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MUNICH RE SYNDICATE 457

ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2021

Managed by Munich Re Syndicate Limited

CONTENTS

DIRECTORS AND ADMINISTRATION

MANAGING AGENT

Managing Agent
Munich Re Syndicate Limited ('MRSL') is the Managing Agent for Munich Re Syndicate 457 (the 'Syndicate') and is authorised by the Prudential Regulation Authority ('PRA') and regulated by the Financial Conduct Authority ('FCA') and the Society of Lloyd's ('Lloyd's').

Directors

L F Allen	Non-Executive Director
E J Andrewartha	Non-Executive Chair
R J Attwood	Group Chief Financial Officer
T E Artmann	Chief Executive Officer
T J Carroll	Non-Executive Director
T Coskun	Director of Risk and Compliance
S H Herrmann	Non-Executive Director
M C Hewett	Non-Executive Director
D J R Hoare	Group Chief Underwriting Officer
A C Maxwell	Group Claims Director

Company Secretary
T Coskun

Registered Office
St. Helens, 1 Undershaft, London EC3A 8EE
Telephone: 020 7886 3900 ♦ Facsimile: 020 7886 3901
E-mail: MRSL-central@munichre.com
Website: www.munichre.com/syndicate457

Registered Number
01328742

SYNDICATE

Chief Underwriting Officer
D J R Hoare

Bankers
Citibank N.A.
Royal Bank of Scotland plc
Royal Bank of Canada

Investment Manager
Munich ERGO Asset Management GmbH ('MEAG')

Registered Auditor
Ernst & Young LLP, London E14 5EY

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 ('the 2008 Regulations').

RESULTS

The profit for calendar year 2021 is £88.9m (2020: loss of £21.1m). Profits will continue to be distributed by reference to the results of individual underwriting years.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

During 2021, the Syndicate's principal activity remained the transaction of general insurance and reinsurance business, with a particular focus on the Marine, Energy, Cyber and Specialty sectors.

The Syndicate's key financial indicators are as follows:

	2021	2020
Gross Written Premium	£896.7m	£739.2m
Profit/(Loss) for the financial year	£88.9m	£(21.1)m
Combined Ratio	83.7%	107.7%

The combined ratio is the ratio of claims incurred (net of reinsurance) and operating expenses to earned premiums (net of reinsurance).

It is pleasing to announce that 2021 was an extremely successful year. The International Distribution Companies ('IDCs') were a strong contributor to an excellent result. Rate changes and premium growth have been well above expectations. Once again, our light touch status from Lloyd's has been secured, which is a fantastic testimony to the high quality standards throughout the entire company. As a result, we not only exceeded our financial targets in 2021, but we also delivered on the majority of the year's projects and initiatives.

Significant top line growth was driven by a combination of a strong rating environment as well as growth of new business particularly in specialty lines Cyber, Financial Lines and Property, as well as traditional Marine lines. Outperformance on plan was also driven by both continued rate improvements and new business growth.

This great success is owed to the continued dedication, resilience, commitment and professionalism of all staff. Despite the ongoing disruptions caused by yet another Covid 19 wave, all teams are working together as one in an amazing collegiate spirit. Wellbeing of staff remains one of our key priorities. More than 60 new joiners across MRSG UK Services Limited ('MRSGUKS') were onboarded and integrated successfully in 2021. This strong team spirit cannot be regarded highly enough, as it is the engine that enables us to consistently achieve our goals.

A major achievement in 2021 was the successful development and implementation of a holistic hybrid working model, covering the work as such, the workforce and the workplace. HR policies were amended accordingly, and ongoing training sessions took place in conjunction with feedback rounds with staff and management. Staff engagement throughout the entire process was excellent and the new model is fully embraced by the business.

Furthermore, MRSL has maintained leadership capabilities in all classes we write. The Syndicate led c. 62% (by premium volume) of risks underwritten in 2021. We are recognised as leaders in our chosen fields, especially Marine, Energy and Cyber. MRSL is represented by its staff on many market associations and interest groups. The Group CUO Dominick Hoare has been re-elected to the Council of Lloyd's and has become a member of the LMA Board.

During 2021, various options were considered to secure our European business after Brexit. Ultimately, it was decided to support the Lloyd's solution to second several underwriters to LIC (UK Branch).

With regards to governance, preparations for the major upcoming market challenges in 2022 have already started particularly with regards to the PRA's Operational Resilience requirements by the end of Q1 and various ESG monitoring and reporting initiatives.

During the year, and continuing throughout 2022 and beyond, MRSGUKS has and will develop and embed a strong commitment to, and promotion of, initiatives associated with Culture, Diversity and Inclusion.

The Syndicate continues to support the Future at Lloyd's blueprint which marks an exciting new chapter for Lloyd's by combining data, technology and new ways of working with Lloyd's existing strengths to transform Lloyd's culture in all areas from placing risks to paying claims and developing new products.

The following table provides a breakdown of gross written premiums by regulatory class categories:

	2021 %	2020 %
Direct insurance		
Marine, Aviation and Transport	38	44
Fire and Other Damage to Property	18	20
Other	25	13
Reinsurance	19	23
Total	100	100

The Syndicate continues to buy an extensive reinsurance programme that is designed to protect the Syndicate's largest anticipated exposure from a single risk or multiple loss events.

The structure of the Syndicate's reinsurance programme varies from year to year depending on the exposures that the Syndicate writes. The programme is subject to market forces with respect to market capacity, reinsurance terms and conditions; however, as always, the reinsurance is placed with the best quality security that is available. The Syndicate continues to utilise a mixture of Lloyd's syndicates, UK authorised reinsurance companies and international reinsurance companies to ensure comprehensive reinsurance cover is in place. Some of the international companies are EU authorised insurers.

The following table provides an analysis of paid reinsurance premiums for 2021 and 2020:

	2021 %	2020 %
Lloyd's Syndicates	14	15
UK Authorised Companies	12	19
EU Companies	40	40
Other Insurance Companies	34	26
	100	100

PRINCIPAL RISKS AND UNCERTAINTIES

The Board of MRSL ('the Board') sets risk appetite annually as part of the Syndicate's business planning and Solvency Capital Requirement process. Adherence to risk appetite is reviewed by the Board on a periodic basis.

