IMPORTANT INFORMATION ABOUT SYNDICATE REPORTS AND ACCOUNTS

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

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

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

SYNDICATE 609

ANNUAL REPORT AND ACCOUNTS 2020

ATRIUM

ANNUAL REPORT AND ACCOUNTS 2020

SYNDICATE 609

ATRIUM SYNDICATE 609 – ANNUAL ACCOUNTS

ATRIUM SYNDICATE 609 – UNDERWRITING YEAR ACCOUNTS

DIRECTORS

Christopher Stooke Non-Executive Chairman
James Cox Executive Director
Toby Drysdale Active Underwriter
Gordon Hamilton Non-Executive Director
Richard Harries Chief Executive Officer
James Lee Agency Managing Director
Brendan Merriman Non-Executive Director
Stephen Riley Non-Executive Director
Samit Shah Executive Director
Kirsty Steward Executive Director

ADVISORS

Auditor
KPMG LLP

Solicitors
Clyde & Co LLP
Linklaters

Bankers
Barclays Bank Plc

Investment Managers
New England Asset Management
Conning Asset Management

Company Secretary
Martha Bruce
Bruce Wallace Associates Limited

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The Directors of the Managing Agent present their report for the year ended 31 December 2020.

This Annual Report is prepared using the annual basis of accounting as required by Statutory Instrument No. 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (Lloyd's Regulations 2008).

Separate underwriting year accounts for the closed 2018 year of account can be found on pages 38 to 63.

RESULTS

The Board of Directors are pleased to announce total comprehensive income of £54.7m for Syndicate 609 (the syndicate) for calendar year 2020 (2019 – total comprehensive income of £72.3m). Profits will be distributed by reference to the results of individual underwriting years.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The syndicate's principal activity during the year continued to be the transaction of general insurance and reinsurance business at Lloyd's.

RISK STRATEGY

Understanding its Risk Universe, the range of risks to which it is exposed, quantification and management of those risks enable the syndicate to determine the capital required to provide suitable security to its policyholders and to ensure that syndicate capital providers are delivered returns appropriate for the risk they assume. Management of risk and return is the core discipline of Atrium's business, against which all significant strategic and operational decisions are evaluated.

The Directors are responsible for setting the Risk Strategy for the syndicate and for oversight of its implementation. The syndicate's risk strategy is to actively take on underwriting risks across a balanced range of (re)insurance classes where the expected margins more than compensate for the risk to the syndicate and/or the costs of risk mitigation e.g. reinsurance. In addition, the syndicate seeks investment risk where it is adequately rewarded and the level of risk does not constrain the syndicate's underwriting.

As part of the annual business planning process, the Board determines a Risk Policy Statement, which sets out the levels of planned risk taking, sometimes referred to as Risk Appetite, the basis on which these risk levels will be monitored, and the actions to be taken in the event of deviations from the planned levels. The Managing Agency has a comprehensive governance framework within which the syndicate's exposures to these risks are managed. The governance framework is discussed further below.

BUSINESS AND PERFORMANCE EVALUATION

The syndicate writes a diversified portfolio of classes of business that include Accident & Health, Aviation, Liability, Marine, Non Marine Direct & Facultative, Property & Casualty Binding Authorities, Reinsurance, Upstream Energy and Terrorism.

In underwriting a diversified portfolio of classes, using their skill, knowledge and historic claims data to evaluate the potential claims costs and to determine the appropriate premium, and also by taking a limited amount of market and credit risk in investing the cash flows generated by this activity, the syndicate aims to reward its capital providers with results that are considered attractive relative to the risks assumed.

The key performance measure for the syndicate is return on adjusted Economic Capital Assessment (ECA). This is determined by comparing the total comprehensive income to the syndicate's ECA set by the Corporation of Lloyd's on agreement of the syndicate's Solvency Capital Requirement (SCR) derived from its Internal Model, including Solvency II balance sheet adjustments. Return on Capital and the following Key Performance Indicators (KPI's) are monitored regularly by the Directors.

	2020 £m	2019 £m
Gross premiums written	**632.7**	590.7
Net earned premiums	**536.4**	504.0
Total comprehensive income	**54.7**	72.3
Loss ratio	**51%**	48%
Combined ratio	**94%**	91%
Investment return	**22.7**	22.6
Adjusted ECA	**255.1**	199.7
Return in adjusted ECA	**21%**	36%

Gross premiums written increased 7.1% year on year. Increases were experienced across most lines of business. The most significant increases were from the Non Marine Direct & Facultative class where advantage has been taken of new opportunities that arose post the hurricane losses experienced in 2017 and Marine where advantage has been taken to write more business as other Lloyd's syndicates have exited this class. Other significant increases were experienced in the Professional Liability, Property and Casualty Binding Authorities and Aviation classes.

The loss ratio for the year is 51% (2019 – 48%). There was a higher incidence of catastrophe losses in 2020 compared to 2019 primarily due to the COVID-19 and Hurricane Laura losses. The COVID-19 losses have contributed 10% to the net loss ratio and has mainly affected the Accident and Health classes. Hurricane Laura has contributed 3% to the net loss ratio and has mainly affected the Property Direct USA class. The syndicate has continued to benefit from favourable development on the back years, contributing a saving of 5% on the loss ratio (2019 – 8%).

REPORT OF THE DIRECTORS OF THE MANAGING AGENT CONTINUED

The increase in ECA over the year largely reflects the growth of the syndicate as well as a review of the market risk component of the capital calculation, eliminating any potential negative contribution from this risk type in line with the latest Lloyd's guidance.

INVESTMENT PERFORMANCE

In a challenging investment environment the syndicate continues to adopt a defensive investment strategy investing in highly rated short-dated and intermediate debt. The investment objective is to achieve an investment return from taking a limited amount of market and credit risk in investing the cashflows generated by its principal activity, which is underwriting. The table below compares the actual investment performance with the 2019 calendar year. Interest rates dropped in 2020 as Central Banks lowered rates reacting to the global pandemic. The movement in rates coupled with credit spreads tightening was a positive for investment returns.

The syndicate invests 5.6% of its investment portfolio in a bank loan fund. Following the outbreak of COVID-19 and the ensuing sharp economic downturn, the Fund Manager capitalised on opportunities to lend to issuers who were likely to emerge from the COVID-19 disruption with healthy financial footing. The return on the syndicate's bank loan portfolio in 2020 was 2.2% (2019 – 3.7%).

Investment Return	2020	2019
US Dollar	**4.4 %**	5.0 %
Canadian Dollar	**3.6 %**	2.8 %
Euro	**0.7 %**	0.6 %
Sterling	**2.3 %**	1.8 %

FOREIGN EXCHANGE

The effects of exchange rate movements are recorded in two elements. Transactions during the year, translated at each quarters average rate, and the translation of closing balances into the functional currency of US Dollar (USD) gave rise to foreign exchange gains which are identified within the non-technical account. Revaluation of all functional currency balances to the presentational currency of Sterling (GBP), at the closing rate of exchange on 31 December 2020, resulted in a foreign exchange loss and is included within Other Comprehensive Income.

The rates of exchange used in preparing the financial statements are as follows:

	2020		2019	
	Average	Closing	Average	Closing
US Dollar: £ Sterling	**1.32**	**1.37**	1.29	1.33
Euro: £ Sterling	**1.11**	**1.12**	1.16	1.18
Canadian Dollar: £ Sterling	**1.72**	**1.74**	1.70	1.72

PRINCIPAL RISKS AND UNCERTAINTIES

Governance

The Board recognises the critical importance of having efficient and effective risk management systems in place but also recognises that it can only mitigate risks, and not eliminate them entirely. The Board has developed its Own Risk and Solvency Assessment (ORSA), comprising the entirety of the processes that it uses to identify, assess, monitor and report the risks faced by the syndicate and to evaluate the amount of funds necessary to cover these risks taking into consideration the business profile and risk appetite of the syndicate. Critical to the efficacy of the ORSA is the effective operation of the Risk Management Framework (RMF), the Governance Structure and Atrium's Internal Model. The RMF incorporates the so-called "Three Lines of Defence" approach to risk management and reporting.

The RMF is the mechanism through which Atrium ensures it is implementing effective and enterprise wide risk management practices across its business. Key to Atrium's business is the management of risk, return and capital, against which all significant strategic and operational business decisions are evaluated. Atrium has established systems of governance and risk management that enable it to manage its business prudently.

The RMF is the articulation of these systems of risk management and governance and how the various elements interact.

The RMF encompasses the broad range of activities undertaken across the organisational hierarchy to ensure that risks are managed appropriately, spanning from the high level strategy set by the Board to the day to day underwriting decisions being made by syndicate staff and the controls in place to govern these. The RMF can be illustrated as follows:

Strategy: This describes Atrium's strategy setting process and explains how this filters down through the organisation; incorporating the syndicate's Business Strategy, Risk Strategy, Business Plan, Risk Policy Statement and Risk Policies.

Business Activities: The individual syndicate and agency business units are responsible for implementing the strategy and business plans in accordance with the framework set out in the risk policies.

The people, controls, management information, processes and senior management oversight in place across the business units serve as the "First Line of Defence" in the RMF.

Risk Governance Structure: The Board has established a Risk Governance Structure in order to ensure that risk is appropriately identified, monitored, managed and reported across the organisation; to review the activities of the business units; and to ensure that the RMF is effectively designed, implemented and governed. The Risk Governance Structure is comprised of the Executive Risk Committee (ERC), which fulfils the role of Atrium's Risk Management Function, and its three Risk Sub-Committees, discussed further below.

Independent Assurance: Atrium has in place a Compliance Function and an Actuarial Function in addition to the Risk Management Function (fulfilled by the ERC and the Risk Management Team). These functions have specific responsibilities documented in their terms of reference and are staffed by fit and proper individuals with suitable qualifications, expertise and experience. The activities of these functions seek to provide the Board with assurance as to the appropriateness and effectiveness of the various elements of the RMF, the internal control environment, and the calculation of capital.

There are a number of risk management tools which support independent assessment and reporting of risk. Taken together this Independent Assurance comprises the "Second Line of Defence".

Independent Oversight: The RMF provides for independent oversight and challenge via the operation of the Internal Audit Function as well as the Audit Committee and Risk Committee, both of which are Committees of the Board with membership comprised of Non-Executive Directors. Together these three groups provide the "Third Line of Defence". The Risk Committee is charged with providing independent oversight and review of Atrium's RMF and its constituent parts whilst the Audit Committee, along with its broader responsibilities for the financial statements and financial reporting process, has oversight of internal controls and the Internal Audit Function.

Executive Risk Committee (ERC)

Atrium's risk governance structure is comprised of the ERC and its three Risk Sub-Committees.

The ERC fulfils the Risk Management Function, in conjunction with the Risk Management Team, and coordinates the risk management activities conducted for the syndicate. It is responsible for ensuring that the RMF and Internal Model, operates effectively, and for maintaining an aggregated and holistic view of risks to the syndicate and reporting on them to the Board, Committees and management as appropriate. It also ensures that there is robust and effective management, governance and oversight of Atrium's Internal Model which is used to set capital and is also widely used within the business.

To support delivery of the ERC's responsibilities, there are three Risk Sub-Committees, each being responsible for oversight, review and challenge of the activities of the syndicate and in particular, ensuring activities are within risk policies, that risks are suitably identified monitored and reported, and that appropriate contingency plans are in place.

The principal risks to which the syndicate is exposed are discussed below together with the mitigation techniques adopted. For clarity, the risks are analysed by reference to the Risk Sub-Committees that have responsibility for the relevant risk area.

Insurance Risk Sub-Committee (IRSC)

The IRSC is responsible for oversight of insurance risk which includes underwriting, claims, reserving, and reinsurance.

Underwriting risk is the risk that future losses are greater than allowed for within premiums. This could be due to natural fluctuations in claims frequencies and severities, changes in economic and judicial environments, anti-selection, inappropriate premium estimation or catastrophic loss activity.

Underwriting risk is mitigated through numerous controls including underwriter peer review, authority limits, independent review of risks written, and purchase of an appropriate reinsurance programme. The Syndicate Business Forecast is completed annually and stipulates those classes of business and concentration by class that will be written during the forthcoming year. It is reviewed by the IRSC and approved by the Board prior to being submitted to Lloyd's for approval. Actual performance during the year is monitored by reference to the Syndicate Business Forecast.

The risk of catastrophic claims is mitigated by the syndicate having a defined risk appetite which determines the net loss that it intends to retain for major catastrophe events and where deemed appropriate reinsurance is purchased to limit the impact of losses. Although the likelihood of occurrence is considered to be remote, there may be circumstances where the loss from a particular catastrophe event exceeds the net risk appetite perhaps due to the occurrence of a loss that has not been considered or where the reinsurance purchased proves to be insufficient. In addition climate change can affect the occurrence and severity of weather related events. Whilst we do research the impact of these there is significant uncertainty to the impact climate change has on events in the tail of distributions which increases uncertainty in this area.

Reserving risk is that there is insufficient provision for losses that have already occurred.

Reserving risk is mitigated by the robust reserve adequacy exercise that is performed on a quarterly basis by the Actuarial Function and approved by the Board. The quarterly exercise involves a review of the paid and outstanding claims and an assessment of the appropriate provision for incurred but not reported (IBNR) claims. The reserves are considered by the IRSC and approved by the Board. The reserving is carried out based on historical development data, the claims environment and information provided by lawyers and third party claims adjusters. Although a thorough review is carried out the reserves carried may be more or less than adequate to meet the final cost of claims.

The IRSC also reviews the proposed reinsurance programme that is used to protect capital from frequency and severity of losses that may be sustained through underwriting the varied lines of business written. The review includes analysis of the reinsurance cover being purchased and assessment of the proposed counterparties.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT CONTINUED

Financial Risk Sub-Committee (FRSC)

The FRSC is responsible for oversight of financial risks and the steps taken to mitigate them as they arise from investments, asset/liability management, credit, liquidity and concentration risks. These risks are discussed further below.

Investment risk is the risk that the syndicate's earnings are affected by changes in the value of the investment portfolio; such changes in value may be driven by changes in the economic and political environment and by movements in interest and foreign exchange rates. Atrium manages the syndicate's investments in accordance with investment guidelines established by the Board that are reviewed on a regular basis. The FRSC monitors the performance of the external investment manager and the custodians responsible for the safekeeping of the investments, and reports regularly to the Board.

Asset/liability mismatch is the risk that the syndicate could incur a loss through inadequate matching of its investments with its insurance liabilities. Due to the short tail nature of the majority of these liabilities, the syndicate does not seek to achieve a precise matching with the investment portfolio, instead developing an investment duration guideline that is broadly in line with the average payment profile of the liabilities. However, the syndicate substantially mitigates exposures to currency mismatch by investing premiums in the currency in which subsequent claims are most likely to be incurred and periodic rebalancing to ensure that these remain appropriate for the liabilities. The majority of the syndicate's business is denominated in USD and accordingly the substantial part of the investment portfolio is in US dollar denominated investments.

The key aspect of credit risk is the risk of default by one or more of the syndicate's reinsurers, their investment counterparties, or insurance intermediaries. Reinsurance is placed with security that adheres to the Atrium reinsurance policy. The exposure to credit risk in the investment portfolio is mitigated through adherence to the investment guidelines which require the syndicate's core investment portfolios to be held in government and corporate debt with a high credit quality rating and with a relatively short duration, thus substantially mitigating the risk of sustaining losses from default.

Exposure to intermediaries is mitigated by rigorous review of new intermediaries, contractual terms of business, regulated or segregated client accounts, monitoring of balances and credit control procedures.

Liquidity risk is the risk that the syndicate will not be able to meet its short term liabilities as they fall due, owing to a shortfall in cash. This risk is mitigated through holding invested funds in high credit quality and short duration investments, and cash flow projections are also reviewed on a regular basis. The need for overdraft facilities in case of unprojected cash flow deficit is also reviewed regularly.

Concentration risk is the exposure to loss that could arise if the bulk of the amounts recoverable by the syndicate were dependent on a limited number of reinsurers, or if investments were restricted to limited numbers of counterparties or sectors. The risk is mitigated by restricting the permitted cessions to individual reinsurers for any one underwriting year and through the investment guidelines which limit exposure to individual investment counterparties and sectors.

Operational Risk Sub-Committee (ORSC)

The ORSC is responsible for oversight of the syndicate's exposures to operational, group, conduct and regulatory risks.

Operational risk is the risk of loss due to inadequate or failed processes and procedures, people and systems, or external events. The agency seeks to manage these risks by operating a control based environment which consists of documented procedures, segregation of duties and appropriate levels of review.

Conduct risk is the risk that as part of writing and servicing insurance policies the syndicate fails to pay due regard to the interests of its customers. This is mitigated through the application of Atrium's conduct risk policy and procedures and through staff's adherence to Atrium's Code of Business Principles and Ethics. Atrium is committed to conducting its activities and stakeholder relationships in a fair and honest manner and the highest standard of conduct, professionalism and integrity is expected from all of its employees, with due regard paid at all levels of the organisation to ensuring fair outcomes for customers. Key controls include training of staff, embedding of the consideration of conduct risk as part of the business planning process and through the product life-cycle and Board and governance oversight and reporting. The ORSC fulfils the role of a "product oversight group" providing customer challenge and perspective to Atrium's products.

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Managing Agency has a Compliance Officer and team who monitor regulatory developments and assess the impact on agency policy and maintain an ongoing open dialogue with both regulators and Lloyd's. They also carry out a compliance monitoring programme.

Regular reviews are performed by the Internal Audit department to ensure that deviations from the agency's policies, and control weaknesses, are identified and reported to the appropriate level of management and the Audit Committee when considered necessary.

BREXIT

The UK left the European Union (EU) on 31 January 2020 and the associated transitional arrangements ended on 31 December 2020, with Lloyd's Underwriters officially ceasing to have trading rights in the European Economic Area (EEA) for Direct Insurance and cross border German Reinsurance business. Lloyd's members will continue to be able to provide reinsurance to cedants in the EEA (with the exception of Germany) on a cross-border basis, provided relevant local requirements are complied with.

In order to provide this continued access to Lloyd's for policyholders within the EEA, Lloyd's established a subsidiary insurance and reinsurance company incorporated in Belgium, Lloyd's Insurance

Company S.A. (LIC). Atrium worked closely with Lloyd's on this contingency arrangement. LIC is authorised in Belgium by the National Bank of Belgium (NBB) and regulated by the NBB and the Financial Services and Markets Authority (FSMA) of Belgium. It is capitalised according to the Solvency II standard formula and benefits from the same financial ratings as the Lloyd's market, which are provided by A.M. Best (A "excellent"); Standard & Poor's (A+ "strong"); and Fitch Ratings (AA- "very strong"). LIC has 18 branches across the EEA and a branch in the United Kingdom (UK).

