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Syndicate 1947

Annual Report

Year ended
31 December 2020

CONTENTS

SYNDICATE 1947
DIRECTORS AND ADVISERS

Managing Agent

Hamilton Managing Agency Limited

Registered Office

Level 3
8 Fenchurch Place
London
EC3M 4AJ

Registered Number

05832065

Directors

P. J. Barrett	Non-Executive
M. J. Beacham	Independent Non-Executive
M. J. Beane	Independent Non-Executive
C. D. Brown (resigned 30 June 2020)	Executive
T. A. B. H. Glover (resigned 20 November 2020)	Executive
P. C. F. Haynes	Independent Non-Executive, Chairman
P. Skerlj (resigned 8 September 2020)	Non-Executive
J. F. Reiss (resigned 30 June 2020)	Non-Executive
A. Ursano Jr (resigned 8 September 2020)	Non-Executive
R. S. Vetch	Executive
D. N. White (resigned 11 November 2020)	Executive

Company Secretary

D.V.T. Ford

Syndicate

Active Underwriter

N. Attwood

Bankers

Citibank N.A.
HSBC
Royal Bank of Canada

Investment Manager

Conning Asset Management Limited

Auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

The Directors of Hamilton Managing Agency Limited ("HMA") present the Managing Agent's Report for Syndicate 1947 ("the Syndicate") for the year ended 31 December 2020.

Principal Activity

The principal activity of the Syndicate is the underwriting of general insurance and reinsurance business at Lloyd's. The Syndicate commenced underwriting on 1 April 2018.

The Syndicate's allocated capacity for the 2021 year of account is £125.0m. The capacity for the 2020 year of account was £82.0m (2019: £77.5m).

Management of the Syndicate

From 20 August 2019, HMA's immediate parent undertaking is Hamilton UK Holdings Limited, a company registered in England and Wales. The company's ultimate parent company is Hamilton Insurance Group, Ltd (collectively with its subsidiaries, "the Hamilton Group"), a company registered in Bermuda. The Hamilton Group acquired HMA from Pembroke JV Limited (the ultimate parent company of Pembroke JV Limited was Liberty Mutual Holding Company Inc.).

Capital to support the underwriting of the Syndicate is provided by GIC Re, India, Corporate Member Limited, which is ultimately owned by General Insurance Corporation of India ("GIC").

Business of the Syndicate

The Syndicate is a provider of specialist insurance and reinsurance products. Domestic classes relate to domestic Indian cession business.

During the 2020 financial year gross written premium by product area was as follows:

	2020 **£000**	**2019** **£000**
Property – London Market	37,997	30,650
Agriculture*	20,421	14,274
Personal Lines	15,625	-
Property - Domestic*	8,327	10,533
Specialty	9,670	2,650
Total	92,040	58,107

* Cession from GIC.

The product areas have been aggregated compared to those previously reported as a result of expansion into new lines of business. Further details of the product areas are provided below.

<u>Property – London Market</u>

This comprises Property D&F and Property Treaty portfolios. The Property D&F portfolio is written to achieve a blend and balance of both excess and primary layer, cat and non-cat exposed, across both US and international portfolios. The business written is predominantly open market, with three binding authorities written during 2020 (2019: three).

The Property Treaty portfolio is written worldwide but the main exposures are very much US weighted, driven by the catastrophe covers purchased by US cedants and, to a lesser extent, on direct and facultative accounts written in London.

<u>Agriculture</u>

This book of business relates to The Prime Minister's Agriculture Insurance Scheme ("PMFBY"). The Syndicate writes a proportional treaty reinsurance of the GIC Re portfolio of Indian domestic agriculture insurance companies.

<u>Personal Lines</u>

Commencing in 2020, this business line relates to a quota share cession in relation to risks across a diversified portfolio, covering homeowners, motor, liability, collections and yacht exposures. The portfolio focuses on ultra-high net worth US clients.

Business of the Syndicate (continued)

Property – Domestic

This comprises a number of lines:

- Domestic property treaty: this portfolio consists of a selection of proportional and non-proportional property business written by GIC Re from the Indian domestic insurers covering Indian exposures only.
- Domestic property facultative: the Syndicate participates on a quota share protecting large property risks for Indian domestic exposures where additional capacity is required.
- The International business was restricted for 2020 to a small portfolio of Japanese excess of loss treaties covering Earthquake and Typhoon and was not maintained as an independent line of business but is included within the open market treaty portfolio.

Specialty

This product area comprises:

- A Domestic Marine portfolio, which consists of a selection of non-proportional treaty and direct & facultative marine business written by GIC Re from Indian domestic insurers.
- A Specialty Reinsurance portfolio focussed on worldwide terrorism, complimented by a range of composite marine layers.
- Commencing in 2020, the Syndicate participates in a UK motor reinsurance consortium.
- PA consortium and a quota share of niche PA risks.
- A proportional casualty portfolio consisting of two blue chip insurers writing a broad international portfolio.

