Syndicate will do so.

The Managing Agent is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent auditors’ report to the members of Syndicate 2689

Report on the Syndicate annual accounts

Opinion

We have audited the syndicate annual accounts of Syndicate 2689 (‘the syndicate’) for the year ended 31 December 2021 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Members’ Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ and FRS 103 ‘Insurance Contracts’ (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the syndicate annual accounts section of our report. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, including the FRC’s Ethical Standard as applied to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the syndicate annual accounts, we have concluded that the managing agent’s use of the going concern basis of accounting in the preparation of the syndicate annual accounts is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the syndicate’s ability to continue as a going concern for a period of 12 months from when the syndicate annual accounts are authorised for issue.

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

Independent auditors' report continued

Other information

The other information comprises the information included in the annual report, other than the syndicate annual accounts and our auditor's report thereon. The directors of the managing agent are responsible for the other information contained within the annual report.

Our opinion on the syndicate annual accounts does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual accounts or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the syndicate annual accounts themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

- the information given in the managing agent's report for the financial year in which the syndicate annual accounts are prepared is consistent with the syndicate annual accounts; and
- the managing agent's report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we have not identified material misstatements in the managing agent's report.

We have nothing to report in respect of the following matters where The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires us to report to you, if in our opinion:

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual accounts are not in agreement with the accounting records; or
- certain disclosures of the managing agents' emoluments specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 12, the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate annual accounts, the managing agent is responsible for assessing the syndicate's ability to continue in operation, disclosing as applicable, matters related to its ability to continue in operation and using the going concern basis of accounting unless the managing agent either intends to cease to operate the syndicate, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the syndicate annual accounts

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.
The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the managing agent and management.

Our approach was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the syndicate and determined that the most significant are direct laws and regulations related to elements of Lloyd's Byelaws and Regulations, and the financial reporting framework (UK GAAP), and requirements referred to by Lloyd's in the instructions. Our considerations of other laws and regulations that may have a material effect on the syndicate annual accounts included permissions and supervisory requirements of Lloyd's of London, the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').

Independent auditors' report continued

- We obtained a general understanding of how the syndicate is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the syndicate. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the syndicate, Lloyd's of London and other UK regulatory bodies; reviewed minutes of the Board and Risk Committee of the managing agent; and gained an understanding of the managing agent's approach to governance. We also performed procedures to understand the culture of compliance and governance including the obtainment and review of the code of conduct, employee handbook and whistleblowing policy. Furthermore in order to assess the internal views of risks and their likelihoods, we have reviewed the risk register and risk event summary for the syndicate.

- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related syndicate annual accounts' items.

- For both direct and other laws and regulations, our procedures involved: making enquiries of the directors of the managing agent and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the managing agent's methods of enforcing and monitoring compliance with such policies, and inspecting significant correspondence with Lloyd's, the FCA and the PRA.

- The syndicate operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

- We assessed the susceptibility of the syndicate's annual accounts to material misstatement, including how fraud might occur by considering the controls that the managing agent has established to address risks identified by the managing agent, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, complex transactions, performance targets, economic or external pressures and the impact these have on the control environment. Where this risk was considered to be higher, on claims outstanding and estimated premium income, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the syndicate annual accounts were free from fraud or error.

A further description of our responsibilities for the audit of financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditors' report continued

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate and the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Robert Bruce (Senior statutory auditor)

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

London

3 March 2022

Income statement

Technical account - General business

For the year ended 31 December 2021

	Notes	2021 $'000	2020 $'000
Gross premiums written	3	115,910	147,193
Outward reinsurance premiums		(12,528)	(13,902)
Net written premiums		103,382	133,291
Change in the provision for unearned premiums			
Gross amount		(4,585)	(2,742)
Reinsurers' share		2,606	206
Change in the net provision for unearned premiums	4	(1,979)	(2,536)
Earned premiums, net of reinsurance		**101,403**	**130,755**
Allocated investment return transferred from the non-technical account		**70**	**1,989**
Claims paid			
Gross amount		(82,212)	(58,409)
Reinsurers' share		2,805	1,448
Net claims paid		(79,407)	(56,961)
Changes in claims outstanding			
Gross amount		(9,522)	(34,434)
Reinsurers' share		10,900	(540)
Change in the net provision for claims	4	1,378	(34,974)
Claims incurred, net of reinsurance		**(78,029)**	**(91,935)**
Net operating expenses	5	**(41,132)**	**(55,963)**
Balance on technical account – general business		**(17,688)**	**(15,154)**

Income statement continued

Non-technical account - General business

For the year ended 31 December 2021

	Notes	2021 $'000	2020 $'000
Balance on technical account – general business		**(17,688)**	**(15,154)**
Investment return	9	644	1,989
Unrealised Gains on Investments		11	0
Losses on the realisation of investments		(10)	0
Unrealised losses on investments		(540)	0
Investment management charges		(35)	0
Allocated investment return transferred to the general business technical account		(70)	(1,989)
Exchange gains		562	44
Loss for the financial year		**(17,126)**	**(15,110)**

All the amounts above are in respect of continuing operations.

The notes on pages 24 to 49 form part of these financial statements.

Statement of comprehensive income

There were no recognised gains and losses in the year other than those reported in the Income Statement and hence no Statement of Other Comprehensive Income has been presented.