LIC writes all classes of non-life insurance business and non-life reinsurance business from EEA countries. The establishment of LIC ensures that Lloyd's European intermediaries and policyholders still have access to the combined scale, expertise, capacity and claims service of the Lloyd's market through a single insurance company based at the heart of Europe.

Whilst it is only a small proportion of its overall business, the syndicate has incorporated the essential changes required by Lloyd's throughout the organisation, enabling us to uphold the syndicate's reputation by providing the best possible service to brokers, coverholders and ultimately policyholders.

From 1 January 2019 onwards, with a few minor exceptions, all new EEA non-life direct insurance policies have been written by Atrium on behalf of LIC (under the terms of an outsourcing agreement) and 100% reinsured back to the syndicate. All renewing EEA non-life direct insurance policies have transferred to LIC on their renewal under the same structure. It continues to be Lloyd's policy that all non-life EEA insurance risks are written by LIC and not Lloyd's syndicates.

Part VII

To achieve contract continuity, Lloyd's have transferred all affected policies (comprising all relevant non-life direct EEA insurance and inwards German reinsurance business that has been written by the Lloyd's market between 1993 and 2020) to LIC.

On 30 December 2020, the Members and former Members of the syndicate, as comprised for each of the relevant years of account between 1993 and April 2019 (or October 2020 in the case of German reinsurance), transferred all relevant policies (and related liabilities) underwritten by them for those years of account to LIC, in accordance with Part VII of the Financial Services and Markets Act 2000. On the same date, the Members of the syndicate entered into a 100% Quota Share Reinsurance Agreement whereby LIC reinsured all risks on the same policies back to the relevant open years of account of the syndicate which wrote the transferring policies and/or inherited liabilities on transferring policies through Reinsurance to Close of earlier years of account.

Following the sanction of the scheme by the High Court on 25 November 2020, the scheme took effect on 30 December 2020 and the Members and former Members of the syndicate transferred the impacted EEA policies and related liabilities to LIC, together with cash of $32.0m. On the same date, under the Reinsurance Agreement, LIC reinsured the same risks back, together with an equal amount of cash of $32.0m.

The combined effect of the two transactions had no economic impact for the syndicate, and accordingly there is no net impact on the syndicate's statement of comprehensive income or balance sheet.

Lloyd's Europe Operating Model

Lloyd's have been in discussions with the FSMA and the NBB about the Lloyd's Europe operating model and the activities performed for it by managing agents through the Outsourcing Agreement. When Lloyd's Europe was set up in 2018, Lloyd's took extensive legal advice to ensure that the activities performed by LIC and managing agents under the outsourcing model were structured to ensure that managing agents would not be carrying on activities in the EEA. This required authorisation under the Insurance Distribution Directive (IDD) or other regulatory framework.

The definition of insurance distribution contained in the IDD is broad and has been interpreted in differing ways by legislators implementing it in EU member states. Lloyd's Europe started its activities around the same time that the IDD was implemented and, in addition to guidance issued by the European Insurance and Occupational Pensions Authority (EIOPA), national supervisors are now more certain of the applicability of IDD provisions.

During the latter part of 2020, the regulators reviewed the outsourcing agreements with managing agents in the context of changes required to that agreement for the Part VII transfer.

FSMA initiated discussions regarding the nature of some activities performed by managing agents on behalf of Lloyd's Europe and the question of whether it was possible that they could be construed as constituting insurance distribution under the IDD, which would therefore require them to be authorised within the EEA.

Lloyd's have engaged with the regulators and sought to address these concerns in two parts, Part VII transferred business and ongoing business being written through Lloyd's Europe. The FSMA wrote to Lloyd's confirming that it agreed that the services provided by managing agents in relation to the transferred business, which primarily relate to claims and complaints and limited "underwriting" (endorsement) activity, do not fall within the scope of IDD. Managing agents can therefore continue to provide these support services to Lloyd's Europe under the Outsourcing Agreement without the need for EEA authorisation.

Through this engagement, Lloyd's have also established that, pending further work about the model for ongoing business, the regulators do not object to the current processes continuing to be used for Lloyd's Europe for the time being.

The discussion focussed on certain risk placement services for open market placements being performed by managing agents on behalf of Lloyd's Europe. The regulators raised questions about whether the

REPORT OF THE DIRECTORS OF THE MANAGING AGENT CONTINUED

following activities could constitute insurance distribution: reviewing the documents from the brokers, pricing the risks, preparing the final quote, deciding whether to put the Lloyd's Europe stamp on Lloyd's Europe's insurance contracts, endorsement handling if not purely of an administrative nature and Coverholder Appointment Agreements which provide for "Prior Submit" or "No Discretion" for underwriting.

Lloyd's have therefore decided to review these areas more extensively and to consider options for how the operating model could be modified. Lloyd's Europe has committed to the regulators that it will take steps to make changes to aspects of its business model to avoid the possibility that managing agents might be construed as performing insurance distribution activities for Lloyd's Europe. It has agreed that any such changes will be implemented as soon as possible. Lloyd's Europe has committed to finalising its planned approach by the end of March 2021.

Lloyd's has proposed possible options to the regulators who have no objection in principle to them.

Lloyd's, in conjunction with the managing agents, are in the process of developing a more detailed examination of the implications of each of the proposed options to assess the legal, tax, regulatory, operational, commercial and other implications. Atrium are fully involved in those discussions.

It is expected that any changes to the Lloyd's Europe operating model will be implemented by the second half of 2021.

CORONAVIRUS

COVID-19 and the subsequent societal, Government and market response to the global pandemic had a substantial impact on the world in 2020. The impact on the syndicate affected multiple risk categories.

The syndicate has established reserves of $74.5m in relation to COVID-19. $70.9m was recognised as earned reserves as at 31 December 2020. There were contributions from several classes of business, but the largest impact relates to event cancellation exposures. As with any event, particularly with one that is unprecedented, there is uncertainty around what the ultimate loss will be. The uncertainties that exist include impending or existing litigation. The syndicate does not have material anticipated reinsurance recoveries for our COVID-19 claims so are spared that uncertainty. The Board believe that the syndicate is robustly reserved for extended business interruption (BI) claims in the UK, Australia and New Zealand. On 15 January 2021, the UK Supreme Court delivered its judgement on the FCA's business interruption test case. The aim of the test case was to obtain clarity on insurance contract wording and determine whether certain Business Interruption clauses were triggered by the COVID-19 pandemic. For the insurance industry, this means that in certain instances, policyholders will now have their COVID-19 related business interruption claims paid where previously these claims may have been denied. It may also impact the reinsurance industry as insurers will seek to recover from the reinsurance protection they have in place. In light of the UK Supreme Court ruling, the syndicate has performed a detailed review of the business interruption clauses in its insurance and reinsurance contracts and concluded that there is no material impact on the COVID-19 best estimate loss booked for the year ended 31 December 2020.

In addition, the lockdowns and recessionary impacts have led to some reduction in premiums over 2020 across multiple classes.

The operational impact caused by Governmental responses to COVID-19 presented significant challenges to all of society. Atrium transitioned smoothly to remote working and was able to continue servicing its clients and continued to pay claims in an expeditious manner over this period. Atrium has paid particular attention to the wellbeing of its staff and has made significant investment in trying to support its staff. It has undertaken regular surveys over the period to proactively identify any concerns. The Risk Management and Internal Audit Functions carried out a series of reviews during 2020, at the request of the Board, in order to assess the impact of COVID-19, and remote working conditions, on the syndicate's risks and internal controls. These reviews did not raise any issues or material concerns to the Board.

The syndicate's investment portfolio is a conservative portfolio primarily comprising cash and high credit quality fixed income investments. As a result, the syndicate's portfolio performed well during 2020. Whilst the investment strategy remains unchanged, we would expect future returns to be lower due to the global decline in yield curves.

The Directors of the Managing Agent have reviewed the impact of COVID-19 on the syndicate and have concluded that the syndicate will be able to operate as a going concern under multiple future scenarios relating to the ongoing impacts of COVID-19. The syndicate continues to closely monitor the impact on its operations, employees, customers, underwriting, investments and capital requirements.

The syndicate's growth plans are not materially impacted by COVID-19.

DIRECTORS AND OFFICERS

The Directors & Officers of the Managing Agent who served during the year ended 31 December 2020 were as follows:

Martha Bruce, Bruce Wallace Associates Limited (Company Secretary)
Steve Cook (resigned 31/12/2020)
Christopher Stooke (appointed 1/1/2021)
James Cox
Toby Drysdale (Active Underwriter 609)
Andrew Elliott (resigned 31/03/2020)
Gordon Hamilton
Richard Harries
James Lee
Brendan Merriman
Stephen Riley
Samit Shah
Kirsty Steward

DIRECTORS' INTERESTS

Details of Directors' interests may be found in note 17 to the accounts.

GOING CONCERN

The Directors have performed an assessment of the syndicate's ability to continue as a going concern, including the impact of the COVID-19 pandemic.

In response to the COVID-19 pandemic, the syndicate initiated its Post Loss Exposure Reporting process. The process reviewed and assessed the potential implications for each class of business that the syndicate underwrites, with involvement from underwriting, exposure management, actuarial, claims and finance teams. The output of this review formed the basis of syndicate's loss reserving. The current best estimate financial impact of COVID-19 is $74.5 million, net of reinsurance. At the balance sheet date, the syndicate had booked earned reserves of $70.9 million, net of reinsurance, in respect of COVID-19.

The syndicate's financial forecasts reflect the outcomes that the Directors consider most likely, based on the information available at the date of signing these annual accounts. To assesses the syndicate's going concern, resilience and response to the COVID-19 pandemic, the financial stability of the syndicate was modelled for a period of at least 12 months and a number of sensitivity, stress and scenario tests were applied. This included, among other analysis, a best estimate forecast with scenario analysis covering the impact of deterioration within attritional, large and catastrophe loss events alongside pessimistic investment return scenarios. To further stress the financial stability of the syndicate, additional scenario testing was performed. This included modelling the occurrence of a number of high severity loss events impacting the syndicate in 2021. The testing identified that even under the more severe but plausible stress scenarios, the syndicate had more than adequate liquidity and solvency headroom.

The Board have considered the main uncertainties that they believe may impact the COVID-19 reserves. These uncertainties include impending or existing litigation. The syndicate does not have material anticipated reinsurance recoveries for our COVID-19 claims so are spared that uncertainty. The Board believe that the syndicate is robustly reserved for extended BI claims in the UK, Australia and New Zealand. On 15 January 2021, the UK Supreme Court delivered its judgement on the FCA's business interruption test case. The aim of the test case was to obtain clarity on insurance contract wording and determine whether certain business interruption clauses were triggered by the COVID-19 pandemic. For the insurance industry, this means that in certain instances, policyholders will now have their COVID-19 related business interruption claims paid where previously these claims may have been denied. It may also impact the reinsurance industry as insurers will seek to recover from the reinsurance protection they have in place. In light of the UK Supreme Court ruling, the syndicate has performed a detailed review of the business interruption clauses in its insurance and reinsurance contracts and concluded that there is no material impact on the COVID-19 best estimate loss booked for the year ended 31 December 2020.

In relation to the Event Cancellation book, the syndicate is reserved out until the end of 2021. The main uncertainties rest in the US Courts. At present the US Courts are tending to rule that COVID-19 does not constitute the PD required to trigger "normal" BI. The syndicate does not hold any indemnity reserves on the casualty accounts that we believe could be impacted by COVID-19 claims – rather we hold loss adjustment and defence costs reserves. Should rulings go against underwriters then the syndicate will need to establish additional reserves.

The Board's long-term strategy is to grow the syndicate into a hardening market, increasing stamp capacity in order to take advantage of rising rates and new business opportunities. This results in increased capital requirements for the capital providers. Despite the market losses that the COVID-19 pandemic has generated, both in terms of claims and the impact on financial markets, the syndicate is taking advantage of the improved rating environment by writing increased levels of business at higher pricing levels in 2021. The syndicate was able to open the 2021 year of account with increased stamp capacity of £625m.

As at 31 December 2020, the Board considers that the syndicate has more than adequate liquidity to pay its obligations as they fall due. The Syndicate held cash and cash equivalents of £26.9 million and fixed maturity investments with maturity dates of less than one year of £226.8m. The syndicate's investment portfolio primarily consists of cash and high quality fixed income investments and there has not been a significant change in syndicate's counterparty credit exposure as a result of the COVID-19 pandemic. However, it is an area the directors continue to monitor. Credit risk disclosures are set out in note 4.

Based on the going concern assessment performed as at 31 December 2020, the Directors consider there to be no material uncertainties that may cast significant doubt over the syndicate's ability to continue to operate as a going concern. The Directors have formed a judgment that there is a reasonable expectation that the syndicate has adequate resources to continue in operational existence in the foreseeable future, a period of at least 12 months from the date of signing these financial statements and that based on their assessment they have a reasonable expectation to be in a position to open a 2022 year of account.

RE-APPOINTMENT OF AUDITORS

The Board of Directors have re -appointed KPMG LLP as the syndicate auditors for the year ending 31 December 2021. KPMG LLP have indicated their willingness to continue in office as the syndicate Auditor.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT CONTINUED

SYNDICATE ANNUAL GENERAL MEETING

As permitted under the Syndicate Meetings (Amendment No.1) Byelaw (No.18 of 2000) AUL does not propose to hold a Syndicate Annual General Meeting of the members of the syndicate. Members may object to this proposal or the intention to reappoint auditors within 21 days of the issue of these financial statements. Any such objection should be addressed to James Cox, Compliance Director, at the registered office.

DISCLOSURE OF INFORMATION TO THE AUDITORS

So far as each person who was a Director of the managing agent at the date of approving this report is aware, there is no relevant audit information, being information needed by the audit or in connection with its report, of which the audit or is unaware. Having made enquiries of fellow Directors of the agency and the syndicate's auditor, 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 auditor is aware of that information.

By order of the Board

James Lee
Managing Director
1 March 2021

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The Directors of the managing agent are responsible for preparing the syndicate financial statements in accordance with applicable law and regulations.

Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires the directors of the managing agent to prepare their syndicate's financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 the directors of the managing agent must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the syndicate and of the profit or loss of the syndicate for that period. In preparing these financial statements, the directors of the managing agent are 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 financial statements;
- Assess the syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so.

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

The Directors of the managing agent are responsible for the maintenance and integrity of the syndicate and financial information included on the syndicate's website. Legislation in the UK governing the preparation and dissemination of syndicate financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SYNDICATE 609

OPINION

We have audited the syndicate annual accounts of syndicate 609 ("the syndicate") for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income: Technical account – General business, Statement of Comprehensive Income: non-technical account – General business, Balance Sheet – Assets, Balance Sheet – Liabilities, Statement of Changes in Members' Balances, Statement of Cash Flows, and related notes, including the accounting policies in note 3.

In our opinion the syndicate annual accounts:

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland;* 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the syndicate in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

GOING CONCERN

The Directors of the Managing Agent have prepared the syndicate annual accounts on the going concern basis as they do not intend to cease underwriting or to cease its operations, and as they have concluded that the syndicate's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the syndicate annual accounts ("the going concern period").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the syndicate's business model and analysed how those risks might affect the syndicate's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- consider that the Directors' use of the going concern basis of accounting in the preparation of the syndicate annual accounts is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the syndicate's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the syndicate will continue in operation.

FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures at the syndicate and Managing Agent included:

- Enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the syndicate and Managing Agent's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the syndicate and Managing Agent's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit committee minutes.
- Considering remuneration incentive schemes and performance targets for directors and management.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements related to the valuation of insurance reserves. This is because of their direct impact on the syndicate's profit and financial position. Valuation of these liabilities, especially in respect of the incurred but not reported (IBNR) component, is highly judgmental as it requires a number of assumptions to be made such as initial expected loss ratios and claim development patterns all of which carry high estimation uncertainty and are difficult to corroborate creating opportunity for management to commit fraud.

On this audit we do not believe there is a fraud risk related to revenue recognition because the syndicate does not have complex earning patterns and apply standard straight-line earnings to its books of business. Lines of business which require more bespoke earning methodologies are not significant. We also note that syndicate has a consistent policy of aligning the estimated debtor to the ultimate and reported income after 36 months and does not have significant estimated debtors from earlier (than 2020) underwriting years.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the fraud risk management controls. In order to address the risk of fraud specifically as it relates to the valuation of insurance reserves, we involved actuarial specialists to assist in our challenge of management. We challenged management in relation to the selection of assumptions and the consistency of those assumptions both year on year and across different aspects of the financial reporting process.

To address the pervasive risk as it relates to management override, we also performed the following procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those posted with descriptions containing key words or phrases, those posted to unusual accounts including those related to cash and post-closing journals meeting certain criteria.
- Assessing significant accounting estimates for inherent bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the Annual accounts from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), from inspection of the Managing Agent's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the syndicate is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the annual accounts varies considerably.

Firstly, the syndicate is subject to laws and regulations that directly affect the annual accounts including financial reporting legislation (including related Lloyd's regulations) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related annual accounts items.

Secondly, the syndicate is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the annual accounts, for instance through the imposition of fines, litigation or loss of the syndicate's capacity to operate. We identified the following areas as those most likely to have such an effect: anti-bribery and regulatory capital and solvency regulations recognising the financial and regulated nature of the syndicate's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the annual accounts, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the annual accounts, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

OTHER INFORMATION - REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The Directors are responsible for the Report of the Directors of the Managing Agent. Our opinion on the syndicate annual accounts does not cover that report and we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SYNDICATE 609 CONTINUED

Our responsibility is to read the Report of the Directors of the Managing Agent and, in doing so, consider whether, based on our syndicate annual accounts audit work, the information therein is materially misstated or inconsistent with the syndicate annual accounts or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Report of the Directors of the Managing Agent;
- in our opinion the information given in the Report of the Directors of the Managing Agent is consistent with the syndicate annual accounts; and
- in our opinion the information given in the Report of the Directors of the Managing Agent have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the syndicate annual accounts are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

RESPONSIBILITIES OF THE DIRECTORS OF THE MANAGING AGENT

As explained more fully in their statement set out on page 9, the Directors of the Managing Agent are responsible for: the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of syndicate annual accounts that are free from material misstatement, whether due to fraud or error; assessing the syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the syndicate annual accounts.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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.

