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# **SYNDICATE 5151 ANNUAL REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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## Directors and Administration

### Managing Agent:

Endurance At Lloyd's Limited  
(Registered No. 06539650)

### Executive Directors:

A Golding (appointed 25 January 2021)  
C Easton  
J Zora  
R J R Housley

### Non-Executive Directors:

I M Winchester  
J A Giordano  
J James  
M G Furgueson  
C B Gallagher

### Secretary

M S I L Bonnell

### Auditors

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

### Bankers

Barclays Bank Plc  
Citibank NA  
RBC Dexia

### Solicitors

Ashurst LLP  
Broadwalk House  
5 Appold Street  
London  
EC2A 2HA

### Registered Office

1st Floor  
2 Minster Court  
Mincing Lane  
London  
EC3R 7BB

## REPORT OF THE DIRECTORS OF ENDURANCE AT LLOYD'S LIMITED

The Directors of Endurance at Lloyd's Limited, ("the Company"), company registration number 06539650, registered office 1st Floor, 2 Minster Court, Mincing Lane, London EC3R 7BB, present their Report and Syndicate 5151 ("the Syndicate") Annual Accounts for the year ended 31 December 2021.

### Review of the business

In April 2020 it was announced that the syndicate would cease underwriting with effect from 31 December 2020. With effect from 1 January 2021, the Syndicate entered into a 100% Loss Portfolio Transfer (LPT) to Endurance Specialty Insurance Ltd ("ESIL") which is its Parent Company, ceding all retrospective and prospective business on a funds withheld basis. During the year and following the inception of the LPT, the Managing Agent has been, and continues to be, in regular dialogue with Lloyd's of London (Lloyd's) and other relevant regulators.

### Results and performance

The business conducted is principally insurance of property, marine & energy, professional lines, aviation and other specialty lines, and reinsurance of property, casualty treaty, property catastrophe, specialty and marine. The Syndicate's key performance indicators during the year were as follows:

<b>Performance</b>	2021 £m	2020 £m
Gross Written Premiums	77.2	238.0
Underwriting (Loss)/Profit	(4.7)	7.9
Profit/(Loss) for the financial year	(3.9)	9.3
Claims ratio	N/M*	58.8%
Expense ratio	N/M*	38.8%
Combined ratio	N/M*	97.6%

*\*N/M Not meaningful following Loss Portfolio Transfer*

The claims ratio is calculated as net claims incurred, as a percentage of net earned premiums. The expense ratio is the sum of acquisition costs, the change in deferred acquisition costs, reinsurance commission and general and administrative expenses, as a percentage of net earned premiums. The combined ratio is calculated as the claims ratio plus the expense ratio.

Gross written premiums decreased by 67.6% from £238.0m in 2020 to £77.2m in 2021. Following the decision to cease underwriting through Lloyd's, a large proportion of the business was renewed with other Somo entities. The Gross Written Premium in 2021 predominantly relates to delegated business continuing to write from prior underwriting years due to the nature of the business or extensions to other binding authority agreements.

2021 non-catastrophe loss experience was broadly in line with expectations, whilst catastrophe experience was slightly worse than planned due to the Q1 US Winter Storm with loss estimates of £7m gross, plus a small amount of impact from Hurricane Ida. On a net basis after the LPT the impact is nil.

The Syndicate generated an underwriting loss of £4.7m for the year (2020 – £7.9m profit) which was mainly driven by the risk premium on the LPT although this was partially offset by reinsurance commissions. After the addition of investment returns and foreign exchange the overall result for 2021 is a loss of £3.9m (2020 – profit of £9.3m).

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## REPORT OF THE DIRECTORS OF ENDURANCE AT LLOYD'S LIMITED (CONTINUED)

The Syndicate purchases outwards reinsurance to protect against large losses from future events. Treaty reinsurance is purchased on an excess of loss, quota share and facultative basis. Excess of loss and facultative reinsurance is purchased from third party reinsurers. Premiums ceded on this basis amounted to £1.6m during 2021 (2020 – £19.5m). Quota share reinsurance purchased with third party reinsurers amounted to £20.0m in 2021 (2020 - £74.1m).

The Syndicate was also party to an additional quota share reinsurance arrangements with Endurance Specialty Insurance Ltd (“ESIL”) which provides reinsurance protection for 30% of the losses incurred on the 2012 to 2021 accident years inclusive. Total premiums ceded to ESIL in the year including the LPT totalled £383.7m during 2021 (2020 – £33.4m).

As a result of the decision to leave the EU, and the end of the agreed transition period that expired on 31 December 2020, all UK incorporated insurers, including Lloyd’s Underwriters, have lost their current EU passporting rights. This means that Lloyd’s Underwriters are no longer able to manage and service previously issued EEA policies, and global policies with EEA exposures. As part of the wider Lloyds response to EU Exit, the Syndicate transferred, to Lloyd’s Insurance Company S.A. (Lloyd’s Brussels’), under a Part VII transfer of the Financial Services and Markets Act 2000, all non-life EEA business written (and associated liabilities) from 1993 to 2020 with a scheme effective date of 30 December 2020. On the same date, the Syndicate entered into a 100% Quota Share Reinsurance Agreement whereby Lloyd’s Brussels reinsured all risks on the same policies back to the relevant open years of account of the Syndicate which wrote the transferring policies and/or inherited liabilities on transferring policies through Reinsurance to Close of earlier years of account.

On 30th December 2020, following the sanction of the Lloyds Part VII scheme by the High Court on 25th November 2020, the syndicate transferred all impacted EEA policies and related liabilities to Lloyd’s Brussels with a valuation of £56.8M. On the same date, under the Reinsurance Agreement, Lloyd’s Brussels reinsured the same risks back. The combined effect of the two transactions had no economic impact for the Syndicate, and accordingly there is no impact on the Syndicate’s income statement or balance sheet apart from a reclassification between Insurance & Reinsurance debtors of £1.8M at 30<sup>th</sup> December 2020.

During 2020 the underwriting results for the transferred policies have been reported in the same classes of business as in prior years, as the effective date of the transfer was 30 December 2020, and in line with Society of Lloyd’s guidance no movements were processed on these policies on 31 December 2020. During 2021 results relating to these risks have been reported under the Inwards Reinsurance class of business, reflecting the new contractual arrangement with Lloyd’s Brussels.

### **Future developments**

The Syndicate continues to oversee the settlement of claims activity whilst the Board looks to explore options to enable the reinsurance to close of the 2020 year of account.

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## REPORT OF THE DIRECTORS OF ENDURANCE AT LLOYD'S LIMITED (CONTINUED)

### Principal risks and uncertainties

The Board of Directors reviews risk appetite annually with regard to both the strategic objectives of the Syndicate and the broader economic climate. The Syndicate has a Risk and Compliance Committee which meets quarterly to provide oversight of the risk framework and to monitor performance against risk appetite using a series of risk and performance indicators.

The principal risks and uncertainties facing the Syndicate are as follows:

#### Insurance risk

Insurance risk includes both underwriting risk and reserving risk. Underwriting risk represents the risk that a policy will be written for too low a premium or provide inappropriate cover, or that the frequency or severity of insured events will be higher than expected. Reserving risk represents the risk that claims estimates subsequently prove to be insufficient. The Board manages insurance risk by agreeing its appetite for these risks annually through the business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. Performance against the business plan is monitored regularly throughout the year by the Underwriting Committee and the Board. Reserve adequacy is monitored by quarterly reviews by the Actuarial Function Holder who reports to the Audit Committee and the Board. In addition, the Syndicate purchases outwards reinsurance on an excess of loss and facultative basis to protect against large losses from future events, as well as quota share reinsurance from third parties and other group companies to manage its exposures and enable mitigation of its inwards insurance risk. This includes ceding all retrospective and prospective insurance risk to ESIL through the LPT with effect from 1<sup>st</sup> January 2021.

#### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligations. The Syndicate's policies are aimed at minimising such losses and require that clients demonstrate creditworthiness before entering into a business relationship. Although the Syndicate requires the client to demonstrate creditworthiness, it does not eliminate this risk.

The risk profile of the Syndicate shifts from insurance risk to reinsurance credit risk with the LPT. Whilst much of this credit risk is concentrated with one internal reinsurer (ESIL), collateral and other terms of the LPT significantly mitigate this risk. In addition, ESIL is and is expected to remain strongly capitalised and therefore there are no concerns with respect to the recoverability of current or future reinsurance balances.

#### Market risk

A key aspect of market risk is the potential for the Syndicate to incur losses on foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. To mitigate this risk the insurance debtors and creditors are reviewed by currency on a regular basis and reported in line with Lloyd's requirements.

The Syndicate is exposed to interest rate risk on financial instruments as a result of changes primarily in interest rates due to the Syndicate's fixed interest securities portfolio. In an effort to mitigate this risk the Syndicate maintains a high quality investment portfolio with a relatively short duration to reduce the effect of interest rate changes on book value. A significant portion of the investment portfolio matures each year, allowing for reinvestment at current market rates. The portfolio is also actively managed, and trades are made to balance the Syndicate's exposure to interest rates.

#### Liquidity risk

Liquidity risk is the risk that the Syndicate will encounter difficulty in meeting obligations associated with financial liabilities as they become due. The Syndicate aims to mitigate liquidity risk by managing cash generation from its operations, in addition to maintaining a highly liquid investment portfolio.



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## REPORT OF THE DIRECTORS OF ENDURANCE AT LLOYD'S LIMITED (CONTINUED)

### **Financial instruments and risk management**

Information on the use of financial instruments by the Syndicate and its management of financial risk and in particular its exposure to interest rate risk, equity price risk, currency risk, credit risk and liquidity risk is disclosed in note 24 to the financial statements.