There were no recognised gains or losses in the prior year other than those in the Income Statement.

Statement of changes in Members' balances

For the year ended 31 December 2021

	2021 $'000	2020 $'000
At 1 January	(48,745)	(34,110)
Loss for the financial year	(17,126)	(15,110)
Members agents fees	(124)	(220)
Cash calls made to date	-	-
Distribution Loss	30,378	695
Payments of profit to members' personal reserve funds	-	-
At 31 December	(35,617)	(48,745)

Statement of financial position

As at 31 December 2021

	Notes	2021 $'000	2020 $'000
ASSETS			
Investments			
Financial investments	10	71,761	48,613
Reinsurers' share of technical provisions			
Provision for unearned premiums	4	2,822	217
Claims outstanding	4	15,219	4,319
		18,041	4,536
Debtors			
Debtors arising out of reinsurance operations	11	97,714	149,041
Cash and other assets			
Cash at bank and in hand	12	14,411	33,090
Deposits with ceding undertakings		88	0
Other assets	13	312	322
		14,811	33,412
Prepayments and accrued income			
Deferred acquisition costs	4	17,160	17,657
Other prepayments and accrued income		442	5,062
		17,602	22,719
Total assets		219,929	258,321

The notes on pages 24 to 49 form part of these financial statements.

Statement of financial position continued

As at 31 December 2021

	Notes	2021 $'000	2020 $'000
MEMBERS' BALANCE AND LIABILITIES			
Capital and reserves			
Members' balances		(35,617)	(48,745)
Liabilities			
Technical provisions			
Provision for unearned premiums	4	57,784	53,354
Claims outstanding	4	184,618	175,110
		242,402	228,464
Creditors			
Creditors arising out of reinsurance operations	14	11,401	78,018
Bank overdraft		-	-
		11,401	78,018
Accruals and deferred income		1,743	584
Total liabilities		255,546	307,066
Total members' balances and liabilities		219,929	258,321

The notes on pages 24 to 49 form part of these financial statements.

The financial statements on pages 18 to 49 were approved by board of Directors on 24 February 2022 and were signed on its behalf by:

R P Barke
Director
3 March 2022

Statement of cash flows

For the year ended 31 December 2021

	Notes	2021 $'000	2020 $'000
Cash flows from operating activities			
Loss for the financial year		(17,126)	(15,110)
Increase in gross technical provisions		13,938	37,176
(Increase) / Decrease in reinsurers' share of gross technical provisions		(13,505)	323
Decrease / (Increase) in debtors		51,337	(5,992)
(Decrease) / Increase in creditors		(66,617)	19,126
Movement in other assets/liabilities		5,658	(4,078)
Changes to market value and currency		584	(687)
Investment return		(70)	(1,989)
Net cash (outflow) / Inflow from operating activities		(25,801)	28,769
Cash flows from investing activities			
Purchase of other financial investments		(57,830)	(40,390)
Sale of other financial investments		-	38,750
Investment income received		70	1,989
Decrease / (Increase) in overseas deposits		530	(639)
Changes to market value and currency		(3)	-
Net cash (outflow) from investing activities		(57,233)	(290)
Cash flows from financing activities			
Cash call		-	-
Distribution loss		30,378	695
Members' agents fee advances		(124)	(220)
Net cash inflow from financing activities		30,256	475
Net (outflow) / increase in cash and cash equivalents		**(52,780)**	**28,954**
Cash and cash equivalents at beginning of year		**78,132**	**49,178**
Cash and cash equivalents at end of year	12	**25,353**	**78,132**

Notes to the financial statements

For the year ended 31 December 2021

1. Basis of preparation

Statement of compliance

The financial statements have been prepared in compliance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and FRS 102 and FRS 103, being applicable UK GAAP accounting standards, and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

These financial statements are prepared on a going concern basis, under the historical cost convention as modified by the recognition of certain financial assets and liabilities measured at fair value.

The financial statements are prepared in US Dollars which is the functional and presentational currency of the Syndicate and rounded to the nearest $'000.

2. Accounting policies

Use of estimates

In preparing these financial statements, the Directors of the Managing Agent have made judgements, estimates and assumptions that affect the application of the Syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses. The measurement of the provision for claims outstanding involves judgements and assumptions about the future that have the most significant effect on the amounts recognised in the annual accounts.

Actual results may differ from those estimates. Significant items subject to such estimates and assumptions include:

(i) provision for claims outstanding (refer to claims incurred accounting policy);

(ii) estimates of future premium for inwards quota share contracts (refer to gross premiums accounting policy).

The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain.

In particular, judgement is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported (IBNR) to the Syndicate.

The ultimate cost of outstanding claims is estimated using a range of techniques including actuarial and statistical projections, benchmarking, case by case review and judgement.

Accounting policies continued

Statistical techniques assume that past claims development experience can be used as a basis to project ultimate claims costs. Judgement is used to assess the extent to which past trends may not apply in the future.

Case estimates for the Axa XL treaty are based on quarterly bordereau, and as such, the Syndicate is reliant on the Axa XL Group with respect to reserving information. Additionally, the Axa XL Group provides the Syndicate with IBNR figures, again in summary form, as well as reserving data for significant Cat losses – this allows the Syndicate to assess the reserves on large losses more independently, although still being reliant on the Axa XL Group for reserving information. This reliance and lack of source data adds an extra layer of uncertainty in relation to estimating claims provisions.