David Maddams (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London El4 SGL

3 March 2021

STATEMENT OF COMPREHENSIVE INCOME TECHNICAL ACCOUNT – GENERAL BUSINESS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	£'000	2020 £'000	£'000	2019 £'000
Earned premiums, net of reinsurance					
Gross premiums written	5		**632,720**		590,711
Outward reinsurance premiums			**(72,338)**		(61,403)
Net premiums written			**560,382**		529,308
Change in the provision for unearned premiums:					
Gross amount		**(28,710)**		(29,416)	
Reinsurers' share		**4,769**		4,132	
Change in the net provision for unearned premiums			**(23,941)**		(25,284)
Earned premiums, net of reinsurance			**536,441**		504,024
Allocated investment return transferred from the non-technical account			**22,687**		22,696
Claims incurred, net of					
Claims paid:					
Gross amount		**245,177**		289,234	
Reinsurers' share		**(15,800)**		(44,795)	
Net claims paid			**229,377**		244,439
Change in the provision for claims:					
Gross amount		**59,782**		(30,644)	
Reinsurers' share		**(18,237)**		29,738	
Change in the net provision for claims			**41,545**		(906)
Claims incurred, net of reinsurance			**270,922**		243,533
Net operating expenses	7		**232,500**		212,054
Balance on the technical account for general business			**55,706**		71,133

All operations relate to continuing activities.

NON-TECHNICAL ACCOUNT – GENERAL BUSINESS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
Balance on the technical account for general business		**55,706**	71,133
Investment income	10	**16,755**	17,775
Net unrealised gains on investments	10	**8,813**	6,131
Investment expenses and charges	10	**(2,881)**	(1,210)
Allocated investment return transferred to general business technical account	10	**(22,687)**	(22,696)
Foreign exchange gains/(losses)		**2,468**	(787)
Profit for the financial year		**58,174**	70,346
Other comprehensive income			
Currency translation difference		**(3,473)**	1,994
Total comprehensive income for the year		**54,701**	72,340

All operations relate to continuing activities.

BALANCE SHEET: ASSETS

AT 31 DECEMBER 2020

	Notes	£'000	2020 £'000	£'000	2019 £'000
Investments	11		**561,146**		494,981
Reinsurers' share of technical provisions					
Provision for unearned premiums	15	**21,382**		17,594	
Claims outstanding	6,15	**102,022**		85,480	
			123,404		103,074
Debtors					
Debtors arising out of direct insurance operations	12	**177,133**		141,093	
Debtors arising out of reinsurance operations		**24,267**		20,729	
Other debtors		**523**		734	
			201,923		162,556
Other assets					
Cash at bank and in hand		**26,791**		27,738	
Overseas deposits		**89,214**		80,475	
			116,005		108,213
Prepayments and accrued income					
Accrued interest		**2,085**		1,395	
Deferred acquisition costs	13	**77,407**		73,631	
			79,492		75,026
Total assets			**1,081,970**		943,850

BALANCE SHEET: LIABILITIES

AT 31 DECEMBER 2020

	Notes	£'000	2020 £'000	£'000	2019 £'000
Capital and reserves					
Members' balances			**11,861**		(29,539)
Technical provisions					
Provision for unearned premiums	15	**263,556**		239,597	
Claims outstanding	6,15	**731,704**		686,712	
			995,260		926,309
Creditors					
Creditors arising out of direct insurance operations	16	**16,436**		1,940	
Creditors arising out of reinsurance operations		**35,113**		27,940	
Other creditors		**16,768**		9,990	
			68,317		39,870
Accruals and deferred income			**6,532**		7,210
Total liabilities			**1,081,970**		943,850

The Annual Report and Accounts were approved at a meeting of the Board of Directors of Atrium Underwriters Limited, on 1 March 2021 and were signed on its behalf by:

James Lee
Agency Managing Director
1 March 2021

Richard Harries
Chief Executive Officer
1 March 2021

STATEMENT OF CHANGES IN MEMBERS' BALANCES

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £'000	2019 £'000
Members' balances brought forward at 1 January	**(29,539)**	(48,915)
Profit for the financial year	**58,174**	70,346
Payments of profit to members' personal reserve funds	**(13,301)**	(52,964)
Other comprehensive (loss)/income for the year	**(3,473)**	1,994
Members' balances carried forward at 31 December	**11,861**	(29,539)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £'000	2019 £'000
Cash flows from operating activities		
Profit for the financial year	**58,174**	70,346
Increase/(decrease) in gross technical provisions	**85,551**	(1,901)
(Increase)/decrease in reinsurers' share of gross technical provisions	**(22,408)**	25,045
Increase in debtors	**(47,453)**	(11,249)
Increase/(decrease) in creditors	**28,444**	(13,718)
Investment return	**(22,687)**	(22,696)
Other	**(3,473)**	1,994
Net cash flows from operating activities	**76,148**	47,821
Cash flows from investing activities		
Purchase of equity and debt instruments	**(322,150)**	(217,347)
Sale of equity and debt instruments	**243,805**	208,807
Investment income received	**13,875**	16,565
Net cash flows from investing activities	**(64,470)**	8,025
Cash flows from financing activities		
Transfer to members in respect of underwriting participations	**(10,894)**	(50,812)
Other	**(1,599)**	(5,696)
Net cash outflow from financing activities	**(12,493)**	(56,508)
Net decrease in cash and cash equivalents	**(815)**	(662)
Cash and cash equivalents at beginning of financial year	**27,823**	29,795
Effect of foreign exchange rates on cash and cash equivalents	**(84)**	(1,310)
Cash and cash equivalents at end of financial year	**26,924**	27,823
Reconciliation to cash at bank and in hand		
Cash at bank and in hand at end of financial year	**26,791**	27,738
Short term deposits with credit institutions	**133**	85
Cash and cash equivalents at end of financial year	**26,924**	27,823

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2020

1. BASIS OF PREPARATION

The syndicate is managed by AUL which is incorporated in the UK. The address of its registered office is Room 790, Lloyd's, 1 Lime Street, London, EC3M 7DQ and the company registration number of the managing agent is 1958863.

The syndicate's principal activity during the year continued to be the transaction of general insurance and reinsurance business at Lloyd's.

These financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and applicable Accounting Standards in the United Kingdom and the Republic of Ireland, including Financial Reporting Standard 102 (FRS 102). FRS 102 requires the application of Financial Reporting Standard 103 (FRS 103) in relation to insurance contracts.

The financial statements have been prepared on the historical cost basis with the exception of financial assets which are measured at fair value through profit or loss.

The Directors of the Managing Agent have prepared these financial statements on the basis that the syndicate will continue to write future business. The ability of the syndicate to meet its obligations as they fall due is underpinned by the support provided by the Lloyd's solvency process and its chain of security for any members who are not able to meet their underwriting liabilities.

Going Concern

The syndicate annual accounts are prepared on a going concern basis in accordance with FRS102. The Directors have performed an assessment of the syndicate's ability to continue as a going concern, including the impact of the COVID-19 pandemic.

In response to the COVID-19 pandemic, the syndicate initiated its Post Loss Exposure Reporting process. The process reviewed and assessed the potential implications for each class of business that the syndicate underwrites, with involvement from underwriting, exposure management, actuarial, claims and finance teams. The output of this review formed the basis of syndicate's loss reserving. The current best estimate financial impact of COVID-19 is $74.5 million, net of reinsurance. At the balance sheet date, the syndicate had booked earned reserves of $70.9 million, net of reinsurance, in respect of COVID-19.

The syndicate's financial forecasts reflect the outcomes that the Directors consider most likely, based on the information available at the date of signing these annual accounts. To assesses the syndicate's going concern, resilience and response to the COVID-19 pandemic, the financial stability of the syndicate was modelled for a period of at least 12 months and a number of sensitivity, stress and scenario tests were applied. This included, among other analysis, a best estimate forecast with scenario analysis covering the impact of deterioration within attritional, large and catastrophe loss events alongside pessimistic investment return scenarios. To further stress the financial stability of the syndicate, additional scenario testing was performed. This included modelling the occurrence of a number of high severity loss events impacting the syndicate in 2021. The testing identified that even under the more severe but plausible stress scenarios, the syndicate had more than adequate liquidity and solvency headroom.

The Board have considered the main uncertainties that they believe may impact the COVID-19 reserves. These uncertainties surround impending or existing litigation. The syndicate does not have material anticipated reinsurance recoveries for our COVID-19 claims so are spared that uncertainty. The Board believe that the syndicate is robustly reserved for extended BI claims in the UK, Australia and New Zealand. On 15 January 2021, the UK Supreme Court delivered its judgement on the FCA's business interruption test case. The aim of the test case was to obtain clarity on insurance contract wording and determine whether certain business interruption clauses were triggered by the COVID-19 pandemic. For the insurance industry, this means that in certain instances, policyholders will now have their COVID-19 related business interruption claims paid where previously these claims may have been denied. It may also impact the reinsurance industry as insurers will seek to recover from the reinsurance protection they have in place. In light of the UK Supreme Court ruling, the syndicate has performed a detailed review of the business interruption clauses in its insurance and reinsurance contracts and concluded that there is no material impact on the COVID-19 best estimate loss booked for the year ended 31 December 2020.

In relation to the Event Cancellation book, the syndicate is reserved out until the end of 2021. The main uncertainties rest in the US Courts. At present the US Courts are tending to rule that COVID-19 does not constitute the Property Damage (PD) required to trigger "normal" BI. The syndicate does not hold any indemnity reserves on the casualty accounts that we believe could be impacted by COVID-19 claims – rather we hold loss adjustment and defence costs reserves. Should rulings go against underwriters then the syndicate will need to establish additional reserves.

The Board's long-term strategy is to grow the syndicate into a hardening market, increasing stamp capacity in order to take advantage of rising rates and new business opportunities. This results in increased capital requirements for the capital providers. Despite the market losses that the COVID-19 pandemic has generated, both in terms of claims and the impact on financial markets, the syndicate is taking advantage of the improved rating environment by writing increased levels of business at higher pricing levels in 2021. The syndicate was able to open the 2021 year of account with increased stamp capacity of £625m.

1. BASIS OF PREPARATION CONTINUED

As at 31 December 2020, the Board considers that the syndicate has more than adequate liquidity to pay its obligations as they fall due. The syndicate held cash and cash equivalents of £26.9 million and fixed maturity investments with maturity dates of less than one year of £226.8m. The syndicate's investment portfolio primarily consists of cash and high quality fixed income investments and there has not been a significant change in syndicate's counterparty credit exposure as a result of the COVID-19 pandemic. However, it is an area the directors continue to monitor. Credit risk disclosures are set out in note 4.

Based on the going concern assessment performed as at 31 December 2020, the Directors consider there to be no material uncertainties that may cast significant doubt over the Syndicate's ability to continue to operate as a going concern. The Directors have formed a judgment that there is a reasonable expectation that the Syndicate has adequate resources to continue in operational existence in the foreseeable future, a period of at least 12 months from the date of signing these financial statements and that based on their assessment they have a reasonable expectation to be in a position to open a 2022 year of account.

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

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 to the syndicate.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the in-house 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.

In arriving at the level of claims provisions, a margin is applied over and above the actuarial best estimate. 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 4.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the syndicate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The areas involving a higher degree or judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Insurance Classification

The syndicate's contracts are classified at inception, for accounting purposes, as insurance contracts. A contract that is classified as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire. Insurance contracts are those contracts that transfer significant insurance risk, if and only if, an insured event could cause an insurer to pay significant additional benefits above premiums received and interest earned thereon, excluding scenarios that lack commercial substance. Such contracts may also transfer financial risk.

Gross Premiums Written

Gross written premiums comprise the total premiums receivable for the whole period of cover under contracts incepting during the financial year, together with adjustments arising in the financial year to premiums receivable in respect of business written in previous financial years.

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

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Unearned Premiums

Written premiums are recognised as earned income over the period of the policy on a time apportionment basis, having regard, where appropriate, to the incidence of the risk. Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the balance sheet date.

Reinsurance Premiums Ceded

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

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 and adjustments to claims outstanding from previous years.

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

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

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

Deferred Acquisition Costs

Acquisition costs, comprising commission and other costs related to the acquisition of insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

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

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.

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

Unrealised gains and losses on investments represents the difference between the valuation at the balance sheet date and the 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.

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 support the underwriting business.

Foreign Currencies

The syndicate's functional currency is US dollars, being the primary economic environment in which it operates. The syndicate's presentational currency is Sterling.

Transactions in foreign currencies are translated at the average rates of exchange for the period. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. Differences arising on translation of foreign currency amounts relating to the insurance operations of the syndicate are included in the non-technical account.

In translating its results and financial position into the presentational currency, the syndicate translates all assets and liabilities at the closing rates of exchange and translates all income and expense items at average rates, with all resulting exchange gains and losses being recognised in other comprehensive income.

Financial Instruments

The syndicate has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets, including deposits with credit institutions, debtors arising out of direct insurance and reinsurance operations, cash and cash equivalents and other debtors, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at fair value.

Investments are stated at current value at the balance sheet date. For this purpose, listed investments are stated at fair value and deposits with credit institutions are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date. Any surplus or deficit on any revaluation is recognised in the non-technical account.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Basic financial liabilities, including creditors arising from insurance operations that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is then measured at the present value of the future receipts discounted at a market rate of interest.

Financial liabilities are derecognised when the liability is extinguished, that is, when the contractual obligation is discharged, cancelled or expires.

Financial assets and liabilities are off set and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability, simultaneously.

Fair Value Measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the syndicate estimates the fair value by using a valuation technique. See note 11 for further information on the syndicate's valuation techniques.

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to only an insignificant risk of change in value.

Taxation

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

No provision has been made for any United States federal income tax payable on underwriting results or investment earnings. Any payments on account made by the syndicate during the year are included in the balance sheet under the heading 'other debtors'.

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

Pension Costs

The Atrium Group operates a defined contribution pension scheme. Pension contributions relating to syndicate staff are charged to the syndicate and included within net operating expenses.

Profit Commission

Profit commission is charged by the managing agent at a rate of 20% of profit subject to the operation of a deficit clause. Where profit commission is charged it is included within members' standard personal expenses within administrative expenses.

4. RISK AND CAPITAL MANAGEMENT

This note presents information about the nature and extent of insurance and financial risks to which the syndicate is exposed.

Risk Management Framework

The Board of Directors of the Managing Agent has overall responsibility for the establishment and oversight of the syndicate's risk management framework. The Board has established a Risk Governance Structure in order to ensure that risk is appropriately identified, monitored, managed and reported across the organisation; to review the activities of the business units; and to ensure that the Risk Management Framework is effectively designed, implemented and governed. The Risk Governance Structure is comprised of the ERC, which fulfils the role of Atrium's Risk Management Function, in conjunction with the Risk Management Team, and its three Risk Sub-Committees. These are the IRSC, the FRSC and the ORSC. The ERC reports regularly to the Board of Directors on its activities.

Insurance Risk Management

The syndicate accepts insurance risk through its insurance contracts where it assumes the risk of loss from persons or organisations that are directly subject to the underlying loss. The syndicate is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts. The actual number and value of claims will vary from year to year and from the level estimated, possibly significantly.

The syndicate manages its risk via its underwriting and reinsurance strategy within an overall risk management framework. Pricing is based on assumptions which have regard to trends and past experience. Exposures are managed by having documented underwriting limits and criteria. Reinsurance is purchased to mitigate the effect of potential loss to the syndicate from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Reinsurance policies are written with approved reinsurers on either a proportional or excess of loss treaty basis. Where an individual exposure is deemed surplus to the syndicate's risk appetite additional facultative reinsurance is also purchased.

The IRSC oversees the management of reserving risk. The use of proprietary and standardised modelling techniques, internal and external benchmarking, and the review of claims development are all instrumental in mitigating reserving risk.

The syndicate's in-house actuaries perform a reserving analysis on a quarterly basis liaising closely with underwriters, claims and reinsurance technicians. The aim of this exercise is to produce a probability-weighted average of the expected future cash outflows arising from the settlement of incurred claims. These projections include an analysis of claims development compared to the previous 'best estimate' projections. The output of the reserving analysis is reviewed by external consulting actuaries.

4. RISK AND CAPITAL MANAGEMENT CONTINUED

The IRSC performs a comprehensive review of the projections, both gross and net of reinsurance. Following this review the IRSC makes recommendations to the managing agent's board of directors of the claims provisions to be established. In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate.

Concentration of insurance risk:

A concentration of risk may also arise from a single insurance contract issued to a particular demographic type of policyholder, within a geographical location or to types of commercial business. The relative variability of the outcome is mitigated if there is a large portfolio of similar risks.

The concentration of insurance by the geographical location of the underlying risk is summarised below by reference to liabilities.

	Gross claims outstanding		Reinsurer's share of claims outstanding		Net claims outstanding	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
UK	**39,717**	31,017	**5,538**	3,861	**34,179**	27,156
Other EU Countries	**51,064**	50,466	**7,120**	6,283	**43,944**	44,183
US	**481,855**	455,579	**67,186**	56,716	**414,669**	398,863
Asia	**4,088**	3,715	**570**	463	**3,518**	3,252
Canada	**60,212**	50,642	**8,395**	6,305	**51,817**	44,337
Australia	**32,449**	28,596	**4,524**	3,560	**27,925**	25,036
Other	**62,319**	66,697	**8,689**	8,292	**53,630**	58,405
	731,704	686,712	**102,022**	85,480	**629,682**	601,232

The concentration of insurance by type of contract is summarised below by reference to liabilities.