### **Operational risk**

This is the risk that errors caused by people, processes, systems or external events lead to losses to the Syndicate. The Syndicate seeks to manage this risk through the Risk & Control Self-Assessment (RCSA) process which includes the maintenance of operational risk registers covering all aspect of operations, facilitated by the risk function. Through the RCSA process, each 'Risk Owner' is responsible for assessing the design and operating effectiveness of their control environment, and, to the extent any gaps or deficiencies exist, assessing the corresponding impacts and level of operational risk. The risk function provides a structured and consistent approach to the RCSAs across the organisation, including the approach/methodology for ratings, and also to provide some independent input and challenge to the risk owners as part of the process. This is supplemented by a structured programme of testing of processes and systems by internal audit.

### **Conduct Risk**

Conduct risk is the risk that the Syndicate fails to pay appropriate regard to the interest of its customers and/or fails to treat them fairly at all times. Conduct risk is managed through the application of strong internal controls, compliance policies and procedures, and through the monitoring of various conduct risk metrics.

The Syndicate has a Product Oversight Group (POG) in place to manage conduct risk. The POG oversees the lifecycle of insurance products and monitors the effectiveness of our conduct risk framework and certain key touchpoints with our customers. The POG also ensures that our framework remains risk sensitive and appropriate for the conduct risk profile of the business.

### **Regulatory and compliance risk**

Regulatory and compliance risk is considered to be the inability or failure of the Syndicate to comply with UK or overseas regulatory requirements. The Syndicate's operations are subject to regulation by the Prudential Regulation Authority (PRA), the Financial Conduct Authority (FCA) and by the Council of Lloyd's.

The PRA's focus with regards to Lloyd's managing agents is on solvency and risk management, whereas the FCA's focus is on policyholder treatment, financial crime, and sanctions risks. Lloyd's provides oversight of matters within the remit of both the PRA and FCA and, accordingly, has entered into co-operation arrangements with both statutory regulators for the stated purpose of minimizing duplication of regulatory oversight, where appropriate.

The Syndicate manages this risk through ongoing constructive engagement with the Regulators, investment in a knowledgeable Compliance function, and monitoring of market-wide developments and requirements in relation to regulation.

### **Climate Change risk**

The Syndicate has taken a multi-faceted, strategic approach to climate change risk assessment and management, as described below. The following are key elements of climate change risk facing the Syndicate:

- Physical risk involves the risk that shifts in the frequency and severity of natural catastrophes due to climate change may lead to an increase in insurance payments, leading to a possible deterioration in underwriting results.
- Transition risk involves the risk associated with the transition to a decarbonized society. Technological progress or the introduction of stricter laws and regulations aimed at transitioning toward a decarbonized

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## REPORT OF THE DIRECTORS OF ENDURANCE AT LLOYD'S LIMITED (CONTINUED)

society could result in structural changes to industries. Such an outcome could lead to changes in investment assets.

- Liability risk is the risk of casualty insurance claims activity from clients who may have contributed to climate change or failed to ensure that their companies were sufficiently protected from the effects of climate change.
- Reputational risk is the risk that the Syndicate suffers a financial impact as a result of reputational damage resulting from physical, transition and/or liability risk and the failure to adequately address climate change.

After identifying and assessing the risks inherent in our business relating to climate change, we regard the occurrence of unexpected natural disasters as well as transition risk as material risks in the environmental, social and governance (ESG) area. The existing Board-approved risk management framework sets forth the roles and responsibilities of those overseeing the implementation and monitoring of the risk management framework, which encompasses those risks facing the Syndicate, including climate change. As greater understanding of financial risks from climate change develops, the risk management framework continues to evolve to reflect the distinctive elements of this risk to ensure effective management and oversight, including enhancement of scenario testing in this area. In addition, the Syndicate's ultimate parent, Sompco Holdings, has made sustainability and climate change key components of their Medium-Term Management Plan, which includes establishment of a Sustainability Management Office and a Chief Sustainability Officer, as well as pursuit of several climate related commitments, such as a pledge for net zero emissions from investments and operations by 2050. Sompco International recently established an ESG Committee to develop and implement an environmental, social and governance framework to strengthen our position as a responsible global corporate citizen in support of Sompco Holdings' broader efforts to address ESG issues.

### **Covid-19**

- Operational Risks: The Syndicate continues to track developments relating to Covid-19, reviewing and analysing potential material impacts on its operations and implementing mitigation measures and strategies accordingly in response to such new developments and determinations as circumstances warrant. At this time, based upon information currently available to the Syndicate, the current mitigation measures and strategies that have been implemented have permitted the Syndicate to carry out its business and perform its obligations to policyholders, counterparties and regulators, and the impacts from Covid-19 have not materially adversely affected its ability to do so.
- The Syndicate's Business Continuity Plan ("BCP") has operated as planned with many staff working remotely, whilst the Syndicate's IT infrastructure remains activated and continues to respond and function without material adverse impact on the Syndicate's ability to conduct its business. The Syndicate's implementation of its BCP and Covid-19 response plan has not caused a material adverse impact on the organisation's cost structure or ability to carry out its strategic business plan. The Syndicate is well positioned with sufficient resources to provide continuous service to policyholders and maintain critical operations if an employee or group of employees is unavailable or working remotely for extended periods of time.
- Financial Risks: The Syndicate continues to analyse the Covid-19 outbreak and its wide-ranging consequences and notes that there remains uncertainty surrounding ultimate actual impacts on the Syndicate. The Syndicate's enterprise risk management framework includes periodic formal stress tests of significant risks and the potential financial impacts. At this time, based upon information currently available to the Syndicate and subject to the limitations and qualifications described above, the Syndicate's review and analysis indicates that Covid-19 and the related macroeconomic global impacts are not expected to have a material adverse impact on the Syndicate's ability to carry out its business and perform its obligations to policyholders, counterparties and regulators.

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## REPORT OF THE DIRECTORS OF ENDURANCE AT LLOYD'S LIMITED (CONTINUED)

Covid-19 has had an impact on the Syndicate's reserve requirements, premium volumes, underwriting income, net income, capital liquidity, and could possibly cause payment delays from some of the Syndicate's customers. It is possible that some of the Syndicate's reinsurance counterparties have experienced losses that adversely affect their ability to perform their obligations to the Syndicate, although the Syndicate purchases reinsurance from highly rated and well capitalised or fully collateralised counterparties. In addition, there could be adverse investment losses, although this is expected to be limited due to the Syndicate's investment portfolio being heavily weighted to government issued and investment grade fixed income securities. The expected losses from such potential adverse developments is not expected to have an overall material adverse impact on the solvency or liquidity of the Syndicate, based upon current information.

The current assessment, however, may change as new developments outside the Syndicate's reasonable control occur, including the extent of governmental intervention in providing assistance to businesses and consumers to mitigate the economic impact of Covid-19 and the potential legal interpretation that coverage exists despite expected and widely accepted policy interpretations at the time the policy was issued and became effective that no coverage was purchased.

### **Directors**

The Directors of the Managing Agent during the year ended 31 December 2021 up to the date of approval of the financial statements were as listed on page 1.

None of the directors has any participation in the premium income capacity of the Syndicate.

### **Disclosure of information to the auditors**

So far as each person who was a Director of the Company at the date of approving this report is aware, there is no relevant audit information, being information needed by the Auditors in connection with this report, of which the Auditors are unaware. Having made enquiries of fellow directors of the Agency and the Syndicate's Auditors, each Director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the Auditors are aware of that information.

### **Auditors**

In accordance with section 14(2) of Schedule 1 of the Lloyd's Regulations 2008, the Auditors, Ernst & Young LLP, were reappointed at the board meeting on 28 September 2021 and therefore continue in office.

By order of the Board

R Housley  
**Chief Executive Officer**  
3 March 2022

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## STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The Managing Agent is responsible for preparing the Syndicate Annual Report and Accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's syndicates and Aggregate Accounts) Regulations 2008 requires the Managing Agent to prepare syndicate annual accounts at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The Annual Accounts are required by law to give a true and fair view of the state of affairs of the Syndicate as at that date and of its profit or loss for that year.

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

- select suitable accounting policies which are applied 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 UK accounting standards have been followed, subject to any material departures disclosed and explained in these accounts; and
- prepare the syndicate annual 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 Directors confirm they have complied with the above requirements in preparing the Syndicate Annual Report and Accounts for Syndicate 5151.

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

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

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 5151

### Opinion

We have audited the syndicate annual accounts of syndicate 5151 ('the syndicate') for the year ended 31 December 2021 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Member's Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 25, 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.

### Other information

The other information comprises the information included in the Syndicate 5151 Annual Report and Accounts ("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 8, the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the syndicate annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise

from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these syndicate annual accounts.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the managing agent and management.

Our approach was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the syndicate and determined that the most significant are direct laws and regulations related to elements of Lloyd's Byelaws and Regulations, and the financial reporting framework (UK GAAP), and requirements referred to by Lloyd's in the instructions. Our considerations of other laws and regulations that may have a material effect on the syndicate annual accounts included permissions and supervisory requirements of Lloyd's of London, the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- We obtained a general understanding of how the syndicate is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the syndicate. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the syndicate, Lloyd's of London and other UK regulatory bodies; reviewed minutes of the Board and Audit Committee of the managing agent; and gained an understanding of the managing agent's approach to governance.
- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related syndicate annual accounts' items.
- 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, and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk, including the valuation of gross claims incurred but not reported. These procedures included

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testing manual journals and were designed to provide reasonable assurance that the syndicate annual accounts were free from fraud or error.