Review of Financial Performance

The Syndicate's key financial indicators are as follows:

	2020	**2019**
	£000	**£000**
Syndicate capacity	82,000	77,500
Gross written premium	92,040	58,107
Loss for the financial year / total comprehensive loss for the financial year	(10,256)	(1,586)
Combined ratio	119.5%	104.9%
Investments, cash and deposits	23,803	8,935

The Syndicate reports a loss for the year of £10.3m (2019: £1.6m), resulting from higher than expected claims activity in the year.

On an ultimate basis, the 2018 year of account has closed at a loss of £6.1m. Loss activity during 2020 means that the 2019 and 2020 years of account are forecast to make modest losses also.

Gross Written Premiums

The Syndicate reports gross written premium for the financial year of £92.0m (2019: £58.1m). This is in line with the plan for the year and reflects an increase on 2019 due to expansion into additional business lines.

Claims Incurred

The net loss ratio of 96% (2019: 78%) reflects the impact of major losses, notably Hurricane Sally on the Property lines. Additional reserves have also been recognised in relation to potential COVID-19 losses, adding 3.7 percentage points to the net claims ratio. The 2019 result included the Syndicate's exposure to two loss events, Typhoon Faxai and Hagibis.

Balance Sheet

Syndicate assets have increased by £53.1m to £105.7m (2019: £52.6m) and the total liabilities have increased by £63.4m to £129.3m (2019: £65.9m). The increase in both assets and liabilities is due to the additional (and larger) third year of account commencing. The increase in liabilities vs. assets reflects the loss activity and reserving movements in the year.

Part VII Transfer

Following the UK's departure from the European Union, the Syndicate transferred its European non-life insurance policies written between 2018 and 2020 to Lloyd's Insurance Company S.A. (LIC) on the 30 December 2020 in order to continue to access business located in Europe. On the same day, LIC subsequently reinsured the same liabilities back to the Syndicate. There was no gain or loss in this transaction and both the Syndicate and LIC were left in the same economic position prior to the transaction. Note 3 of the financial statements contains more details of the transfer and the accounting policies have been updated to reflect the accounting treatment followed.

Future Prospects

The stamp capacity has increased by £43.0m (or 52%) to £125.0m for 2021. This reflects the renewal of certain elements of GIC's international portfolio into the Syndicate in 2021, consisting of European / US catastrophe excess of loss business and international casualty risks. This is part of the GIC strategy to continue to grow its presence in Lloyd's at the heart of its global speciality (re)insurance franchise.

Research and Development

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

Staff Matters

HMA recognises that its staff members are key resources and seeks to provide a good working environment for its staff that is safe and complies with appropriate employee legislation. During the year there have been no significant injuries to staff in the workplace or any significant actions taken by any regulatory bodies with regard to staff matters.

Human resources' key performance indicators are reviewed periodically by committees of the Board, and all such indicators are in line with the expectations of the Directors.

As of 1 December 2019, all HMA UK staff were transferred to Hamilton UK Service Company Limited and HMA entered into a service agreement with this entity for the provision of services in relation to its role as managing agent, including for Syndicate 1947. HMA and Hamilton UK Service Company Limited are both fully owned subsidiaries of Hamilton UK Holdings Limited.

The Board ensures that the interests of its staff members are appropriately considered when taking decisions. In 2020 this was demonstrated by:

- Regular Employee Town Halls where senior management facilitated discussion on key business developments in an open forum.
- A periodic staff engagement survey with appropriate follow up action taken.
- The establishment of the Black Lives Matter working group as an extension to the Diversity & Inclusion Forum.
- Regular training for staff members on various matters from unconscious bias to mindfulness.
- The launch of a new long-term incentive compensation plan.

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

The Company actively monitored the evolving situation with the global Coronavirus (COVID-19) pandemic to ensure the well-being of staff members, as well as uninterrupted service and responsiveness to clients.

Environmental Matters

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

Business Relationships

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

Business Conduct

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

Regulators

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

Principal Risks and Uncertainties

The Board sets risk appetite annually as part of the Syndicate's business planning and capacity setting process. HMA has established an Underwriting and Risk Committee ("URC") which meets at least quarterly to review and update the risk register and to monitor performance against risk appetite using a series of key risk indicators. An Own Risk and Solvency Assessment ("ORSA") report is completed annually and reviewed on a quarterly basis. The ORSA is used to monitor changes in the risk profile of HMA and to ensure that HMA meets its current and future capital requirements. The principal risks and uncertainties facing the Syndicate are set out in note 2 to the Annual Report.

Directors and Officers Serving During the Year

The Directors who served during the year ended 31 December 2020 and up to the date of this report (and the current Company Secretary) are detailed on page 3.