Case estimates for the Verto book (excluding Axa XL) are also based on bordereau information, and as such, the syndicate is reliant on each cedant for outstanding claims information. Each cedant also provides reserving data for significant large & Cat losses.

Whilst the Directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated based on the information currently available to them, the ultimate liability will vary as a result of subsequent information and events.

Significant accounting policies

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

Gross written premiums comprise the total premiums receivable for the whole period of cover provided by the contracts entered into during the reporting period, regardless of whether these are wholly due for payment in the reporting period, together with any adjustments arising in the reporting period to such premiums receivable in respect of business written in prior reporting periods. They are recognised on the date on which the policy commences. Gross written premiums are stated gross of brokerage payable and exclude taxes and duties levied on them.

For the majority of inwards reinsurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates, primarily relating to quota share reinsurance business, are judgemental and could result in misstatements of revenue recorded in the financial statements.

The main assumption underlying future premium, is that past premium development can be used to project future premium development.

Underwriters periodically review EPI on the underwriting system. After 33 months, written premium is reported as signed premium with the odd exception manually overriding this rule.

Reinsurance premiums

Reinsurance written premiums on business ceded comprise the total premiums payable for the whole cover provided by contracts entered into the period, and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. They are recognised on the date on which the policy commences.

Accounting policies continued

Claims incurred

Claims incurred comprise claims and settlement expenses (both internal and external) paid in the year and the movement in provision for outstanding claims and settlement expenses, including an allowance for the cost of claims incurred by the balance sheet date, but not reported until after the year end.

The provision for claims comprises amounts set aside for claims notified and claims incurred, but not yet reported (IBNR).

The amount included in respect of IBNR is based on statistical techniques of estimation applied by actuaries. These techniques 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. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. An element of IBNR also relates to specific large losses, such as catastrophe events.

The reinsurers' share of provisions for claims is based on calculated 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 and the claims experience for the year. The Syndicate uses a number of statistical techniques to assist in making these estimates where relevant.

Accordingly, the two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and 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 provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, 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.

Provisions for unearned premiums

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. In respect of general insurance business, written premiums are recognised as earned over the period of the policy on a time apportionment basis having regard where appropriate, to the incidence of risk. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Accounting policies continued

Unexpired risks

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

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

At 31 December 2021 the Syndicate had nil gross unexpired risk provision and nil net unexpired risk provision (20120 Nil).

Deferred acquisition costs

Acquisition costs comprise costs arising from the conclusion of insurance contracts. They include both direct costs, such as intermediary commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio. It is not the Syndicate's policy to reallocate a portion of indirect costs, such as the advertising costs or the administrative expenses connected with the processing of proposals and the issuing of policies, to acquisition costs.

Deferred acquisition costs are costs arising from conclusion of insurance contracts that are incurred during the reporting period but which relate to a subsequent reporting period and which are carried forward to subsequent reporting periods.

Deferred acquisition costs are amortised over the period in which the related premiums are earned.

Insurance and reinsurance receivables

Insurance and reinsurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

Insurance receivables are not recognised when the de-recognition criteria for financial assets have been met.

Insurance and reinsurance payables

Insurance and reinsurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method. Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

Accounting policies continued

Foreign currencies

The Syndicate's functional currency and presentational currency is US Dollars.

Transactions denominated in currencies other than the functional currency are initially recorded in the functional currency at the exchange rate ruling at the date of the transactions. Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisition costs) denominated in foreign currencies are retranslated into the functional currency at the exchange rate ruling on the reporting date.

Exchange differences are recorded in the non-technical account.

The following balance sheet rates of exchange have been used in the preparation of these accounts:

	2021	**2020**
	Year End	**Year End**
USD:GBP	0.74	0.73

Financial assets and liabilities

In applying FRS 102, the Syndicate has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU).

Financial assets and financial liabilities at fair value through profit and loss comprise financial assets and financial liabilities held for trading and those designated as such on initial recognition. Investments in shares and other variable yield securities, units in unit trusts, and debt and other fixed income securities are designated as at fair value through profit or loss on initial recognition, as they are managed on a fair value basis in accordance with the Syndicate's investment strategy.

Financial instruments are recognised when the Syndicate becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Syndicate's contractual rights to the cash flows from the financial assets expire or if 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 its contractual obligations are discharged, cancelled, or expire.

A financial asset or financial liability is measured initially at fair value plus, for a financial liability at amortised cost, transaction costs that are directly attributable to its acquisition or issue.

Accounting policies continued

Financial assets at fair value through profit or loss are measured at fair value with fair value changes recognised immediately in the income statement. Net gains or net losses on financial assets measured at fair value through profit or loss includes foreign exchange gains/losses arising on their translation to the functional currency, but excludes interest and dividend income.

At each reporting date the Syndicate assesses whether there is objective evidence that financial assets not measured at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of an asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Syndicate about any significant financial difficulty of the issuer, or significant changes in the technological, market, economic or legal environment in which the issuer operates.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss recognised reduces directly the carrying amount of the impaired asset. All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

Cash and cash equivalents

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

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 to reflect the investment return on funds supporting underwriting business.

