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Agora Syndicate 3268

Syndicate Annual Report and Accounts
31 December 2021

Contents

Directors and Administration

Managing Agent

Asta Managing Agency Ltd

Directors

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

Non-Executive Directors*

Company Secretary

N J Burdett

Managing Agent's Registered Office

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

Managing Agent's Registered Number

1918744

Active Underwriter

M S F Pritchard

Bankers

Barclays Plc
Citibank N.A,
RBC Dexia

Registered Auditor

Mazars LLP

Signing Actuary

Lane Clark Peacock

Managing Agent's report

The Syndicate's Managing Agent is a company registered in England and Wales. The Directors of the Managing Agent present their report for the year ended 31 December 2021.

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

Results

The total recognised result for calendar year 2021 is a loss of £4,758,911 (2020: loss £18,457,481)

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

Principal activity and review of the business

This is the fourth year of the Syndicate's operations. The Syndicate's principal activity is the underwriting of Property Insurance business in the Lloyd's market.

Gross written premium income by class of business for the calendar year was as follows;

	2021 £'000	**2020 £'000**
Property D&F	73,100	72,140
Property Treaty	31,261	26,439
Property Binders	31,212	27,736
Specialty	7,234	2,498
	142,807	128,813

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

	2021 £'000	**2020 £'000**	**Change %**
Gross written premiums	142,807	128,813	**10.9%**
Profit/(Loss) for the financial year	819	(18,190)	**104.5%**
Combined ratio*	100.4%	117.5%	**17.1%**

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

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

	2021 YOA Open	2020 YOA Open	2019 YOA Closed
Capacity (£'000)	140,000	106,425	107,650
Forecast result (£'000)	(7,683)	(2,499)	(4,667)
Forecast return on capacity (%)	(5.5%)	(2.3%)	(4.3%)

Principal risks and uncertainties

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

Insurance risk

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

Credit risk

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

Market risk

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

The Syndicate has minimal exposure to changes in interest rates as all funds are held in cash and cash equivalents. The Syndicate participates in sweep accounts which means that the true nature of the other financial investments on the statement of financial position is cash.

Liquidity risk

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

The Syndicate has in place a multicurrency overdraft facility with Barclays bank.

Operational risk

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

Regulatory risk

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

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

Group / strategic risk

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

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

Future developments

Following the successful acquisition of Agora Syndicate Services Ltd by IQUW during 2021 the renewal book of 3268 will be underwritten within IQUW's managed Syndicate 1856 during 2022. The management of Syndicate 3268 both open and prior years will transfer to IQUW during 2022. All Agora staff have been migrated to IQUW as of January 2022. It is expected that Syndicate 3268 will continue to reinsure into itself through to December 2023.

Environmental, Social and Governance (ESG)

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

Asta’s complete ESG assessment can be found in the accounts of the Managing Agency.

Climate change

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

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

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

For Syndicate 3268, the most material identified insurance risk is through the physical risk to property from weather related events which may become more frequent or more severe due to the effects of climate change. As we develop the overall framework, the identification, assessment, quantification, mitigation and reporting of this and other associated risks will become more visible and identifiable.

Post balance sheet events

During February 2022, Russia instigated military action in Ukraine. This is a non-adjusting post balance sheet event. Please see note 20 for the Board’s consideration of this matter and other post balance sheet events.

Coronavirus

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

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

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

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

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

Directors

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

S D Redmond	Appointed 20 April 2021

Disclosure of information to the auditor

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

Auditor

The Managing Agent appointed Mazars LLP as the Syndicate's auditor in 2018. This engagement has continued for 2021.

Syndicate Annual General Meeting

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

On behalf of the Board

N J Burdett
Company Secretary
03 March 2022

Statement of Managing Agent's responsibilities

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

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the Managing Agent to prepare financial statements at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 and FRS 103 the Financial Reporting Standard applicable in the UK and Republic of Ireland. The financial statements are required by law to give a true and fair view of the state of affairs of the Syndicate as at that date and of its profit or loss for that year.