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

**Use of our report**

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

Angus Millar (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		2020	
		£'000	£'000	£'000	£'000
Earned premiums, net of reinsurance					
Gross premiums written	5		77,197		238,045
Outward reinsurance premiums			(405,198)		(126,663)
Net premiums written			<u>(328,001)</u>		<u>111,382</u>
Change in provision for unearned premiums					
Gross amount	15	85,116		55,068	
Reinsurers' share	15	<u>3,103</u>		<u>(28,687)</u>	
Change in net provision for unearned premiums			88,219		26,381
Earned premiums, net of reinsurance			<u>(239,782)</u>		<u>137,763</u>
Allocated investment return					
Transferred from the non-technical account			(117)		4,640
Claims paid, net of reinsurance					
Gross amount		(124,352)		(189,844)	
Reinsurers' share		122,548		111,362	
		<u>(1,804)</u>		<u>(78,482)</u>	
Change in the provision for claims					
Gross amount		22,561		(34,392)	
Reinsurers' share		206,572		31,875	
Change in the net provision for claims		<u>229,133</u>		<u>(2,517)</u>	
Claims incurred, net of reinsurance			227,329		(80,999)
Net operating expenses	6		7,849		(53,495)
<b>Balance on the technical account for general business</b>			<u><b>(4,721)</b></u>		<u><b>7,909</b></u>

## INCOME STATEMENT

### NON-TECHNICAL ACCOUNT

#### FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2021		2020	
		£'000	£'000	£'000	£'000
<b>Balance on the general business technical account</b>			<b>(4,721)</b>		<b>7,909</b>
<b>Investment result</b>					
Investment income		3,416		6,325	
Realised gains on investments		830		1,054	
Unrealised gains on investments		63		3,031	
Unrealised losses on investments		(4,197)		(759)	
Investment expenses and charges		(283)		(374)	
<b>Allocated investment return</b>					
Transferred to the general business technical account		117		(4,640)	
			(54)		4,637
Unrealised foreign exchange gains/(losses)			840		(3,238)
<b>(Loss)/profit for the financial year</b>			<b><u>(3,935)</u></b>		<b><u>9,308</u></b>

All investment income, expense and net gains or net losses, including changes in fair value are in respect of financial assets measured at fair value through profit or loss.

There are no differences between the profit for the financial year stated above and their historical cost equivalents.

## STATEMENT OF COMPREHENSIVE INCOME

#### FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021		2020	
		£'000	£'000	£'000	£'000
(Loss)/profit for the financial year			(3,935)		9,308
Currency translation differences			944		(3,760)
<b>Total comprehensive (Loss)/profit for the year</b>			<b><u>(2,991)</u></b>		<b><u>5,548</u></b>

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## STATEMENT OF CHANGES IN MEMBER'S BALANCES

AS AT 31 DECEMBER 2021

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Member's balances brought forward at 1 January	108,926	103,378
Profit/(loss)	(3,935)	9,308
Other recognised profit/(losses)	944	<u>(3,760)</u>
At 31 December	105,935	108,926
Loss collection	36,468	28,495
Net balance at 31 December	<u>142,403</u>	<u>137,421</u>
Release of funds at Lloyds in Syndicate trust funds	(36,468)	(28,495)
Member's balances carried forward at 31 December	<u><b>105,935</b></u>	<u><b>108,926</b></u>

Members participate on syndicates by reference to years of account and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a particular year.

## STATEMENT OF FINANCIAL POSITION - ASSETS

AS AT 31 DECEMBER 2021

	Notes	2021		2020	
		£'000	£'000	£'000	£'000
<b>Investments</b>					
Financial investments	9		221,392		247,221
Deposits with ceding undertaking			3,505		-
<b>Reinsurers' share of technical provisions</b>					
Provision for unearned premiums	15	54,777		55,847	
Claims outstanding	16	<u>515,942</u>		<u>311,754</u>	
			570,719		367,601
<b>Debtors</b>					
Debtors arising out of direct insurance operations	10	16,511		55,423	
Debtors arising out of reinsurance operations	11	60,220		93,337	
Other debtors		<u>9,585</u>		<u>13,530</u>	
			86,316		162,290
<b>Other assets</b>					
Cash at bank and in hand	13	10,029		14,622	
Other assets	12	<u>82,524</u>		<u>85,901</u>	
			92,553		100,523
<b>Prepayments and accrued income</b>					
Deferred acquisition costs	14	15,316		36,429	
Other prepayments and accrued income		<u>1,485</u>		<u>1,274</u>	
			16,801		37,703
<b>Total assets</b>			<u><u>991,286</u></u>		<u><u>915,338</u></u>

## STATEMENT OF FINANCIAL POSITION – MEMBER’S BALANCES AND LIABILITIES

AS AT 31 DECEMBER 2021

	Notes	2021		2020	
		£'000	£'000	£'000	£'000
Member’s balances			105,935		108,926
<b>Total Member’s balances</b>			<u>105,935</u>		<u>108,926</u>
<b>Technical provisions</b>					
Provisions for unearned premiums	15	54,777		144,625	
Claims outstanding	16	<u>521,329</u>		<u>547,677</u>	
			576,106		692,302
<b>Creditors</b>					
Creditors arising out of direct insurance operations	17	(2,628)		(3,573)	
Creditors arising out of reinsurance operations	18	287,852		94,957	
Other creditors, including taxation and social security	19	<u>3,522</u>		<u>5,724</u>	
			288,746		97,108
<b>Accruals and deferred income</b>			20,499		17,002
<b>Total liabilities</b>			<u>885,351</u>		<u>806,412</u>
<b>Total Member’s balances and liabilities</b>			<u><u>991,286</u></u>		<u><u>915,338</u></u>

The financial statements on pages 13 to 50 were approved by the Board of Endurance at Lloyd’s Limited on 3 March 2022 and were signed on its behalf by:

A Golding  
**Chief Financial Officer**  
 3 March 2022

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £'000	2020 £'000
<b>(Loss)/profit on ordinary activities</b>		(3,935)	9,308
(Decrease) in gross technical provisions		(116,196)	(22,215)
(Increase)/ Decrease in reinsurers' share of technical provisions		(203,118)	3,852
Decrease in debtors		75,974	24,409
Increase in creditors		191,638	(5,378)
Movement in other assets/liabilities		24,399	2,734
Investment return		171	(9,276)
Other		(865)	2,898
<b>Cash flows from operating activities</b>		<u>(31,932)</u>	<u>6,332</u>
Purchase of equity and debt instruments		(84,953)	(134,759)
Sale of equity and debt instruments		108,679	131,462
Investment income received		2,629	6,983
Other		-	(3,713)
<b>Cash flows from investing activities</b>		<u>26,355</u>	<u>(27)</u>
Transfer from members		36,468	28,495
Release of funds at Lloyd's in syndicate		(36,468)	(28,495)
<b>Cash flows from financing activities</b>		<u>-</u>	<u>-</u>
<b>Net (decrease)/Increase in cash and cash equivalents</b>		<u>(5,577)</u>	<u>6,305</u>
Cash and cash equivalents at beginning of the year		100,523	91,657
Exchange differences on opening cash		(2,393)	2,561
<b>Cash and cash equivalents at end of the year</b>	13	<u><u>92,553</u></u>	<u><u>100,523</u></u>

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## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 1. Statement of compliance

The financial statements are prepared as at 31 December 2021 and for the year ended 31 December 2021.

The financial statements have been prepared in accordance with regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("Lloyd's Regulations 2008") and applicable Accounting Standards in the United Kingdom.

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).

The financial statements are prepared under the historical cost convention except for certain financial instruments which are measured at fair value.

#### 2. Basis of preparation

The financial statements for the year ended 31 December 2021 were approved for issue by the Board of Endurance at Lloyd's Limited ("the Company") on 3 March 2022.

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

As noted in the Directors Report, 2020 is the last active year of account for the Syndicate. Having considered the solvency and liquidity position of the Syndicate, the directors of the managing agent consider it appropriate to prepare the accounts on the going concern basis.

#### 3. Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Information about significant areas of critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the annual report and accounts, are described within the significant accounting policies below.

The following are the Syndicate's key sources of estimation uncertainty:

##### Insurance contract technical provisions

Estimating claims reserves and claims expenses requires assumptions regarding reporting and development patterns, frequency and severity trends, claims settlement practices, potential changes in legal environments, inflation, loss amplification and other factors. These estimates and judgments are based on numerous considerations and are often revised as a result of:

- i. changes in loss amounts reported by reinsurance companies;

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 3. Judgements and key sources of estimation uncertainty (continued)

- ii. additional information, experience or other data;
- iii. development of new or improved methodologies; or
- iv. changes in the law.

The claims reserves relating to short-tail property risks are typically reported and settled more promptly than those relating to long-tail risks. However, the timeliness of loss reporting can be affected by such factors as the nature of the event causing the loss, the location of the loss, whether the loss is from policies written as direct business or reinsurance where exposure falls within the overall insurance program. In the case of reinsurance business, the reserving process is highly dependent on the loss information received from insurance companies.

Details of the methodology and key assumptions are provided in note 16. Additionally further reference is made within the risk management section in relation to insurance risk in note 24.

#### 4. Significant accounting policies

##### Premiums

Premiums written and ceded are earned on a pro-rata basis over the terms of the risk period. For contracts and policies written on a losses occurring basis, the risk period is generally the same as the contract or policy term. For contracts written on a risk attaching basis, the risk period is based on the terms of the underlying contracts and policies.

Premiums written and ceded include estimates based on information received from brokers, ceding companies and insureds, and any subsequent differences arising on such estimates are recorded in the periods in which they are determined.

The portion of the premiums written and ceded applicable to the unexpired terms of the underlying contracts and policies are recorded as unearned premiums and prepaid reinsurance premiums, respectively.