Accounting policies continued

Fair value measurement of investments

Financial instruments that are classified as fair value through the profit or loss account are assigned a level using a fair value hierarchy that reflects the significance of the inputs used in these measurements.

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

Level 1 financial instruments comprise government bonds that are regularly traded, deposits with credit institutions and collective investment schemes which comprise Money Market Funds. The Syndicate does not currently hold any level 1 financial instruments.

1. Bonds have been valued at fair value using quoted prices in an active market.

2. Deposits with credit institutions are included at cost plus accrued income.

3. Money Market Funds are valued on a stable net asset value (NAV) basis. Money Market Funds are readily convertible into cash, are subject to an insignificant risk of changes in fair value, and are used by the Syndicate in the management of its short-term commitments.

Level 2 financial instruments are less regularly traded government and agency bonds, supranational bonds, corporate bonds, currency derivatives, bond futures, and fund investments.

1. Bonds are included in the balance sheet at bid price using prices supplied by the custodian or by the investment managers, who obtain market data from numerous independent pricing services. The prices used are reconciled against a common market pricing source.

2. Currency derivatives and bond futures are included at market price.

3. Investments in regulated collective investment schemes are valued on the NAVs of each of the individual funds as published publicly by the managers.

4. Investments in pooled investments in unregulated investment schemes (hedge funds) are valued based on the underlying NAVs of each of the individual funds. Hedge fund NAVs are provided by the administrators of the schemes.

5. Investments in investment pools are valued on the valuations supplied by the investment manager (Lloyd’s).

Level 3 financial instruments have a fair value derived from inputs that are not based on observable market data.

Accounting policies continued

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 (currently at 20%) 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 other overseas tax payable by members on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year have been included in the balance sheet under the heading 'other debtors'.

Pension costs

Hampden Syndicate Services Ltd operate a defined contribution scheme for the benefit of Syndicate staff. Pension contributions to Syndicate staff are charged to the Syndicate and included within net operating expenses.

Syndicate operating expenses

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

3. Segmental analysis

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

2021	Gross written premiums	Gross premium earned	Gross claims incurred	Gross operating expenses	Ceded Reinsurance balance	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Reinsurance accepted	115,910	111,325	(91,734)	(41,134)	(3,783)	(17,760)
	115,910	111,325	(91,734)	(41,134)	(3,783)	(17,760)

2020	Gross written premiums	Gross premium earned	Gross claims incurred	Gross operating expenses	Ceded Reinsurance balance	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Reinsurance accepted	147,193	144,451	(92,843)	(55,963)	(12,788)	(17,143)
	147,193	144,451	(92,843)	(55,963)	(12,788)	(17,143)

All premiums were concluded in the UK.

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

4. Technical provisions

	2021		
	Gross provisions $'000	Reinsurance assets $'000	Net $'000
Claims outstanding			
Balance at 1 January	175,110	(4,319)	170,791
Change in claims outstanding	9,522	(10,900)	(1,378)
Effect of movements in exchange rates	(14)	0	(14)
Balance at 31 December	**184,618**	**(15,219)**	**169,399**
Claims notified	56,522	-	56,522
Claims incurred but not reported	128,096	(15,219)	112,877
Balance at 31 December	**184,618**	**(15,219)**	**169,399**
Unearned premiums			
Balance at 1 January	53,354	(217)	53,137
Change in unearned premiums	4,585	(2,606)	1,979
Effect of movements in exchange rates	(155)	1	(154)
Balance at 31 December	**57,784**	**(2,822)**	**54,962**
Deferred acquisition costs			
Balance at 1 January	17,657	-	17,657
Change in deferred acquisition costs	(423)	-	(423)
Effect of movements in exchange rates	(74)	-	(74)
Balance at 31 December	**17,160**	**-**	**17,160**

	2020		
	Gross provisions $'000	Reinsurance assets $'000	Net $'000
Claims outstanding			
Balance at 1 January	140,676	(4,859)	135,817
Change in claims outstanding	34,434	540	34,974
Effect of movements in exchange rates	-	-	-
Balance at 31 December	**175,110**	**(4,319)**	**170,791**
Claims notified	51,253	(2,792)	48,461
Claims incurred but not reported	123,857	(1,527)	122,330
Balance at 31 December	**175,110**	**(4,319)**	**170,791**
Unearned premiums			
Balance at 1 January	50,612	-	50,612
Change in unearned premiums	2,742	(206)	2,536
Effect of movements in exchange rates	-	(11)	(11)
Balance at 31 December	**53,354**	**(217)**	**53,137**
Deferred acquisition costs			
Balance at 1 January	15,405	-	15,405
Change in deferred acquisition costs	2,252	-	2,252
Effect of movements in exchange rates	-	-	-
Balance at 31 December	**17,657**	**-**	**17,657**

5. Net operating expenses

	2021	2020
	$'000	$'000
Acquisition costs	(31,480)	(49,630)
Change in deferred acquisition costs	(424)	2,252
RI acquisition costs	-	-
Administration expenses	(9,228)	(8,585)
Net operating expenses	(41,132)	(55,963)

Members' standard personal expenses amounting to $2,383k (2020: $2,352k) are included in administrative expenses. Members' standard personal expenses include Lloyd's subscriptions, New Central Fund contributions, Managing Agent's fees and profit commission.