Insurance Risk

Insurance risk, comprising underwriting risk and reserving risk, is the risk of loss arising from the inherent uncertainties about the occurrence, amount and timing of insurance premiums and liabilities. The Board manages insurance risk by agreeing its appetite for those risks annually through the business plan which sets out targets for volumes, pricing, line sizes and retention by class of business. The Board monitors performance against the business plan on a regular basis. The Managing Agent uses catastrophe modelling software to model maximum probable losses from catastrophe exposed business. The Group Actuary monitors reserve adequacy. Detailed independent reviews of underwriting areas are conducted on a quarterly basis.

Credit Risk

Credit risk relates to the risk of loss if another party fails to perform its financial obligations or fails to perform them in a timely fashion. Key counterparties include reinsurers, brokers, insureds, reinsureds, coverholders, IDCs and investment counterparties. The Board's policy is that the Syndicate will only reinsure with businesses that have been approved for that purpose. An additional policy of the Board is that all brokers and coverholders must be approved in advance of being permitted to produce business for the Syndicate. Certain Executive Directors of the Board assess and approve reinsurers which do not meet minimum credit rating requirements before business is placed with them and are also responsible for approval and monitoring of the financial strength of brokers who remain on a risk transfer basis. Credit risk on Syndicate investments is managed by a policy of investing mainly in highly rated securities. At the year-end 76.1% (2020: 84.0%) of the Syndicate's managed "Financial Investments" were rated AA or higher or represented by Sovereign and Government Agency debt. The lowest rated security permitted, BBB- rated per S&P, accounted for just 14.3% (2020: 10.3%) of the Syndicate's managed "Financial Investments". Lloyd's requires managing agents to provide a loan based on the premium income limit from the Syndicate business plan in order to fund Lloyd's Europe. The Lloyd's loan accounts for 0.8% (2020: 1.5%) of our holdings and is classed as NR in the Shares and other variable yield securities line.

Group Risk

Group risk is the potential of risk events, of any nature, arising in or from membership of a corporate group. Munich Re is both the owner of the Managing Agent and the provider of underwriting capacity to the Syndicate. Munich Re provides reinsurance capacity for a number of classes. Close dialogue exists with the Integrated Risk Management ('IRM') division of Munich Re to discuss any necessary issues. MEAG, an asset management company owned by Munich Re, and the Group Investment Management (GIM) function in Munich are responsible for the investment and active portfolio management of the Syndicate's investments. There is a regular flow of information between the Syndicate and Munich Re.

Liquidity Risk

Liquidity risk is the risk that sufficient financial resources are not maintained to meet liabilities as they fall due under normal or stressed operating conditions. The Finance Sub-Committee monitors liquidity on a regular basis and has an agreed minimum limit of readily realisable assets. Liquidity risk is further controlled by permitting investment only in assets that are highly liquid and marketable.

Market Risk

Market risk is the risk that arises from fluctuations in values of or income from assets, in interest rates or in exchange rates. The Syndicate settles 80.0% (2020: 82.1%) of its insurance business in United States dollars, Euros and Canadian dollars, which gives rise to a potential exposure to currency risk while a substantial proportion of administrative and personal expenses are incurred in Sterling. The Syndicate mitigates this by adopting a policy of controlled matching of assets and liabilities in both currency and duration. The fixed interest investment portfolio and returns are regularly reviewed and reported to the Board.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external factors such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. The Syndicate's objective is to manage operational risks to balance financial losses and damage to the Syndicate's reputation with processes that are cost effective and efficient. Risks are managed through the use of detailed procedures manuals, regular oversight and monitoring, and a structured programme of independent reviews by second and third line of defence functions.

Environmental Risk

Coronavirus 19 pandemic

On 11 March 2020, the World Health Organization (WHO) declared the coronavirus 19 (C19) outbreak as a pandemic and since then, C19 has escalated into an unprecedented global crisis with significant human and economic costs. As of 4 February 2022, the John Hopkins University C19 Resource Centre reported 388.2m positive cases of C19 infection and 5.7m deaths globally. In addition, most of the world's economies have been subjected to their deepest recessions with various Government measures introduced to limit the risk of transmission and infection, leading to a sharp decrease in economic activity in certain sectors. Whilst there remains a moderate level of high uncertainty regarding the future course of the pandemic and the recovery of the global economy, there is hope of a return to normal levels of economic activity given the high levels of vaccination and immunity across most regions.

The Board of the Managing Agency considers that the Syndicate has prepared well and is adequately positioned from an operational, financial and capital perspective. Since March 2020, the operational resilience of the Managing Agency and the Syndicate has been tested and deemed successful with all staff having the ability to work from the office or from home, under the Syndicate's new hybrid working model. From an underwriting perspective, whilst the Syndicate sustained material losses predominantly in its Special Risk account, reinsurance programme recoveries, incurred experience and development has been favourable relative to original assumptions. The Syndicate's written exposures are expected to run off during 2022, and going forward, future exposures be limited given the inclusion of communicable disease clauses where appropriate.

The Syndicate's underwriting performance and financial position are constantly monitored by the Board.

Geopolitical situation

Despite political attempts to peacefully resolve geopolitical tensions in Eastern Europe, on 24 February, Russian forces launched an invasion of Ukraine. The invasion has been met with widespread international condemnation. Uncertainty associated with the scale, duration and impact of the attack and of the international response, including the impact of sanctions imposed, exacerbates the uncertainty already prevalent in the global economy. Whilst the situation is fluid, it is already having an impact on global financial markets (e.g., the cost of fuel and oil), though the full scale of human and economic impact remains to be seen.

MRSL is actively and closely monitoring the situation, particularly in respect of lines of business which may be impacted by the conflict. Support is being provided by the Compliance Advisory team with respect to sanctions. The conflict has given rise to an increased risk of cyber-attacks against governments and businesses. This exposure is being monitored by the Munich Re Global Cyber Defence Centre.

Inflation

Quantitative easing measures to support economic recovery following the pandemic has led to inflation widely recognised as a risk. Coupled with supply chain issues and the energy crisis, the cost for goods, food and fuel has significantly increased. Significant concerns about current and projected inflation rates exceeding historical averages have been made in recent months across the economy as well as the insurance industry. The Munich Re Economic Outlook (February 2022), noted that the December 2021 year end inflation rate in the US reached 7% – the highest in 40 years. Similarly, the EU inflation rate hit 5.1% in January 2022 – the highest since the monetary union started in 1999.