All premiums are shown gross of commission payable to intermediaries and are exclusive of taxes and duties levied thereon.

Reinstatement premiums are earned upon the occurrence of a loss and are calculated in accordance with the contract terms based upon the ultimate loss estimate associated with each contract.

##### Investment return

Interest income is recognised on a time proportionate basis taking into account effective interest yield. Unrealised and realised gains and losses on financial investments are recognised based on the appropriate classification of financial investments and are covered under the accounting policy for financial assets.

An allocation of actual investment return on investments supporting the general insurance technical provisions and associated equity is made from the non-technical account to the technical account. Investment return related to non-insurance business and shareholder's equity is attributed to the non-technical account.



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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 4. Significant accounting policies (continued)

#### Claims reserves and related recoveries

Claims include all claims occurring during the year, whether reported or not, reserves for unallocated loss adjustment expenses being related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

#### Deferred acquisition costs

Acquisition expenses are costs that are directly related to the production of new and renewal business and consist principally of commissions and brokerage expenses. Acquisition expenses are shown net of commissions earned on ceded business. These costs are deferred and amortised over the periods in which the related premiums are earned.

#### Unexpired risks

Provision is made for any overall excess of expected claims and deferred acquisition costs over unearned premiums, after taking account of the investment return expected to arise on assets relating to the relevant general business provisions.

#### Reinsurance to close ("RITC")

Following the end of the third year, the underwriting account of each Lloyd's syndicate is normally closed by reinsurance into the following year of account. The amount of the RITC premium is determined by the managing agent, generally by estimating the cost of claims notified but not settled together with the estimated cost of claims incurred but not reported at that date and claims handling costs.

The payment of an RITC premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring syndicate was unable to meet its obligations, and other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle the outstanding claims. The directors consider that the likelihood of such a failure of the RITC is remote, and consequently the RITC has been deemed to settle liabilities outstanding at the closure of an underwriting account.

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts; and
- There is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

#### Cash and cash equivalents

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

Deposits with ceding undertakings are measured at cost less allowance for impairment.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 4. Significant accounting policies (continued)

#### Financial assets

As permitted by FRS 102, the Syndicate has elected to apply the recognition and measurement provisions of IAS 39 - Financial Instruments to account for all of its financial instruments.

The Syndicate classifies its financial investments as either financial assets at fair value through profit or loss, loans and receivables or available for sale. The Syndicate determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value plus, in the case of instruments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date the Syndicate commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the time frame generally established by regulation or convention in the market place.

Financial assets at fair value through profit or loss has two subcategories namely financial assets held for trading and those designated at fair value through profit or loss at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading as are all derivatives, including embedded derivatives, that are not designated as hedging instruments. For investments designated as at fair value through profit or loss, the following criteria must be met:

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

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

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. Subsequent to initial recognition, these investments are carried at amortised cost, using the effective interest rate ("EIR") method. Gains and losses are recognised in the income statement through the amortisation process.

Available for sale financial assets are non derivative financial assets that are designated as available for sale or which are not classified in any of the above categories. These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value at each reporting date. Fair value gains and losses are reported in other comprehensive income as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative fair value gains and losses previously reported through the statement of comprehensive income is transferred to the income statement.

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 4. Significant accounting policies (continued)

#### Fair value of financial assets

The Syndicate chose to early adopt the provisions of FRS102 on fair value hierarchy. The Syndicate uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted price is usually the bid price.
- Level 2: when quoted prices are unavailable the instrument is valued using inputs that are observable either directly or indirectly including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs that are observable such as interest rates and yield curves observable at commonly quoted intervals, implied volatility or credit spreads and market-corroborated inputs.
- Level 3: when observable inputs are not available, unobservable inputs are used to measure fair value by use of valuation techniques. The objective of using the valuation technique is to estimate what the fair value would have been on the measurement date.

See Note 9 for details of financial instruments classified by fair value hierarchy.

#### Impairment of financial assets

For financial assets not held at fair value through profit or loss, the Syndicate assesses at each reporting date whether the financial asset or group of financial assets is impaired. The Syndicate first assesses whether objective evidence of impairment exists for financial assets. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

#### Derecognition of financial assets

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

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

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

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 4. Significant accounting policies (continued)

#### Financial liabilities

The Syndicate's financial liabilities include trade and other payables and insurance payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Trade and other payables and loans and borrowings are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in net investment income in profit or loss.

A financial liability is derecognised when the obligation under the liability is discharged or expires, with gains and losses being recognised in profit or loss. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective amounts is recognised in profit or loss.

#### Taxation

Under Finance Act 1993 Lloyd's Syndicates are not UK taxpayers and so no UK income or corporate tax has been provided on the underwriting results of the Syndicate. In addition, all UK basic rate income tax deducted from Syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the period are included in the balance sheet under the heading 'other debtors'. No provision has been made for any overseas tax payable by members on underwriting results.

#### Foreign currencies

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

Financial reporting Standard 102 requires each entity to identify its functional currency and a presentational currency. The functional currency is identified as the currency of the primary economic environment in which the entity operates. The functional currency of this Syndicate is US Dollars as the majority of the underwriting business, cash flows and expenses are denominated in US Dollars. The Managing Agent has chosen to maintain the presentational currency as Sterling as the Syndicate is based in the UK, complies with UK reporting standards and is consistent with reporting to Lloyd's.

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.

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 4. Significant accounting policies (continued)

#### Foreign currencies (continued)

As permitted by FRS103, the Syndicate has continued with its existing accounting policy to treat non-monetary assets and liabilities arising from insurance contracts (which include items such as unearned premiums and deferred acquisition costs) the same as monetary assets and liabilities. Consequently all assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date or if appropriate at the forward contract rate.

Exchange differences are recorded in the non-technical account; differences on translation to presentational currency are recorded in other comprehensive income.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 5. Segmental analysis

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

2021	Gross written premiums £'000	Gross premiums earned £'000	Gross claims incurred £'000	Net operating expenses £'000	Re-insurance balance £'000	Total £'000
<b>Direct insurance:</b>						
Accident and health	6,113	12,289	(8,737)	314	(3,949)	(83)
Motor (3rd Party Liability)	-	11	-	-	(10)	1
Motor (Other Classes)	9	308	(564)	(7)	249	(14)
Marine	1,046	3,598	(2,568)	476	(1,462)	44
Aviation	8,812	11,037	(7,329)	(433)	(3,819)	(544)
Transport	309	1,325	197	180	(1,618)	84
Energy-marine	160	476	393	81	(956)	(6)
Energy non-marine	(52)	288	(1,487)	66	1,156	23
Fire and other damage to property	498	4,714	(2,251)	826	(3,104)	185
Third-party liability	31,085	66,946	(42,561)	1,956	(29,139)	(2,798)
Pecuniary loss	2,184	9,199	(1,220)	519	(8,247)	251
	50,164	110,191	(66,127)	3,978	(50,899)	(2,857)
<b>Reinsurance</b>	27,033	52,122	(35,664)	3,871	(22,076)	(1,747)
<b>Total</b>	<b>77,197</b>	<b>162,313</b>	<b>(101,791)</b>	<b>7,849</b>	<b>(72,975)</b>	<b>(4,604)</b>

2020	Gross written premiums £'000	Gross premiums earned £'000	Gross claims incurred £'000	Net operating expenses £'000	Re-insurance balance £'000	Total £'000
<b>Direct insurance:</b>						
Accident and health	22,956	23,855	(18,330)	(6,946)	(552)	(1,973)
Motor (3rd Party Liability)	(1)	(1)	-	-	-	(1)
Motor (Other Classes)	6,293	7,748	(4,833)	(2,111)	(1,035)	(231)
Marine	5,706	7,518	717	(482)	(7,164)	588
Aviation	19,946	21,950	(16,174)	(5,179)	(1,374)	(777)
Transport	3,496	6,336	(3,493)	(989)	(1,257)	596
Energy-marine	475	1,018	(179)	(89)	(396)	355
Energy non-marine	528	1,418	453	(48)	(990)	833
Fire and other damage to property	17,940	26,897	(18,547)	(4,468)	(7,827)	(3,945)
Third-party liability	113,774	120,351	(75,429)	(22,885)	(24,486)	(2,449)
Pecuniary loss	2,977	6,212	(13,623)	(535)	7,563	(383)
	194,90	223,302	(149,438)	(43,732)	(37,518)	(7,386)
<b>Reinsurance</b>	43,955	69,811	(74,798)	(9,763)	25,405	10,655
<b>Total</b>	<b>238,045</b>	<b>293,113</b>	<b>(224,236)</b>	<b>(53,495)</b>	<b>(12,113)</b>	<b>3,269</b>

Commissions on direct insurance gross premiums during 2021 were £21.4m (2020 - £51.5m). All premiums were concluded in the UK.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

During 2020 the underwriting results for the transferred policies have been reported in the same classes of business as in prior years, as the effective date of the transfer was 30 December 2020, and in line with Society of Lloyd's guidance no movements were processed on these policies on 31 December 2020. During 2021 results relating to these risks have been reported under the Inwards Reinsurance class of business, reflecting the new contractual arrangement with Lloyd's Brussels.