6. Staff costs

	2021	2020
	$'000	$'000
Wages and salaries	(859)	(643)
Social security costs	-	(96)
Other pension costs	-	(42)
	(859)	(780)

The average number of staff employed during the year was 2 members of staff (2020: 1). Staff costs are recharged from Hampden Syndicate Services Limited.

7. Auditors' remuneration

	2021	2020
	$'000	$'000
Audit of the financial statements	(42)	(38)
Other services pursuant to Regulations and Lloyd's Byelaws	(166)	(152)
Other services relating to actuarial review	(95)	(92)
	(303)	(282)

Auditors' remuneration is included as part of the administrative expenses in note 5 to the financial statements.

8. Emoluments of the Directors of Asta Managing Agency Ltd

The aggregate emoluments of the Directors and staff of the Managing Agency are met by Asta Managing Agency Ltd and are disclosed within the financial statements of that company, with the exception of J. M. Tighe, S.P.A. Norton, D.J.G. Hunt and L Harfitt. J.M. Tighe and S.P.A Norton's remuneration is disclosed in the financial statements of Asta Capital Ltd and the remuneration of D.J.G. Hunt and L Harfitt is disclosed in the financial statements of Asta Insurance Markets Ltd and were all charged in the accounts of Asta Managing Agency Ltd.

No emoluments of the Directors or staff of Asta Managing Agency Ltd were directly charged to the Syndicate. The emoluments of the Active Underwriter are borne by the Syndicate and amounted to $447k (2020: $435k) in the year.

No other compensation was payable to key management personnel.

9. Investment return

	2021 $'000	2020 $'000
Income from other financial investments	649	198
Income from funds withheld balance	(5)	1,791
Total investment return	644	1,989

10. Financial Investments

31 December 2021	Carrying value $'000	Purchase price $'000
Shares and other variable yield securities and units in unit trusts		
- Designated at fair value through profit or loss	13,005	13,004
- Overseas deposits as investments	926	926
Debt securities and other fixed income securities		
- Designated at fair value through profit or loss	57,830	58,367
Total	71,761	72,297

Financial investments continued

31 December 2020	Carrying value	Purchase price
	$'000	$'000
Shares and other variable yield securities and units in unit trusts		
- Designated at fair value through profit or loss	47,135	47,135
- Overseas deposits as investments	1,478	1,478
Debt securities and other fixed income securities		
- Designated at fair value through profit or loss	-	-
Total	48,613	48,613

There was no material change in fair value for financial instruments held at fair value (other than derivatives) attributable to own credit risk in the current or comparative period.

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

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
31 December 2021				
Shares and other variable yield securities and units in unit trusts	-	10,943	2,062	13,005
Debt securities and other fixed income securities	35,509	22,321		57,830
Overseas Deposits	178	748	-	926
Total	35,687	34,012	2,062	71,761

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
31 December 2020				
Shares and other variable yield securities and units in unit trusts	-	45,043	2,093	47,136
Debt securities and other fixed income securities	-	-	-	-
Overseas Deposits	1,477	-	-	1,477
Total	1,477	45,043	2,093	48,613

Included in the level 1 category are financial assets that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker,

Financial investments continued

industry Syndicate, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Included in the level 2 category are financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. For example, assets for which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Syndicate's own models whereby the significant inputs into the assumptions are market observable.

Included in the level 3 category, are financial assets measured using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Therefore, unobservable inputs reflect the Syndicate's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Syndicate's own data. The only asset in this category is the loan provided to the Lloyd’s Central Fund.

11. Debtors arising out of reinsurance operations

	2021	2020
	$’000	$’000
Due from ceding reinsurers (within one year)	39,421	99,071
Due from ceding reinsurers (after one year)	58,293	49,970
Total	97,714	149,041

12. Cash and cash equivalents

	2021	2020
	$’000	$’000
Short-term deposits with financial institutions	13,005	47,135
Central fund loan	(2,063)	(2,093)
Cash at bank and in hand	14,411	33,090
Total	25,353	78,132

13. Other assets

Other assets comprise of VAT receivable from HMRC of $118k ($178k in 2020).

14. Creditors arising out of reinsurance operations

	2021	2020
	$'000	$'000
Due to ceding reinsurers (within one year)	(11,401)	(78,018)
Due to ceding reinsurers (after one year)	-	-
Total	(11,401)	(78,018)

15. Related parties

Asta provides services and support to Syndicate 2689 in its capacity as Managing Agent. During the year, managing agency fees of $1,374k (2020: $1,297k) were charged to the Syndicate. Asta also recharged $3,044k (2020: $2,720k) worth of service charges in the year and as at 31 December 2021 an amount of $225k (2020: $344k) was owed to Asta in respect of this service.

Another subsidiary of the Hampden Group, Hampden Agencies Ltd, acts as the Members Agent for most of the third-party capital providers of the Syndicate. The Syndicate had no outstanding balances with these entities as at 31 December 2021.

Hampden Syndicate Services Limited recharged $931k (2020: $730k) to the syndicate in the year. There was $48k (2020: $52k) owed to Hampden Syndicate Services Limited as at 31 December 2021.

From time to time, Syndicates managed by Asta enter into (re)insurance contracts with one another. All such transactions are subject to Asta's internal controls which ensure that all are compliant with Lloyd's Related Party Byelaw provisions. All transactions are entered into on an arm's length basis.