Rising inflation has an impact on insurers' claims costs, reserving, price adequacy, investment returns and capital modelling with the following notable types of inflation:

- Excess inflation refers to all ways in which insurers' claims costs rise over and above general economic inflation. It captures, for example, the growth in costs associated with new materials, medicines and technologies, changes in the legal environment, evolving social attitudes towards claiming and political developments.

- Lloyd's considers social inflation as a subset of excess inflation. This is driven by legislative and litigation developments and impact on insurer legal liabilities and costs. Examples include higher jury awards, increasing number of litigated claims, shifts in juror's sentiment towards claimants, and perceptions of fairness, which places a particular burden for long-tail classes of business (i.e., Liability/Casualty) and is more difficult to forecast and calculate projected ultimate claims estimates.

Consideration by MRSL of inflation is summarised below.

- Reserving: As reported to the Reserving Steering Group (December 2021), the classes that are primarily exposed to excess claims inflation are Cargo, Energy, Engineering, Liability and Property. As part of the quarterly reserving process, an allowance for excess claims inflation, including social inflation, has been recognised in line with the observed spike in inflation for steel and commodity prices. The appropriateness and adequacy of the reserves remains an area of on-going monitoring.

- Pricing: As part of the annual review of pricing models, all pricing models have been updated to allow underwriters to make the necessary adjustments and loadings for exposures to inflation as appropriate. The is dependent on the model and line of business. Generally:
  - For exposure-based lines, e.g., based on sum insured, contract value, turnover, the pricing models are already linked to claims cost / claims trend components. These models are subject to regular indexing. For example, where exposure base is based on number of employees and not on a cost, the respective pricing model has a fixed inflation rate added relative to the principal geography of exposure, which is updated on a regular basis.
  - For experience-based models, an explicit allowance has been made for the US/UK CPI index with additional allowance by the underwriter as may be appropriate.

  In addition, material risks with substantial inflation exposures are monitored and reviewed by the Pricing team.

- Investments: The Syndicate's investment portfolio is primarily invested in government and corporate bonds. Inflationary pressures are emerging on central banks to respond by increasing interest rates which leads to the decreasing value of already low yield bonds. The fluctuations in unrealised / realised investment returns and volatility in performance is being closely monitored by the Finance Steering Committee and Munich Re Group Investment Management.

- Capital: Internal model data, parameters and assumptions are reviewed and updated on a regular basis to ensure model outputs for capital related decision making is reasonable. Specifically, for capital adequacy purposes, the allowance for inflation is implied within the model with respect to business plan assumptions and ESG data updates. Appropriateness of such assumptions is subject to regular, at least annual, validation activities.

Post Brexit regulatory framework – the Future Regulatory Framework ("FRF") Review

On 24 December 2020, the European Commission and the UK Government reached an agreement on the terms of future trade and cooperation. The Trade and Cooperation Agreement (the TCA) provides for the free trade of goods and establishes a framework for cooperation on energy, transport, social security and standard-setting including climate change. However, the TCA does not extend to financial services firms. Rather, the TCA provides for the EU and the UK to establish a Memorandum of Understanding (MOU) by March 2021 for establishing a framework for structured regulatory cooperation on financial services. In addition, a brief UK-EU statement in the form of the Joint Declaration on Financial Services Regulatory Cooperation notes that there will be further discussion between the UK and EU on next steps regarding equivalence determinations between the parties.

Following an initial consultation published in October 2020, on 9 November 2021, the HM Treasury (HMT) published its proposals for reforming the UK's financial services regulatory framework (the FRF review). The current proposals include adopting a comprehensive FSMA (Financial Services Market Act) regulatory model that would delegate rulemaking powers to the FCA and the PRA; broadening the regulators' statutory objectives; and strengthening Parliament's scrutiny of the regulators.

Specifically, the HMTs proposals includes empowering the regulators to make rules to replace retained EU law. This will be achieved by tailoring regulatory requirements to UK and moving the requirements to the regulators' rulebooks via an extensive programme of secondary legislation. This is expected to take several years.

Whilst there is still some uncertainty as to the terms of final regulatory framework for financial services and the consequences that may subsequently arise, Syndicate 457 and its managing agent, Munich Re Syndicate Ltd, have sought to mitigate the volatility of the resultant uncertainties where known. The Board is confident that Syndicate 457's future performance should not be materially impacted by changes to the final regulatory framework for financial services.

Lloyd's Insurance Company S.A. (Lloyd's Europe)

Lloyd's established Lloyd's Insurance Company S.A., a subsidiary in Brussels (Lloyd's Europe) to enable its European partners and policyholders to retain access to the underwriting expertise of the Lloyd's market via a distribution channel of brokers, coverholders, and syndicates. Lloyd's Europe is an insurance company authorised and regulated by the National Bank of Belgium and capitalised under Solvency II rules. The subsidiary is assigned the equivalent financial ratings as Lloyd's from A.M Best (A), Fitch (AA-) and Standard & Poor's (A+).

Since 1 January 2019, all new non-life EEA and Monaco direct insurance policies are written by Lloyd's Europe and all renewing EEA and Monaco non-life direct insurance policies are transferred to Lloyd's Europe on their renewal.

Since 1 January 2022, a new Lloyd's EU operating model was implemented following approval by FSMA, the Belgian regulators. MRSL has adopted the new operating model solution which includes the secondment of Managing Agent underwriters and deployment of staff to the LIC UK Branch of Lloyd's Europe. This solution provides continued access to EEA business for the Lloyd's market.

Climate change related risk

The Managing Agent and the Syndicate maintains abreast of climate change developments in its regulatory environment:

- On 24 June 2021, the HRH The Prince of Wales launched a new Sustainable Markets Initiative (SMI) Insurance Task Force, a platform for the insurance sector to collectively advance the world's progress towards a resilient, net-zero economy. The SMI Insurance Task Force, chaired by Lloyd's, is comprised of executives from many of the world's largest insurance and reinsurance companies including Munich Re Group.