	Gross claims outstanding				Reinsurer's share of claims outstanding		Net claims outstanding	
	Prior to Part VII Transfer	Part VII Transfer	Reported					
	2020 £'000	2020 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Accident and health	**47,966**	**(1,420)**	**46,546**	32,695	**7,953**	2,911	**38,593**	29,784
Motor (third party liability)	**289**	**–**	**289**	329	**5**	5	**284**	324
Motor (other classes)	**3,584**	**(29)**	**3,555**	3,576	**–**	–	**3,555**	3,576
Marine, aviation and transport	**77,730**	**(7,301)**	**70,429**	87,860	**9,081**	18,204	**61,348**	69,656
Fire and other damage to property	**129,312**	**(1,018)**	**128,294**	115,743	**18,449**	7,275	**109,845**	108,468
Third party liability	**327,644**	**(5,868)**	**321,776**	316,715	**35,142**	32,604	**286,634**	284,111
Credit and suretyship	**20,236**	**–**	**20,236**	6,070	**2,278**	185	**17,958**	5,885
Legal expenses	**1,132**	**–**	**1,132**	1,058	**(178)**	(178)	**1,310**	1,236
	607,893	**(15,636)**	**592,257**	564,046	**72,730**	61,006	**519,527**	503,040
Reinsurance	**123,811**	**15,636**	**139,447**	122,666	**29,292**	24,474	**110,155**	98,192
Total	**731,704**	**–**	**731,704**	686,712	**102,022**	85,480	**629,682**	601,232

Assumptions and sensitivities:

The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The syndicate uses several statistical and actuarial techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios.

The syndicate considers that the liability for insurance claims recognised in the balance sheet is adequate. However, actual experience will differ from the expected outcome.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2020

4. RISK AND CAPITAL MANAGEMENT CONTINUED

A 5% increase or decrease in the loss ratios would have the following impact on total comprehensive income. For each sensitivity the impact of a change in a single factor is shown, with other assumptions unchanged.

	Total Comprehensive Income Impact 2020 £'000	2019 £'000
5% increase in net loss ratios	**(13,546)**	(12,177)
5% decrease in net loss ratios	**13,546**	12,177

Financial Risk Management

The syndicate is exposed to financial risk through its financial assets, reinsurance assets and policyholder liabilities. In particular the key financial risk is that proceeds from, or the valuation of, financial assets are not sufficient to fund the obligations arising from policies as they fall due. The syndicate monitors and manages the financial risks relating to the operations of the syndicate through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk.

Market risk: Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and other price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities. The objective of the syndicate in managing its market risk is to ensure that risk is managed in line with the syndicate's risk appetite.

The syndicate has established policies and procedures in order to manage market risk and methods to measure it.

There were no material changes in the syndicate's market risk exposure in the financial year nor to the objectives, policies or processes for managing market risk.

Foreign currency risk management

The syndicate undertakes certain transactions denominated in foreign currencies hence, exposures to exchange rate fluctuations arise.

The syndicate has minimal exposure to currency risk as the syndicate's financial assets are primarily matched to the same currencies as its insurance contract liabilities. As a result, foreign exchange risk arises from other recognised assets and liabilities denominated in other currencies.

The table below summarises the carrying value of the syndicate's assets and liabilities at the reporting date:

As at 31 December 2020	Sterling £'000	Euro £'000	US Dollar £'000	Can Dollar £'000	Other £'000	Total £'000
Investments	33,826	41,665	422,979	62,676	–	561,146
Reinsurers' share of technical provisions	12,972	5,465	101,510	3,457	–	123,404
Debtors	35,177	12,604	140,502	13,640	–	201,923
Other assets	50,563	5,724	41,605	17,795	318	116,005
Prepayments and accrued income	20,826	5,513	44,051	9,102	–	79,492
Total assets	153,364	70,971	750,647	106,670	318	1,081,970
Technical provisions	135,966	61,954	708,092	89,248	–	995,260
Creditors	12,018	5,079	50,302	916	2	68,317
Accruals and deferred income	1,889	14	4,242	387	–	6,532
Total liabilities	149,873	67,047	762,636	90,551	2	1,070,109
Net assets/(liabilities)	3,491	3,924	(11,989)	16,119	316	11,861

4. RISK AND CAPITAL MANAGEMENT CONTINUED

As at 31 December 2019	Sterling £'000	Euro £'000	US Dollar £'000	Can Dollar £'000	Other £'000	Total £'000
Investments	26,643	35,995	378,081	54,262	–	494,981
Reinsurers' share of technical provisions	9,985	6,075	84,530	2,484	–	103,074
Debtors	28,927	12,262	111,396	9,971	–	162,556
Other assets	33,128	5,394	54,460	14,915	316	108,213
Prepayments and accrued income	18,942	5,001	43,948	7,135	–	75,026
Total assets	**117,625**	**64,727**	**672,415**	**88,767**	**316**	**943,850**
Technical provisions	115,717	60,557	676,516	73,519	–	926,309
Creditors	6,044	3,856	28,551	1,351	68	39,870
Accruals and deferred income	4,024	12	2,036	1,138	–	7,210
Total liabilities	**125,785**	**64,425**	**707,103**	**76,008**	**68**	**973,389**
Net (liabilities)/assets	**(8,160)**	**302**	**(34,688)**	**12,759**	**248**	**(29,539)**

The following table details the syndicate's sensitivity to a 10% increase and decrease in GBP against USD and Euro. For each sensitivity the impact of change in a single factor is shown, with other assumptions unchanged.

	2020 £'000	2019 £'000
10% increase in GBP/USD exchange rate	**(2,276)**	(191)
10% decrease in GBP/USD exchange rate	**2,276**	191
10% increase in GBP/Euro exchange rate	**(1,602)**	(4,070)
10% decrease in GBP/Euro exchange rate	**1,602**	4,070

The syndicate's method for measuring sensitivity to currency rate fluctuations has not changed significantly over the financial year.

Interest rate risk management

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk arises primarily from the syndicate's financial investments, cash and overseas deposits. The risk of changes in the fair value of these assets is managed by primarily investing in short-duration financial investments and cash and cash equivalents. The FRSC monitors the duration of these assets on a regular basis. The syndicate has no significant concentration of interest rate risk. The syndicate manages this risk by adopting close asset/liability matching criteria, to minimise the impact of mismatches between asset and liability values arising from interest rate movements.

The following table details the syndicate's sensitivity to a 50 basis point increase and decrease in the yield curve. For each sensitivity the impact of change in a single factor is shown, with other assumptions unchanged.

	Total Comprehensive Income Impact	
	2020 £'000	2019 £'000
50 basis point increase	**(4,764)**	(4,808)
50 basis point decrease	**3,554**	4,884

The syndicate's method for measuring sensitivity to interest rate fluctuations has not changed significantly over the financial year.

Credit risk: Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the syndicate. The key areas of exposure to credit risk for the syndicate are in relation to its investment portfolio, reinsurance programme and amounts due from policyholders and intermediaries.

The objective of the syndicate in managing its credit risk is to ensure risk is managed in line with the syndicate's risk appetite. The syndicate has established policies and procedures in order to manage credit risk and methods to measure it.

There were no material changes in the syndicate's credit risk exposure in the financial year nor to the objectives, policies and processes for managing credit risk.

4. RISK AND CAPITAL MANAGEMENT CONTINUED

The syndicate has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The syndicate only transacts with entities that are rated the equivalent to investment grade and above.

This information is supplied by independent rating agencies where available and if not available the syndicate uses other publicly available financial information and its own trading records to rate its major policyholders and reinsurers.

The syndicate's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the FRSC annually. Furthermore, in certain instances, the syndicate receives deposits from its reinsurers which it holds under the terms of the reinsurance agreements.

Receivables consist of a large number of policyholders, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The syndicate does not have any significant credit risk exposure to any single counterparty or any group of counterparties. Concentration of credit did not exceed 5% of gross monetary assets at any time during the financial year. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets and reinsurance assets recorded in the financial statements represents the syndicate's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The syndicate monitors the credit risk in relation to its investment portfolio and reinsurance programme by monitoring external credit ratings for the investments and reinsurance assets held by the syndicate on a quarterly basis.

The following table shows aggregated credit risk exposure for assets with external credit ratings. Reinsurance assets are reinsurers' share of outstanding claims and IBNR and reinsurance receivables. They are allocated in the table below on the basis of ratings for claims paying ability.

As at 31 December 2020	AAA £'000	AA £'000	A £'000	BBB £'000	<BBB £'000	Not rated £'000	Total £'000
Investments	**101,873**	**151,065**	**254,502**	**25,116**	**28,590**	**–**	**561,146**
Reinsurers' share of technical provisions	**–**	**26,075**	**62,886**	**226**	**3**	**34,214**	**123,404**
Debtors	**–**	**427**	**201,144**	**–**	**–**	**352**	**201,923**
Other assets	**37,431**	**25,224**	**36,791**	**7,078**	**1,553**	**7,928**	**116,005**
Accrued interest	**–**	**–**	**2,085**	**–**	**–**	**–**	**2,085**
Total	**139,304**	**202,791**	**557,408**	**32,420**	**30,146**	**42,494**	**1,004,563**

Not rated other assets represents cash awaiting investment within our Lloyd's overseas deposits.

As at 31 December 2019	AAA £'000	AA £'000	A £'000	BBB £'000	<BBB £'000	Not rated £'000	Total £'000
Investments	96,434	107,724	234,929	28,582	26,778	534	494,981
Reinsurers' share of technical provisions	–	21,774	55,883	218	5	25,194	103,074
Debtors	–	903	161,372	–	–	281	162,556
Other assets	44,441	9,721	39,816	6,114	1,046	7,075	108,213
Accrued interest	–	–	1,395	–	–	–	1,395
Total	140,875	140,122	493,395	34,914	27,829	33,084	870,219

4. RISK AND CAPITAL MANAGEMENT CONTINUED

The following table shows the carrying value of debtors that are neither past due nor impaired, the aging of assets that are past due but not impaired and assets that have been impaired. The factors considered in determining that the value of the assets have been impaired were: analysis of impairment, aging of balances, past loss experience, current economic conditions and other relevant circumstances.

As at 31 December 2020	Neither past due nor impaired £'000	Past due less than 30 days £'000	Past due 31 to 60 days £'000	Past due 61 to 90 days £'000	Past due more than 90 days £'000	Past due and impaired £'000	Carrying amount £'000
Debtors arising out of direct insurance operations	**177,133**	**–**	**–**	**–**	**–**	**–**	**177,133**
Debtors arising out of direct reinsurance operations	**22,037**	**1,229**	**326**	**590**	**85**	**–**	**24,267**
Total	**199,170**	**1,229**	**326**	**590**	**85**	**–**	**201,400**

As at 31 December 2019	Neither past due nor impaired £'000	Past due less than 30 days £'000	Past due 31 to 60 days £'000	Past due 61 to 90 days £'000	Past due more than 90 days £'000	Past due and impaired £'000	Carrying amount £'000
Debtors arising out of direct insurance operations	141,093	–	–	–	–	–	141,093
Debtors arising out of direct reinsurance operations	17,746	1,821	441	209	512	–	20,729
Total	158,839	1,821	441	209	512	–	161,822

Liquidity Risk Management

Liquidity risk is the risk that the syndicate cannot meet its obligations associated with financial liabilities as they fall due. The syndicate has adopted an appropriate liquidity risk management framework for the management of the syndicate's liquidity requirements. The syndicate manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities.

The syndicate is exposed to liquidity risk arising from clients on its insurance and investment contracts. In respect of catastrophic events there is liquidity risk from a difference in timing between claim payments and recoveries thereon from reinsurers. Liquidity management ensures that the syndicate has sufficient access to funds necessary to cover insurance claims, surrenders, withdrawals and maturing liabilities. In practice, most of the syndicate's assets are marketable securities which could be converted into cash when required.

There were no material changes in the syndicate's liquidity risk exposure in the financial year nor to the objectives, policies and processes for managing liquidity risk.

In relation to the financial assets, the tables below have been drawn up based on the undiscounted contractual maturities of the assets including interest that will be earned on those assets except where the syndicate anticipates that the cash flow will occur in a different period.

The table also shows the expected maturity profile of the syndicate's undiscounted obligations with respect to its financial liabilities and estimated cash flows of recognised insurance and participating investment contract liabilities. The table includes both interest and principal cash flows.

As at 31 December 2020	Less than 1 year £'000	1 – 3 years £'000	3 – 5 years £'000	More than 5 years £'000	Total £'000
Investments	**226,780**	**170,737**	**98,718**	**64,911**	**561,146**
Reinsurers' share of technical provisions	**45,985**	**52,132**	**14,582**	**10,705**	**123,404**
Debtors	**201,046**	**877**	**–**	**–**	**201,923**
Other assets	**77,092**	**29,961**	**8,187**	**765**	**116,005**
Accrued interest	**2,085**	**–**	**–**	**–**	**2,085**
Total	**552,988**	**253,707**	**121,487**	**76,381**	**1,004,563**
Technical provisions	**552,092**	**264,129**	**109,356**	**69,683**	**995,260**
Creditors	**68,178**	**139**	**–**	**–**	**68,317**
Accruals and deferred income	**1,540**	**4,992**	**–**	**–**	**6,532**
Total	**621,810**	**269,260**	**109,356**	**69,683**	**1,070,109**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2020

4. RISK AND CAPITAL MANAGEMENT CONTINUED

As at 31 December 2019	Less than 1 year £'000	1 – 3 years £'000	3 – 5 years £'000	More than 5 years £'000	Total £'000
Investments	186,816	215,683	81,877	10,605	494,981
Reinsurers' share of technical provisions	29,325	42,512	18,733	12,504	103,074
Debtors	161,494	1,062	–	–	162,556
Other assets	48,546	52,093	7,359	215	108,213
Accrued interest	1,395	–	–	–	1,395
Total	427,576	311,350	107,969	23,324	870,219
Technical provisions	508,383	246,943	103,509	67,474	926,309
Creditors	39,816	54	–	–	39,870
Accruals and deferred income	3,023	4,187	–	–	7,210
Total	551,222	251,184	103,509	67,474	973,389

Capital Management

Capital framework at Lloyd's

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

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

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

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member's SCR is determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to arrive at the member's capital requirement, known as the ECA. The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to ensure capital is sufficient to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2020 was 35% of the member's SCR 'to ultimate'.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (funds at Lloyd's), assets held 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 balance sheet, represent resources available to meet members' and Lloyd's capital requirements.

5. ANALYSIS OF UNDERWRITING RESULT

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	Net technical provisions prior to Part VII Transfer £'000	Part VII Transfer £'000	Reported net technical provisions £'000
Direct insurance:									
Accident and health	36,078	42,067	37,385	20,945	2,985	**(13,278)**	48,582	(1,420)	47,162
Motor (third party liability)	2,340	1,669	255	666	–	**748**	1,225	–	1,225
Motor (other classes)	10,924	10,849	4,387	4,896	2	**1,568**	9,187	(29)	9,158
Marine, aviation and transport	108,856	101,791	17,359	41,447	(18,788)	**24,197**	107,037	(7,301)	99,736
Fire and other damage to property	239,600	216,905	98,450	84,865	(6,244)	**27,346**	217,718	(1,018)	216,700
Third party liability	184,261	180,012	80,471	73,157	(7,862)	**18,522**	364,952	(5,868)	359,084
Credit and suretyship	6,798	7,954	33,689	3,275	1,650	**(27,360)**	20,332	–	20,332
Legal expenses	1,028	571	348	446	(3)	**(226)**	1,881	–	1,881
	589,885	561,818	272,344	229,697	(28,260)	**31,517**	770,914	(15,636)	755,278
Reinsurance	42,835	42,192	32,615	10,141	2,066	**1,502**	100,942	15,636	116,578
Total	**632,720**	**604,010**	**304,959**	**239,838**	**(26,194)**	**33,019**	**871,856**	**–**	**871,856**

On 30 December 2020, the Members and former Members of the syndicate, as comprised for each of the relevant years of account between 1993 and April 2019 (or October 2020 in the case of German reinsurance), transferred all relevant policies (and related liabilities) underwritten by them for those years of account to LIC, in accordance with Part VII of the Financial Services and Markets Act 2000. On the same date, the Members of the syndicate entered into a 100% Quota Share Reinsurance Agreement whereby LIC reinsured all risks on the same policies back to the relevant open years of account of the syndicate which wrote the transferring policies and/or inherited liabilities on transferring policies through Reinsurance to Close of earlier years of account.

Following the sanction of the scheme by the High Court on 25 November 2020, the scheme took effect on 30 December 2020 and the Members and former Members of the syndicate transferred the impacted EEA policies and related liabilities to LIC, together with cash of $32.0m. On the same date, under the Reinsurance Agreement, LIC reinsured the same risks back, together with an equal amount of cash of $32.0m.

The combined effect of the two transactions had no economic impact for the syndicate, and accordingly there is no net impact on the syndicate's statement of comprehensive income or balance sheet.

2019	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
Direct insurance:							
Accident and health	52,532	51,671	29,419	26,315	(2,561)	(6,624)	39,153
Motor (third party liability)	1,104	1,086	383	394	6	315	450
Motor (other classes)	10,045	13,382	5,934	5,270	165	2,343	14,814
Marine, aviation and transport	94,786	84,926	32,957	33,005	(13,761)	5,203	100,285
Fire and other damage to property	204,261	188,207	72,482	71,062	(15,009)	29,654	200,153
Third party liability	171,912	166,538	63,521	66,772	(11,891)	24,354	354,511
Credit and suretyship	11,431	10,330	3,778	4,758	676	2,470	7,612
Legal expenses	696	730	(120)	369	(194)	287	1,809
	546,767	516,870	208,354	207,945	(42,569)	58,002	718,787
Reinsurance	43,944	44,425	50,236	10,040	6,286	(9,565)	104,448
Total	590,711	561,295	258,590	217,985	(36,283)	48,437	823,235

Commission on direct insurance gross premiums earned during 2020 was £136,894,000 (2019 – £131,954,000).

All premiums are concluded in the UK.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2020

5. ANALYSIS OF UNDERWRITING RESULT CONTINUED

The geographical analysis of premiums by destination is as follows:

	2020 %	2019 %
UK	**6.8**	6.7
Other EU countries	**9.5**	9.2
US	**50.0**	53.1
Asia	**3.8**	3.0
Canada	**10.2**	8.5
Australia	**4.0**	3.7
Other	**15.7**	15.8
Total	**100.0**	100.0

6. CLAIMS OUTSTANDING

Reassessment of claims outstanding on underwriting years 2017 & prior (2019 – 2016 & prior) resulted in an improvement of £25.0m (2019 – £38.0m).

7. NET OPERATING EXPENSES

	2020 £'000	2019 £'000
Acquisition costs:		
Brokerage & commission	**174,998**	168,187
Other acquisition costs	**20,049**	19,340
Change in deferred acquisition costs	**(5,478)**	(7,302)
Administrative expenses	**50,269**	37,760
	239,838	217,985
Reinsurance commissions receivable	**(7,338)**	(5,931)
	232,500	212,054

Administrative expenses include:

	2020 £'000	2019 £'000
Auditors' remuneration	**265**	242

Members' standard personal expenses (Lloyd's subscriptions, central fund contributions, managing agent's fees and profit commission) are included within administrative expenses and amount to £19,902,000 (2019 – £10,665,000).