Annual General Meeting

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

Auditor

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

Disclosure of Information to the Auditor

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

Board Approval

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

R. S Vetch
Chief Financial Officer
9 March 2021

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The managing agent is responsible for preparing the Syndicate Annual Accounts in accordance with applicable law and regulations.

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

In preparing the Syndicate Annual Accounts, the managing agent is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the syndicate accounts; and
- assess the Syndicate's ability to continue to write new business, disclosing as applicable, matters related to its ability to continue to operate and use the going concern basis of accounting, unless the managing agent intends to cease to operate the Syndicate or has no realistic alternative but to do so.

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's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 1947

Opinion

We have audited the syndicate annual accounts of Syndicate 1947 ('the syndicate') for the year ended 31 December 2020 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Members' Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 17, 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 2020 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 below. 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, 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 to adopt the going concern basis of accounting for a period of at least twelve months from when the syndicate annual accounts are authorised for issue.

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

Other information

The other information comprises the information included in the annual report as set out on pages 4 to 7, other than the syndicate annual accounts and our auditor's report thereon. The directors of the managing agent are responsible for the other information. Our opinion on the syndicate annual accounts does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the syndicate annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the syndicate annual accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of 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 directors 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 the Lloyd's of London, 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, Audit, Nomination, Investment and Risk Management Committee of the managing agent; and gained an understanding of the managing agent's approach to governance.

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

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, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the managing agent's methods of enforcing and monitoring compliance with such policies, inspecting significant correspondence with Lloyd's, the FCA and the PRA.
- The syndicate operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.
- We assessed the susceptibility of the syndicate's annual accounts to material misstatement, including how fraud might occur by considering the controls that the managing agent has established to address risks identified by the managing agent, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, including complex transactions, performance targets, external pressures and their potential to influence management to manage earnings or influence the perceptions of stakeholders. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. The fraud risk was considered to be higher in respect of inadequate reserving for gross claims liabilities.

Our audit procedures included:

- Reviewing accounting estimates for evidence of management bias. Supported by our Actuaries we assessed if there were any indicators of management bias in the valuation of insurance liabilities.
- Evaluating the business rationale for significant and/or unusual transactions.
- Testing the appropriateness of journal entries recorded in the general ledger, particularly in respect of judgemental areas including insurance liabilities.

In addition, we considered the impact of COVID-19 on the syndicate, including an assessment of the consistency of operations and controls in place as they transitioned to operating remotely for a significant proportion of 2020, and making enquiries with management via use of video conferencing. We performed analytical review procedures to assess for unusual movements throughout the year. Our audit procedures also incorporate unpredictability into the nature, timing and extent of our testing.

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

Use of our report

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

Robert Bruce (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
9 March 2021

SYNDICATE 1947
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £000	2019 £000
TECHNICAL ACCOUNT – GENERAL BUSINESS			
Earned premiums, net of reinsurance			
Gross premiums written	3	92,040	58,107
Outward reinsurance premiums		(21,765)	(12,523)
Net premiums written		70,275	45,584
Change in the provision for unearned premiums			
Gross amount		(16,008)	(6,994)
Reinsurers' share		4,312	343
Change in the net provision for unearned premiums		(11,696)	(6,651)
Earned premiums, net of reinsurance		58,579	38,933
Allocated investment return transferred from the non-technical account		75	31
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(20,162)	(12,742)
Reinsurers' share		52	3,235
Net claims paid		(20,110)	(9,507)
Change in the provision for claims			
Gross amount		(49,050)	(23,572)
Reinsurers' share		13,161	2,521
Change in the net provision for claims		(35,889)	(21,051)
Claims incurred, net of reinsurance		(55,999)	(30,558)
Net operating expenses	5	(14,011)	(10,267)
Balance on the technical account for general business		(11,356)	(1,861)
NON-TECHNICAL ACCOUNT			
Income from investments	9	75	31
Allocated investment return transferred to the technical account		(75)	(31)
Foreign exchange gains/(losses)		1,100	275
Loss for the financial year		(10,256)	(1,586)
Other comprehensive income		-	-
Total comprehensive loss for the financial year		(10,256)	(1,586)

All the amounts above are in respect of continuing operations.

SYNDICATE 1947
STATEMENT OF CHANGES IN MEMBERS' BALANCES
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 **£000**	**2019** **£000**
Balance due from members at 1 January	(13,299)	(11,713)
Loss for the financial year	(10,256)	(1,586)
Balance due from members at 31 December	(23,555)	(13,299)