- On 25 October 2021, Lloyd's published the "accelerating the transition to a more sustainable insurance and reinsurance marketplace" report. The Lloyd's report details guidance for managing agents, the Corporation's own approach for 2022, and how it plans to track the market progress towards transitioning to a more sustainable marketplace. Furthermore, as part of the new Lloyd's Principles oversight framework introduced during 2022, Lloyd's has published expectations of managing agents for implementing a broader ESG (Environmental Societal and Governance) strategy. With respect to climate change, the Syndicate will be expected to provide its own assessment for meeting Lloyd's expectations for implementing climate change specific strategies and considerations for underwriting, investments and operations.

Being part of the Munich Re Group, the Managing Agent and the Syndicate benefit from Munich Re Group policies and initiatives to meet its corporate responsibilities for ESG topics across its insurance business, investment activities and business operations. Specifically, Munich Re Group are committed towards supporting environmental initiatives and have voluntarily signed the Principles of Sustainable Insurance (PSI) and Principles for Responsible Investment (PRI) as established by the United Nations Environment Programme (UNEP). In December 2020, Munich Re Group also published new ambitious environmental protection targets for its core insurance business, investment and business operations. In addition, Munich Re Group has made significant developments in climate change from governance, strategy implementation, developing new products and services, investing in sustainable sectors and projects, and minimising its own CO2 footprint (see also MR Group Corporate Responsibility Report, 2020).

In March 2021, the Board approved its Climate Change Strategy for the Managing Agent which is based on the targets previously published by MR Group and Lloyd's (December 2020). The implementation of the MRSL strategy including transition towards sustainable insurance and investment activities, leverages from those activities of the Munich Re Group. In 2022, the Managing Agency and the Syndicate will accelerate its programme of activities to further expand upon its corporate responsibilities towards environmental issues in line with its Climate Change Strategy. Furthermore, the Managing Agency will continue to progress actions designed to meet the PRA's expectations of UK insurance firms to identify and manage financial risks from climate change. MRSL has a risk management programme to monitor and manage some elements of climate change related risks including aggregate exposure management. The Chief Underwriting Officer ('CUO') as the senior management function holder is deemed responsible for this programme with the support from the risk function. The Board is apprised of developments.

Culture including Diversity & Inclusion (D&I)

As a specific element of ESG, Culture including D&I ('D&I') is trending high on the agenda of boards and the regulators.

In its FCA publications (DP18/2: Transforming culture in financial services (2018) and DP2/21 – Diversity and inclusion in the financial sector – working together to drive change (2021)), the FCA raised the profile of Culture and D&I as key tenets of its regulatory agenda and considered 'good culture' and increased 'D&I' in firms as essential to mitigating non-financial misconduct and more sustainable business models. In addition, Lloyd's has published a specific principle for Culture in its new Principles oversight framework introduced during 2022 which applies to all managing agents

MRSL, as part of MRSGUKS, has been active in its response to the challenges of Culture related topics. Culture is sponsored by the MRSL Board and remains a standing agenda item on the MRSL Board and Executive Committee. Since 2019, MRSGUKS has established a Culture Committee, which aims to improve and develop a diverse and inclusive culture and working environment for all employees. The Culture Committee supports the Executive Committee by providing a voice for all employees and supporting culture initiatives across themes including D&I and talent development.

Notable developments during 2021 on culture-related topics include:

- The introduction of Munich Re Specialty Group Limited's ('MRSG') values and behaviours which are considered integral to Culture and demonstrate what the company believes is important and expects of all employees.

- The introduction of a new Hybrid Working Model which empowers staff to blend working from different locations (i.e., from home or the office) to suit both personal and work needs.

- The publication of the first MRSGUKS first gender pay figures since the UK Government introduced the new requirement in 2017. As part of this publication, MRSGUKS has committed to working towards narrowing the gender pay gap and create an inclusive organisation that appeals to the best people.

- An increase in female representation at the senior levels of MRSL.

- Pilot of a new Inclusion training course which has approval to be compulsory.

MRSGUKS also benefits from Munich Re Group's driven strategies and initiatives on ESG. A new ESG Committee has been established at a Board of Management of Munich Re Group level, which has a remit to set Group wide ambitions on HR related topics including D&I, training and development, and employee engagement and well-being. In 2022, MRSGUKS will continue to engage and adopt Munich Re Group wide initiatives across its organisation.

Cyber Risk

Cyber threats and, consequentially, cyber risk, have noticeably increased in the pandemic crisis as cyber-criminals seek to exploit the potential vulnerability of businesses and remote working environments. Munich Re remains resilient in extending and maintaining a secure platform to incorporate remote working whilst recognising an increased threat of phishing attacks, ransomware and fraud on its business. Security controls are based on Munich Re Group defined standards and are continuously improved to keep pace with the evolving Cyber threat, including regular Security and social engineering awareness communications, additional security training and new phishing reporting tools.

There have been no material Cyber Security or Data Protection breaches identified in 2021, and no incidents or successful intrusions detected as a result of the Log4J vulnerability widely publicised during December 2021. Whilst there continues to be an increase in phishing attempts, these have not been successful. The Cyber threat intelligence is shared within Munich Re, and expert security resource is available should there be an information security incident. Munich Re undertakes a regular programme of patching, Vulnerability and Penetration Testing (VAPT) of IT systems and appropriate actions are taken to address any vulnerabilities identified. Security controls are regularly assessed for control design and performance effectiveness as coordinated by the Munich Re Group IT & Risk Security team, with the results reported to Munich Re Integrated Risk Management. In the event of a breach there are established security incident response protocols and processes to ensure the incident is contained, resolved and reported appropriately.

DIRECTORS

The Directors of the Managing Agent who held office during the year ended 31 December 2021 were as follows:

L F Allen (Non-executive)

E J Andrewartha (Non-executive Chair)

T E Artmann

R J Attwood (Appointed 11 November 2021)

T J Carroll (Non-executive)

T Coskun

G Guelfand (Resigned 30 March 2021)

S H Herrmann (Non-executive)

M C Hewett (Non-executive)

D J R Hoare

A C Maxwell

COMPANY SECRETARY

The company secretaries of the Managing Agent who held office during the year ended 31 December 2021 were as follows:

T Coskun (Appointed 3 March 2021)

E M Hargreaves (Resigned 3 March 2021)

INVESTMENTS

Investment Policy and Managers

The Managing Agent mandated Group Investment Management (GIM) to manage all the Syndicate funds. GIM is a division of the Munich Re Group in charge of investment management of all Group assets. GIM selected MEAG, the inhouse asset manager of the Munich Re Group, to manage Syndicate funds against benchmarks approved by the Board, which had been generated from the examination of the underlying profile of the underwriting liabilities and applying an Asset-Liability Matching model.