#### 6. Net operating expenses

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Acquisition costs	22,750	60,159
Change in deferred acquisition costs	24,535	4,020
Administrative expenses	4,532	12,564
Reinsurer's commissions	(59,666)	(23,248)
	<u>(7,849)</u>	<u>53,495</u>
	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Administrative expenses include:		
Audit services:		
Fees payable to the Syndicate's auditors for the audit of the Syndicate's accounts	258	323
Non-audit services:		
Other services pursuant to Regulations and Lloyd's Byelaws	61	78
Other non-audit services	-	95
Members' standard personal expenses:		
Lloyd's subscriptions	(303)	1,266
New Central Fund contributions	22	1,111
Managing Agent's fees	1,188	1,000
Not included in Syndicate administrative expenses:		
Audit of the Managing Agency	17	16

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 7. Staff numbers and costs

All staff, at year end, were employed by Endurance Business Services Limited (“EBSL”), a wholly-owned subsidiary of Endurance Specialty Holdings Ltd. (“ESHL”), and the related costs were recharged to the Syndicate.

	<b>2021</b>	<b>2020</b>
	<b>£’000</b>	<b>£’000</b>
Wages and salaries	7,655	11,796
Social security costs	934	1,500
Other pension costs	240	492
	<u>8,829</u>	<u>13,788</u>

The average number of employees employed by EBSL performing services directly on behalf of the Syndicate during the year was as follows:

	<b>2021</b>	<b>2020</b>
	<b>Number</b>	<b>Number</b>
Administration and finance	15	29
Underwriting	11	30
Claims	6	6
	<u>32</u>	<u>65</u>

### 8. Directors’ emoluments

The directors of the Managing Agent received the following aggregate remuneration charged to the Syndicate and included within net operating expenses.

	<b>2021</b>	<b>2020</b>
	<b>£’000</b>	<b>£’000</b>
Emoluments	253	411
Contributions to defined contribution pensions	<u>15</u>	<u>23</u>

The active underwriter received the following remuneration charged as a Syndicate expense:

	<b>2021</b>	<b>2020</b>
	<b>£’000</b>	<b>£’000</b>
Emoluments	26	126
Contributions to defined contribution pensions	<u>1</u>	<u>5</u>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 9. Financial investments

	Market Value 2021 £'000	Cost 2021 £'000	Market Value 2020 £'000	Cost 2020 £'000
<b>Held at fair value through profit or loss</b>				
Holdings in collective investment schemes	13,553	13,553	13,532	13,532
Fixed interest securities	206,896	210,633	229,403	220,760
Floating interest rate securities	943	943	4,286	4,829
	<u>221,392</u>	<u>225,129</u>	<u>247,221</u>	<u>239,121</u>

Included in the market values above are £201.5m (2020 - £224.2m) in respect of listed investments.

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>At 31 December 2021</b>				
Debt and other fixed income securities	-	207,839	-	207,839
Holdings in collective investment schemes	362	8,592	4,599	13,553
Total	<u>362</u>	<u>216,431</u>	<u>4,599</u>	<u>221,392</u>
<b>At 31 December 2020</b>				
Debt and other fixed income securities	-	233,689	-	233,689
Holdings in collective investment schemes	-	8,803	4,729	13,532
Total	<u>-</u>	<u>242,492</u>	<u>4,729</u>	<u>247,221</u>

Lloyd's introduced Syndicate loans to the Central Fund with effect from the 2019 year of account. The loan has been classified as an equity share for which the fair value cannot be determined using direct or indirect observable inputs, therefore this has been classified as Level 3.

### 10. Debtors arising out of direct insurance operations

	2021 £'000	2020 £'000
Due from intermediaries within one year	<u>16,511</u>	<u>55,423</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 11. Debtors arising out of reinsurance operations

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Due from ceding insurers and intermediaries	16,753	21,707
Due from reinsurers and intermediaries	43,467	71,630
Due within one year	<u>60,220</u>	<u>93,337</u>

### 12. Other assets

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Overseas deposits	<u>82,524</u>	<u>85,901</u>

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

### 13. Cash and cash equivalents

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Cash at bank and in hand	10,029	14,622
Overseas deposits	82,524	85,901
	<u>92,553</u>	<u>100,523</u>

### 14. Deferred acquisition costs

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
At 1 January	36,429	46,890
Change in deferred acquisition costs	(20,129)	(10,380)
Foreign exchange	(984)	(81)
At 31 December	<u>15,316</u>	<u>36,429</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 15. Provision for unearned premiums

	Gross £'000	Reinsurers' share £'000	Net £'000
At 1 January 2020	199,182	(85,418)	113,764
Premiums written in the year	238,045	(126,663)	111,382
Premiums earned in the year	(293,113)	155,350	(137,763)
Foreign exchange	511	884	1,395
At 31 December 2020	<u>144,625</u>	<u>(55,847)</u>	<u>88,778</u>
At 1 January 2021	144,625	(55,847)	88,778
Premiums written in the year	77,197	(405,198)	(328,001)
Premiums earned in the year	(162,313)	402,095	239,782
Foreign exchange	(4,732)	4,173	(559)
At 31 December 2021	<u>54,777</u>	<u>(54,777)</u>	<u>-</u>

### 16. Claims outstanding

The directors have assessed the technical provisions in accordance with the accounting policies set out within these annual accounts. The Syndicate's business includes classes of a long tail nature where the Incurred But Not Reported (IBNR) portion of the total reserves is high. The IBNR reserves typically display variation between initial estimates and final outcomes because of the inherent uncertainty and difficulty in estimating this element of the reserves. The Syndicate has appropriate historic loss data (for business similar to that underwritten during the period) to project its claims reserves based on this historic development in order to assess the likely ultimate claims, having regard to variations in the business accepted and the strengthening or weakening of the underlying terms and conditions.

Whilst the directors consider that the provision for claims is fairly stated based on the information currently available to them, the ultimate liability will vary as a result of subsequent information and events. This may result in material adjustments to the reserves provided. Adjustments to the amounts of provision 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.

2021 non-catastrophe loss experience was broadly in line with expectations, whilst catastrophe experience was slightly worse than planned due to the Q1 US Winter Storm with loss estimates of £7m gross and £6m net of reinsurance.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 16. Claims outstanding (continued)

	Gross 2021 £'000	Reinsurers' share 2021 £'000	Net 2021 £'000	Gross 2020 £'000	Reinsurers' share 2020 £'000	Net 2020 £'000
Reported claims	244,558	(142,167)	102,391	236,617	(131,564)	105,054
Incurred but not reported	298,255	(169,587)	128,668	247,368	(154,471)	119,896
Loss adjustment expenses	4,864	-	4,864	4,351	-	4,350
At 1 January	547,677	(311,754)	235,923	515,336	(286,035)	229,301
Claims paid during the year	(124,352)	122,548	(1,804)	(189,844)	111,362	(78,482)
Claims incurred during the year	101,791	(329,120)	(227,329)	224,236	(143,237)	80,999
Foreign exchange	(3,787)	2,384	(1,404)	(2,051)	6,156	4,105
Total movement	(26,348)	(204,188)	(230,537)	32,341	(25,719)	6,622
Reported claims	231,128	(231,128)	-	244,558	(142,167)	102,391
Incurred but not reported	284,814	(284,814)	-	298,255	(169,587)	128,668
Loss adjustment expenses	5,387	-	5,387	4,864	-	4,864
At 31 December	521,329	(515,942)	5,387	547,677	(311,754)	235,923

The Syndicate establishes loss and loss expense reserves to provide for the estimated costs of paying claims under insurance policies and reinsurance contracts underwritten by the Syndicate. These reserves include estimates for both claims that have been reported and those that have been incurred but not reported (IBNR) and includes estimates of all expenses associated with the processing and settling these claims.

The loss reserves are comprised of case reserves (which are based on claims that have been reported to us) and IBNR reserves (which are based on losses that have occurred but for which claims have not yet been reported as well as expected future development on known case reserves).

Case reserve estimates are initially determined based on loss reports received from third parties. Case estimates are set by experienced claims technicians, applying their skill and specialist knowledge to the circumstances of individual claims. IBNR reserve estimates are determined using standard actuarial methods using a combination of historic claims experience, historic insurance industry claims experience, estimates of premium rating trends as well as professional judgment and experience. The process used to estimate our IBNR reserves involves projecting estimated ultimate claims and claim expense reserves and subtracting paid claims and case reserves to arrive at the IBNR reserve.

Estimating the ultimate cost of future claims and claim adjustment expenses is an uncertain and complex process. This estimation process is based largely on the assumption that past developments are an appropriate predictor of future events and involves a variety of actuarial techniques and judgments that analyse experience, trends and other relevant factors.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 16. Claims outstanding (continued)

Using the latest claim data, the Syndicate's reserving actuaries review the Syndicate's loss and loss expense reserves on a quarterly basis for both current and prior accident years. These reserve reviews incorporate standard actuarial methods, including the initial expected loss ratio method, claim development factor modelling and the Bornhuetter-Ferguson method.

The initial expected loss ratio method is based on expected results independent of current loss reporting activity. This approach is typically used for immature loss periods (i.e. the most recent accident years or quarters). Claim development factor modelling projects the current reported losses to an estimated ultimate by applying selected reporting delay patterns. The reporting delay patterns are based on internal and external historic data. The Bornhuetter-Ferguson method is a weighted average between the initial expected ultimate loss ratio method and the results from the claim development factor modelling estimate. Under this method, IBNR is set equal to the initial loss estimate multiplied by the expected percent of loss yet to be reported at each valuation date.

The Syndicate uses these methods, supplemented with its own actuarial and professional judgment, to establish its best estimate of loss and loss expense reserves.

### 17. Creditors arising out of direct insurance operations

	2021	2020
	£'000	£'000
Due to intermediaries within one year	<u>(2,628)</u>	<u>(3,573)</u>

### 18. Creditors arising out of reinsurance operations

	2021	2020
	£'000	£'000
Due to ceding insurers and intermediaries	(2,167)	823
Due to reinsurers and intermediaries	290,019	94,134
Due within one year	<u>287,852</u>	<u>94,957</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 19. Other creditors, including taxation and social security

	2021 £'000	2020 £'000
Amounts due to group companies	3,449	4,171
Amount due in respect of premium tax	-	1,553
Other amounts due	73	-
	<u>3,522</u>	<u>5,724</u>

No security over the Syndicate's assets has been given in respect of the above.