SYNDICATE 1947
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 £000	2019 £000
ASSETS			
Investments			
Financial investments	10	20,270	7,134
Reinsurers' share of technical provisions			
Provision for unearned premiums	13	4,903	900
Claims outstanding	13	18,095	6,102
		22,998	7,002
Debtors due within one year			
Debtors arising out of direct insurance operations – intermediaries	12	10,087	5,390
Debtors arising out of reinsurance operations		41,192	28,987
Other debtors – due from other syndicates		289	1
		51,568	34,378
Other assets			
Cash at bank and in hand		2,768	1,585
Other assets	10	765	216
		3,533	1,801
Prepayments and accrued income			
Deferred acquisition costs	11	7,322	2,318
Other prepayments & accrued income		56	2
TOTAL ASSETS		105,747	52,635
MEMBERS' BALANCES AND LIABILITIES			
Members' balances		(23,555)	(13,299)
Technical provisions			
Provision for unearned premiums	13	30,283	15,567
Claims outstanding	13	87,793	43,150
		118,076	58,717
Creditors due within one year			
Creditors arising out of reinsurance operations		7,896	2,329
Other creditors	14	-	4,101
		7,896	6,430
Accruals and deferred income		3,330	787
TOTAL MEMBERS' BALANCES AND LIABILITIES		105,747	52,635

The Syndicate Annual Accounts on pages 12 to 34 were approved by the Board of Hamilton Managing Agency Limited on 9 March 2021 and were signed on its behalf by:

R. S. Vetch
Chief Financial Officer

SYNDICATE 1947
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £000	2019 £000
Cash flow from operating activities		
Operating result	(10,256)	(1,586)
Adjustments:		
Increase in technical provisions	65,057	26,779
Increase in reinsurers' share of technical provisions	(20,213)	(726)
Increase in debtors	(19,283)	(12,962)
Increase / (decrease) in creditors	1,611	(3,084)
Movement in other assets and liabilities	(1,602)	(1,958)
Investment return	(75)	(31)
Net cash inflow from operating activities	15,239	6,432
Cash flows from investing activities		
Purchase of equity and debt instruments	(27,409)	(6,191)
Sale of equity and debt instruments	13,207	-
Investment income received	79	31
Net cash outflow from investing activities	(14,123)	(6,160)
Net increase in cash and cash equivalents	1,116	272
Cash and cash equivalents at 1 January	1,585	1,313
Foreign exchange on cash and cash equivalents	67	-
Cash and cash equivalents at 31 December	2,768	1,585

1. Statement of Accounting Policies

General Information

The Syndicate comprises a single corporate member of the Society of Lloyd's that underwrites insurance and reinsurance business in the London market. The corporate member is GIC Re, India, Corporate Member Limited. The registered address of the corporate member is 40 Lime Street, 3rd Floor, London, United Kingdom, EC3M 7AW.

Compliance with Accounting Standards

These Financial Statements have been prepared in accordance with United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", FRS 103 "Insurance Contracts" and the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. There were no material departures from those standards.

Basis of Preparation

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

The financial statements are presented in pounds sterling, which is the Syndicate's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Going Concern Basis

These financial statements are prepared on a going concern basis.

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

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

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

The Directors have a reasonable expectation that the Syndicate has adequate resources including the Funds at Lloyd's of the member supporting the Syndicate (as detailed in note 14) to continue in operational existence for the foreseeable future.

Use of Judgements and Estimates

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

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

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

1. Statement of Accounting Policies (continued)

Use of Judgements and Estimates (continued)

Provision for Claims Outstanding

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

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

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

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

Estimated Premium Income

For certain insurance contracts, premium is initially recognised based on an estimate. These estimates are judgemental and could result in prospective revisions in future accounting periods. The use of expert judgements and historical development patterns are the principle means by which the potential for revisions are minimised.

Basis of Accounting

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

Premiums Written

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

Unearned Premiums

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

Reinsurance Premiums Ceded

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

1. Statement of Accounting Policies (continued)

<u>Basis of Accounting (continued)</u>

Acquisition Costs

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

Claims Provisions and Related Recoveries

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

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

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

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

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

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

Unexpired Risks Provision

A provision for unexpired risks is made where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition cost deferred. The provision for unexpired risks is calculated by reference to classes of business which are managed together, after taking into account relevant investment return. As at 31 December 2020 and 31 December 2019, the Syndicate did not have an unexpired risk provision.

Foreign Currencies

The Syndicate's functional and presentation currency is pounds sterling.

Transactions in US dollars, Canadian dollars, Australian dollars and euros are translated at the average rates of exchange for the period. Transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

1. Statement of accounting policies (continued)

Basis of Accounting (continued)

Foreign Currencies (continued)

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

Exchange differences arising on the retranslation of opening balance sheet items at the closing balance sheet rate and the retranslation of the profit and loss account for the year are recorded in the non-technical account.

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

	31 December 2020	**31 December 2019**
US dollar	1.37	1.32
Canadian dollar	1.74	1.72
Euro	1.12	1.18
Australian dollar	1.77	1.88
Japanese yen	141.12	143.93

Financial Investments

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

The Syndicate classifies its financial investments as financial assets at fair value through profit or loss (“FVPL”). The Syndicate determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value plus, in the case of instruments not at FVPL, directly attributable transaction costs.