The Lloyd's Dollar Trust Fund, which comprises the largest proportion of funds, is managed against a composite of Barclays indices for US Treasuries (62%), US Credit 1-5 years excluding financials (28%) and US Agencies (10%). The US Situs funds and Singapore funds are managed jointly against a US Treasury 1-3 years benchmark.

The Canadian dollar trust funds were invested to replicate liabilities with no active benchmark.

The Euros trust fund was managed against a benchmark comprising 50% government index with maturities 1-3 years and 50% with maturities 3-5 years.

The Sterling trust fund was managed against a benchmark comprising 23% money market, 33% government index with maturities 1-3 years, 20% with maturities 3-5 years and 24% with maturities 5-7 years. In Q1 2021 we allocated 70m GBP from a capital increase to a newly launched GBP Credit buy-and-maintain portfolio with investment focus on GBP Credit Non-Financials 5-7 years.

Overall, the duration of the managed portfolio at the year-end was 2.28 (benchmark 2.33) which is 0.38 higher than at the year-end 2020 given the aforementioned allocation in GBP Credit. The mandate permits flexibility in duration around the benchmark of +1/-1 year.

For each of the managed funds the Board has set certain restrictions in terms of sector limits and individual issuer limit. In addition, each portfolio is subject to a minimum average credit rating.

Investment Performance

The 2021 calendar year investment performance is as follows:

Currency	Fund Return %	Benchmark Return %
US dollars	(0.53)	(0.58)
Canadian dollars	(0.40)	-
Sterling (active)	(1.26)	(1.16)
Sterling (Credit buy-and-maintain)	(1.97)	-
Euros	(0.89)	(1.08)

The combined 2021 calendar year investment performance of the actively managed portfolio is -0.71% compared to a benchmark of -0.73%.

FUTURE DEVELOPMENTS

The 2022 SBF has been approved, subject to certain conditions specified by Lloyd's to write with a capacity of £825m (2021: £750m).

SYNDICATE ALLOCATED CAPACITY AND MEMBERSHIP OF THE SYNDICATE

The capacity of the Syndicate is based on Gross Net premiums and increased for the 2021 account at £750m (2020 account: £525m). All of the capacity of the Syndicate is provided by Munich Re Capital Limited ('MRCL'), an indirect subsidiary of Munich Re.

GOING CONCERN

After making enquiries, the directors of the Managing Agent have a reasonable expectation that continued capital support will be in place such that the Syndicate is able to write new business in future underwriting years of account. Accordingly, they continue to adopt the going concern basis in preparing the annual accounts.

DISCLOSURE OF INFORMATION TO THE AUDITORS

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

AUDITORS

In accordance with section 14(2) of Schedule 1 of the Lloyd's Regulations 2008, the auditors, Ernst & Young LLP, will be deemed to be reappointed and therefore continue in office.

Approved by a resolution of the Board of Directors of Munich Re Syndicate Limited and signed on its behalf.

E J Andrewartha
Non-Executive Chair

3 March 2022

D J R Hoare, ACII
Chief Underwriting Officer

3 March 2022

STATEMENT OF MANAGING AGENT'S DIRECTORS' RESPONSIBILITIES

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

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

In preparing the Syndicate annual accounts, the managing agent is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the 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 annual accounts may differ from legislation in other jurisdictions.

E J Andrewartha

On behalf of the Board
E J Andrewartha
Non-Executive Chair

3 March 2022

Opinion

We have audited the syndicate annual accounts of syndicate 457 ('the syndicate') for the year ended 31 December 2021 which comprise the Statement of Profit and Loss, the Balance Sheet, the Statement of Changes in Members' Balances, the Statement of Cash Flows and the related notes 1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the Annual 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 contained within the Annual Accounts.

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

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

We have nothing to report in this regard.

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

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Directors' Responsibilities set out on page 13, the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

Our approach was as follows:

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

- We obtained a general understanding of how the syndicate is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the syndicate. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the syndicate, Lloyd's of London and other UK regulatory bodies; reviewed minutes of the Board and Risk Committee of the managing agent; and gained an understanding of the managing agent's approach to governance.
- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related syndicate annual accounts' items.
- For both direct and other laws and regulations, our procedures involved: making enquiry of the directors of the managing agent and senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the managing agent's methods of enforcing and monitoring compliance with such policies, inspecting significant correspondence with Lloyd's, the FCA and the PRA.
- The syndicate operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.
- We assessed the susceptibility of the syndicate's annual accounts to material misstatement, including how fraud might occur by considering the controls that the managing agent has established to address risks identified by the managing agent, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement and the risk that these judgements may be subject to management bias. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk, including the risk of fraud in valuation of gross incurred but not reported reserves and the valuation of estimated premium. These procedures included testing manual journals and were designed to provide reasonable assurance that the syndicate Annual Accounts are materially free from fraud or error.

  In addition, we considered the impact of Covid-19 on the syndicate, including an assessment of the consistency of operations and controls in place as the managing agent used a mix of operating remotely and hybrid working throughout 2021.

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

Use of our report

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

DocuSigned by:

Ernst & Young LLP

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Angus Millar (Senior statutory auditor)

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

London

3 March 2022

STATEMENT OF PROFIT OR LOSS: TECHNICAL ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
Earned premiums, net of reinsurance			
Gross premiums written	5	896,699	739,210
Outward reinsurance premiums		(170,945)	(146,779)
Net premiums written		725,754	592,431
Change in the provision for unearned premiums			
Gross amount	16	(117,886)	(107,488)
Reinsurers' share	16	7,852	12,779
Change in the net provision for unearned premiums	16	(110,034)	(94,709)
Earned premiums, net of reinsurance		**615,720**	**497,722**
Other Technical Income, Net of Reinsurance		**194**	**451**
Allocated investment return transferred from the non-technical account	9	**(3,438)**	**11,918**
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(335,628)	(275,959)
Reinsurers' share		109,697	99,425
Net claims paid		(225,931)	(176,534)
Change in the provision for claims			
Gross amount	16	(53,389)	(215,861)
Reinsurers' share	16	848	63,011
Change in the net provision for claims	16	(52,541)	(152,850)
Claims incurred, net of reinsurance		**(278,472)**	**(329,384)**
Net operating expenses	6	**(237,125)**	**(206,902)**
Balance on the technical account – general business		**96,879**	**(26,195)**

All operations relate to continuing activities.