In preparing the financial statements, the Managing Agent is required to:

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

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

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

Independent auditor's report to the members of Syndicate 3268

Report on the Syndicate annual accounts

Opinion

We have audited the Syndicate annual accounts of Syndicate 3268 (the "Syndicate") for the year ended 31 December 2021 which comprise the Income statement, the Statement of other comprehensive income, the Statement of changes in Members' balances, the Statement of financial position, the Statement of cash flows and the notes to the Syndicate annual accounts, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the Syndicate annual accounts:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the Syndicate annual accounts" section of our report. We are independent of the Syndicate in accordance with the ethical requirements that are relevant to our audit of the Syndicate annual accounts in the UK, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Our responsibilities and the responsibilities of the directors of the managing agent with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Syndicate Annual Report and Accounts, other than the Syndicate annual accounts and our auditor’s report thereon. The directors of the managing agent are responsible for the other information. Our opinion on the Syndicate annual accounts does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinion on the other matters prescribed by The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008

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

- the information given in the Managing Agent’s Report for the financial year for which the Syndicate annual accounts are prepared is consistent with the Syndicate annual accounts; and
- the Managing Agent’s Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Syndicate and its environment obtained in the course of the audit, we have not identified material misstatements in the Managing Agent’s Report.

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

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

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent’s Responsibilities set out on page 7, the managing agent is responsible for the preparation of the Syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the Syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor’s responsibilities for the audit of the Syndicate annual accounts

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Syndicate and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the Syndicate annual accounts: regulatory and supervisory requirements of the Prudential Regulation Authority and the Financial Conduct Authority, and regulations set by the Council of Lloyd’s. We also considered those laws and regulations that have a direct impact on the preparation of the Syndicate annual accounts such as The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of directors and management of the managing agent and Syndicate’s management as to whether the Syndicate is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Syndicate which were contrary to applicable laws and regulations, including fraud.

In addition, we evaluated the directors’ and management of the managing agent’s and Syndicate management’s incentives and opportunities for fraudulent manipulation of the Syndicate annual accounts (including the risk of override of controls) and determined that the principal risks were related to posting journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation the valuation of the provisions for the settlement of future claims and application of earning patterns, and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management of the managing agent and Syndicate management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

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

Amanda Barker (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St. Katharine's Way
London E1W 1DD
03 March 2022

Income statement

Technical account - General business

For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Gross written premium	3	142,807	128,813
Outward reinsurance premiums		(25,999)	(24,422)
Net written premiums		116,808	104,391
Change in the provision for unearned premiums			
Gross amount		(5,629)	417
Reinsurers' share		506	488
	4	(5,123)	905
Earned premiums, net of reinsurance		111,685	105,296
Allocated investment return transferred from the non-technical account		122	450
Claims paid			
Gross amount		(79,256)	(85,254)
Reinsurers' share		21,034	12,250
		(58,222)	(73,004)
Changes in the provision for claims outstanding			
Gross amount		(27,156)	(25,760)
Reinsurers' share		7,931	9,073
	4	(19,225)	(16,687)
Claims incurred, net of reinsurance		(77,447)	(89,691)
Net operating expenses	5	(34,726)	(34,066)
Balance on technical account – general business		(366)	(18,011)

All the amounts above are in respect of continuing operations.

The notes on pages 17 to 40 form part of these financial statements.

Income statement continued

Non-technical account - General business

For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Balance on technical account – general business		(366)	(18,011)
Investment income	9	122	450
Allocated investment return transferred to the general business technical account		(122)	(450)
Exchange gain/(loss)		1,185	(179)
Profit/(Loss) for the financial year		819	(18,190)

All the amounts above are in respect of continuing operations.

Statement of other comprehensive income

For the year ended 31 December 2021

	2021 £'000	2020 £'000
Profit/(Loss) for the financial year	819	(18,190)
Other comprehensive income – Currency translation differences	(5,577)	(268)
Total comprehensive (loss) for the year	(4,758)	(18,458)

Statement of changes in Members' balances

For the year ended 31 December 2021

	2021 £'000	2020 £'000
At 1 January	(35,553)	(15,899)
Total comprehensive (loss) for the financial year	(4,758)	(18,458)
Members Agents' fees	(72)	(97)
Other non-standard personal expenses	(564)	(1,099)
Loss Collection	11,357	-
At 31 December	(29,590)	(35,553)

The notes on pages 17 to 40 form part of these financial statements.