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

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

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

Cash and Cash Equivalents

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

1. Statement of accounting policies (continued)

<u>Basis of Accounting (continued)</u>

Investment Return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

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

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

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

Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members is gross of tax.

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

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

Pension Costs

GIC UK branch operates a defined contribution scheme. Pension contributions relating to seconded staff are charged to the Syndicate and included within net operating expenses.

Profit Commission

Profit commission due from the Syndicate to the managing agent is not payable until after the appropriate year of account closes – typically at 36 months. An accrual is calculated and recognised in the financial statements based on the cumulative earned underwriting results of each year of account.

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

Insurance Receivables

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

Insurance Payables

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

1. Statement of accounting policies (continued)

Basis of accounting (continued)

Derecognition of Financial Assets

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

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

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

2. Risk Management

Risk Framework

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

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

The Underwriting & Risk Committee ("URC") and the Board approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. Significant emphasis is placed on the assessment and documentation of existing and emerging risks and controls, including the articulation of risk appetite.

Insurance Risk - Underwriting

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

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

Principal Risks

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

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

2. Risk Management (continued)

Insurance Risk – Underwriting (continued)

Reinsurance

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

Underwriting Committee

The Syndicate organises underwriting through product areas. The URC provides direct oversight for each underwriting unit, and ultimately the URC reports to the HMA Board.

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

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

Diversification

Risks usually cover twelve months' duration. Risks deliberately emanate from a diverse range of sources. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geographical segmentation.

Claims Management

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

The following table gives an indication of the likely quantum and scale of the largest (on a gross basis) Realistic Disaster Scenarios estimated for 2020 (highest gross event loss for year ended 31 December 2019 was California Earthquake – San Francisco at £41.7m).

Realistic Disaster Scenarios	**Gross event loss £000**	**Net event loss £000**
California Earthquake - San Francisco	52,606	14,132
Gulf of Mexico Windstorm	47,653	15,782
Florida Windstorm - Pinella	46,800	16,122

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

Insurance Risk – Reserving

Principal Risk

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

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

2. Risk Management (continued)

Insurance Risk – Reserving (continued)

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

Impact on result and members' balances (change in net reserves)	**2020 £000**	**2019 £000**
Net loss ratio - increase of 5%	(2,929)	(1,947)
Net loss ratio - increase of 10%	(5,858)	(3,893)

Mitigation

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

Regulatory Risk

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

Capital Framework at Lloyd's

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

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

Provision of Capital by Members

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

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

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The key aspect of credit risk is the risk of default by a reinsurer, insurance intermediary or debt holder. The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2020 by classifying assets according to Standard & Poor's credit ratings of the counterparties for assets not yet due. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB and below are classified as speculative grade and have not been rated.

2. Risk Management (continued)

Credit Risk (continued)

As at 31 December 2020	AAA £000	AA £000	A £000	BBB and below £000	Not rated £000	Total £000
Variable yield securities	1,710	-	1,716	-	1,290	4,716
Debt securities	150	7,159	7,502	743	-	15,554
Overseas deposits	381	71	128	65	120	765
Reinsurers' share of outstanding claims	-	805	13,661	-	3,629	18,095
Reinsurance debtors not yet past due	-	-	-	-	47	47
Cash at bank and in hand	-	-	2,768	-	-	2,768
Total	2,241	8,035	25,775	808	5,086	41,945

As at 31 December 2019	AAA £000	AA £000	A £000	BBB and below £000	Not rated £000	Total £000
Variable yield securities	5,988	-	885	-	261	7,134
Overseas deposits	125	27	24	19	21	216
Reinsurers' share of outstanding claims	-	-	6,102	-	-	6,102
Cash at bank and in hand	1,585	-	-	-	-	1,585
Total	7,698	27	7,011	19	282	15,037

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

Investment credit risk is managed through investment management guidelines and quarterly compliance reports.

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

As at 31 December 2020	Not yet due £000	Past due by three months £000	Past due three to six months £000	Past due six to 12 months £000	Past due over 12 months £000	Total £000
Variable yield securities	4,716	-	-	-	-	4,716
Debt securities	15,554	-	-	-	-	15,554
Overseas deposits	765	-	-	-	-	765
Reinsurers' share of outstanding claims	18,095	-	-	-	-	18,095
Cash at bank and in hand	2,768	-	-	-	-	2,768
Insurance debtors	6,858	686	1,143	734	666	10,087
Other debtors	53,762	-	-	-	-	53,762
Total	102,518	686	1,143	734	666	105,747

As at 31 December 2019	Not yet due £000	Past due by three months £000	Past due three to six months £000	Past due six to 12 months £000	Past due over 12 months £000	Total £000
Variable yield securities	7,134	-	-	-	-	7,134
Overseas deposits	216	-	-	-	-	216
Reinsurers' share of outstanding claims	6,102	-	-	-	-	6,102
Cash at bank and in hand	1,585	-	-	-	-	1,585
Insurance debtors	4,330	506	554	-	-	5,390
Other debtors	32,208	-	-	-	-	32,208
Total	51,575	506	554	-	-	52,635

2. Risk Management (continued)

Credit Risk (continued)

As at the balance sheet date, all financial assets of the Syndicate are unimpaired.