16. Disclosure of interests

Managing Agent's interest

During 2021 Asta was the Managing Agent for eleven Syndicates, four Special Purpose Arrangements and one Syndicate in a Box. Syndicate 1609,1729,1980,1988, 2288, 2525, 2689, 2786, 3268, 4242 and 5886 as well as Special Purpose Arrangements 1416, 1892, 6123, and 6131 and Syndicate in a Box 4747 were managed on behalf of third party capital providers.

On 1 July 2021, Asta took on management of Syndicate 1988.

On 8 August 2021, Asta novated Syndicate 5886 to Blenheim Managing Agency.

On 1 October 2021, Asta took on the management of Special Purpose Syndicate 1416

On 1 January 2022, Asta took on the management of Syndicate 1699

On 1 January 2022, Asta took on the management of Syndicate in a box 1902

On 10 February 2022, Asta took on management of Syndicate in a box 2880.

On 10 Feburary 2022, Asta reinsured to close Syndicate 1980 into Riverstone Syndicate 3500

The agency also provides administrative services to Syndicates and Special Purpose Arrangements, also undertaking several ancillary roles for other clients.

The Financial Statements of the Managing Agency can be obtained by application to the Registered Office (see page 1).

17. Funds at Lloyd's

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

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

18. Off-balance sheet items

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

19. Risk management

a) Governance framework

The Syndicate's risk and financial management framework aims to protect the Syndicate's members capital from events that might otherwise prevent the Syndicate from meeting its policyholder obligations, while maximising the returns to its members. The Directors recognise the critical importance of having efficient and effective risk management systems in place.

Asta maintains a risk management function for the Syndicate with clear terms of reference from the Syndicate Board, its committees and sub committees. Asta supplements this with a clear organisational structure with documented delegated authorities and responsibilities from the main Asta managing agency board to the Syndicate who perform the underwriting activities. Lastly, the Syndicate policy framework sets its risk management and control and business conduct standards for operations. Asta reviews and monitors each policy to ensure compliance with the policy throughout the Syndicate.

The Syndicate board approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the identification of risk and its interpretation to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the Syndicate goals, and specify reporting requirements. The Syndicate board places significant emphasis on the assessment and documentation of risks and controls, including the articulation of the Syndicate's risk appetite.

b) Capital management objectives, policies and approach

Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000. Within the supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II capital requirements, and beyond that to meet its own financial strength, licence and ratings objectives.

Although Lloyd's capital setting processes use a capital requirement set at Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at Syndicate level. Accordingly the capital requirement in respect of Syndicate 2689 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 Syndicate on which it is participating but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate SCR 'to ultimate'. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA).

The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2020 was 35% of the member's SCR 'to ultimate'.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (funds at Lloyd's), held within and managed within a Syndicate (funds in Syndicate) or as the member's share of the members' balances on each Syndicate on which it participates. Accordingly, the ending members balances reported on the statement of financial position on page 22, represent resources available or required to meet members' and Lloyd's capital requirements.

c) Insurance risk

The principal risk the Syndicate faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the

Risk management continued

frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Syndicate is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.
Sub committees of the Syndicate board oversee the management of reserving risk. The use of standardised and internal modelling techniques, as well as benchmarking and the review of claims development are key in mitigating reserving risk.

The purpose of these underwriting, reinsurance and reserving strategies is to limit exposure to catastrophes or large losses based on the Syndicate's risk appetite as decided by the Syndicate board.

The Syndicate uses both its own and commercially available risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from an un-modelled event are greater than those arising from a modelled event. Additionally, the Syndicate is reliant on the accuracy of bordereau data provided by the Axa XL Group, which is another source of risk.

As a further guide to the level of catastrophe exposure written by the Syndicate, the following table shows hypothetical claims arising out of the RDS on the Syndicates in-force exposure at 31 December 2021.

2021	**Estimated Gross loss**	**Estimated Net loss**
	$'000	**$'000**
Terrorism - Rockefeller Center	(30,416)	(8,165)
Alternative RDS A	(105,126)	(10,887)
Alternative RDS B	(21,774)	(16,331)
Loss of Major Complex	(60,287)	(33,069)
Aviation Collision	(13,621)	(13,621)
Liability - Internal Scenario 1	(27,218)	(19,052)
Liability - Internal Scenario 2	(21,774)	(13,609)
AEP Loss 30 Year Return Period - US WS (Incl GM WS)	(43,924)	(15,675)
AEP Loss 30 Year Return Period - UC EQ	(8,848)	(7,681)
Cyber - Major Data Security Breach	(17,213)	(17,213)
AEP Loss 30 Year Return Period - Whole World	(53,686)	(25,735)
Terrorism - One World Trade Center	(28,034)	(8,165)
Marine - Marine Collision in US Waters	(28,910)	(8,165)
Marine - Major Cruise Vessel Incident	(20,870)	(8,165)