Statement of financial position

As at 31 December 2021

	Notes	2021 £'000	2020 £'000
Assets			
Investments			
Short-term deposits with financial institutions	10	78,398	56,567
Deposits with ceding undertakings	11	19	-
Reinsurers' share of technical provisions			
Provision for unearned premiums	4	3,930	3,188
Claims outstanding	4	46,669	38,248
		50,599	41,436
Debtors			
Debtors arising out of direct insurance operations	12	17,720	15,250
Debtors arising out of reinsurance operations	12	25,069	22,236
Other debtors		2,721	4,207
		45,510	41,693
Cash and other assets			
Cash at bank and in hand	10	8,020	5,994
Other assets	13	4,476	3,663
		12,496	9,657
Prepayments and accrued income			
Deferred acquisition costs	4	12,042	10,079
Other prepayments and accrued income		190	281
		12,232	10,360
Total assets		199,254	159,713

The notes on pages 17 to 40 form part of these financial statements.

Statement of financial position continued

As at 31 December 2021

	Notes	2021 £'000	2020 £'000
Members balances and liabilities			
Capital and reserves			
Members' balances		(29,590)	(35,553)
Liabilities			
Technical provisions			
Provision for unearned premiums	4	64,305	54,008
Claims outstanding	4	144,098	114,556
		208,403	168,564
Creditors			
Creditors arising out of direct insurance operations	14	617	2,440
Creditors arising out of reinsurance operations	14	18,239	19,233
Amounts owed to credit institutions	10	-	4,088
		18,856	25,761
Accruals and deferred income		1,585	941
Total liabilities		228,844	195,266
Total members' balances and liabilities		199,254	159,713

The notes on pages 17 to 40 form part of these financial statements.

The financial statements on pages 12 to 40 were approved by the Board of Directors on 24 February 2022 and were signed on its behalf by:

R P Barke
Director
03 March 2022

Statement of cash flows

For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Cash flows from operating activities			
Profit/(Loss) for the financial year		819	(18,190)
Increase in gross technical provisions		39,839	40,872
(Increase) in reinsurers' share of gross technical provisions		(9,163)	(17,842)
(Increase) in debtors		(3,817)	(6,349)
(Decrease)/Increase in creditors		(2,817)	10,369
Movement in other assets/liabilities		(2,041)	354
Changes to market value and currency		(6,100)	1,050
Investment Return		(122)	(450)
Net cash inflow from operating activities		16,598	9,814
Cash flows from investing activities			
Purchase of debt and equity instruments		-	(1,354)
Investment income received		122	450
Increase in deposits with ceding undertakings		(19)	-
Net cash inflow/(outflow) from investing activities		103	(904)
Cash flows from financing activities			
Loss Collection		11,357	-
Members expenses		(617)	(1,199)
Net cash inflow/(outflow) from financing activities		10,740	(1,199)
Net increase in cash and cash equivalents		**27,441**	**7,711**
Cash and cash equivalents at beginning of year		**56,745**	**50,350**
Exchange differences on opening cash		**505**	**(1,315)**
Cash and cash equivalents at end of year	10	**84,691**	**56,746**

Notes to the financial statements

For the year ended 31 December 2021

1. Basis of preparation

Statement of compliance

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

These financial statements are prepared on a going concern basis, under the historical cost convention as modified by the recognition of certain financial assets and liabilities measured at fair value. The financial statements are prepared in Great British Pound Sterling (GBP) which is the presentational currency of the Syndicate and rounded to the nearest £'000.

Whilst the Syndicate has been placed into run-off, it will continue in operation for the foreseeable future in accordance with the run-off plan approved by the Directors. Therefore, the directors considered it appropriate to adopt the going concern basis of accounting on preparing the financial statements.

2. Accounting policies

Use of estimates

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

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

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

The ultimate cost of outstanding claims is estimated using a range of techniques including actuarial and statistical projections, benchmarking, case by case review and judgement. Statistical techniques assume that past claims development experience can be used as a basis to project ultimate claims costs. Judgement is used to assess the extent to which past trends may not apply in the future.

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

Accounting policies continued

Significant accounting policies

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Syndicate's financial statements.

Gross premiums

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

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates, primarily relating to binder business, are judgemental and could result in significant adjustment of revenue recorded in the financial statements.