Liquidity Risk

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

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

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

As at 31 December 2020	Up to one year £000	One to three years £000	Three to five years £000	Greater than five years £000	Total £000
Claims outstanding	17,573	25,930	15,838	28,452	87,793
Creditors	7,896	-	-	-	7,896
Other	3,330	-	-	-	3,330
Total	28,799	25,930	15,838	28,452	99,019

As at 31 December 2019	Up to one year £000	One to three years £000	Three to five years £000	Greater than five years £000	Total £000
Claims outstanding	16,441	19,008	5,134	2,567	43,150
Creditors	6,430	-	-	-	6,430
Other	787	-	-	-	787
Total	23,658	19,008	5,134	2,567	50,367

Market Risk

Investment Risk

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

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

Interest rate risk	2020 £000	2019 £000
Impact of 50 basis point increase on result	(219)	-
Impact of 50 basis point decrease on result	219	-
Impact of 50 basis point increase net assets	(219)	-
Impact of 50 basis point decrease net assets	219	-

2. Risk Management (continued)

Market Risk (continued)

Currency Risk

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

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

As at 31 December 2020	GBP £000	USD £000	EUR £000	CAD £000	AUD £000	JPY £000	Total £000
Financial investments	1,292	17,603	-	1,375	-	-	20,270
Reinsurers' share of technical provisions	183	23,574	174	(160)	(773)	-	22,998
Insurance and reinsurance receivables	863	49,411	172	178	491	164	51,279
Cash and overseas deposits	649	92	607	137	1,510	538	3,533
Other debtors, prepayments & accrued income	4,247	3,216	(1)	110	95	-	7,667
Total assets	7,234	93,896	952	1,640	1,323	702	105,747
Technical provisions	(9,376)	(106,004)	(325)	(1,124)	(1,177)	(70)	(118,076)
Insurance and reinsurance liabilities	(88)	(7,779)	(29)	-	-	-	(7,896)
Other creditors, accruals, deferred income	(3,330)	-	-	-	-	-	(3,330)
Total liabilities	(12,794)	(113,783)	(354)	(1,124)	(1,177)	(70)	(129,302)
Currency (deficiency)/surplus	(5,560)	(19,887)	598	516	146	632	(23,555)

As at 31 December 2019	GBP £000	USD £000	EUR £000	CAD £000	AUD £000	JPY £000	Total £000
Financial investments	261	6,098	-	775	-	-	7,134
Reinsurers' share of technical provisions	88	6,806	48	27	33	-	7,002
Insurance and reinsurance receivables	809	32,606	131	233	599	-	34,378
Cash and overseas deposits	236	26	40	77	1,184	238	1,801
Other debtors, prepayments & accrued income	685	1,363	14	104	139	15	2,320
Total assets	2,079	46,899	233	1,216	1,955	253	52,635
Technical provisions	(2,515)	(53,504)	(453)	(820)	(1,320)	(105)	(58,717)
Insurance and reinsurance liabilities	(87)	(2,194)	(48)	-	-	-	(2,329)
Other creditors, accruals, deferred income	(4,858)	(30)	-	-	-	-	(4,888)
Total liabilities	(7,460)	(55,728)	(501)	(820)	(1,320)	(105)	(65,934)
Currency (deficiency)/surplus	(5,381)	(8,829)	(268)	396	635	148	(13,299)

2. Risk management (continued)

Market Risk (continued)

Currency Risk (continued)

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

	2020 £000	2019 £000
Sterling weakens		
10% against other currencies	(2,000)	(880)
20% against other currencies	(4,499)	(1,979)
Sterling strengthens		
10% against other currencies	1,636	720
20% against other currencies	2,999	1,320

Operational Risk

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

3. Segmental Analysis

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

2020	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000
Direct insurance:						
Marine aviation and transport	-	-	-	-	-	-
Fire and other damage to property	20,767	17,367	(29,071)	(5,423)	3,137	(13,990)
Miscellaneous	370	201	(69)	(95)	(60)	(23)
	21,137	17,568	(29,140)	(5,518)	3,077	(14,013)
Reinsurance	70,903	58,464	(40,072)	(11,132)	(4,678)	2,582
Total	92,040	76,032	(69,212)	(16,650)	(1,601)	(11,431)

2019	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000
Direct insurance:						
Marine aviation and transport	278	232	(109)	(52)	(110)	(39)
Fire and other damage to property	8,439	7,433	(5,373)	(1,491)	(825)	(256)
Miscellaneous	101	91	(32)	(11)	(39)	9
	8,818	7,756	(5,514)	(1,554)	(974)	(286)
Reinsurance	49,289	43,357	(30,800)	(8,713)	(5,450)	(1,606)
Total	58,107	51,113	(36,314)	(10,267)	(6,424)	(1,892)

Commissions on direct insurance gross premiums during 2020 were £2.7m (2019: nil).