8. STAFF NUMBERS AND COSTS

All staff are employed by Atrium Group Services Limited (AGSL). The following amounts were recharged to the syndicate in respect of staff costs:

	2020 £'000	2019 £'000
Wages and salaries	**15,304**	14,334
Variable compensation	**10,425**	6,229
Social security costs	**2,679**	2,406
Other pension costs	**2,344**	2,210
	30,752	25,179

8. STAFF NUMBERS AND COSTS CONTINUED

The average number of employees employed by AGSL, but working for the syndicate during the year, analysed by category, was as follows:

	2020 £'000	2019 £'000
Management	**6**	6
Underwriting	**70**	68
Claims	**10**	10
Administration	**63**	58
	149	142

9. REMUNERATION OF THE DIRECTORS OF ATRIUM UNDERWRITERS LIMITED

The eleven (2019 – eleven) directors of AUL who served during 2020 received the following aggregate remuneration charged to the syndicate and included within net operating expenses:

	2020 £'000	2019 £'000
Directors' emoluments	**1,656**	1,283
Pensions	**14**	23
	1,670	1,306

No other compensation was payable to key management personnel and charged to the syndicate.

The Active Underwriter received the following remuneration charged as a syndicate expense and included within directors' emoluments above:

	2020 £'000	2019 £'000
Emoluments	**267**	246

10. INVESTMENT RETURN

	2020 £'000	2019 £'000
Investment income:		
Income from investments	**14,962**	16,266
Gains on the realisation of investments	**1,793**	1,509
	16,755	17,775
Net unrealised gains on investments:		
Unrealised gains on investments	**9,491**	7,285
Unrealised losses on investments	**(678)**	(1,154)
	8,813	6,131
Investment expenses and charges:		
Investment management expenses, including interest	**(486)**	(519)
Losses on the realisation of investments	**(2,395)**	(691)
	(2,881)	(1,210)
Allocated investment return transferred to general business technical account	**22,687**	22,696

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2020

10. INVESTMENT RETURN CONTINUED

Calendar Year Investment Return

The table below presents the average amount of funds in the year per currency and analyses by currency the average investment yields in the year.

	2020 £'000	2019 £'000
Average syndicate funds available for investment during the year:		
Sterling	**24,852**	24,300
US dollars	**375,631**	334,224
Canadian dollars	**53,062**	45,397
Euro	**38,218**	37,034
Combined	**491,763**	440,955
Aggregate gross investment return for the year	**19,999**	18,936
Gross calendar year investment return:	**%**	%
Sterling	**2.3**	1.8
US dollars	**4.4**	5.0
Canadian dollars	**3.6**	2.8
Euro	**0.7**	0.6
Combined	**4.0**	4.2

The average amount of syndicate funds available for investment has been calculated as the monthly average balance of investments. The syndicate's portfolio consists of high quality investments which are held on a short duration basis.

11. INVESTMENTS

	Fair value		Cost	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Shares and other variable yield securities and units in unit trusts	**54,479**	42,486	**54,479**	42,486
Debt securities and other fixed income securities	**497,900**	450,752	**485,643**	450,438
Loans and deposits with credit institutions	**8,767**	1,743	**8,767**	1,743
	561,146	494,981	**548,889**	494,667

Shares and other variable yield securities and units in unit trusts represents the syndicate's holdings in collective investment schemes.

Using Standard & Poor's and Moody's as rating sources, the credit ratings of the debt and other fixed income securities are set out below:

	2020 £'000	2020 %	2019 £'000	2019 %
Government/Government Agency	**147,169**	**29.6**	125,871	27.9
AAA/Aaa	**35,414**	**7.1**	36,049	8.0
AA/Aa	**90,818**	**18.2**	55,751	12.4
A	**170,793**	**34.4**	174,883	38.7
BBB	**25,116**	**5.0**	30,885	6.9
<BBB	**28,590**	**5.7**	27,313	6.1
	497,900	**100.0**	450,752	100.0

11. INVESTMENTS CONTINUED

The syndicate's core fund manager throughout 2020 was New England Asset Management (NEAM) specifically for bonds. The US dollar and Canadian dollar investments are managed by NEAM Inc, based in Farmington, United States and the Euro portfolio is managed by NEAM Ltd, a sister company based in Dublin, Ireland. Conning Asset Management Ltd manage a fund of bank loans in US dollars.

Fair Value Methodology

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction. Fair values are determined at prices quoted in active markets. In some instances, such price information is not available for all instruments and the syndicate applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data but in some cases management estimate other than observable market inputs within the valuation model. There is no standard model and different assumptions would generate different results.

To provide an indication about the reliability of the inputs used in determining fair value, the syndicate has classified its financial instruments into the three levels. Investments carried at fair value have been categorised using a fair value hierarchy. An explanation of each level and the value hierarchy is provided below.

Fair value hierarchy:

Level 1 – Inputs to level 1 fair value are quoted prices (unadjusted) in active markets for identical assets. An active market is one in which transactions for the asset occurs with sufficient frequency and volume to provide pricing information on an on-going basis.

Level 2 – The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity- specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3 – Inputs to level 3 fair values are based on unobservable inputs for the assets at the last measurement date. If all significant inputs required to fair value an instrument are observable then the instrument is included in level 2, if not it is included in level 3.

The table below shows financial instruments carried at fair value through profit or loss grouped into the level in the fair value hierarchy into which each fair value measurement is categorised.

As at 31 December 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Shares and other variable yield securities and units in unit trusts	**–**	**54,479**	**–**	**54,479**
Debt securities and other fixed income securities	**37,140**	**460,760**	**–**	**497,900**
Loans secured by mortgage	**–**	**8,767**	**–**	**8,767**
	37,140	**524,006**	**–**	**561,146**

As at 31 December 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Shares and other variable yield securities and units in unit trusts	36,079	6,407	–	42,486
Debt securities and other fixed income securities	29,072	421,680	–	450,752
Loans secured by mortgage	–	1,743	–	1,743
	65,151	429,830	–	494,981

12. DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2020 £'000	2019 £'000
Due from intermediaries:		
Due within one year	**177,127**	141,041
Due after one year	**6**	52
	177,133	141,093

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2020

13. DEFERRED ACQUISITION COSTS

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

	2020 £'000	2019 £'000
Balance at 1 January	**73,631**	70,010
Incurred costs deferred	**111,199**	122,787
Amortisation	**(106,398)**	(117,342)
Effect of movements in exchange rates	**(1,025)**	(1,824)
Part 7 reclassification from Direct Insurance	**(21)**	–
Part 7 reclassification to Inwards RI	**21**	–
Balance at 31 December	**77,407**	73,631

14. CLAIMS DEVELOPMENT

The following tables show the development of claims over a period of time on both a gross and a net of reinsurance basis. FRS 103 requires that claims development shall go back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payment, but need not go back more than ten years. The top half of the table shows how the estimates of total claims for each underwriting year develop over time. The lower half of the table reconciles the cumulative claims to the amount appearing in the balance sheet.

The cumulative claims estimates and payments for each underwriting year are translated into pounds sterling at the exchange rates prevailing at 31 December 2020 in all cases.

Analysis of development – gross	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000	Total £'000
Estimate of ultimate gross claims:											
at end of underwriting year	278,488	246,334	248,356	245,416	264,243	273,190	355,569	304,629	324,221	338,837	
one year later	251,623	206,020	242,661	217,770	252,679	251,569	338,495	297,249	323,172		
two years later	242,734	189,540	218,905	202,322	227,862	228,672	327,271	289,807			
three years later	240,988	169,963	207,300	178,962	215,334	217,714	323,424				
four years later	232,345	160,178	194,342	203,348	206,178	215,502					
five years later	226,389	153,566	191,171	195,767	203,759						
six years later	224,360	149,571	187,987	191,721							
seven years later	211,748	148,784	183,217								
eight years later	210,280	148,532									
nine years later	208,670										
Less gross claims paid	191,735	138,386	172,832	170,715	167,478	167,895	231,005	156,572	99,336	20,220	
Gross ultimate claims reserve	16,935	10,146	10,385	21,006	36,281	47,607	92,419	133,235	223,836	318,617	**910,467**
Gross ultimate claims reserve for 2010 & prior years											**32,735**
Gross unearned portion of ultimate											**(211,498)**
Gross claims reserve											**731,704**

14. CLAIMS DEVELOPMENT CONTINUED

Analysis of development – net	**2011 £'000**	**2012 £'000**	**2013 £'000**	**2014 £'000**	**2015 £'000**	**2016 £'000**	**2017 £'000**	**2018 £'000**	**2019 £'000**	**2020 £'000**	**Total £'000**
Estimate of ultimate net claims:											
at end of underwriting year	239,859	219,618	222,805	219,451	234,208	236,509	293,921	270,635	286,766	293,489	
one year later	225,351	191,429	221,602	203,393	231,960	225,390	290,371	273,679	293,822		
two years later	209,094	177,913	201,758	192,688	210,819	209,381	285,331	265,330			
three years later	193,505	159,282	191,232	171,510	200,549	201,142	280,748				
four years later	185,003	150,679	179,572	171,242	192,814	197,907					
five years later	180,199	144,450	175,982	165,892	189,127						
six years later	178,511	140,170	173,174	163,022							
seven years later	171,490	140,331	168,935								
eight years later	170,914	140,048									
nine years later	169,086										
Less net claims paid	163,257	130,158	159,043	143,895	158,455	154,721	200,062	151,116	97,170	20,106	
Net ultimate claims reserve	5,829	9,890	9,892	19,127	30,672	43,186	80,686	114,214	196,652	273,383	**783,531**
Net ultimate claims reserve for 2010 & prior years											**29,421**
Net unearned portion of ultimate											**(183,270)**
Net claims reserve											**629,682**

Amounts recognised in foreign currencies have been restated at the closing rates of exchange at the end of the reporting year.

15. TECHNICAL PROVISIONS

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

		2020			**2019**	
Claims outstanding	**Gross provisions £'000**	**Reinsurance assets £'000**	**Net £'000**	**Gross provisions £'000**	**Reinsurance assets £'000**	**Net £'000**
Balance at 1 January	**686,712**	**85,480**	**601,232**	743,465	119,438	624,027
Claims and claims adjustment expenses for the year	**304,959**	**34,037**	**270,922**	258,590	15,057	243,533
Cash paid for claims settled in the year	**(245,177)**	**(15,800)**	**(229,377)**	(289,234)	(44,795)	(244,439)
Effect of movements in exchange rates	**(14,790)**	**(1,695)**	**(13,095)**	(26,109)	(4,220)	(21,889)
Part VII reclassification from Direct Insurance	**18,917**	**–**	**18,917**	–	–	–
Part VII reclassification to Inwards Reinsurance	**(18,917)**	**–**	**(18,917)**	–	–	–
Balance at 31 December	**731,704**	**102,022**	**629,682**	686,712	85,480	601,232
Claims reported and claims adjustment expenses	**294,298**	**33,477**	**260,821**	270,310	26,676	243,634
Claims incurred but not reported	**437,406**	**68,545**	**368,861**	416,402	58,804	357,598
Balance at 31 December	**731,704**	**102,022**	**629,682**	686,712	85,480	601,232

		2020			**2019**	
Unearned premiums	**Gross provisions £'000**	**Reinsurance assets £'000**	**Net £'000**	**Gross provisions £'000**	**Reinsurance assets £'000**	**Net £'000**
Balance at 1 January	**239,597**	**17,594**	**222,003**	217,095	13,932	203,163
Premiums written during the year	**632,720**	**72,338**	**560,382**	590,711	61,403	529,308
Premiums earned during the year	**(604,010)**	**(67,569)**	**(536,441)**	(561,295)	(57,271)	(504,024)
Effect of movements in exchange rates	**(4,751)**	**(981)**	**(3,770)**	(6,914)	(470)	(6,444)
Part VII reclassification from Direct Insurance	**204**	**–**	**204**	–	–	–
Part VII reclassification to Inwards Reinsurance	**(204)**	**–**	**(204)**	–	–	–
Balance at 31 December	**263,556**	**21,382**	**242,174**	239,597	17,594	222,003

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2020

16. CREDITORS ARISING-OUT OF DIRECT INSURANCE OPERATIONS

	2020 £'000	2019 £'000
Due from intermediaries:		
Due within one year	**16,433**	1,940
Due after one year	**3**	–
	16,436	1,940

17. DISCLOSURES OF INTEREST

Atrium Underwriting Group Limited (AUGL) is a wholly owned subsidiary of Alopuc Ltd (a UK holding company) and Alopuc Ltd is in turn a wholly owned subsidiary of Northshore Holdings Ltd (Northshore), a Bermudan company. At the balance sheet date, the ultimate beneficial owner of Northshore was Enstar Group Limited (Enstar) who held approximately 54.3% economic interest and affiliates of Stone Point Capital LLC (Stone Point) held 37.8% economic interest. The balance of the shareholding was held by Dowling Capital Partners and Atrium management and staff.

AUGL is the holding company of the following wholly owned subsidiaries; AUL, Atrium Underwriting Holdings Limited (AUHL), Atrium Insurance Agency Limited (AIAL), AGSL, Atrium Risk Management Services (Washington) Ltd (ARMS), Atrium Corporate Capital Limited (ACCL) and Atrium 5 Limited. AGSL is the holding company of Atrium Nominees Limited. AUL is authorised by the PRA and regulated by the Financial Conduct Authority and the PRA and is the managing agent of the syndicate. During 2020 AUGL liquidated its holding in Atrium Risk Management Services (British Columbia) Ltd (ARMSBC).

Historically AUGL has participated on the managed syndicate through its corporate member subsidiary, Atrium 5 Limited. With effect from the 2017 year of account until the 2020 year of account, this AUGL participation has been through another corporate member within the Enstar Group (SGL No. 1 Limited) under the terms of a lease agreement between SGL No. 1 Limited and Atrium 5 Limited. This arrangement ceased for the 2021 year of account.

On 13 August 2020, Enstar entered into a Recapitalisation Agreement, whereby Enstar agreed to exchange a portion of its indirect interest in Northshore for all of the Trident V Funds indirect interest in Starstone U.S. The transaction completed on 1 January 2021 when ultimate ownership of AUGL transferred to Northshore, with the Trident V Funds becoming the majority shareholder in Northshore. As part of this transaction, a new Lloyd's corporate member, ACCL, has been formed. ACCL will participate on the syndicate from the 2021 year of account onwards.

In the chart below the Atrium corporate underwriting capacity is provided by SGL No.1 Ltd on the 2018, 2019 and 2020 years of account and by ACCL on the 2021 year of account.

	2018 Capacity £m	2019 Capacity £m	2020 Capacity £m	2021 Capacity £m
Syndicate 609	114.7	114.7	133.5	**158.7**

SGL No.1 Limited's and ACCL's (2021 onwards) participations on the managed syndicate as a % of syndicate capacity:

		Year of account		
	2018 %	2019 %	2020 %	2021 %
Syndicate 609	25.4	25.4	25.4	**25.4**

AIAL is a registered Lloyd's UK coverholder and is authorised and regulated by the Financial Conduct Authority. The syndicate leads a binding authority granted to AIAL to underwrite space business. Under the terms of the binding authority, fees and profit commission are payable by the syndicate to AIAL. Fee income of US$480,000 (2019 – US$350,000) is payable by the syndicate to AIAL in relation to premium earned in calendar year 2020. Profit commission of US$262,000 has been incurred by the syndicate (2019 – US$64,000) during the calendar year 2020.

AGSL is a group service company. All UK employee contracts and, where possible, all material service provider contracts are held by AGSL. A service agreement is in place whereby AGSL provides all management services to all Atrium group companies. Under the service agreement AGSL will charge the costs to each Atrium group company, including AUL, for the respective services provided.

ARMS was incorporated in Washington State, United States, and was established to support the syndicate strategy to maintain and grow its North American direct portfolio and distribution network. ARMS charged fees to the syndicate equal to its operating costs plus a small margin for transfer pricing reasons. Fees of US$2,053,000 were paid by the syndicate in the calendar year 2020 (2019 – US$2,615,000).

17. DISCLOSURES OF INTEREST CONTINUED

ARMSBC is incorporated in British Columbia, Canada, and was established to support the syndicate strategy to maintain and grow it's North American direct portfolio and distribution network. ARMSBC charged fees to the syndicate equal to its operating costs plus a small margin for transfer pricing reasons. Fees of C$55,000 were paid by the syndicate to ARMSBC in the calendar year 2020 (2019 – C$1,679,000). On 28 September 2020, ARMSBC was dissolved.

The Directors' participations on the syndicate via Nomina No. 207 LLP (the staff LLP) are as follows (this includes any director of AUL that served during 2020 and a partner in the LLP):

	2018 £	2019 £	2020 £	2021 £
James Cox	127,287	153,020	230,016	**313,317**
Toby Drysdale	41,952	36,259	42,689	**94,382**
Richard Harries	519,189	568,698	768,180	**1,068,568**
James Lee	86,960	93,457	153,444	**194,879**
Brendan Merriman	62,855	63,046	94,745	**115,352**
Samit Shah	112,595	116,052	191,533	**432,970**
Kirsty Steward	27,134	23,997	79,407	**77,680**

AUL has made no loans to directors of the company during 2020 (2019 – nil). There were no loans outstanding at the balance sheet date.

Managing agency fees of £3,641,000 (2019 – £3,126,000) were paid by the syndicate to AUL. Profit commission of £10,812,000 (2019 – £3,341,000) is payable by the syndicate to AUL in relation to the 2020 calendar year result. The managing agents agreement was amended in 2007 to enable managing agents to make payments on account of profit commission, prior to the closure of a year of account. Payments on account can be made when the syndicate transfers open year surpluses from the syndicate level premium trust funds to the members' personal reserve fund. No such payment was made in 2020 (2019 – £nil). Included within creditors is £8,636,000 (2019 – £3,341,000) in respect of profit commission payable to AUL on the 2018 year of account. £2,176,000 (2019 – £nil) is included in accruals and payable after 12 months.