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

Reinsurance premiums

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

Claims incurred

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

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

The amount included in respect of IBNR is based on statistical techniques of estimation applied by actuaries. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. Given its nature it is not possible to project COVID claims development based on past experience, IBNR has therefore been estimated using an assessment of exposed limits and potential damage factors for those contracts with exposure to COVID losses. 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.

Accounting policies continued

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business and the claims experience for the year. The Syndicate uses a number of statistical techniques to assist in making these estimates.

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

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

Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

Provisions for unearned premiums

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

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

Unexpired risks

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

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

At the 31 December 2021 the Syndicate had nil gross unexpired risk provision and nil net unexpired risk provision (2020 £Nil).

Profit commission

At 31 December 2021 the Syndicate had nil profit commission (2020 £Nil).

Accounting policies continued

Deferred acquisition costs

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

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

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

Reinsurance assets

The Syndicate cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Syndicate may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Syndicate will receive from the reinsurer. The impairment loss is recorded in the income statement.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. There were no such gains recognised in 2021 or 2020.

Ceded reinsurance arrangements do not relieve the Syndicate from its obligations to policyholders.

Insurance and reinsurance receivables

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

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

Accounting policies continued

Insurance and reinsurance payables

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

Foreign currencies

The Syndicate's functional currency is US Dollars (USD) and presentational currency is Great British Pound Sterling (GBP).

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

Exchange differences are recorded in the non-technical account.

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

	2021	2020
	Year End	**Year End**
GBP	1.00	1.00
USD	1.35	1.37
EUR	1.19	1.12
CAD	1.71	1.74

Financial assets and liabilities

In applying FRS 102, the Syndicate has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement.

Financial assets and financial liabilities at fair value through profit and loss comprise financial assets and financial liabilities held for trading and those designated as such on initial recognition.

Financial instruments are recognised when the Syndicate becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Syndicate‘s contractual rights to the cash flows from the financial assets expire or if the Syndicate transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. A financial liability is derecognised when its contractual obligations are discharged, cancelled, or expire.

Accounting policies continued

A financial asset or financial liability is measured initially at fair value plus, in the case of a financial asset or financial liability not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue.

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

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

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

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

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

Cash and cash equivalents

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

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting underwriting business.

Other financial investments and units in unit trusts are investments in nature but are treated as Cash and cash equivalents for cash flow purposes.

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Accounting policies continued

- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Pension costs

The Managing Agent operates a defined contribution scheme. Pension contributions to Syndicate staff are charged to the Syndicate and included within net operating expenses.

Taxation

Under Schedule 19 of the Finance Act 1993 Managing Agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax (currently at 20%) deducted from Syndicate investment income is recoverable by Managing Agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any other overseas tax payable by members on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year have been included in the balance sheet under the heading 'other debtors'.

Syndicate operating expenses

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

Reinsurance to close "RITC"

Each syndicate's underwriting year of account is normally closed after the end of the third year by means of reinsurance into the following underwriting year of account, which reinsures all liabilities for the closed year in return for a premium determined by the syndicate's managing agent.

3. Particulars of business written

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

2021	**Gross written premiums**	**Gross premium earned**	**Gross claims incurred**	**Net operating expenses**	**Reinsurance balance**	**Total**
Direct Insurance:	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Property	79,355	76,243	(61,192)	(21,628)	5,853	(724)
Property Reinsurance	63,452	60,935	(45,220)	(13,098)	(2,381)	236
Total	142,807	137,178	(106,412)	(34,726)	3,472	(488)

2020	**Gross written premiums**	**Gross premium earned**	**Gross claims incurred**	**Net operating expenses**	**Reinsurance balance**	**Total**
Direct Insurance:	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Property	71,765	75,478	(70,332)	(21,834)	2,493	(14,195)
Property Reinsurance	57,048	53,752	(40,682)	(12,232)	(5,104)	(4,266)
Total	128,813	129,230	(111,014)	(34,066)	(2,611)	(18,461)

All premiums were concluded in the UK.

Commissions on direct insurance gross written premiums during 2021 were £15.9m (2020: £14.0m).

Gross operating expenses are the same as net operating expenses shown in the income statement, as no commissions in respect of outward reinsurance were received and set off in arriving at the net operating expenses for 2021 and 2020.