The notes on pages 23 to 50 form an integral part of these annual accounts.

STATEMENT OF PROFIT OR LOSS: NON-TECHNICAL ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
Balance on the technical account – general business		**96,879**	**(26,195)**
Investment income	9	7,136	9,163
Investment expenses and charges	9	(556)	(507)
Realised and unrealised gains on investments	9	281	6,730
Realised and unrealised losses on investments	9	(10,299)	(3,468)
Allocated investment return transferred to general business technical account	9	3,438	(11,918)
Non-technical account (charge)/income	10	(3,094)	4,859
(Loss)/Gain on foreign exchange		(4,921)	279
Profit/(Loss) for the financial year		**88,864**	**(21,057)**

All operations relate to continuing activities.

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

The notes on pages 23 to 50 form an integral part of these annual accounts.

BALANCE SHEET – ASSETS AT 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
Investments			
Other financial investments	11	884,002	744,282
Deposits with ceding undertakings		3,070	251
Other loans		-	-
		887,072	**744,533**
Reinsurers' share of technical provisions			
Provision for unearned premiums	16	49,654	40,293
Claims outstanding	16	279,145	278,246
		328,799	**318,539**
Debtors			
Debtors arising out of direct insurance operations	12	274,851	209,526
Debtors arising out of reinsurance operations		173,338	139,223
Other debtors	13	3,533	4,134
		451,722	**352,883**
Other assets			
Cash at bank and in hand		**68,119**	**35,385**
Prepayments and accrued income			
Deferred acquisition costs	14	**132,388**	**103,105**
Total assets		**1,868,100**	**1,554,445**

The notes on pages 23 to 50 form an integral part of these annual accounts.

BALANCE SHEET – LIABILITIES AT 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
Capital and reserves			
Members' balances		**283,650**	**144,235**
Technical provisions			
Provision for unearned premiums	16	490,205	369,143
Claims outstanding	16	925,386	870,490
Provision for other risks and charges		625	859
		1,416,216	**1,240,492**
Creditors			
Creditors arising out of direct insurance operations	18,19	25,540	19,756
Creditors arising out of reinsurance operations	18,20	108,739	95,936
Other creditors	18,21	30,105	53,925
		164,384	**169,617**
Accruals and Deferred income		3,850	101
Total liabilities and equity		**1,868,100**	**1,554,445**

The notes on pages 23 to 50 form an integral part of these annual accounts.

The Syndicate annual accounts on pages 17 to 50 were approved by the Board of Munich Re Syndicate Limited on 3 March 2022 and were signed on its behalf by

E J Andrewartha

E J Andrewartha
Non-Executive Chair

3 March 2022

STATEMENT OF CHANGES IN MEMBERS' BALANCES
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
Members' balance brought forward at 1 January		144,235	101,099
Profit/(Loss) for the financial year		88,864	(21,057)
Distribution to Members	22	(2,579)	(39,164)
Amount added to Funds In Syndicate	22	50,058	110,743
Gain/(Loss) on foreign exchange		3,072	(7,386)
Members' balance carried forward at 31 December		**283,650**	**144,235**

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

The notes on pages 23 to 50 form an integral part of these annual accounts.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
Cash Flow from operating activities			
Operating result		**88,864**	**(21,057)**
Adjustments:			
Increase/(Decrease) in gross technical provisions		172,887	323,258
(Increase)/Decrease in reinsurers' share of gross technical provisions		(9,082)	(75,694)
(Increase)/Decrease in debtors		(131,786)	(139,135)
Increase/(Decrease) in creditors		(1,586)	9,576
Investment return		6,531	(16,777)
Other		3,700	(6,087)
Net cash flow from operating activities		***129,528***	***74,084***
Cash flow from investing activities			
Purchase of equity and debt instruments		(951,099)	(552,805)
Sale of equity and debt instruments		854,766	407,165
Investment income received		9,905	11,547
Foreign exchange		-	-
Other		(57,252)	(10,308)
Net cash flow from investing activities		***(143,680)***	***(144,401)***
Cash flow from financing activities			
Distribution profit		(2,579)	(39,164)
Profits etc added to FIS		50,058	110,743
FIS released to member		-	-
Net cash flow from financing activities		***47,479***	***71,579***
Net increase/(decrease) in cash and cash equivalents		**33,327**	**1,262**
Cash and cash equivalents at beginning of the year		44,931	44,432
Foreign exchange on cash and cash equivalents		318	(762)
Cash and cash equivalents at end of year		**78,576**	**44,932**
Cash at bank and in hand		68,119	35,385
Short term deposits with credit institutions		10,457	9,547
Cash and cash equivalents at end of year	23	**78,576**	**44,932**

The notes on pages 23 to 50 form an integral part of these annual accounts.

1. BASIS OF PREPARATION

The Syndicate comprises a single corporate member of Lloyd's, Munich Re Capital Limited, that underwrites insurance business in the London Market.

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS102") and Financial Reporting Standard 103, "Insurance Contracts". Furthermore, they also comply with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies. The directors of the Managing Agent have prepared the financial statements on the basis that the Syndicate will continue to write future business.

The financial statements have been prepared on the historical cost basis, except for financial assets categorised as fair value through profit or loss that are measured at fair value.

The financial statements are presented in Pound Sterling ('GBP'), which is the Syndicate's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The address of the Syndicate's managing agent is St. Helens, 1 Undershaft, London EC3A 8EE.

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 will differ from these estimates, and, along with the underlying assumptions, are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) Claims Reserving

The measurement of the provision for claims outstanding involves judgments and assumptions about the future that have a very 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, judgment is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported ('IBNR') to the Syndicate.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate Managing Agent's in-house actuaries. The techniques used generally involve projecting the development of claims over time from past experience, with adjustment 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 so no adverse run-off deviation is envisaged.