The Stone Point managed Trident V Funds (acting in concert) became majority owners of Atrium from 1 January 2021 Stone Point has investments in a wide range of companies and sectors, including the global insurance industry and as such as part of ordinary business and operations AUL and Syndicate 609 might enter into transactions with other Stone Point affiliates from time to time. This could include transactions relating to inwards and outwards reinsurance, insurance intermediation, provision of insurance services, or other non-insurance related services. Any such related party transactions are entered into by the syndicate on a commercial basis and managed in accordance with the protocols set out in Atrium's Conflicts of Interest Policy.

During 2020 Atrium was a subsidiary of the Enstar Group. Given the insurance related activities undertaken within the broader Enstar group it was possible that transactions may be entered into between the Atrium managed syndicate and Enstar group companies (including Starstone insurance group entities and the Enstar Lloyd's syndicates). Any such related party transactions were entered into by the syndicate on a commercial basis and managed in accordance with the protocols set out in Atrium's Conflicts of Interest Policy. From 1 January 2021 Enstar became a minority investor in Atrium.

The Enstar representative serving as a director of AUL also holds board positions at other Enstar group companies and these are disclosed and any potential conflicts of interest managed in line with Atrium's usual practice, which applies to all AUL Directors. Currently no Stone Point representatives sit on the AUL Board.

As part of Lloyd's Brexit arrangements, AUL has entered into an outsourcing agreement with Lloyd's Insurance Company S.A, (LIC) and reinsurance contracts between Syndicate 609 and LIC. This structure covers business underwritten by AUL on behalf of LIC since 1 January 2019 as well as legacy EEA business transferred to LIC under the Lloyd's Part VII Transfer, which had a Scheme Effective Data of 30 December 2020. The outsourcing agreement covers the activities performed by AUL on behalf of LIC in writing and servicing the relevant business. The reinsurance contracts cede 100% of the business written by, or transferred to, LIC back to Syndicate 609.

18. POST BALANCE SHEET EVENT

On 13 February 2021, the Winter Storm Uri loss event commenced in the US State of Texas. At the time of signing the Financial Statements, it is too early to quantify the effects, however it is an event which is in the normal course of insurance business and the syndicate will closely monitor developments in the coming weeks. This will be a 2021 calendar year loss and will not impact the 2020 Financial Statements.

ATRIUM

UNDERWRITING YEAR ACCOUNTS
THE 2018 YEAR OF ACCOUNT

SYNDICATE 609

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The Directors of the Managing Agent presents their report at 31 December 2020 for the 2018 closed year of account of Syndicate 609 (the syndicate).

This report is prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (No 8 of 2006). It accompanies the underwriting year accounts prepared on an underwriting year basis of accounting as required by Statutory Instrument No 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations ("the 2008 Regulations").

REVIEW OF THE 2018 CLOSED YEAR OF ACCOUNT

The 2018 year of account closed with a profit of £34.4m after standard personal expenses (7.7% of capacity). There was an underwriting surplus of £18.7m attributable to business reinsured into the 2018 year of account, net of profit commission and other associated expenses. Further details on the underwriting results are included within the Underwriter's Report.

PRINCIPAL RISKS AND UNCERTAINTIES

Governance

The Board recognises the critical importance of having efficient and effective risk management systems in place but also recognises that it can only mitigate risks, and not eliminate them entirely. The Board has developed its Own Risk and Solvency Assessment (ORSA), comprising the entirety of the processes that it uses to identify, assess, monitor and report the risks faced by the syndicate and to evaluate the amount of funds necessary to cover these risks taking into consideration the business profile and risk appetite of the syndicate. Critical to the efficacy of the ORSA is the effective operation of the Risk Management Framework (RMF), the Governance Structure and Atrium's Internal Model. The RMF incorporates the so-called "Three Lines of Defence" approach to risk management and reporting.

The RMF is the mechanism through which Atrium ensures it is implementing effective and enterprise wide risk management practices across its business. Key to Atrium's business is the management of risk, return and capital, against which all significant strategic and operational business decisions are evaluated. Atrium has established systems of governance and risk management that enable it to manage its business prudently.

The RMF is the articulation of these systems of risk management and governance and how the various elements interact.

The RMF encompasses the broad range of activities undertaken across the organisational hierarchy to ensure that risks are managed appropriately, spanning from the high level strategy set by the Board to the day to day underwriting decisions being made by syndicate staff and the controls in place to govern these. The RMF can be illustrated as follows:

Strategy: This describes Atrium's strategy setting process and explains how this filters down through the organisation; incorporating the syndicate's Business Strategy, Risk Strategy, Business Plan, Risk Policy Statement and Risk Policies.

Business Activities: The individual syndicate and agency business units are responsible for implementing the strategy and business plans in accordance with the framework set out in the risk policies.

The people, controls, management information, processes and senior management oversight in place across the business units serve as the "First Line of Defence" in the RMF.

Risk Governance Structure: The Board has established a Risk Governance Structure in order to ensure that risk is appropriately identified, monitored, managed and reported across the organisation; to review the activities of the business units; and to ensure that the RMF is effectively designed, implemented and governed. The Risk Governance Structure is comprised of the Executive Risk Committee (ERC), which fulfils the role of Atrium's Risk Management Function, in conjunction with the Risk Management Team, and its three Risk Sub-Committees, discussed further below.

Independent Assurance: Atrium has in place a Compliance Function and an Actuarial Function in addition to the Risk Management Function (fulfilled by the ERC and the Risk Management Team). These functions have specific responsibilities documented in their terms of reference and are staffed by fit and proper individuals with suitable qualifications, expertise and experience. The activities of these functions seek to provide the Board with assurance as to the appropriateness and effectiveness of the various elements of the RMF, the internal control environment, and the calculation of capital. There are a number of risk management tools which support independent assessment and reporting of risk. Taken together this Independent Assurance comprises the "Second Line of Defence".

Independent Oversight: The RMF provides for independent oversight and challenge via the operation of the Internal Audit Function as well as the Audit Committee and Risk Committee, both of which are Committees of the Board with membership comprised of Non Executive Directors. Together these three groups provide the "Third Line of Defence". The Risk Committee is charged with providing independent oversight and review of Atrium's RMF and its constituent parts whilst the Audit Committee, along with its broader responsibilities for the financial statements and financial reporting process, has oversight of internal controls and the Internal Audit Function.

Executive Risk Committee (ERC)

Atrium's risk governance structure is comprised of the ERC and its three Risk Sub-Committees.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT CONTINUED

The ERC fulfils the Risk Management Function, in conjunction with the Risk Management Team, and coordinates the risk management activities conducted for the syndicate. It is responsible for ensuring that the RMF, and Internal Model, operates effectively, and for maintaining an aggregated and holistic view of risks to the syndicate and reporting on them to the Board, Committees and management as appropriate. It also ensures that there is robust and effective management, governance and oversight of Atrium's Internal Model which is used to set capital and is also widely used within the business.

To support delivery of the ERC's responsibilities, there are three Risk Sub-Committees, each being responsible for oversight, review and challenge of the activities of the syndicate and in particular ensuring that activities are within risk policies, that risks are suitably identified, monitored and reported, and that appropriate contingency plans are in place.

The principal risks to which the syndicate is exposed are discussed below together with the mitigation techniques adopted. For clarity, the risks are analysed by reference to the Risk Sub-Committees that have responsibility for the relevant risk area.

Insurance Risk Sub-Committee (IRSC)

The IRSC is responsible for oversight of insurance risk which includes underwriting, claims, reserving, and reinsurance.

Underwriting risk is the risk that future losses are greater than allowed for within premiums. This could be due to natural fluctuations in claims frequencies and severities, changes in economic and judicial environments, anti-selection, inappropriate premium estimation or catastrophic loss activity.

Underwriting risk is mitigated through numerous controls including underwriter peer review, authority limits, independent review of risks written, and purchase of an appropriate reinsurance programme. The syndicate Business Forecast is completed annually and stipulates those classes of business and concentration by class that will be written during the forthcoming year. It is reviewed by the IRSC and approved by the Board prior to being submitted to Lloyd's for approval. Actual performance during the year is monitored by reference to the Syndicate Business Forecast.

The risk of catastrophic claims is mitigated by the syndicate having a defined risk appetite which determines the net loss that it intends to retain for major catastrophe events and where deemed appropriate reinsurance is purchased to limit the impact of losses. Although the likelihood of occurrence is considered to be remote, there may be circumstances where the loss from a particular catastrophe event exceeds the net risk appetite perhaps due to the occurrence of a loss that has not been considered or where the reinsurance purchased proves to be insufficient. In addition climate change can affect the occurrence and severity of weather related events. Whilst we do research the impact of these there is significant uncertainty to the impact climate change has on events in the tail of distributions which increases uncertainty in this area.

Reserving risk is the risk that there is insufficient provision for losses that have already occurred.

Reserving risk is mitigated by the robust reserve adequacy exercise that is performed on a quarterly basis by the Actuarial Function and approved by the Board. The quarterly exercise involves a review of the paid and outstanding claims and an assessment of the appropriate provision for incurred but not reported (IBNR) claims. The reserves are considered by the IRSC and approved by the Board. The reserving is carried out based on historical development data, the claims environment and information provided by lawyers and third party claims adjusters. Although a thorough review is carried out the reserves carried may be more or less than adequate to meet the final cost of claims.

The IRSC also reviews the proposed reinsurance programme that is used to protect capital from frequency and severity of losses that may be sustained through underwriting the varied lines of business written. The review includes analysis of the reinsurance cover being purchased and assessment of the proposed counterparties.

Financial Risk Sub-Committee (FRSC)

The FRSC is responsible for oversight of financial risks and the steps taken to mitigate them as they arise from investments, asset/liability management, credit, liquidity and concentration risks. These risks are discussed further below. Investment risk is the risk that the syndicate's earnings are affected by changes in the value of the investment portfolio; such changes in value may be driven by changes in the economic and political environment and by movements in interest and foreign exchange rates. Atrium manages the syndicate's investments in accordance with investment guidelines established by the Board that are reviewed on a regular basis. The FRSC monitors the performance of the external investment manager and the custodians responsible for the safekeeping of the investments, and reports regularly to the Board.

Asset/liability mismatch is the risk that the syndicate could incur a loss through inadequate matching of its investments with its insurance liabilities. Due to the short tail nature of the majority of these liabilities, the syndicate does not seek to achieve a precise matching with the investment portfolio, instead developing an investment duration guideline that is broadly in line with the average payment profile of the liabilities. However, the syndicate substantially mitigates exposure to currency mismatch by investing premiums in the currency in which subsequent claims are most likely to be incurred and periodic rebalancing to ensure that these remain appropriate for the liabilities. The majority of the syndicate's business is denominated in US Dollars (USD) and accordingly the substantial part of the investment portfolio is in USD denominated investments.

The key aspect of credit risk is the risk of default by one or more of the syndicate's reinsurers, their investment counterparties, or insurance intermediaries. Reinsurance is placed with security that adheres to the Atrium reinsurance policy. The exposure to credit risk in the investment portfolio is mitigated through adherence to the investment guidelines which require the syndicate's core investment portfolios to be held in government and corporate debt with a high credit quality rating and with a relatively short duration, thus substantially mitigating the risk of sustaining losses from default.

Exposure to intermediaries is mitigated by rigorous review of new intermediaries, contractual terms of business, regulated or segregated client accounts, monitoring of balances and credit control procedures.

Liquidity risk is the risk that the syndicate will not be able to meet its short term liabilities as they fall due, owing to a shortfall in cash. This risk is mitigated through holding invested funds in high credit quality and short duration investments, and cash flow projections are also reviewed on a regular basis. The need for overdraft facilities in case of unprojected cash flow deficit is also reviewed regularly.

Concentration risk is the exposure to loss that could arise if the bulk of the amounts recoverable by the syndicate were dependent on a limited number of reinsurers, or if investments were restricted to limited numbers of counterparties or sectors. The risk is mitigated by restricting the permitted cessions to individual reinsurers for any one underwriting year and through the investment guidelines which limit exposure to individual investment counterparties and sectors.

Operational Risk Sub-Committee (ORSC)

The ORSC is responsible for oversight of the syndicate's exposures to operational, group, conduct and regulatory risks.

Operational risk is the risk of loss due to inadequate or failed processes and procedures, people and systems, or external events. The agency seeks to manage these risks by operating a control based environment which consists of documented procedures, segregation of duties and appropriate levels of review.

Conduct Risk is the risk that as part of writing and servicing insurance policies the syndicate fails to pay due regard to the interests of its customers. This is mitigated through the application of Atrium's conduct risk policy and procedures and through staff's adherence to Atrium's Code of Business Principles and Ethics. Atrium is committed to conducting its activities and stakeholder relationships in a fair and honest manner and the highest standard of conduct, professionalism and integrity is expected from all of its employees, with due regard paid at all levels of the organisation to ensuring fair outcomes for customers. Key controls include training of staff, embedding of the consideration of conduct risk as part of the business planning process and through the product life-cycle and Board and governance oversight and reporting. The ORSC fulfils the role of a "product oversight group" providing customer challenge and perspective to Atrium's products.

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Managing Agency has a Compliance Officer and team who monitor regulatory developments and assess the impact on agency policy. They also carry out a compliance monitoring programme.

Regular reviews are performed by the Internal Audit department to ensure that deviations from the agency's policies, and control weaknesses, are identified and reported to the appropriate level of management and the Audit Committee when considered necessary.

BREXIT

The UK left the European Union (EU) on 31 January 2020 and the associated transitional arrangements ended on 31 December 2020, with Lloyd's Underwriters officially ceasing to have trading rights in the European Economic Area (EEA) for Direct Insurance and cross border German Reinsurance business. Lloyd's members will continue to be able to provide reinsurance to cedants in the EEA (with the exception of Germany) on a cross-border basis, provided relevant local requirements are complied with.

In order to provide this continued access to Lloyd's for policyholders within the EEA, Lloyd's established a subsidiary insurance and reinsurance company incorporated in Belgium, Lloyd's Insurance Company S.A. (LIC). Atrium worked closely with Lloyd's on this contingency arrangement. LIC is authorised in Belgium by the National Bank of Belgium (NBB) and regulated by the NBB and the Financial Services and Markets Authority of (FSMA) Belgium. It is capitalised according to the Solvency II standard formula and benefits from the same financial ratings as the Lloyd's market, which are provided by A.M. Best (A "excellent"); Standard & Poor's (A+ "strong"); and Fitch Ratings (AA- "very strong"). LIC has 18 branches across the EEA and a branch in the United Kingdom (UK).

LIC writes all classes of non-life insurance business and non-life reinsurance business from EEA countries. The establishment of LIC ensures that Lloyd's European intermediaries and policyholders still have access to the combined scale, expertise, capacity and claims service of the Lloyd's market through a single insurance company based at the heart of Europe.

Whilst it is only a small proportion of its overall business, the syndicate has incorporated the essential changes required by Lloyd's throughout the organisation, enabling us to uphold the syndicate's reputation by providing the best possible service to brokers, coverholders and ultimately policyholders.

From 1 January 2019 onwards, with a few minor exceptions, all new EEA non-life direct insurance policies have been written by Atrium on behalf of LIC (under the terms of an outsourcing agreement) and 100% reinsured back to the syndicate. All renewing EEA non-life direct insurance policies have transferred to LIC on their renewal under the same structure. It continues to be Lloyd's policy that all non-life EEA insurance risks are written by LIC and not Lloyd's syndicates.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT CONTINUED

PART VII

To achieve contract continuity, Lloyd's have transfered all affected policies (comprising all relevant non-life direct EEA insurance and inwards German reinsurance business that has been written by the Lloyd's market between 1993 and 2020) to LIC.

On 30 December 2020, the Members and former Members of the syndicate, as comprised for each of the relevant years of account between 1993 and April 2019 (or October 2020 in the case of German reinsurance), transferred all relevant policies (and related liabilities) underwritten by them for those years of account to LIC, in accordance with Part VII of the Financial Services and Markets Act 2000. On the same date, the Members of the syndicate entered into a 100% Quota Share Reinsurance Agreement whereby LIC reinsured all risks on the same policies back to the relevant open years of account of the syndicate which wrote the transferring policies and/or inherited liabilities on transferring policies through Reinsurance to Close of earlier years of account.

Following the sanction of the scheme by the High Court on 25 November 2020, the scheme took effect on 30 December 2020 and the Members and former Members of the syndicate transferred the impacted EEA policies and related liabilities to LIC. On the same date, under the Reinsurance Agreement, LIC reinsured the same risks back.

The combined effect of the two transactions had no economic impact for the syndicate, and accordingly there is no net impact on the syndicate's statement of comprehensive income or balance sheet.

DIRECTORS & OFFICERS

The Directors and Officers of the managing agent who served during the year ended 31 December 2020 were as follows:

Martha Bruce, Bruce Wallace Associates Limited (Company Secretary)
Steve Cook (resigned 31/12/2020)
Christopher Stooke (appointed 1/1/2021)
James Cox
Toby Drysdale (Active Underwriter 609)
Andrew Elliott (resigned 31/03/2020)
Gordon Hamilton
Richard Harries
James Lee
Brendan Merriman
Stephen Riley
Samit Shah
Kirsty Steward

DIRECTORS' INTERESTS

Details of Directors' interests can be found in note 16 to the accounts.

RE-APPOINTMENT OF AUDITORS

The Board of Directors have re-appointed KPMG LLP as the syndicate auditors for the year ending 31 December 2021. KPMG LLP have indicated their willingness to continue in office as the syndicate auditor.

By order of the Board

James Lee
Agency Managing Director
1 March 2021

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The Directors of the managing agent are responsible for preparing the syndicate underwriting year accounts in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw. They have elected to prepare the accounts in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 the directors of the managing agent must not approve the underwriting year accounts unless they are satisfied that they give a true and fair view of the result of the underwriting year at closure. In preparing these accounts, the directors of the managing agent are required to:

- Select suitable accounting policies and then apply them consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable between the members of the syndicate affected is used;
- 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 accounts;
- Assess the syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so. As explained in note 1 the directors of the managing agent have not prepared the underwriting year accounts on a going concern basis.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the syndicate's website. Legislation in the UK governing the preparation and dissemination of underwriting year accounts may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 609

OPINION

We have audited the syndicate underwriting year accounts for the 2018 year of account of syndicate 609 for the three year period ended 31 December 2020 which comprise the Statement of comprehensive income Technical Account - General Business; Statement of comprehensive income Non-Technical Account – General Business; Balance Sheet; Statement of cash flows and related notes, including the accounting policies in Note 3.