4. Technical provisions

	2021		
	Gross provisions £'000	Reinsurance assets £'000	Net £'000
Claims outstanding			
Balance at 1 January	114,556	(38,248)	76,308
Change in claims outstanding	27,156	(7,931)	19,225
RITC from Syndicate 6126	-	-	-
Effect of movements in exchange rates	2,386	(490)	1,896
Balance at 31 December	**144,098**	**(46,669)**	**97,429**
Claims notified	84,450	(25,081)	59,369
Claims incurred but not reported	59,648	(21,588)	38,060
Balance at 31 December	**144,098**	**(46,669)**	**97,429**
Unearned premiums			
Balance at 1 January	54,008	(3,188)	50,820
Change in unearned premiums	5,629	(506)	5,123
Effect of movements in exchange rates	4,668	(236)	4,432
Balance at 31 December	**64,305**	**(3,930)**	**60,375**
Deferred acquisition costs			
Balance at 1 January	10,079	-	10,079
Change in deferred acquisition costs	1,086	-	1,086
Effect of movements in exchange rates	877	-	877
Balance at 31 December	**12,042**	**-**	**12,042**

	2020		
	Gross provisions £'000	Reinsurance assets £'000	Net £'000
Claims outstanding			
Balance at 1 January	71,068	(20,435)	50,633
Change in claims outstanding	25,760	(9,073)	16,687
RITC from Syndicate 6126	20,660	(8,863)	11,797
Effect of movements in exchange rates	(2,932)	123	(2,809)
Balance at 31 December	**114,556**	**(38,248)**	**76,308**
Claims notified	68,324	(17,512)	50,812
Claims incurred but not reported	46,232	(20,736)	25,496
Balance at 31 December	**114,556**	**(38,248)**	**76,308**
Unearned premiums			
Balance at 1 January	56,624	(3,160)	53,464
Change in unearned premiums	(417)	(488)	(905)
Effect of movements in exchange rates	(2,199)	460	(1,739)
Balance at 31 December	**54,008**	**(3,188)**	**50,820**
Deferred acquisition costs			
Balance at 1 January	12,401	-	12,401
Change in deferred acquisition costs	(1,927)	-	(1,927)
Effect of movements in exchange rates	(395)	-	(395)
Balance at 31 December	**10,079**	**-**	**10,079**

5. Net operating expenses

	2021	2020
	£'000	**£'000**
Acquisition costs	(23,645)	(21,693)
Change in deferred acquisition costs	1,086	(1,927)
Administration expenses	(12,167)	(10,446)
Net operating expenses	(34,726)	(34,066)

Members' standard personal expenses amounting to £2.3m (2020: £2.0m) are included in administrative expenses. Members' standard personal expenses include Lloyd's Members subscriptions, Central Fund contributions and Managing Agent's fees.

6. Staff costs

	2021	2020
	£'000	**£'000**
Wages and salaries	(3,043)	(2,420)
Social security costs	(373)	(364)
Other pension costs	(370)	(345)
	(3,786)	(3,129)

Staff costs are incurred by Agora Syndicate Services and recharged to the Syndicate.

The average number of employees working during the year for the Syndicate were as follows:

	2021	2020
Administration and finance	9	9
Underwriting	17	18
Claims	3	3
	29	30

7. Auditor's remuneration

	2021	2020
	£'000	**£'000**
Audit of the Financial Statements	(100)	(85)
Other services pursuant to Regulations and Lloyd's Byelaws	(69)	(69)
	(169)	(154)

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

8. Emoluments of the Directors of Asta Managing Agency Ltd

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

No emoluments of the Directors or staff of Asta Managing Agency Ltd were directly charged to the Syndicate.

The Active Underwriter received the following aggregate remuneration, charged as a Syndicate expense:

	2021 £'000	2020 £'000
Active Underwriter's emoluments	(200)	(200)
	(200)	(200)

No other compensation was payable to key management personnel.