3. Segmental Analysis (continued)

All premiums were concluded in the UK, other than £0.2m (2019: £0.2m) of business through the Lloyd's Brussels platform.

On 30 December 2020, the Syndicate transferred its EEA non-life insurance policies written between 2018 and 2020 to Lloyd's Insurance Company S.A. ('Lloyd's Brussels') pursuant to Part VII of the Financial Services and Markets Act 2000. The value of the net liabilities transferred was $0.8m. The Syndicate transferred cash of the same amount to Lloyd's Brussels. Lloyd's Brussels subsequently reinsured the same liabilities back to the Syndicate on the same day. The reinsurance premium received was of the same amount of $0.8m. There was no gain or loss arising on either transaction.

Both the cash transferred for the Part VII transfer and the premium subsequently received back from Lloyd's Brussels have been included in gross written premiums within the income statement. This treatment best reflects the connection between economic substance of both the Part VII transfer and the associated reinsurance arrangement, and the resulting economic substance of the combined transaction.

Current year 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. In future years, results relating to these risks will be reported under the Inwards Reinsurance class of business, reflecting the new contractual arrangement with Lloyd's Brussels. The transaction has no impact on equity.

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

	2020 **£000**	**2019** **£000**
India	29,219	25,327
US	40,758	15,983
Other	22,063	16,797
Total	92,040	58,107

4. Claims Incurred, Net of Reinsurance

Prior Year Reserve Development

In setting claims provisions, the Syndicate gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an underwriting year is greatest when the underwriting year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherent in the estimation process, the actual overall claim provision may not always be in surplus.

Claims incurred, net of reinsurance, include favourable prior year development of £6.6m (2019: £1.8m). Prior year claims development is analysed by line of business in the table below.

	2020 **£000**	**2019** **£000**
Marine aviation and transport	4	(37)
Fire and other damage to property	(284)	(245)
Miscellaneous	-	7
Reinsurance	6,858	(1,537)
Favourable/(adverse) development	6,578	(1,812)

4. Claims Incurred, Net of Reinsurance (continued)

Gross Claims Development

Pure underwriting year	2018 £000	2019 £000	2020 £000	Total £000
Estimate of cumulative claims incurred				
At the end of the underwriting year	19,538	24,715	**38,958**	
One year later	28,901	**54,092**		
Two years later	**25,399**			
Less: cumulative payments to date	(13,611)	(11,396)	(5,649)	
Gross claims outstanding provision	11,788	42,696	33,309	87,793

Net Claims Development

Pure underwriting year	2018 £000	2019 £000	2020 £000	Total £000
Estimate of cumulative claims incurred				
At the end of the underwriting year	16,015	23,984	**35,020**	
One year later	20,724	**44,594**		
Two years later	**17,668**			
Less: cumulative payments to date	(10,588)	(11,396)	(5,600)	
Net claims outstanding provision	7,080	33,198	29,420	69,698

5. Net Operating Expenses

	2020 £000	2019 £000
Acquisition costs	12,737	7,517
Change in deferred acquisition costs	(2,741)	(889)
Administrative expenses	4,015	3,639
Net operating expenses	14,011	10,267

6. Auditor’s Remuneration

	2020 £000	2019 £000
Fees payable to the Syndicate’s auditor for:		
Audit of the Syndicate Annual Accounts	90	48
Other services pursuant to regulations and Lloyd’s byelaws	70	37
Other non-audit services	39	25
	199	110

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

7. Staff Numbers and Costs

All staff were employed by Hamilton Managing Agency Limited until 1 December 2020, at which point they were transferred to Hamilton UK Services Limited, except for 10 underwriting staff seconded from GIC UK branch (average number employed during the year; 2019: nine underwriting staff).

The following amounts were recharged to the Syndicate in respect of seconded staff (there are no direct recharges of staff costs from HMA):

	2020 £000	2019 £000
Wages and salaries	1,881	1,380
Pension costs	142	136
	2,023	1,516

8. Emoluments of the Directors of Hamilton Managing Agency Limited

The Directors of HMA received remuneration from Hamilton UK Services Limited, none of which is directly charged to the Syndicate.