Risk management continued

2020	Estimated Gross loss	Estimated Net loss
	$’000	$’000
Terrorism - Rockefeller Center	(29,697)	(29,697)
Alternative RDS A	(102,643)	(10,630)
Alternative RDS B	(21,260)	(15,945)
Loss of Major Complex	(55,694)	(18,489)
Aviation Collision - To be specified by syndicate	(18,309)	(18,309)
Liability - Internal Scenario 1	(37,205)	(15,945)
Liability - Internal Scenario 2	(37,205)	(15,945)
AEP Loss 30 Year Return Period - US WS (Incl GM WS)	(43,984)	(16,247)
AEP Loss 30 Year Return Period - UC EQ	(9,686)	(7,972)
Cyber - Major Data Security Breach	(39,391)	(15,945)
AEP Loss 30 Year Return Period - Whole World	(54,498)	(26,785)
Terrorism - One World Trade Center	(27,372)	(27,372)
Marine - Marine Collision in US Waters	(28,227)	(15,945)
Marine - Major Cruise Vessel Incident	(20,377)	(15,945)

Key assumptions

The principal assumption underlying the liability estimates is that the future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each underwriting year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: once-off occurrence; changes in market factors such as public attitude to claiming; economic conditions; as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities

The claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions, such as legislative changes, uncertainty in the estimation process. This is also in relation to the reliability of the reserving information provided by Axa XL Group.

Risk management continued

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on net liabilities, profit and members' balances. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

	2021	2020
Gross	**$'000**	**$'000**
Five percent increase in claim liabilities	9,231	8,756
Five percent decrease in claim liabilities	(9,231)	(8,756)
Net		
Five percent increase in claim liabilities	8,470	8,540
Fiver percent decrease in claim liabilities	(8,470)	(8,540)

Claims development table

The tables below show the Syndicate's cumulative incurred claims development, including both claims notified and IBNR for each underwriting year, together with the cumulative payments to date on a gross and net of reinsurance basis at the balance sheet date.
The Syndicate has elected to translate estimated claims and claims payments at a consistent rate of exchange as determined by the balance sheet date.

Underwriting year	**2017**	**2018**	**2019**	**2020**	**2021**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Estimate of cumulative gross claims incurred:					
At end of first underwriting year	43,271	48,105	46,379	42,665	51,469
One Year Later	75,188	109,553	84,946	85,476	
Two Years Later	76,155	116,998	87,553		
Three Years Later	79,886	108,322			
Four Years Later	77,942				
Less cumulative gross paid	(61,640)	(65,329)	(45,251)	(33,803)	(20,121)
Liability for gross outstanding claims (2017 to 2020)	16,302	42,993	42,302	51,673	31,348
Total gross outstanding claims (all years)					**184,618**

Underwriting year	2017	2018	2019	2020	2021
	$'000	$'000	$'000	$'000	$'000
Estimate of cumulative net claims incurred:					
At end of first underwriting year	43,271	44,457	45,773	41,329	40,012
One Year Later	75,188	105,262	84,766	81,734	
Two Years Later	76,155	118,351	87,533		
Three Years Later	79,886	104,069			
Four Years Later	77,942				
Less cumulative gross paid	(61,640)	(61,076)	(45,251)	(33,803)	(20,121)
Liability for gross outstanding claims (2017 to 2020)	16,302	42,993	42,282	47,931	19,891
Total net outstanding claims (all years)					**169,399**

The uncertainty associated with the ultimate claims experience of an underwriting year is greatest when the underwriting year is at an early stage of development and the margin for future experience potentially being more adverse than assumed is at its highest. As claims develop, and the ultimate cost of the claims becomes more certain, the relative level of margin should decrease. Due, however, to the uncertainty inherent in the claims estimation process, initial reserves may not always be in a surplus.

In 2021, there has been an overall deterioration of £2,626k on prior year reserves (2020: deficit £11,576k).

d) Financial risk

The focus of financial risk management for the Syndicate is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance contracts. The goal of the investment management process is to optimise the risk-adjusted investment income and risk-adjusted total return by investing in a diversified portfolio of securities, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the exposure to credit risk:

- Investment guidelines are established setting out the quality of investments to be included within the Syndicates portfolio. The policy is monitored by the Syndicate Board.

Risk management continued

- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits. If the counterparty is downgraded or does not have a good credit rating, then collateral is sought to mitigate any risk. This is monitored by the Syndicate Board.

The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through collateral agreements and the use of credit derivatives.

2021	**$'000**			
	Neither past due or impaired	**Past due**	**Impaired**	**Total**
Debtors arising out of reinsurance operations	97,714	-	-	97,714
Other financial investments	71,761	-	-	71,761
Reinsurance share of Claims outstanding	18,041	-	-	18,041
Cash at bank and in hand	14,411	-	-	14,411
Other debtors	17,914	-	-	17,914
Total	219,841	-	-	219,841

2020	**$'000**			
	Neither past due or impaired	**Past due**	**Impaired**	**Total**
Debtors arising out of reinsurance operations	149,041	-	-	149,041
Other financial investments	48,613	-	-	48,613
Reinsurance share of Claims outstanding	4,319	-	-	4,319
Cash at bank and in hand	33,090	-	-	33,090
Other debtors	23,258	-	-	23,258
Total	258,321	-	-	258,321

Risk management continued

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2021 by classifying assets according to independent credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade and have not been rated. Debtors, other than amounts due from reinsurers, have been excluded from the table as these are not rated.