9. Investment return

	2021 £'000	2020 £'000
Interest on cash at bank	14	255
Income on overseas deposits	43	181
Interest on Syndicate Loan	65	14
Total investment return	122	450
Average amount of funds available for investing during the year:		
Sterling	1,681	(1,598)
United States dollars	84,367	69,164
Canadian dollars	14,545	10,706
Euros	5,088	6,485
Australian dollars	2,690	2,414
South African rand	8,479	8,277
Combined in sterling	78,796	62,605

"Average fund" is the average of bank balances, overseas deposits and investments held at the end of each quarter during the calendar year. For this purpose, investments are revalued at month-end market prices, which include accrued income where appropriate.

10. Cash and cash equivalents

	2021	2020
	£'000	£'000
Cash at bank in hand	8,020	5,994
Short-term deposits with financial institutions	78,398	56,567
Central Fund Loan	(1,727)	(1,727)
Amounts owed to credit institutions	-	(4,088)
	84,691	56,746

Other financial investments of £78.4m comprise the short-term deposits with financial institutions shown above, and a loan to the Central Fund of £1.7m (2020: £1.7m).

11. Deposits with ceding undertakings

	2021	2020
	£'000	£'000
Lloyds Part VII Accounts	19	-
	19	-

12. Debtors arising out of insurance operations

	2021	2020
	£'000	£'000
Due from direct intermediaries within one year	17,720	15,250
Due from reinsurance intermediaries within one year	25,069	22,236
	42,789	37,486

13. Other assets

	2021	2020
	£'000	£'000
Overseas deposits	4,476	3,663
	4,476	3,663

14. Creditors arising out of insurance operations

	2021	2020
	£'000	£'000
Due to direct intermediaries within one year	(617)	(2,440)
Due to reinsurance intermediaries within one year	(18,239)	(19,233)
	(18,856)	(21,673)

15. Related parties

Asta provides services and support to Syndicate 3268 in its capacity as Managing Agent. During the year, Managing Agency fees of £1.3m (2020: £1.0m) were charged to the Syndicate. Asta also recharged £2.8m (2020: £1.9m) worth of service charges in the year and as at 31 December 2021 £0.7m (2020: £nil) was owed to Asta in respect of this service.

From time to time, Syndicates managed by Asta enter into (re)insurance contracts with one another. All such transactions are subject to Asta's internal controls which ensure that all are compliant with Lloyd's Related Party Bylaw provisions. All transactions are entered into on an arm's length basis. During 2021, Syndicate 3268 purchased Reinsurance from Syndicate 2689 totalling £0.03m & Syndicate 4242 totalling £0.1m.

16. Disclosure of interests

Managing Agent's interest

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

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

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

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

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

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

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

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

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

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

17. Funds at Lloyd's

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

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

18. Off-balance sheet items

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

19. Risk management

a) Governance framework

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

Asta maintains a risk management function for the Syndicate with clear terms of reference from the Syndicate Board, its committees and sub committees.

Asta supplements this with a clear organisational structure with documented delegated authorities and responsibilities from the main Asta Managing Agency board to the Syndicate who perform the underwriting activities. Lastly, the Syndicate policy framework sets its risk management and control and business conduct standards for operations. Asta reviews and monitors each policy to ensure compliance with the policy throughout the Syndicate.

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

b) Capital management objectives, policies and approach

Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000.

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

Risk management continued

Although Lloyd's capital setting processes use a capital requirement set at Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at Syndicate level. Accordingly, the capital requirement in respect of 3268 is not disclosed in these financial statements.

Lloyd's capital setting process

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

A Syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the Syndicate on which it is participating but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate SCR 'to ultimate'. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200-year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2021 was 35% (in 2020: 35%) of the member's SCR 'to ultimate'.

Provision of capital by members

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

c) Insurance risk

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

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

Sub committees of the Syndicate board oversee the management of reserving risk. The use of standardised and internal modelling techniques, as well as benchmarking and the review of claims development are key in mitigating reserving risk.

Risk management continued

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

The Syndicate uses both its own and commercially available risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from an un-modelled event are greater than those arising from a modelled event.