(b) Premium Estimates

Written premiums for closed years of account are based on signings. Written premium estimates for open years of account are set via the process as described as follows:

Ultimate premium estimates take into account all available information sources including business plans, underwriter estimates, EPIs and actuarial projections. For the first few development quarters, the

2. USE OF JUDGEMENTS AND ESTIMATES (continued)

(b) Premium Estimates (continued)

premium estimates are based on business plans and underwriter estimates as these capture the expert knowledge from the underwriting department on the business volumes that are expected to be written and the anticipated premium rates. Thereafter the EPI and/or actuarial projections are used as a guide for the ultimate premium selections, as these indicators become more reliable once all underlying policies have been written and more data is available on premium signings & rates.

Written and earned premium patterns are applied to ultimate premiums. These patterns are derived utilising policy data from the previous underwriting year to set pattern expectations for the latest underwriting year due to the need to set these patterns at outset of the underwriting year. For newer classes, as well as those with more underwriting variability, input is obtained from the pricing & underwriting experts to assist in the setting of appropriate premium patterns.

Premiums are recognised as earned on a pro rata basis over the term of the related policy, except for those contracts where the period of risk differs significantly from the contract period. In these circumstances, premiums are recognised over the period of risk in proportion to the amount of insurance protection provided. For binder business, premium is recognised as written on a pro rata basis over the term of the related policy with earning recognition being applied on a pro rata basis to the amounts written.

3. 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 annual accounts.

(a) Gross Premiums Written

Gross Premiums Written comprise premiums on contracts incepted during the 12 months to 31 December, together with any adjustments made in the year to premiums relating to prior accounting periods. Premiums are shown gross of commission payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due to the Syndicate not yet notified.

(b) Unearned Premiums

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

(c) Reinsurance Premium Ceded

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

(d) 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 claims 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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Claims Provisions and Related Recoveries (continued)

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 with regards to 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 of the Managing Agent consider that the provisions for gross claims and related reinsurance recoveries are fairly stated based on 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.

(e) 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.

Unexpired risk surplus and deficits are offset where in the opinion of the directors the business classes concerned are managed together and in such cases a provision for unexpired risks is made only where there is an aggregate deficit. At 31 December 2021 the Syndicate did not have an unexpired risks provision (31 December 2020: £Nil)

(f) Acquisition Costs

Acquisition costs, which represent commission and other expenses related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the balance sheet date. In addition to third party brokerage, acquisition costs include International Distribution Companies ('IDC') costs and a proportion of Syndicate costs including all box rent, underwriters' employment costs and an allocation of accommodation and IT costs.

(g) Foreign Currencies

Transactions in foreign currencies are translated to the functional currency using the exchange rates at the date of the transactions. The Syndicate's monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historic cost are translated to the functional currency using the exchange rate at the date of the transaction. For the purposes of foreign currency translation, unearned premiums and deferred acquisition costs are treated as if they are monetary items.

Differences arising on translation of foreign currency amounts relating to the insurance operations of the Syndicate are included in the non-technical account.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial assets and liabilities

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

Classification
The accounting classification of financial assets and liabilities determines the way in which they are measured and changes in those values are presented in the Statement of Profit and Loss. Financial assets and liabilities are classified on their initial recognition. Subsequent reclassifications are permitted only in restricted circumstances.

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

Deposits with credit institutions, debtors, and accrued interest are classified as loans and receivables.

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.

Purchases and sales of financial assets are recognised and derecognised, as applicable, on the trade date, i.e., the date that the Syndicate commits itself to purchase or sell the asset.

Measurement
A financial asset or financial liability is measured initially at fair value plus, for 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 profit or loss. 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.

Loans and receivables and non-derivative financial liabilities are measured at amortised cost using the effective interest method.

Identification and measurement of impairment
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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial assets and liabilities (continued)

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.

Off-setting
Financial assets and financial liabilities are set off and the net amount presented in the balance sheet when, and only when, the Syndicate currently has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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 carried at fair 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 to reflect the investment return on funds supporting underwriting business.

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.

Cash and cash equivalents are carried at amortised cost in the balance sheet.

(i) 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 the member on underwriting results.

(j) Pension Costs

The Managing Agent operates in conjunction with other Group companies, a funded contributory defined benefit scheme. This scheme was closed for new members in 2000. The assets of the scheme are held separately from those of the Managing Agent, being invested with Barclays Stockbrokers. Contributions to the scheme are charged to the Statement of Profit and Loss so as to spread the cost of pensions over employees working lives with the Managing Agent and are included in net operating costs. The scheme was closed for future accruals on 31 December 2009. All active members transferred to the defined contribution scheme from 1 January 2010 during 2014, and, as an alternative choice to the defined contribution scheme, the Managing Agent offered a Group Self Invested Pension Scheme. Pension contributions relating to Syndicate staff are charged to the Syndicate and included within net operating expenses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Pension Costs (continued)

The most recent triennial valuation showed that there was a surplus of 12% in the defined scheme which was equivalent to £18.4m. Factors which have contributed to the improvement include the impact of deaths, retirements and transfers out; good investment returns; and updates to the mortality assumptions.

(k) Profit Commission

The Managing Agent does not charge any profit commission.

4. RISK AND CAPITAL MANAGEMENT

Framework

This note presents information about the nature and extent of insurance and financial risks to which the Syndicate is exposed, the Managing Agent's objectives, policies and processes for measuring and managing insurance and financial risks, and for managing the Syndicate's capital.

Munich Re Syndicate Limited's Board ("the Managing Agent") sets risk appetite annually as part of the Syndicate's business planning and Solvency Capital Requirement process. Risk appetite is subsequently reviewed by the Managing Agent on a periodic basis. The Managing Agent has a Risk Forum which meets monthly to review and update the risk register and to monitor performance against risk appetite. The Risk & Capital Committee, a sub-committee of the Managing Agent's Board, met throughout the year to review and challenge risk management and the use of the internal model for capital calculation purposes.

The Managing Agent is required to comply with the requirements of the PRA, the FCA 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 Compliance Officer monitors regulatory developments and assesses the impact on Managing Agent policy. The principal risks and uncertainties, in addition to the regulatory and compliance risk facing the Syndicate and consequently Munich Re Capital Limited are monitored in line with the six risk groups, of which Insurance Risk is by far the most significant to the Syndicate.