In our opinion the syndicate underwriting year accounts:

- give a true and fair view of the syndicate's profit for the 2018 closed year; and
- have been properly prepared in accordance with the requirements of the Lloyd's Syndicate Accounting Byelaw.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the syndicate in accordance with, UK ethical requirements including the Financial Reporting Council ("FRC") Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

EMPHASIS OF MATTER – NON-GOING CONCERN BASIS OF PREPARATION

We draw attention to the disclosure made in Note 1 to the underwriting year accounts which explains that the underwriting year accounts have not been prepared on the going concern basis for the reasons set out in that note. Our opinion is not modified in respect of this matter.

FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures at the syndicate and Managing Agent included:

- Enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the syndicate and Managing Agent's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the syndicate and Managing Agent's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit committee minutes.
- Considering remuneration incentive schemes and performance targets for directors and management.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements related to the valuation of insurance reserves. This is because of their direct impact on the syndicate's profit and financial position. Valuation of these liabilities, especially in respect of the incurred but not reported (IBNR) component, is highly judgmental as it requires a number of assumptions to be made such as initial expected loss ratios and claim development patterns all of which carry high estimation uncertainty and are difficult to corroborate creating opportunity for management to commit fraud.

On this audit we do not believe there is a fraud risk related to revenue recognition because the syndicate does not have complex earning patterns and apply standard straight-line earnings to its books of business. Lines of business which require more bespoke earning methodologies are not significant. We also note that syndicate has a consistent policy of aligning the estimated debtor to the ultimate and reported income after 36 months and does not have significant estimated debtors (related to 2018 and prior) underwriting years.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the fraud risk management controls. In order to address the risk of fraud specifically as it relates to the valuation of insurance reserves, we involved actuarial specialists to assist in our challenge of management. We challenged management in relation to the selection of assumptions and the consistency of those assumptions both year on year and across different aspects of the financial reporting process.

To address the pervasive risk as it relates to management override, we also performed the following procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those posted with descriptions containing key words or phrases, those posted to unusual accounts including those related to cash and post-closing journals meeting certain criteria.
- Assessing significant accounting estimates for inherent bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the underwriting year accounts from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), from inspection of the Managing Agent's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the syndicate is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the underwriting year accounts varies considerably.

Firstly, the syndicate is subject to laws and regulations that directly affect the underwriting accounts including financial reporting legislation (including related Lloyd's regulations) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related underwriting year accounts items.

Secondly, the syndicate is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the underwriting year accounts, for instance through the imposition of fines, litigation or loss of the syndicate's capacity to operate. We identified the following areas as those most likely to have such an effect: anti-bribery and regulatory capital and solvency regulations recognising the financial and regulated nature of the syndicate's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the underwriting year accounts, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the underwriting year accounts, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The directors are responsible for the Report of the directors of the Managing Agent. Our opinion on the syndicate underwriting year accounts does not cover that report and we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the Report of the directors of the Managing Agent and, in doing so, consider whether, based on our underwriting year accounts audit work, the information therein is materially misstated or inconsistent with the underwriting year accounts or our audit knowledge. Based solely on that work we have not identified material misstatements in the Report of the directors of the Managing Agent.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the syndicate underwriting year accounts are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 609 CONTINUED

RESPONSIBILITIES OF THE DIRECTORS OF THE MANAGING AGENT

As explained more fully in their statement set out on page 43, the directors of the Managing Agent are responsible for: the preparation of the syndicate underwriting year accounts and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error; assessing the syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES

Our objectives are to obtain reasonable assurance about whether the syndicate underwriting year accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the syndicate underwriting year accounts.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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.

David Maddams (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
15 Canada Square
London E14 5GL
3 March 2021

UNDERWRITER'S REPORT

SYNDICATE 609

If this report is to truly reflect the last twelve months then it needs to start with someone telling me that "Toby, you're on mute".

Undoubtedly the last nine months, with all of us working remotely, have been challenging, but when we left the Lloyd's building in March not one of us chucked our hands in the air declaring that "this won't work". Instead we all asked each other "how can we make this work, and work well?". This epitomises the incredible people we have here at Atrium.

We are a tight knit company and maintaining that feeling of togetherness when we are in 170 locations has been a constant priority. Staff welfare is always important, but never so much in lockdown. We have worked tirelessly to continually gauge the mood of the company and have attempted to lift spirits through a succession of initiatives, culminating in all of us "walking" from Lloyd's to our office in San Francisco.

COVID-19 has also had a material financial impact on the syndicate. At 31 December 2020 our gross and net loss estimates for COVID-19, on an ultimate basis, stand at $80m and $75m respectively. COVID-19 has become the largest net loss that the Syndicate has ever experienced. Approximately 77% of the expected losses sit in the Accident & Health class due to Travel cancellation, medical expenses and event cancellation claims. We also have $7.5m of claims emanating from the UK & International Property Binder portfolio due to Business Interruption claims. The remaining reserves are mostly for anticipated defence and loss adjustment costs and sit within other property and casualty classes. The losses are split across various years of account – 28% falls on the 2018 & Prior, 54% on 2019 and the remaining 18% on 2020. Please note that the eventual financial outcome of COVID-19 does remain uncertain for a number of reasons, but we are confident that our current reserves are both sufficient and appropriate given what we know now.

2018 YEAR OF ACCOUNT

I am absolutely delighted to announce a profit of £34.4m (after all personal expenses but before members' agents' fees) for the closing 2018 Year of Account. This represents a 7.7% return on stamp capacity. Favourable run-off of back years contributed 73% to the result.

Accounts that significantly contributed to the 2018 profit include Non Marine D&F, Aviation, Terrorism and Upstream Energy.

Final gross written income (net of acquisition costs) was £367.0m which is 82% of capacity.

As well as new COVID-19 claims (please see above for analysis and commentary) there was one notable claim deterioration in the last twelve months. I reported last year that we had established gross reserves spread over both the 2018 and 2019 Years of Account amounting to £21.2m of reserves for the loss of a similar aircraft operated by Ethiopian Airlines, and the subsequent grounding of the entire Boeing MAX 8 fleet. During 2020 the anticipated liability claim against Boeing has increased and so have our reserves. The combined reserves now stand at £32.6m gross. We purchase an excess of loss programme to protect the Aviation Reinsurance account that attaches excess of $5m and remain comfortably within our reinsurance programme limits.

2019 YEAR OF ACCOUNT

Please see 2018 Year of Account commentary for details of the deterioration in the MAX 8 loss. Please also refer to my opening commentary for details of the COVID-19 claims expected on the 2019 Year of Account.

There is one notable claim deterioration to report – the Golden Ray. This is a car carrier that capsized in September 2019 when leaving Brunswick Port in Georgia, USA. The syndicate has exposure both on the cars being transported and for the liabilities mainly associated with the removal of the wreck. COVID-19 and the impending hurricane season meant that work was halted in the summer which has pushed the expected bill up considerably. The incurred claim to the syndicate is currently £8.7m (falling on the Marine & Energy Liability, Cargo, and Marine Reinsurance accounts). Our various reinsurance protections mean that any further gross deterioration should not result in a material net change.

We also increased our reserves for expected losses arising from the riots in Chile during late 2019. They now stand at $7m and mostly impact the Non Marine Property account.

Final gross written income (net of acquisition costs) is expected to be £426.1m which is 95% of capacity. At this stage we are currently forecasting a profit for the 2019 Year of Account, with a range of 0% to +10%.

2020 YEAR OF ACCOUNT AND BEYOND

Again, please also refer to my opening commentary for details of the COVID-19 claims expected on the 2020 Year of Account.

As well as COVID-19, 2020 will be remembered as one of the most active hurricane seasons on record. We believe that losses to the syndicate will be modest for all of them bar Hurricane Laura. We support one cover holder whose footprint lay firmly in the path of Hurricane Laura, which as a reminder came ashore as a strong Category 4 storm with a very tightly focussed path. At 31 December 2020 we have established reserves of $35.5m gross and $19.3m net for this loss. We also suffered $10m of losses from the Tornado in Nashville that severely damaged various warehouses. This will impact both the 2019 (Cargo) and 2020 (Marine Reinsurance) years of account.

Final gross written income (net of acquisition costs) is expected to be £452.9m which is 86% of capacity. At this early stage I would expect 2020 to produce a decent profit, albeit trying to predict the investment climate over the next few years is challenging.

UNDERWRITER'S REPORT

SYNDICATE 609 CONTINUED

Outside of COVID-19 and Hurricane Laura our book has performed extremely well, and this is reflected in our extremely commendable annually accounted result for the 2020 calendar year. A net combined ratio of 94% is something to be very proud of in such a difficult twelve months. Undoubtedly some accounts have performed well due to the reduced social and economic inactivity during 2020, but we are also seeing the benefits of the hardening rates beginning to come through.

Looking forward, I do not see 2021 as a true hard market. It is not a market where there is a lack of capacity across all lines. Indeed, there are many areas where either capacity remains abundant or it is being replenished with an unhealthy speed. However, we definitely see trading conditions as being better. We achieved positive rate change of 8% across our entire renewal portfolio in 2020 and expect similar in 2021. As such, having pre-empted for 2020, we have further increased the stamp capacity for 2021 (up to £625m). We are in growth mode where we see great opportunities, particularly in Aviation, Cargo, Property and some of our Casualty classes.

It is in difficult times like this that I feel so incredibly lucky to be part of a company like Atrium. We have exceptional talent throughout the ranks. We trust and empower our staff, and without exception they have more than repaid that trust and empowerment over the last year. Our lives have changed immeasurably but we will be stronger and better for it. I believe that the two most important objectives for 2021 are as follows: continue to proactively grow business in a controlled and profitable fashion recognising the opportunities in front of us; but almost more importantly to provide a workplace and framework that reflects the best of collaborating in a face to face environment and the best of working remotely. Let's learn from 2020.

Toby Drysdale
Active Underwriter, Syndicate 609
1 March 2021

STATEMENT OF COMPREHENSIVE INCOME TECHNICAL ACCOUNT – GENERAL BUSINESS

FOR THE 2018 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2020

	Notes	£'000
Syndicate allocated capacity		449,436
Earned premiums, net of reinsurance		
Gross premiums written	4	512,732
Outward reinsurance premiums		(52,261)
Earned premiums, net of reinsurance		460,471
Reinsurance to close premium received, net of reinsurance		
At transaction rates of exchange		325,213
Revaluation to closing rates of exchange		(5,713)
Reinsurance to close premium received, net of reinsurance at closing rates of exchange	5	319,500
		779,971
Allocated investment return transferred from the non-technical account		22,114
Claims incurred, net of reinsurance		
Claims paid		
Gross amount		246,359
Reinsurers' share		(17,886)
		228,473
Reinsurance to close premium payable, net of reinsurance	6	345,492
		573,965
Net operating expenses	7	200,962
Balance on the technical account for general business	11	27,158

NON-TECHNICAL ACCOUNT – GENERAL BUSINESS

FOR THE 2018 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2020

	Notes	£'000
Balance on the technical account for general business		27,158
Investment income	10	16,683
Net unrealised gains on investments	10	7,921
Investment expenses and charges	10	(2,490)
Allocated investment return transferred to general business technical account		(22,114)
Foreign exchange gains		3,445
Profit for the 2018 closed year of account		30,603
Other comprehensive income		3,814
Total comprehensive income for the 2018 closed year of account	14	34,417

BALANCE SHEET

FOR THE 2018 CLOSED YEAR OF ACCOUNT AT 31 DECEMBER 2020

	Notes	£'000
Assets		
Investments	12	401,546
Debtors	13	15,898
Reinsurance recoveries anticipated on gross reinsurance to close premium payable to close the account	6	55,255
Other assets		
Cash at bank and in hand		24,326
Overseas deposits		49,593
Prepayments and accrued income		213
Total assets		546,831

	Notes	£'000
Liabilities		
Amounts due to members	14	32,422
Reinsurance to close premium payable to close the account – gross amount	6	400,747
Creditors	15	112,122
Accruals and deferred income		1,540
Total liabilities		546,831

The 2018 closed year underwriting accounts were approved at a meeting of the Board of Directors of Atrium Underwriters Limited, and by the Active Underwriter, on 1 March 2021 and were signed on its behalf by:

James Lee
Agency Managing Director
1 March 2021

Toby Drysdale
Active Underwriter
1 March 2021

STATEMENT OF CASH FLOWS

FOR THE 2018 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2020

	£'000
Cash flows from operating activities	
Profit for the year of account	30,603
Non-cash consideration for net RITC receivable	(304,499)
Net reinsurance to close premium payable	345,492
Increase in debtors	(3,440)
Increase in creditors	15,080
Increase in other assets	(5,570)
Investment return	(22,114)
Net cash flows from operating activities	55,552
Cash flows from investing activities	
Purchase of debt securities and other fixed income securities	(325,245)
Sale of debt securities and other fixed income securities	281,299
Purchase of loans secured by mortgage	(66)
Investment income received	14,193
Foreign exchange	588
Net cash flows from investing activities	(29,231)
Cash flows from financing activities	
Members' agents' fees paid on behalf of members	(1,995)
Net cash flows from financing activities	(1,995)
Net increase in cash and cash equivalents	24,326
Cash and cash equivalents at 1 January 2018	–
Effect of foreign exchange rate changes	–
Cash and cash equivalents at end of financial year	24,326

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 2018 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2020

1. BASIS OF PREPARATION

The Syndicate is managed by Atrium Underwriters Limited (AUL) which is incorporated in the United Kingdom (UK). The address of its registered office is Room 790 Lloyd's, 1 Lime Street, London, EC3M 7DQ.

The syndicate's principal activity during the year continued to be the transaction of general insurance and reinsurance business at Lloyd's.

These financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2006), and applicable Accounting Standards in the United Kingdom and the Republic of Ireland, including Financial Reporting Standard 102 (FRS 102). FRS 102 requires the application of Financial Reporting Standard 103 (FRS 103) in relation to insurance contracts.

The financial statements have been prepared on this historical cost basis with the exception of financial assets which are measured at fair value through profit or loss.

Whilst the Directors of the managing agent have a reasonable expectation that the syndicate has adequate resources to continue in operational existence for the foreseeable future, these financial statements represent the participation of members in the 2018 year of account, which closed on 31 December 2020. The accumulated profits of the 2018 year of account will be distributed shortly after publication of these accounts. Therefore the 2018 year of account is not continuing to trade and, accordingly the directors have not adopted the going concern basis in the preparation of these accounts. This has no effect on the amounts reported in the accounts as the 2018 year of account will be closed by payment of a reinsurance to close premium, as outlined in note 6 below, which is consistent with the normal course of business for a Lloyd's syndicate and with the approach we have applied to earlier underwriting years.

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

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 to the syndicate.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the in-house 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.

In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the syndicate financial statements are set out below.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

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

Insurance classification

The syndicate's contracts are classified at inception, for accounting purposes, as insurance contracts. A contract that is classified as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire. Insurance contracts are those contracts that transfer significant insurance risk, if and only if, an insured event could cause an insurer to pay significant additional benefits above premiums received and interest earned thereon, excluding scenarios that lack commercial substance. Such contracts may also transfer financial risk.

Gross Premiums Written

Gross premiums are allocated to years of account on the basis of the inception date of the policy. Gross premiums in respect of insurance contracts underwritten under a binding authority, line slip or consortium arrangement are allocated to the year of account corresponding to the calendar year of inception of the arrangement. Gross premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Gross premiums written are treated as fully earned.

Reinsurance Premium Ceded

Initial reinsurance premiums paid to purchase policies which give excess of loss protection are charged to the year of account in which the protection commences. Premiums for other reinsurances are charged to the same year of account as the risks being protected.

Claims Paid and Related Recoveries

Gross claims paid include internal and external claims settlement expenses and, together with reinsurance recoveries less amounts provided for in respect of doubtful reinsurers, are attributed to the same year of account as the original premium for the underlying policy.

Reinstatement premiums payable in the event of a claim being made are charged to the same year of account as that to which the recovery is credited.

Reinsurance to Close Premium Payable

The net reinsurance to close premium is determined on the basis of estimated outstanding liabilities and related claims settlement costs (including claims incurred but not reported), net of estimated collectible reinsurance recoveries, relating to the closed year of account and all previous years of account reinsured therein. The estimate of claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date. It also includes the estimated cost of claims incurred but not reported (IBNR) at the balance sheet date based on statistical methods.

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

The reinsurers' share 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 estimates are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 2018 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Foreign Currencies

The syndicate's functional currency is US dollars (USD), being the primary economic environment in which it operates. The syndicate's presentational currency is Sterling (GBP).

Transactions, other than reinsurance to close, in USD, Canadian Dollars and Euros are translated at the average rates of exchange for the period. Reinsurance to close premiums receivable and payable, and underwriting transactions denominated in other foreign currencies, are included at the rate of exchange ruling at the transaction date. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. Exchange differences are included in the non- technical account.

In translating its results and financial position into the presentational currency, the syndicate translates all assets and liabilities at the closing rates of exchange and translates all income and expense items at average rates, with all resulting exchange gains and losses recognised in other comprehensive income.

Where Canadian Dollars or Euros are sold or bought relating to the profit or loss of the closed underwriting account after 31 December, any exchange profit or loss arising is reflected in the underwriting account into which the liabilities of that year have been reinsured. Where USD relating to the profit or loss of a closed underwriting account are bought or sold by members on that year, any exchange profit or loss accrues to those members.

Investment Return

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

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

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

Operating Expenses

Where expenses are incurred by or on behalf of the managing agent on the administration of the managed syndicate, these expenses are apportioned using varying methods depending on the type of expense. Expenses which are incurred jointly for the agency company and managed syndicate are apportioned between the agency company and the syndicate on bases depending on the amount of work performed, resources used and the volume of business transacted. Syndicate operating expenses are allocated to the year of account for which they are incurred.

Financial Instruments

The syndicate has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets, including deposits with credit institutions, debtors arising out of direct insurance and reinsurance operations, cash and cash equivalents and other debtors, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at fair value.

Investments are stated at current value at the balance sheet date. For this purpose, listed investments are stated at fair value and deposits with credit institutions are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date. Any surplus or deficit on any revaluation is recognised in the non-technical account.

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Basic financial liabilities, including creditors arising from insurance operations that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Financial liabilities are derecognised when the liability is extinguished, that is, when the contractual obligation is discharged, cancelled or expires.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability, simultaneously.

Fair Value Measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the syndicate estimates the fair value by using a valuation technique. See note 12 for further information on the syndicate's valuation techniques.