2021				**$'000**			
	AAA	**AA**	**A**	**BBB**	**BBB or less**	**Not Rated**	**Total**
Shares and other variable yield securities	-	-	13,005	-	-	-	13,005
Debt Securities	1,737	42,192	6,790	-	-	7,111	57,830
Overseas Deposits	563	72	98	107	-	86	926
Deposits with ceding undertakings	-	-	88	-	-	-	88
Reinsurers share of claims outstanding	-	51	960	-	-	14,208	15,219
Reinsurance Debtors	-	-	-	-	-	-	-
Cash and cash equivalents	-	-	14,411	-	-	-	14,411
Total	2,300	42,315	35,352	107	-	21,405	101,479

2020				**£'000**			
	AAA	**AA**	**A**	**BBB**	**BBB or less**	**Not Rated**	**Total**
Shares and other variable yield securities	-	-	47,135	-	-	-	47,135
Debt Securities	-	-	-	-	-	-	-
Overseas Deposits	109	1,072	143	92	47	15	1,478
Reinsurers share of claims outstanding	-	35	788	-	-	3,496	4,319
Reinsurance Debtors	-	-	-	-	-	-	-
Cash and cash equivalents	-	-	33,090	-	-	-	33,090
Total	109	1,107	81,156	92	47	3,511	86,022

Maximum credit exposure

It is the Syndicate's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business.

During the year, no credit exposure limits were exceeded (2020: none).

Risk management continued

2) Liquidity risk

Liquidity risk is the risk that the Syndicate may not have enough cash to pay insurance claims and other liabilities. The Syndicate tries to reduce this risk by reviewing its expected cash obligations on a quarterly basis and keeping adequate cash on deposit to meet those obligations.

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

2021			**$'000**			
	No stated maturity	**0-1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 years**	**Total**
Claims outstanding	-	68,100	63,155	23,916	29,447	184,618
Reinsurance creditors	-	11,401	-	-	-	11,401
Total	-	79,501	63,155	23,916	29,447	196,019

2020			**$'000**			
	No stated maturity	**0-1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 years**	**Total**
Claims outstanding	-	67,144	64,642	22,587	20,737	175,110
Reinsurance creditors	-	78,018	-	-	-	78,018
Total	-	145,162	64,642	22,587	20,737	253,128

3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price 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 exposures to market risk and its objectives, policies and processes for managing market risk have not changed significantly from the prior year.

a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Risk management continued

The Syndicate's functional currency is US Dollar and its exposure to foreign exchange risk arises primarily with respect to transactions in Sterling, Euro, Canadian and Australian dollar. The Syndicate seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

The table below summarises the exposure of the financial assets and liabilities to foreign currency exchange risk at the reporting date, as follows:

2021			$'000				
	GBP	EUR	USD	CAD	AUD	JPY	Total
Total Assets	5,124	6,462	193,781	11,719	1,645	1,199	219,930
Total Liabilities	(3,611)	(2,525)	(236,793)	(11,914)	(115)	(587)	(255,545)
Net Assets	1,513	3,937	(43,012)	(195)	1,530	612	(35,615)

2020			$'000				
	GBP	EUR	USD	CAD	AUD	JPY	Total
Total Assets	2,178	1,326	252,255	1,616	1,131	(185)	258,321
Total Liabilities	(1,189)	(1,157)	(303,266)	(1,031)	(33)	(390)	(307,066)
Net Assets	989	169	(51,011)	585	1,098	(575)	(48,745)

Sensitivity to changes

The table below gives an indication of the impact on profit of a percentage change in the relative strength of the US dollar against the value of Sterling and all other currencies simultaneously. The analysis is based on the information as at 31 December 2021.

	Impact on profit and member's balance	
	2021 $'000	2020 $'000
US Dollar weakens		
10% against other currencies	740	227
20% against other currencies	1,479	453
US Dollar strengthens		
10% against other currencies	(740)	(227)
20% against other currencies	(1,479)	(453)

b) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
Floating rate instruments expose the Syndicate to cash flow interest risk, whereas fixed rate instruments expose the Syndicate to fair value interest risk.

Risk management continued

The Syndicate has no significant concentration of interest rate risk.

Insurance liabilities are not discounted and therefore are not exposed to interest rate risk.

Sensitivity to changes

The table below shows an indication of the potential impact on the Syndicate's result and net assets if interest rates had been 50 basis points higher or lower in the year.

	2021	2020
	$'000	$'000
Interest Rate Risk		
Impact of 50 basis point increase on result	(43)	(43)
Impact of 50 basis point decrease on result	43	43
Impact of 50 basis point increase on net assets	(43)	(43)
Impact of 50 basis point decrease on net assets	43	43

20. Post balance sheet events

The Syndicate will collect $8.5m in relation to the 2019 year of account losses.

As of 31st December 2021, the 2019 and prior underwriting years have been externally reinsured to close to an external party, Syndicate 1254. As such, no liabilities on the 2019 and prior underwriting years will be passed to Syndicate 2689's open underwriting years.

During 2021 it was announced that agreement had been reached for Asta Capital Limited to be acquired by Davies Group, subject to regulatory approval. As at the date of the financial statements this transaction has not yet completed with the expectation that it will complete in 2022.

During February 2022, Russia instigated military action in Ukraine. This event is still developing as at the date of the Financial Statements, but has been assessed by the Directors as an event that will increase risk and uncertainty globally in the foreseeable future. The directors will continue to monitor developments and endeavour to mitigate these risks where possible.