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

	2021	**2021**
	Estimated Gross loss	**Estimated Net loss**
	£'000	**£'000**
Terrorism - Rockefeller Center	6,048	2,016
Alternative RDS A	56,452	16,129
Alternative RDS B	64,516	16,129
Loss of Major Complex	806	403
Aviation Collision	8,065	2,016
Liability - Internal Scenario 1	806	403
AEP Loss 30 Year Return Period - US WS (Incl GM WS)	76,252	29,689
AEP Loss 30 Year Return Period - UC EQ	29,153	14,708
Cyber - Major Data Security Breach	4,032	1,210
AEP Loss 30 Year Return Period - Whole World	102,361	49,215
Terrorism - One World Trade Center	6,855	2,016
Marine - Marine Collision in US Waters	806	403
Marine - Major Cruise Vessel Incident	806	403

Key assumptions

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

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

Risk management continued

Sensitivities

The claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions, such as legislative changes, uncertainty in the estimation process or reliability of the reserving information provided.

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

	2021	2020
Gross	**£'000**	**£'000**
Five percent increase in claim liabilities	(7,205)	(5,728)
Five percent decrease in claim liabilities	7,205	5,728
Net		
Five percent increase in claim liabilities	(4,871)	(3,815)
Five percent decrease in claim liabilities	4,871	3,815

Concentration risk

The Syndicate writes worldwide property insurance and reinsurance through the UK Lloyds platform.

Claims development table

The tables below show the Syndicate's cumulative incurred claims development, including both claims notified and IBNR for each underwriting year, together with the cumulative payments to date on a gross and net of reinsurance basis at the balance sheet date.

The Syndicate has elected to translate estimated claims and claims payments at a consistent rate of exchange as determined by the balance sheet date.

Risk management continued

Underwriting year	2016	2017	2018	2019	2020	2021
	£'000	£'000	£'000	£'000	£'000	£'000
Estimate of cumulative gross claims incurred:						
At end of first underwriting year			48,125	44,493	59,299	66,586
One year later			70,462	88,598	101,636	
Two years later	7,980	20,267	75,412	92,623		
Three years later	7,318	18,714	73,842			
Four years later	8,100	16,317				
Five years later	8,034					
Less cumulative gross paid	(6,513)	(10,931)	(62,538)	(67,830)	(52,483)	(14,645)
Liability for gross outstanding claims (prior years)	1,521	5,386	11,304	24,793	49,153	51,941
Total gross outstanding claims (all years)						**144,098**

Underwriting year	2016	2017	2018	2019	2020	2021
	£'000	£'000	£'000	£'000	£'000	£'000
Estimate of cumulative net claims incurred:						
At end of first underwriting year			36,805	32,863	45,309	54,900
One year later			52,861	67,905	69,548	
Two years later	4,534	11,595	58,767	70,542		
Three years later	4,080	9,657	57,901			
Four years later	5,538	8,162				
Five years later	5,603					
Less cumulative net paid	(4,331)	(4,014)	(50,072)	(53,556)	(42,890)	(14,364)
Liability for net outstanding claims (prior years)	1,272	4,148	7,829	16,986	26,658	40,536
Total net outstanding claims (all years)						**97,429**

Risk management continued

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

d) Financial risk

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

e) Credit risk

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

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

- Investment guidelines are established setting out the quality of investments to be included within the Syndicates portfolio. The policy is monitored by the Syndicate Board, however is yet to be implemented given that the Syndicate has not yet owned any investments to date.

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

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

Risk management continued

2021	£'000			
	Neither past due or impaired	**Past due**	**Impaired**	**Total**
Shares and other variable yield securities	78,398	-	-	78,398
Overseas Deposits	4,476	-	-	4,476
Deposits with ceding undertakings	19	-	-	19
Reinsurers share of claims outstanding	46,669	-	-	46,669
Debtors arising out of direct insurance operations	17,720	-	-	17,720
Reinsurance Debtors	7,958	-	-	7,958
Other debtors	35,994	-	-	35,994
Cash at bank in hand	8,020	-	-	8,020
Total	199,254	-	-	199,254

2020	£'000			
	Neither past due or impaired	**Past due**	**Impaired**	**Total**
Shares and other variable yield securities	56,567	-	-	56,567
Overseas Deposits	3,663	-	-	3,663
Reinsurers share of claims outstanding	38,248	-	-	38,248
Debtors arising out of direct insurance operations	15,250	-	-	15,250
Reinsurance Debtors	10,654	-	-	10,654
Other debtors	29,337	-	-	29,337
Cash at bank in hand	5,994	-	-	5,994
Total	159,713	-	-	159,713