### 20. Funds at Lloyd's

Every Lloyd's 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 entitled to make a call on the Members' FAL to meet liquidity requirements or to settle losses.

### 21. Funds in syndicate

These accounts incorporate assets held and the investment return achieved on the FIS. The corporate member (Endurance Corporate Capital Limited) did not transfer any funds to the Syndicate to be held as funds in syndicate during the year. During the year a loss collection of £36.5m was settled from the funds in syndicate for the 2018 Underwriting year.

### 22. Ultimate parent company

The Syndicate's ultimate parent undertaking Sompo Holdings Inc incorporated in Tokyo, Japan. A copy of the financial statements of Sompo Holdings Inc can be obtained from 1st Floor, 2 Minster Court, Mincing Lane, London EC3R 7BB, or 26-1, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo 160-8338.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 23. Related parties

The Managing Agent of the Syndicate's active Board of Directors are also directors of Endurance Worldwide Insurance Limited (EWIL). A Golding, J James and R J R Housley are directors of Endurance Business Services Limited (EBSL), Endurance Global Weather Risk Advisors Limited (EGWRAL), Endurance Worldwide Holdings Limited (EWHL) and Endurance Holdings Limited (EHL). J James and R J R Housley are directors of Endurance Corporate Capital Limited (ECCL). A Golding and J James are directors of SI Insurance (Europe) SA (SIIE). Adam Golding is a Director of SI Corporate Member Limited.

Syndicate 5151 participated in the following transactions, and held the following balances, with related parties within the Endurance Group:

During the year the Syndicate purchased reinsurance from Endurance Specialty Insurance Limited (ESIL). The cost of the reinsurance protection was £383.7m (2020 – £33.4m). As at the year end net technical balances included £268.2m (2020 - £30.0m) in respect of amounts owed to ESIL.

In 2021, the Syndicate provided facultative reinsurance to Sompo Japan Nipponko Insurance Inc. ("SJNKI"), the parent company of Sompo International Holdings Limited ("SIHL"), on a number of Japanese Property risks, receiving gross written premium of £0.1m (2020 - £0.6m). As at the year end net technical balances included £0.3m in respect of amounts due from SJNKI (2020 - £0.3m).

The Syndicate paid fees to Endurance at Lloyd's Limited ("EAL"), the managing agency for the Syndicate, of £1.2m (2020 – £1.0m), based on a percentage of the Syndicate's gross reserves. As at the year end other creditors included £0.1m (2020 - £0.1m) in respect of amounts owed to the managing agent.

Endurance Services Ltd ("ESL"), a wholly-owned indirect subsidiary of SIHL incorporated in the US, charged the Syndicate £3.5m for certain administrative services (2020 – £7.2m) during the period. As at the year end other creditors included £0.3m (2020 - £0.5m) in respect of amounts owed to ESL. ESHL charged the Syndicate £0.7m (2020 - £0.4m) during the period in relation to services and at the year end ESHL owed the Syndicate £0.1m (2020 - £5.7m owed to the Syndicate).

The services provided by EBSL to the Syndicate are reimbursed through a recharge of costs. In 2021, costs recharged from EBSL to the Syndicate amounted to £3.6m (2020 - £4.2m). As at the year end other creditors included £0.9m (2020 - £0.7m) in respect of amounts owed for services previously provided by EWIL and Enil (2020 - £1.9m) in respect of amounts owed to EWIL in relation to these services.

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 24. Risk management

##### a) Governance framework

The primary objective of the Syndicate's risk management framework is to protect the Syndicate's members from events that hinder the sustainable achievement of strategic objectives, including failing to exploit opportunities. The Managing Agent has established a risk management function with clear terms of reference from the Board of Directors and has embedded a risk appetite framework which encompasses the overall approach, including policies, procedures, controls and systems through which appetite is established, monitored and communicated.

The risk appetite framework is aligned with the Managing Agent's strategy and is used to inform and influence decisions at all levels. The risk governance framework supports this in the following ways:

- Board approved risk policies, appetites and tolerances are communicated to, owned by, monitored and reported upon by assigned sub-committees of the Board.
- Own risk and solvency assessments are performed quarterly, leveraging sophisticated risk modelling techniques and systems, to regularly assess key risk and performance indicators against tolerance.
- Authorities and responsibilities in respect of all key business risks are delegated to management committees and senior management across the Managing Agent.

##### 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 5151 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 and approval by Lloyd's. Over and above this, Lloyd's applies a capital uplift to calculate the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2021 was 35% of the member's SCR 'to ultimate'.



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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 24. Risk management (continued)

#### b) Capital management objectives, policies and approach (continued)

##### 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.

#### c) Insurance risk management

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 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 it maintains sufficient financial resources to cover these liabilities.

The principal risk exposure is actively managed by having a disciplined approach to underwriting and risk management that relies heavily upon the collective underwriting expertise of management and staff. This expertise is in turn guided by the following underwriting principles:

- Underwriting must be in accordance with the agreed business plan and underwriting guidelines
- Underwriters may only accept risks within their own written authority and seek authorization for any exceptions prior to binding;
- Underwriters must not commit to any risk that they do not fully understand;
- Underwriters shall not commit to any risk that does not pay due regard to the interests of the customer and treat them fairly;
- Underwriters must consult with colleagues where they do not understand any aspect of a risk;
- The process of underwriting should be transparent, collegiate, clear, and accessible to colleagues; and
- Underwriting information must be recorded promptly and accurately and retained in the applicable risk recording systems

The principal risk exposure is mitigated by having established underwriting guidelines for each product, diversifying the business by underwriting a variety of products across multiple industry sectors and geographies, proactively assessing and managing risk accumulations arising from both natural and man-made events and actively utilising outwards reinsurance arrangements to limit exposure to catastrophic events within tolerance.

#### (i) Concentrations of insurance risk

As a property, marine/energy, aviation catastrophes and other specialty insurer and reinsurer the Syndicate is particularly vulnerable to losses from catastrophes.

Catastrophes can be caused by various unpredictable events, including earthquakes, hurricanes, hailstorms, droughts, severe weather, floods, fires, tornadoes, volcano eruptions, explosions and other natural or man-made disasters. A rise in natural catastrophes due to climate change may lead to an increase in insurance payments, leading to a possible deterioration in underwriting results.

Whilst the Syndicate attempts to manage exposure to such events through the use of underwriting controls and the purchase of third-party reinsurance, catastrophic events are inherently unpredictable and the actual nature of such events when they occur could be more frequent or severe than contemplated in pricing and risk management expectations. As a result, the occurrence of one or more catastrophic events could have a material adverse effect on the results of operations or financial condition.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 24. Risk management (continued)

- c) Insurance risk management (continued)  
 (i) Concentrations of insurance risk (continued)

**As a property and casualty insurer and reinsurer the Syndicate could face losses from war, terrorism and political unrest.**

The Syndicate may have substantial exposure to losses resulting from acts of war, acts of terrorism and political instability. These risks are inherently unpredictable, although recent events may lead to increased frequency and severity. It is difficult to predict their occurrence with statistical certainty or to estimate the amount of loss an occurrence will generate. Accordingly, it is possible that loss reserves will be inadequate to cover these risks. The Syndicate closely monitors the amount and types of coverage it provides for terrorism risk under insurance policies and reinsurance treaties.

The Syndicate regularly quantifies and monitors its exposures to key sources of concentration risk against defined risk tolerances.

For certain defined natural catastrophe and man-made catastrophe events, the Syndicate assesses the probability and likely magnitude of losses using a combination of industry third-party models, proprietary models and underwriting judgment. The Syndicate attempts to model the projected net impact from a single event, taking into account contributions from all lines of business offset by the net benefit of any reinsurance or derivative protections we purchase and the benefit of reinstatement premiums.

The Syndicate monitors its net accumulation risk exposures regularly against internally defined risk tolerances. This includes, but is not limited to, the Lloyd's RDS scenarios which are monitored against Lloyd's franchise guidelines.

The Syndicate actively manage the level of assumed risk and the purchase of outwards reinsurance to ensure that concentration risk levels remain within defined tolerances.