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

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

	2020 £000	2019 £000
Emoluments	434	437
Pension contributions	32	58
	466	495

9. Investment Return

	2020 £000	2019 £000
Interest from financial instruments designated as at fair value through profit or loss	53	-
Other interest and similar income	26	31
Investment income	79	31
Other income from investments designated as at fair value through profit or loss:		
Realised gains/(losses)	8	-
Unrealised gains/(losses)	(4)	-
	4	-
Investment management charges	(8)	-
Total investment return transferred to the technical account	75	31

10. Financial investments

	2020 Market Value £000	2020 Cost £000	2019 Market Value £000	2019 Cost £000
Shares and other variable yield securities	4,716	4,716	7,134	7,134
Debt securities and other fixed income securities	15,554	15,558	-	-
	20,270	20,274	7,134	7,134

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

Level 1 Included in the level 1 category are financial assets that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry syndicate, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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

Level 3 Included in the level 3 category are financial assets measured using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Therefore, observable inputs reflect the Syndicate's own assumptions about the assumptions that market participants would use in pricing the asset. These inputs are developed based on the best information available, which might include the Syndicate's own data.

2020	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Shares and other variable yield securities	1,677	1,747	1,292	4,716
Debt securities and other fixed income securities	-	15,554	-	15,554
Other assets: overseas deposits	167	598	-	765
Total	1,844	17,899	1,292	21,035

2019	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Shares and other variable yield securities	6,873	-	261	7,134
Other assets: overseas deposits	32	184	-	216
Total	6,905	184	261	7,350

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

11. Deferred Acquisition Costs

	2020 £000	2019 £000
Balance at 1 January	2,318	1,484
Change in deferred acquisition costs	5,175	889
Effect of exchange rates	(171)	(55)
Balance at 31 December	7,322	2,318

12. Debtors Arising Out of Direct Insurance Operations

Included within amounts due from intermediaries at 31 December 2020 is £0.5m in relation to payments to loss funds (2019: £0.2m).

13. Technical Provisions

		2020	
Year ended 31 December 2020	**Gross £000**	**RI £000**	**Net £000**
Incurred claims outstanding:			
Balance at 1 January	43,150	(6,102)	37,048
Expected cost of current year claims	69,212	(13,213)	55,999
Claims paid during the year	(20,162)	52	(20,110)
Foreign exchange movement	(4,407)	1,168	(3,239)
Balance as at 31 December	87,793	(18,095)	69,698
Claims notified	29,469	(8,026)	21,443
Claims incurred but not reported	58,324	(10,069)	48,255
Balance as at 31 December	87,793	(18,095)	69,698
Unearned premiums			
Balance at 1 January	15,567	(900)	14,667
Premiums written during the year	92,040	(21,765)	70,275
Premiums earned during the year	(76,032)	17,453	(58,579)
Foreign exchange movement	(1,292)	309	(983)
Balance at 31 December	30,283	(4,903)	25,380

13. Technical Provisions (continued)

		2019	
	Gross	**RI**	**Net**
Year ended 31 December 2019	**£000**	**£000**	**£000**
Incurred claims outstanding:			
Balance at 1 January	20,974	(3,788)	17,186
Expected cost of current year claims	34,918	(5,549)	29,369
Claims paid during the year	(12,742)	3,235	(9,507)
Balance as at 31 December	43,150	(6,102)	37,048
Claims notified	13,054	(6,243)	6,811
Claims incurred but not reported	30,096	141	30,237
Balance as at 31 December	43,150	(6,102)	37,048
Unearned premiums			
Balance at 1 January	9,063	(587)	8,476
Premiums written during the year	58,107	(12,523)	45,584
Premiums earned during the year	(51,113)	12,180	(38,933)
Foreign exchange movement	(490)	30	(460)
Balance at 31 December	15,567	(900)	14,667

14. Other Creditors

	2020	**2019**
	£000	**£000**
Due to GIC group companies	-	4,000
Due to managing agent	-	101
Balance at 31 December	-	4,101

15. Related Parties

Capital

Underwriting capacity is provided 100% by GIC Re, India, Corporate Member Limited ("GIC").

Managing Agent

The Syndicate is managed by Hamilton Managing Agency Limited ("HMA"). The immediate parent company of HMA prior to 20 August 2019 was Pembroke JV Limited. Following the transaction on 20 August 2019, the immediate parent of HMA is Hamilton UK Holdings Limited.

During the financial year the Syndicate incurred managing agent fees of £0.6m (2019: £0.6m) and a yearly fixed fee of £2.0m (2019: £2.0m) for the services provided to the Syndicate. In addition, HMA recharged costs incurred on behalf of the Syndicate of £0.6m (2019: £0.7m). At the year end, £0.1m (2019: £0.1m) of these charges remain payable to HMA.

Ultimate Parent Company

The ultimate parent company of GIC Re, India, Corporate Member Limited is General Insurance Corporation of India, a company registered in India.

The ultimate parent company of Hamilton Managing Agency Limited is Hamilton Insurance Group, Ltd, a company registered in Bermuda.

Transactions with the GIC Group

Much of the Syndicate's gross premium written relates to cessions from the GIC Group (details are provided on page 4). Details of staff seconded to the Syndicate from GIC UK branch are provided in note 7. Details of other amounts payable to GIC Group companies are provided in note 14.

16. Funds at Lloyd's

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

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

17. Off Balance Sheet Items

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