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

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

Taxation

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

No provision has been made for any United States federal income tax payable on underwriting results or investment earnings. Any payments on account made by the syndicate during the year are included in the balance sheet under the heading 'other debtors'.

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

Pension Costs

The Atrium Group operates a defined contribution scheme. Pension contributions relating to syndicate staff are charged to the syndicate and included within net operating expenses.

Profit Commission

Profit commission is charged by the managing agent at a rate of 20% of profit subject to the operation of a deficit clause. Where profit commission is charged, it is included within members' standard personal expenses within administrative expenses.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 2018 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2020

4. ANALYSIS OF UNDERWRITING RESULT

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

	Gross premiums written (note 1) £'000	Gross claims incurred (note 2) £'000	Gross operating expenses £'000	Reinsurance balance (note 3) £'000	Total £'000
Direct insurance:					
Accident and health	45,645	29,421	22,061	(835)	(6,672)
Motor (third party liability)	697	95	266	2	338
Motor (other classes)	11,994	5,765	5,205	34	1,058
Marine, aviation and transport	75,181	28,551	32,068	(11,726)	2,836
Fire and other damage to property	172,120	79,651	69,776	(9,741)	12,952
Third party liability	141,126	65,221	60,452	(8,270)	7,183
Credit and suretyship	7,624	14,610	3,592	554	(10,024)
Legal expenses	502	(40)	564	(11)	(33)
	454,889	223,274	193,984	(29,993)	7,638
Reinsurance	57,843	54,379	12,899	7,063	(2,372)
	512,732	277,653	206,883	(22,930)	5,266
RITC received	319,500	369,453	—	49,731	(222)
Total	832,232	647,106	206,883	26,801	5,044

1. Gross premiums written are treated as fully earned.
2. Gross claims incurred comprises gross claims paid and gross reinsurance to close premium payable.
3. The reinsurance balance comprises reinsurance premiums ceded less reinsurance recoveries on claims paid and reinsurance recoveries anticipated on reinsurance to close payable.
4. All premiums are concluded in the UK.

On 30 December 2020, the Members and former Members of the syndicate, as comprised for each of the relevant years of account between 1993 and April 2019 (or October 2020 in the case of German reinsurance), transferred all relevant policies (and related liabilities) underwritten by them for those years of account to LIC, in accordance with Part VII of the Financial Services and Markets Act 2000. On the same date, the Members of the syndicate entered into a 100% Quota Share Reinsurance Agreement whereby LIC reinsured all risks on the same policies back to the relevant open years of account of the syndicate which wrote the transferring policies and/or inherited liabilities on transferring policies through Reinsurance to Close of earlier years of account.

Following the sanction of the scheme by the High Court on 25 November 2020, the scheme took effect on 30 December 2020 and the Members and former Members of the syndicate transferred the impacted EEA policies and related liabilities to LIC. On the same date, under the Reinsurance Agreement, LIC reinsured the same risks back.

The combined effect of the two transactions had no economic impact for the syndicate, and accordingly there is no net impact on the syndicate's statement of comprehensive income or balance sheet.

5. REINSURANCE TO CLOSE PREMIUM RECEIVABLE

	£'000
Gross notified outstanding claims	186,688
Reinsurance recoveries anticipated	(22,695)
Net notified outstanding claims	163,993
Provision for gross claims incurred but not reported	188,986
Reinsurance recoveries anticipated	(27,766)
Provision for net claims incurred but not reported	161,220
Reinsurance to close premium receivable, net of reinsurance at transaction rates of exchange	325,213
Revaluation to closing rates of exchange	(5,713)
Reinsurance to close premium receivable, net of reinsurance at closing rates of exchange	319,500

6. REINSURANCE TO CLOSE PREMIUM PAYABLE

	£'000
Gross notified outstanding claims	198,864
Reinsurance recoveries anticipated	(23,825)
Net notified outstanding claims	175,039
Provision for gross claims incurred but not reported	201,883
Reinsurance recoveries anticipated	(31,430)
Provision for net claims incurred but not reported	170,453
Reinsurance to close premium payable, net of reinsurance	345,492

The reinsurance to close is effected to the 2019 year of account of the syndicate.

7. NET OPERATING EXPENSES

	£'000
Acquisition costs:	
Brokerage & commission	145,752
Other acquisition costs	20,288
	166,040
Administrative expenses	40,843
	206,883
Reinsurance commissions receivable	(5,921)
	200,962

Administrative expenses include:

	£'000
Auditors' remuneration	
Audit services	250
Managing agent's profit commission	9,167

Members' standard personal expenses (Lloyd's subscriptions, central fund contributions, managing agent's fees and profit commission) are included within administrative expenses and amount to £16,052,000.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 2018 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2020

8. STAFF NUMBERS AND COSTS

All staff are employed by Atrium Group Services Limited (AGSL). The following amounts were recharged to the syndicate in respect of staff costs:

	£'000
Wages and salaries	15,621
Social security costs	1,919
Other pension costs	2,226
	19,766

The average number of employees employed by AGSL, but working for the syndicate during the three years, was as follows:

	Number
Management	6
Underwriting	71
Claims	10
Administration	61
	148

9. REMUNERATION OF THE DIRECTORS OF ATRIUM UNDERWRITERS LIMITED

The twelve Directors of AUL, who served during the three years ending 31 December 2020, received the following aggregate remuneration charged to the syndicate and included within net operating expenses:

	£'000
Remuneration	1,508

No other compensation was payable to key management personnel and charged to the syndicate.

The Active Underwriter received the following remuneration charged as a syndicate expense and included within net operating expenses:

	£'000
Remuneration	244

10. INVESTMENT RETURN

	£'000
Investment income:	
Income from investments	14,913
Gains on the realisation of investments	1,770
	16,683
Net unrealised gains on investments:	
Unrealised gains on investments	9,019
Unrealised losses on investments	(1,098)
	7,921
Investment expenses and charges:	
Investment management expenses, including interest	(468)
Losses on the realisation of investments	(2,022)
	(2,490)
Allocated investment return transferred to the technical account	22,114

11. BALANCE ON TECHNICAL ACCOUNT

	£'000
Balance excluding investment return and operating expense	
Profit attributable to business allocated to the 2018 pure year of account	181,042
Profit attributable to business reinsured into the 2018 year of account	24,964
	206,006
Allocated investment return transferred from the non-technical account	22,114
Net operating expenses	(200,962)
	27,158

12. INVESTMENTS

	Fair value £'000	Cost £'000
Shares and other variable yield securities and units in unit trusts	38,611	38,611
Debt and other fixed income securities	362,907	353,973
Deposits with credit institutions	28	28
	401,546	392,612

Shares and other variable yield securities and units in unit trusts represents the syndicate's holdings in collective investment schemes. Using Standard & Poor's and Moody's as rating sources, the credit ratings of the debt and other fixed income securities are set out below:

	Fair value £'000	%
Government/Government Agency	30,108	8.3
AAA/Aaa	67,727	18.7
AA/Aa	90,366	24.9
A	135,561	37.4
BBB	18,307	5.0
<BBB	20,838	5.7
	362,907	100.0

13. DEBTORS

	£'000
Arising out of direct insurance operations	
Due from policyholders	10
Due from intermediaries	12,570
Arising out of reinsurance operations	2,713
Other	605
	15,898

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 2018 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2020

14. AMOUNTS DUE TO MEMBERS

	£'000
Profit for the 2018 closed year of account	34,417
Members' agents' fee advances	(1,995)
Amounts due to members at 31 December 2020	32,422

15. CREDITORS

	£'000
Arising out of direct insurance operations	
Due to intermediaries	3,686
Arising out of reinsurance operations	8,240
Managing agent's profit commission	9,167
Other	91,029
	112,122

Other creditors include inter year loans of £84,728,000.

16. DISCLOSURES OF INTEREST

Atrium Underwriting Group Limited (AUGL) is a wholly owned subsidiary of Alopuc Ltd (a UK holding company) and Alopuc Ltd is in turn a wholly owned subsidiary of Northshore Holdings Ltd (Northshore), a Bermudan company. At the balance sheet date, the ultimate beneficial owner of Northshore was Enstar Group Limited (Enstar) who held approximately 54.3% economic interest and affiliates of Stone Point Capital LLC (Stone Point) held 37.8% economic interest. The balance of the shareholding was held by Dowling Capital Partners and Atrium management and staff.

AUGL is the holding company of the following wholly owned subsidiaries; AUL, Atrium Underwriting Holdings Limited (AUHL), Atrium Insurance Agency Limited (AIAL), AGSL, Atrium Risk Management Services (Washington) Ltd (ARMS), Atrium Corporate Capital Limited (ACCL) and Atrium 5 Limited. AGSL is the holding company of Atrium Nominees Limited. AUL is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and is the managing agent of the syndicate. During 2020 AUGL liquidated its holding in Atrium Risk Management Services (British Columbia) Ltd (ARMSBC).

Historically AUGL has participated on the managed syndicate through its corporate member subsidiary, Atrium 5 Limited. With effect from the 2017 year of account until the 2020 year of account, this AUGL participation has been through another corporate member within the Enstar Group (SGL No. 1 Limited) under the terms of a lease agreement between SGL No. 1 Limited and Atrium 5 Limited. This arrangement ceased for the 2021 year of account.

On 13 August 2020, Enstar entered into a Recapitalisation Agreement, whereby Enstar agreed to exchange a portion of its indirect interest in Northshore for all of the Trident V Funds indirect interest in Starstone U.S. The transaction completed on 1 January 2021 when ultimate ownership of AUGL transferred to Northshore, with the Trident V Funds becoming the majority shareholder in Northshore. As part of this transaction, a new Lloyd's corporate member, ACCL, has been formed. ACCL will participate on the syndicate from the 2021 year of account onwards.

In the chart below the Atrium corporate underwriting capacity is provided by SGL No.1 Ltd on the 2018, 2019 and 2020 years of account and by ACCL on the 2021 year of account.

	2018 Capacity £m	2019 Capacity £m	2020 Capacity £m	2021 Capacity £m
Syndicate 609	114.7	114.7	133.5	**158.7**

SGL No. 1 Limited's and ACCL's (2021 onwards) participations on the managed syndicate as % of syndicate capacity:

	Year of account			
	2018 %	2019 %	2020 %	2021 %
Syndicate 609	25.4	25.4	25.4	**25.4**

16. DISCLOSURES OF INTEREST CONTINUED

AIAL is a registered Lloyd's UK coverholder and is authorised and regulated by the Financial Conduct Authority. The syndicate leads a binding authority granted to AIAL to underwrite Space business. Under the terms of the binding authority, fees and profit commission are payable by the syndicate to AIAL. Fee income of US$712,000 was paid by the syndicate to AIAL in relation to premium earned on the 2018 year of account. Profit commission is due in relation to the 2018 year of account of $262,000.

AGSL is a group service company. All UK employee contracts and, where possible, all material service provider contracts are held by AGSL. A service agreement is in place whereby AGSL provides all management services to all Atrium Group companies. Under the service agreement AGSL will charge the costs to each Atrium group company, including AUL, for the respective services provided.

ARMS is incorporated in Washington State, United States, and was established to support the syndicate strategy to maintain and grow its North American direct portfolio and distribution network. ARMS charges fees to the syndicate equal to its operating costs plus a small margin for transfer pricing reasons. Fees of US$2,298,000 were paid by the syndicate to ARMS in respect of the 2018 year of account.

ARMSBC is incorporated in British Columbia, Canada, and was established to support the syndicate strategy to maintain and grow it's North American direct portfolio and distribution network. ARMSBC charges fees to the syndicate equal to its operating costs plus a small margin for transfer pricing reasons. Fees of C$746,000 were paid by the syndicate to ARMSBC in respect of the 2018 year of account. On 28 September 2020, ARMSBC was dissolved.

The Director's participations on the syndicate via Nomina No. 207 LLP (the staff LLP) are as follows (this includes any director of AUL that served during 2018 and was a partner in the staff LLP):

	2018 £	2019 £	2020 £	2021 £
James Cox	127,287	153,020	230,016	**313,317**
Toby Drysdale	41,952	36,259	42,689	**94,382**
Richard Harries	519,189	568,698	768,180	**1,068,568**
James Lee	86,960	93,457	153,444	**194,879**
Brendan Merriman	62,855	63,046	94,745	**115,352**
Samit Shah	112,595	116,052	191,533	**432,970**
Kirsty Steward	27,134	23,997	79,407	**77,680**

AUL has made no loans to directors of the company during 2020 (2019 – nil). There were no loans outstanding at the balance sheet date.

Managing agency fees of £3,126,000 were paid by the syndicate to AUL. Profit commission of £8,636,000 is payable by the syndicate to AUL in relation to the 2018 year of account result. The managing agents agreement was amended in 2007 to enable managing agents to make payments on account of profit commission, prior to the closure of a year of account. Payments on account can be made when the syndicate transfers open year surpluses from the syndicate level premium trust funds to the members' personal reserve fund. No such payment was made in 2020. Included within creditors is £8,636,000 in respect of profit commission payable to AUL in relation to the 2018 year of account.

The Stone Point managed Trident V Funds (acting in concert) became majority owners of Atrium from 1 January 2021 Stone Point has investments in a wide range of companies and sectors, including the global insurance industry and as such as part of ordinary business and operations AUL and Syndicate 609 might enter into transactions with other Stone Point affiliates from time to time. This could include transactions relating to inwards and outwards reinsurance, insurance intermediation, provision of insurance services, or other non-insurance related services. Any such related party transactions are entered into by the syndicate on a commercial basis and managed in accordance with the protocols set out in Atrium's Conflicts of Interest Policy.

During 2020 Atrium was a subsidiary of the Enstar Group. Given the insurance related activities undertaken within the broader Enstar group it was possible that transactions may be entered into between the Atrium managed syndicate and Enstar group companies (including Starstone insurance group entities and the Enstar Lloyd's syndicates). Any such related party transactions were entered into by the syndicate on a commercial basis and managed in accordance with the protocols set out in Atrium's Conflicts of Interest Policy. From 1 January 2021 Enstar became a minority investor in Atrium.

The Enstar representative serving as a director of AUL also holds board positions at other Enstar group companies and these are disclosed and any potential conflicts of interest managed in line with Atrium's usual practice, which applies to all AUL Directors. Currently no Stone Point representatives sit on the AUL Board.

FOR THE 2018 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2020

As part of Lloyd's Brexit arrangements, AUL has entered into an outsourcing agreement with Lloyd's Insurance Company S.A, (LIC) and reinsurance contracts between Syndicate 609 and LIC. This structure covers business underwritten by AUL on behalf of LIC since 1 January 2019 as well as legacy EEA business transferred to LIC under the Lloyd's Part VII Transfer, which had a Scheme Effective Data of 30 December 2020. The outsourcing agreement covers the activities performed by AUL on behalf of LIC in writing and servicing the relevant business. The reinsurance contracts cede 100% of the business written by, or transferred to, LIC back to Syndicate 609.

SEVEN YEAR SUMMARY OF RESULTS (UNAUDITED)

SYNDICATE 609 AT 31 DECEMBER 2020

	Notes	2018 £m	2017 £m	Year of Account 2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Syndicate allocated capacity		**449**	419	419	420	420	419	418
Aggregate net premiums		**460**	442	401	346	332	339	334
Number of underwriting members		**2,970**	3,040	3,056	3,059	3,116	3,140	3,165
Results for an illustrative share of £10,000		**£**	**£**	**£**	**£**	**£**	**£**	**£**
Gross premiums		**11,408**	11,868	10,713	9,154	8,802	9,370	9,116
Gross premiums %	1	**114.1%**	118.7%	107.1%	91.5%	88.0%	93.7%	91.2%
Net premiums		**10,246**	10,544	9,568	8,232	7,913	8,284	7,978
Net premiums %	2	**102.5%**	105.4%	95.7%	82.3%	79.1%	82.8%	79.8%
Premium for the reinsurance to close an earlier year of account	3	**7,109**	7,506	7,452	7,211	7,323	6,896	6,951
Net claims	4	**5,084**	5,929	3,784	3,999	3,102	3,644	3,049
Premium for the reinsurance to close the year of account		**7,687**	7,757	7,779	7,097	7,733	6,253	6,632
Underwriting profit		**4,584**	4,364	5,457	4,347	4,401	5,283	5,248
Loss on exchange		**–**	–	–	–	–	–	159
Syndicate operating expenses		**3,910**	4,054	3,636	3,525	3,185	3,343	2,929
Balance on technical account		**674**	310	1,821	822	1,216	1,940	2,160
Balance on technical account %	5	**5.9%**	2.6%	17.0%	9.0%	18.2%	20.7%	23.7%
Investment return		**492**	450	152	188	194	106	104
Other foreign exchange gains/(losses)	6	**162**	(140)	77	831	881	66	–
Profit for closed year of account		**1,328**	620	2,050	1,841	2,291	2,112	2,264
Illustrative managing agent's profit commission		**204**	80	309	354	384	381	441
Illustrative personal expenses		**358**	234	465	136	137	139	51
Profit after illustrative profit commission and illustrative personal expenses	7	**766**	306	1,276	1,351	1,770	1,592	1,772

Notes
1. Gross premiums as a percentage of illustrative share.
2. Net premiums as a percentage of illustrative share.
3. The reinsurance to close premium that has been received by the 2018 year of account has been retranslated to the rates of exchange that were applicable as at 31 December 2020. Reinsurance to close premiums receivable in respect of the 2018 and prior years of account have not been restated.
4. Net claims include internal claims settlement expenses.
5. Balance on technical account as a percentage of gross premiums.
6. With effect from 31.12.15, other foreign exchange gains are reported in the non-technical account and other comprehensive income, and not as syndicate expenses.
7. Illustrative personal expenses, including illustrative profit commission, are based on a calculation of amounts incurred by a member writing an illustrative share. For this purpose minimum fee charges are ignored.

Memorandum Item

For an illustrative share of £10,000	Notes	2018 £	2017 £	Year of Account 2016 £	2015 £	2014 £	2013 £	2012 £
Aggregation of annual fee, profit commission and syndicate expenses	7	**826**	600	908	985	900	880	1,037

Designed & printed by Perivan 260434

ATRIUM UNDERWRITERS LIMITED
ROOM 790
LLOYD'S
1 LIME STREET
LONDON
EC3M 7DQ

TEL: +44 (0)20 7327 4877
FAX: +44 (0)20 7327 4878
WEB: www.atrium-uw.com