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

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
UK	(328)	1,667
Other EU countries	798	3,350
US and Canada	11,386	38,730
Worldwide	65,341	194,298
	<u>77,197</u>	<u>238,045</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 24. Risk management (continued)

#### c) Insurance risk management (continued)

##### (i) Concentrations of insurance risk (continued)

The following table sets out the gross premiums written by line of business:

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Property	382	24,541
Aviation	13,536	23,813
Marine & Energy	2,662	27,990
Specialty	29,710	181,606
Professional Lines	22,521	76,532
Reinsurance	8,386	3,563
	<u>77,197</u>	<u>238,045</u>

The table below sets out the concentration of outstanding claim liabilities by type of contract:

	<b>Gross liabilities</b>	<b>Reinsurance of</b>	<b>Net liabilities</b>
	<b>£'000</b>	<b>liabilities</b>	<b>£'000</b>
		<b>£'000</b>	
<b>2021</b>			
Property	31,058	(30,737)	321
Aviation	50,693	(50,169)	524
Marine & Energy	39,288	(38,882)	406
Specialty	157,945	(156,313)	1,632
Professional Lines	172,030	(170,252)	1,778
Reinsurance	70,315	(69,589)	726
	<u>521,329</u>	<u>(515,942)</u>	<u>5,387</u>
	<b>Gross liabilities</b>	<b>Reinsurance of</b>	<b>Net liabilities</b>
	<b>£'000</b>	<b>liabilities</b>	<b>£'000</b>
		<b>£'000</b>	
<b>2020</b>			
Property	41,801	(30,007)	11,794
Aviation	54,964	(42,353)	12,611
Marine & Energy	53,703	(32,411)	21,293
Specialty	156,140	(62,901)	93,238
Professional Lines	171,360	(110,304)	61,055
Reinsurance	69,709	(33,778)	35,932
	<u>547,677</u>	<u>(311,754)</u>	<u>235,923</u>

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 24. Risk management (continued)

##### c) Insurance risk management (continued)

##### (ii) Sensitivity to insurance risk

**The Syndicate is exposed to, and may face adverse developments, involving mass tort claims such as those relating to exposure to potentially harmful products or substances.**

The Syndicate faces exposure to mass tort claims, including claims related to exposure to potentially harmful products or substances. Establishing claims and claim adjustment expense reserves for mass tort claims is subject to uncertainties because of many factors, including expanded theories of liability, disputes concerning medical causation with respect to certain diseases, geographical concentration of the lawsuits asserting the claims and the potential for a large rise in the total number of claims without underlying epidemiological developments suggesting an increase in disease rates. Moreover, evolving judicial interpretations regarding the application of various tort theories and defences, including application of various theories of joint and several liabilities, as well as the application of insurance coverage to these claims, make it difficult to estimate the ultimate liability for such claims.

Because of the uncertainties set forth above, additional liabilities may arise for amounts in excess of the current related reserves. In addition, estimates of claims and claim adjustment expenses may change, and such change could be material. These additional liabilities or increases in estimates, or a range of either, cannot now be reasonably estimated and could materially and adversely affect the results of operations.

**The failure of any of the loss limitation methods employed, as well as an unexpected accumulation of attritional losses, could have a material adverse effect on financial condition or on the results of operations.**

The Syndicate seeks to limit its loss exposure in a variety of ways, including by writing many of its insurance and reinsurance contracts on an excess of loss basis, adhering to maximum limitations on policies written in defined geographical zones, limiting program size for each client, establishing per risk and per occurrence limitations for each event, employing coverage restrictions, following prudent underwriting guidelines for each program written and purchasing reinsurance and retrocessional protection. In the case of proportional treaties, the Syndicate generally seeks per occurrence limitations or loss ratio caps to limit the impact of losses from any one event. Most direct liability insurance policies include maximum aggregate limitations. The Syndicate also seeks to limit its loss exposure through geographic diversification. Disputes relating to coverage and choice of legal forum may also arise. As a result, various provisions of the Syndicate's policies, such as limitations or exclusions from coverage or choice of forum, may not be enforceable in the manner intended and some or all of the other loss limitation methods may prove to be ineffective. Underwriting is a matter of judgment, involving important assumptions about matters that are inherently unpredictable and beyond the Syndicate's control, and for which historical experience and probability analysis may not provide sufficient guidance.

The Syndicate's operating results may also be adversely affected by unexpectedly large accumulations of smaller losses. The Syndicate seeks to manage this risk by using appropriate loss limitation methods as noted above. These processes are intended to ensure that premiums received are sufficient to cover the expected levels of attritional loss as well as a contribution to the cost of natural catastrophes and large losses where necessary. It is possible, however, that loss limitation methods may not work as intended in this respect and that actual losses, including attritional losses, from a class of risks may be greater than expected, which may have a material adverse effect on financial condition and the results of operations.

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 24. Risk management (continued)

#### d) Insurance risk management (continued)

##### (ii) Sensitivity to insurance risk (continued)

**The Syndicate may be unable to purchase reinsurance and its net income could be reduced or it could incur a net loss in the event of unusual loss experience.**

The Syndicate purchases reinsurance if it is deemed prudent from a risk mitigation perspective or if it is expected to have a favourable cost/benefit relationship relative to the retained risk portfolio. Changes in the availability and cost of reinsurance, which are subject to market conditions that are outside of the Syndicate's control, may reduce to some extent the Syndicate's ability to use reinsurance to balance exposures across its reinsurance or insurance operations. Accordingly, the Syndicate may not be able to obtain its desired amounts of reinsurance. In addition, even if the Syndicate is able to obtain such reinsurance, it may not be able to negotiate terms that are deemed appropriate or acceptable or obtain such reinsurance from entities with satisfactory creditworthiness.

**Profitability may be adversely impacted by inflation.**

The effects of inflation could cause the cost of claims from catastrophes or other events to rise in the future. The Syndicate's reserve for losses and loss expenses includes assumptions about future payments for settlement of claims and claims handling expenses, such as medical treatments and litigation costs. To the extent inflation causes these costs to increase above reserves established for these claims, the Syndicate will be required to increase its loss reserves with a corresponding reduction in net income in the period in which the deficiency is identified.

**The effects of emerging claim and coverage issues on the Syndicate's business are uncertain.**

As industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended issues related to claims and coverage may emerge. These issues may adversely affect the Syndicate's business by either broadening coverage beyond its underwriting intent or by increasing the number or size of claims. In some instances, these changes may not become apparent until some time after the Syndicate has issued insurance or reinsurance contracts that are affected by the changes. As a result, the full extent of liability under insurance or reinsurance contracts may not be known for many years after a contract is issued. Cyber risk is one such area where this is increasing.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 24. Risk management (continued)

#### c) Insurance risk management (continued)

#### (ii) Sensitivity to insurance risk (continued)

##### Quantitative sensitivity analysis

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit and members' balances.

	Change in assumption	Impact on gross liabilities £'000	Impact on net liabilities £'000	Impact on profit £'000	Impact on members' balances £'000
<b>2021</b>					
Loss ratio	+ 10%	10,179	-	-	-
<b>2020</b>					
Loss ratio	+ 10%	22,424	8,100	(8,100)	(8,100)

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive pure year of account at each reporting date, together with cumulative payments to date.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 24. Risk management (continued)

##### c) Insurance risk management (continued)

##### (ii) Sensitivity to insurance risk (continued)

#### Claims development table

Gross insurance contract outstanding claims provision as at 31 December 2021:

Pure year of account	Pre-2012	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Estimate of cumulative claims incurred												
At end of underwriting year		51,344	48,377	60,593	43,849	73,418	130,035	89,067	69,551	61,645	-	
One year later		83,678	87,477	106,295	120,644	192,203	252,295	249,768	160,972	138,043	-	
Two years later		77,071	91,276	119,921	119,922	201,210	278,511	299,659	168,126	-	-	
Three years later		80,021	88,638	113,797	128,197	193,887	291,012	300,932	-	-	-	
Four years later		84,141	86,432	131,492	127,367	202,906	308,186	-	-	-	-	
Five years later		81,701	89,044	127,787	126,109	205,251	-	-	-	-	-	
Six years later		76,959	80,172	129,703	120,825	-	-	-	-	-	-	
Seven years later		73,737	80,548	128,997	-	-	-	-	-	-	-	
Eight years later		72,416	79,181	-	-	-	-	-	-	-	-	
Nine years later		71,653	-	-	-	-	-	-	-	-	-	
Ten years later		-	-	-	-	-	-	-	-	-	-	
Estimate for cumulative claims		71,653	79,181	128,997	120,825	205,251	308,186	300,932	168,126	138,043	-	
Cumulative payments to date		66,836	70,759	119,017	110,824	154,289	219,325	178,143	68,876	30,695	-	
Claims outstanding per balance sheet	18,899	4,817	8,422	9,980	10,001	50,962	88,861	122,789	99,250	107,348	-	521,329

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 24. Risk management (continued)

##### c) Insurance risk management (continued)

##### (ii) Sensitivity to insurance risk (continued)

#### Claims development table

Net insurance contract outstanding claims provision as at 31 December 2021:

Pure year of account	Pre- 2012	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Estimate of cumulative claims incurred												
At end of underwriting year		35,299	32,971	35,909	28,204	31,974	46,425	41,220	31,562	30,274	-	
One year later		57,924	60,492	66,159	74,688	82,119	101,689	105,161	75,277	6,974	-	
Two years later		52,662	62,476	70,944	71,210	84,419	109,677	110,615	25,363	-	-	
Three years later		55,700	59,877	67,249	72,564	83,408	112,993	63,276	-	-	-	
Four years later		58,439	58,652	68,544	72,248	87,569	76,816	-	-	-	-	
Five years later		56,916	60,444	66,537	70,425	62,649	-	-	-	-	-	
Six years later		53,490	58,416	68,492	58,060	-	-	-	-	-	-	
Seven years later		52,689	58,733	59,779	-	-	-	-	-	-	-	
Eight years later		51,743	50,866	-	-	-	-	-	-	-	-	
Nine years later		47,577	-	-	-	-	-	-	-	-	-	
Ten years later		-	-	-	-	-	-	-	-	-	-	
Estimate for cumulative claims		47,577	50,866	59,779	58,060	62,649	76,816	63,276	25,363	36,973	-	
Cumulative payments to date		47,544	50,806	59,716	58,006	62,295	76,032	62,032	23,946	5,744	-	
Claims outstanding per balance sheet	149	33	60	63	54	354	784	1,244	1,417	1,229	-	5,387



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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 24. Risk management (continued)

#### d) Financial risk management

The Syndicate is exposed to a wide range of financial risks, the key financial risk being that the proceeds from its assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of financial risk are credit risk, market risk and liquidity risk.

An analysis of the Syndicate's exposure to each significant component of financial risk is given below:

#### Credit risk

Credit risk is defined as the risk that a counterparty is unable, or unwilling, to settle its debts to the Syndicate as they fall due. The primary sources of credit risk for the Syndicate are: amounts due from reinsurers, amounts due from insurance intermediaries, and counterparty risk with respect to investments including cash and cash equivalents. The Syndicate has in place policies and procedures designed to manage its credit risk exposures.