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

Risk management continued

2021				£'000			
	AAA	AA	A	BBB	BBB or less	Not Rated	Total
Shares and other variable yield securities	-	-	78,398	-	-	-	78,398
Overseas Deposits	2,586	383	512	342	232	421	4,476
Deposits with ceding undertakings	-	-	19	-	-	-	19
Reinsurers share of claims outstanding	-	-	37,354	502	125	8,688	46,669
Reinsurance Debtors	-	-	5,250	-	178	2,531	7,959
Cash at bank in hand	-	-	8,020	-	-	-	8,020
Total	2,586	383	129,553	844	535	11,640	145,541

2020				£'000			
	AAA	AA	A	BBB	BBB or less	Not Rated	Total
Shares and other variable yield securities	-	-	56,567	-	-	-	56,567
Overseas Deposits	1,621	344	361	249	402	686	3,663
Reinsurers share of claims outstanding	-	6,316	24,914	-	223	6,795	38,248
Reinsurance Debtors	-	1,014	8,084	-	162	1,395	10,655
Cash at bank in hand	-	-	5,994	-	-	-	5,994
Total	1,621	7,674	95,920	249	787	8,876	115,127

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

2021			£'000	
	Level 1	Level 2	Level 3	Total Fair Value
Shares and other variable yield securities	-	76,670	1,727	78,397
Overseas Deposits	620	3,856	-	4,476
Total	620	80,526	1,727	82,873

Risk management continued

2020		£'000		
	Level 1	Level 2	Level 3	Total Fair Value
Shares and other variable yield securities	-	54,840	1,727	56,567
Overseas Deposits	594	3,069	-	3,663
Total	594	57,909	1,727	60,230

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

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

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

Maximum credit exposure

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

During the year, no credit exposure limits were exceeded.

1) Liquidity risk

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

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

Risk management continued

2021			£'000			
	No stated maturity	0-1 Year	1-3 Years	3-5 Years	More than 5 years	Total
Claims outstanding	-	80,980	48,957	9,762	4,399	144,098
Creditors	-	18,856	-	-	-	18,856
Total	-	99,836	48,957	9,762	4,399	162,954

2020			£'000			
	No stated maturity	0-1 Year	1-3 Years	3-5 Years	More than 5 years	Total
Claims outstanding	-	64,825	38,694	7,411	3,626	114,556
Creditors	-	25,761	-	-	-	25,761
Total	-	90,586	38,694	7,411	3,626	140,317

2) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

3) Currency risk

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

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

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

2021				£'000	
	GBP	EUR	CAD	USD	Total
Total Assets	21,381	5,590	11,992	160,291	199,254
Total Liabilities	(22,712)	(10,070)	(8,216)	(187,846)	(228,844)
Net (Liabilities)/Assets	(1,331)	(4,480)	3,776	(27,555)	(29,590)

Risk management continued

2020				£'000	
	GBP	EUR	CAD	USD	Total
Total Assets	19,911	8,909	9,012	121,881	159,713
Total Liabilities	(25,377)	(9,804)	(7,058)	(153,027)	(195,266)
Net (Liabilities)/Assets	(5,466)	(895)	1,954	(31,146)	(35,553)

Sensitivity to changes

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

	Impact on profit and member's balance	
	2021 £'000	2020 £'000
Sterling weakens		
10% against other currencies	(2,826)	(3,009)
20% against other currencies	(5,652)	(6,017)
Sterling strengthens		
10% against other currencies	2,826	3,009
20% against other currencies	5,652	6,017

4) Interest rate risk

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

The Syndicate has no significant concentration of interest rate risk.

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

20. Post balance sheet events

Subsequent to the balance sheet date, the 2019 underwriting year loss of £4.7m ($6.4m) has been called as a consequence of this year closing. This will be collected in USD during 2022.

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

During February 2022, Russia instigated military action in Ukraine. This event is still developing as at the date of the Financial Statements, but has been assessed by the Directors as an event that will increase risk and uncertainty globally in the foreseeable future. At the time of writing based on preliminary investigations the syndicate has not identified any material gross exposure as a consequence of this event. The directors do not believe that any impacts from the conflict materially change the financial position presented for the syndicate as at 31 December 2021 but will continue to monitor developments and endeavour to mitigate risks where possible.