The credit risk in respect of reinsurance debtors is primarily managed by review and approval of reinsurance security by the Ceded Reinsurance Committee, prior to the purchase of reinsurance contracts. Guidelines are set, and monitored, that limit the purchase of reinsurance based on Standard & Poor's or appropriate alternative ratings for each reinsurer.

The credit risk in respect of insurance intermediaries is managed through the Operations Committee, with the assistance of the underwriting department and the binder management team. To transact business with the Syndicate the insurance intermediary must first comply with internal guidelines that include approval (where relevant) by both the PRA and Lloyd's, to have a satisfactory credit rating and to have in place a Terms of Business Agreement or a Binding Authority Agreement with the Syndicate.

The position is then monitored through on-going review of the amount of debt outstanding to terms, and by regular cover-holder audit.

Credit risk within the investment funds is managed through the credit research carried out by the investment managers. The investment guidelines are designed to mitigate credit risk by ensuring diversification of the holdings. Fixed income investments are predominantly invested in Government and corporate bonds.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 24. Risk management (continued)

#### d) Financial risk management (continued)

##### Credit risk (continued)

An analysis of the Syndicate's major exposure to counterparty credit risk, which is based on Standard & Poor's or equivalent rating, is presented below.

	AAA	AA	A	Other/ Not rated	Total
At 31 December 2021	£'000	£'000	£'000	£'000	£'000
Reinsurance debtors and reinsurers' share of claims outstanding	-	8,516	507,048	378	515,942
Debtors arising out of direct insurance operations	-	-	-	16,511	16,511
Debtors from ceding insurers and intermediaries	-	-	-	16,753	16,753
Debt and other fixed income securities	133,134	30,726	27,270	16,709	207,839
Holdings in collective investment schemes	1,576	916	10,117	944	13,553
Cash	-	2,543	7,486	-	10,029
Overseas deposits	4,544	9,200	8,433	60,347	82,524
<b>Total</b>	<b>139,254</b>	<b>51,901</b>	<b>560,354</b>	<b>111,642</b>	<b>863,151</b>
	AAA	AA	A	Other/ Not rated	Total
At 31 December 2020	£'000	£'000	£'000	£'000	£'000
Reinsurance debtors and reinsurers' share of claims outstanding	-	7,374	375,915	95	383,384
Debtors arising out of direct insurance operations	-	-	-	55,423	55,423
Debtors from ceding insurers and intermediaries	-	-	-	21,707	21,707
Debt and other fixed income securities	168,272	11,821	29,677	23,919	233,689
Holdings in collective investment schemes	4,966	3,837	4,729	-	13,532
Cash	-	2,811	11,811	-	14,622
Overseas deposits	47,418	14,995	9,594	13,894	85,901
<b>Total</b>	<b>220,656</b>	<b>40,838</b>	<b>431,726</b>	<b>115,038</b>	<b>808,258</b>

The financial assets included in the 'other/not rated' column relate to debt and other fixed income securities with credit ratings of BBB to CCC, premium debtors, reinsurance debtors and reinsurers' share of claims outstanding with unrated counterparties.

In addition, collateral is held in trust in respect of debtors outstanding on a quota share between the Syndicate and ESIL. This includes debt securities and cash and cash equivalents that are held with The Bank of New York Mellon, with a fair value of £72.9m (2020 – £63.3m) as at 31 December 2021.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 24. Risk management (continued)

#### d) Financial risk management (continued)

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.

As at 31 December 2021	Neither past due	Past due	Impaired	Total
	nor impaired £'000	£'000	£'000	£'000
Reinsurance debtors and reinsurers' share of claims outstanding	515,942	43,468	-	559,410
Debtors arising out of direct insurance operations	15,566	944	-	16,511
Debtors from ceding insurers and intermediaries	96,365	1,050	-	97,916
Debt and other fixed income securities	207,839	-	-	207,839
Holdings in collective investment schemes	13,553	-	-	13,553
Deposit with ceding undertaking	3,505	-	-	3,505
Cash	10,029	-	-	10,029
Overseas deposits	82,524	-	-	82,524
	945,824	45,462	-	991,286

As at 31 December 2020	Neither past due	Past due	Impaired	Total
	nor impaired £'000	£'000	£'000	£'000
Reinsurance debtors and reinsurers' share of claims outstanding	383,384	-	-	383,384
Debtors arising out of direct insurance operations	34,484	20,939	-	55,423
Debtors from ceding insurers and intermediaries	130,853	(2,066)	-	128,786
Debt and other fixed income securities	233,689	-	-	233,689
Holdings in collective investment schemes	13,532	-	-	13,532
Cash	14,622	-	-	14,622
Overseas deposits	85,901	-	-	85,901
	896,466	18,872	-	915,338

#### Financial assets that are neither past due nor impaired

Insurance and reinsurance receivables that are neither past due nor impaired are creditworthy debtors with a good payment record with the Branch. Financial investments and cash at bank and in hand are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

#### Financial assets that are either past due or impaired

Of the amounts arising from insurance and reinsurance operations £45.5m (2020 - £18.9m) are past due as at the balance sheet date, of which £43.6m (2020 - £17.5m) are aged less than 6 months and £1.9m (2020 - £1.4m) are aged more than 6 months. These amounts are unsecured.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 24. Risk management (continued)

#### d) Financial risk management (continued)

##### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factors.

Market risk comprises three types of risk as set out below:

- interest rate risk (due to fluctuations in market interest rates)
- currency risk (due to fluctuations in foreign exchange rates)
- price risk (due to fluctuations in market prices)

##### Interest rate risk

The majority of the Syndicate's investments comprise cash and fixed income securities. The fair value of the Syndicate's investments is inversely correlated to movements in interest rates. If interest rates fall, the fair value of the Syndicate's fixed income securities tends to rise and vice versa.

The tables below show the potential impact on profit and loss and equity resulting from fluctuations in interest rates, based on the portfolio duration, as follows:

<b>At 31 December 2021</b>	<b>£'000</b>
Change in interest rates (Basis points)	
+100 bps	(3,050)
+50 bps	(1,532)
-50 bps	1,545
-100 bps	3,104
<b>At 31 December 2020</b>	<b>£'000</b>
Change in interest rates (Basis points)	
+100 bps	(4,221)
+50 bps	(2,122)
-50 bps	816
-100 bps	817

The Syndicate manages interest rate risk by investing in financial investments with an average duration of less than 3 years. The Company monitors the duration of these assets on a regular basis.

Outstanding claims provisions are not sensitive to the level of interest rates, as they are undiscounted and contractually non-interest bearing.

##### Currency risk

The Syndicate operates internationally and its exposures to foreign exchange risk arise primarily with respect to the US Dollar. The Syndicate mitigates currency risk by endeavouring to maintain a match of assets and liabilities in their respective currencies.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 24. Risk management (continued)

#### d) Financial risk management (continued)

##### Currency risk (continued)

The table below show the potential impact, by currency to US Dollar, on profit and loss and equity resulting from fluctuations in foreign exchange rates:

At 31 December 2021	GBP	USD	CAD	Euro	Yen	Aus\$	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
10%	2,848	-	(1,073)	1,479	144	4,106	7,505
5%	1,492	-	(562)	775	76	2,151	3,931
-5%	(1,649)	-	621	(856)	(84)	(2,377)	(4,345)
-10%	(3,481)	-	1,311	(1,808)	(176)	(5,018)	(9,172)

At 31 December 2020	GBP	USD	CAD	Euro	Yen	Aus\$	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
10%	3,603	-	(2,070)	2,813	150	3,658	8,155
5%	1,887	-	(1,084)	1,474	79	1,916	4,272
-5%	(2,086)	-	1,198	(1,629)	(87)	(2,118)	(4,721)
-10%	(4,404)	-	2,530	(3,438)	(184)	(4,471)	(9,968)

##### Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded on the market.

The Syndicate holds no equity investments and so has a low exposure to price risk.

##### Liquidity risk

Liquidity risk arises where insufficient financial resources are maintained to meet liabilities as they fall due.

The Syndicate is exposed to daily calls on its available cash resources, principally from claims arising from its insurance activities. The average duration of insurance contract liabilities is 2.3 years (2020 - 2.4 years). The Syndicate's policy is to manage its liquidity position so that it can reasonably meet a significant individual or market loss event. This means that the Syndicate maintains sufficient liquid assets, or assets that can be quickly converted into liquid assets, without any significant capital loss, to meet estimated cash flow requirements. These liquid funds are regularly monitored and the majority of the Syndicate's investments are in highly liquid assets which could be converted into cash in a short time frame and at minimal expense. Cash and overseas deposits are generally bank deposits and money market funds.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 24. Risk management (continued)

#### e) Financial risk management (continued)

##### Liquidity risk (continued)

The table below summarises the maturity profile of the Syndicate's financial liabilities based on the remaining undiscounted contractual obligations, including interest payable.

	0-1 year	1-3 years	3-5 years	>5 years	Total
At 31 December 2021	£'000	£'000	£'000	£'000	£'000
Claims outstanding	186,639	186,593	83,116	64,981	521,329
Creditors	124,867	91,364	40,697	31,818	288,746
Total	311,506	277,957	123,813	96,799	810,075
At 31 December 2020	£'000	£'000	£'000	£'000	£'000
Claims outstanding	165,596	217,246	97,993	66,842	547,677
Creditors	97,108	-	-	-	97,108
Total	262,704	217,246	97,993	66,842	644,785

### 25. Post Balance Sheet events

There are no post Balance Sheet events.