Insurance Risk

Insurance risk, comprising underwriting risk and reserving risk, is the risk of loss arising from the inherent uncertainties about the occurrence, amount and timing of insurance premiums and liabilities.

The risk exposure is mitigated by seeking to have a diverse but balanced portfolio of risks across a number of underwriting classes written on a global basis. A further key component of the management of portfolio volatility is via the IDC network operating in established broker-based markets around the world. These companies are focused on writing local market business that would not necessarily be shown to the London market.

The annual business plan sets out the classes of business, the territories, average line size and type of assured. These plans are approved by the Board and monitored by the Underwriting and Claims Sub-Committee.

It is the policy of the Managing Agent to purchase appropriate reinsurance to support the business plan taking into consideration the MRSL Board's risk appetite and risk retention as well as a review of risk accumulation. With security being of paramount importance, the Syndicate places as much of the programme as possible with reinsurers of the highest calibre, subject to availability and market conditions. The key aim of the non-proportional treaty programme is to maintain cover, both for a single catastrophe loss (vertical) or a sequence of major losses (horizontal). In addition to this the Syndicate purchased significant additional quota share reinsurance as part of its risk management strategy. The Syndicate also purchases facultative reinsurance within the retention to protect the volatility of certain accounts.

4. RISK AND CAPITAL MANAGEMENT (continued)

The Syndicate's exposure to insurance risk is well diversified. The following table provides an analysis of the geographical breakdown of its gross written premium.

2021	USA £000	UK £000	Canada £000	Australia £000	Rest of World £000	Total £000
Direct insurance						
Marine, Energy, Aviation and Transport	51,436	6,533	9,278	915	260,691	328,853
Fire and other damage to property	51,102	20,245	2,546	879	90,929	165,701
Third party liability	31,745	4,628	2,012	4	187,567	225,956
Accident & Health	33	33	-	-	2,814	2,880
Motor	356	-	-	-	-	356
	134,672	31,439	13,836	1,798	542,001	723,746
Reinsurance	19,408	494	247	150	152,654	172,953
Total	154,080	31,933	14,083	1,948	694,655	896,699

2020	USA £000	UK £000	Canada £000	Australia £000	Rest of World £000	Total £000
Direct insurance						
Marine, Energy, Aviation and Transport	52,675	8,432	9,197	695	255,025	326,024
Fire and other damage to property	57,392	19,778	1,886	15	64,928	143,999
Third party liability	20,143	830	1,049	4	73,471	95,497
Accident & Health	402	50	-	-	2,282	2,734
Motor	473	-	-	-	-	473
	131,085	29,090	12,132	714	395,706	568,727
Reinsurance	18,904	540	174	235	150,632	170,485
Total	149,989	29,630	12,306	949	546,338	739,212

4. RISK AND CAPITAL MANAGEMENT (continued)

Sensitivity to insurance risk

The liabilities established could be significantly lower or higher than the ultimate cost of settling the claims arising. A five percent increase or decrease in total claims liabilities would have the following effect on profit or loss and equity:

	2021 £000		2020 £000	
	5 percent increase	5 percent decrease	5 percent increase	5 percent decrease
Gross claims outstanding	(46,269)	46,269	(43,525)	43,525
Net claims outstanding	(32,312)	32,312	(29,612)	29,612

The Syndicate uses both its own and commercially available proprietary 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 unmodelled event are greater than those arising from a modelled event.

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 main components of Financial Risk are Credit, Liquidity and Market risks.

(a) Credit Risk

Credit risk relates to the risk of loss if another party fails to perform its obligations or fails to perform them in a timely fashion.

The investment mandate sets out to minimise credit risk by requiring the individual investment portfolios to maintain an average portfolio quality equivalent to A+ per Standard & Poor's ('S&P'). There are also limits within the mandate to manage the exposure to individual issuers. The investment manager provides a qualitative analysis, on a quarterly basis, of the lowest rated security on the portfolio. No securities may be purchased that are rated below BBB-.

The investment guidelines do not permit use of derivatives or securities lending.

There are counterparty limits in place for each of the cash accounts held with Citibank NA, Bank of Scotland plc and Royal Bank of Canada. These are monitored daily and reported on a weekly basis. Reinsurance is placed with counterparties that have a good credit rating. There is a limited pool of approved reinsurers and any reinsurance that is placed with reinsurers not within this pool requires the approval of certain Executive Directors. All reinsurance is subject to regular internal review.

The following table analyses the credit rating by investment grade of financial investments, reinsurers' share of technical provisions, debtors arising out of direct insurance and reinsurance operations, cash at bank and in hand, and other debtors and accrued interest that are neither past due, nor impaired.

4. RISK AND CAPITAL MANAGEMENT (continued)

(a) Credit Risk (continued)

Credit rating relating to financials assets that are neither due nor impaired

2021	AAA £000	AA £000	A £000	BBB £000	<BBB £000	Not rated £000	Total £000
Shares and other variable yield securities and unit trusts	-	-	-	-	-	7,461	7,461
Debt securities and other fixed income securities	452,791	191,629	69,248	80,050	-	-	793,718
Participation in investment pools	-	-	-	-	-	-	-
Loans with credit institutions	-	-	-	-	-	-	-
Deposits with credit institutions	19,619	3,036	2,962	2,835	42,884	11,487	82,823
Deposits with ceding undertakings	-	-	-	-	-	3,070	3,070
Reinsurer' share of claims outstanding	1,525	22,020	254,969	-	-	631	279,145
Insurance debtors	-	-	-	-	-	274,851	274,851
Reinsurance debtors	-	-	-	-	-	35,310	35,310
Other debtors	-	-	-	-	-	3,533	3,533
Cash at bank and in hand	-	3,089	62,848	-	-	2,182	68,119
Total credit risk	473,935	219,774	390,027	82,885	42,884	338,525	1,548,030

Credit rating relating to financials assets that are neither due nor impaired

2020	AAA £000	AA £000	A £000	BBB £000	<BBB £000	Not rated £000	Total £000
Shares and other variable yield securities and unit trusts	-	-	-	-	-	7,461	7,461
Debt securities and other fixed income securities	436,925	178,232	31,737	62,770	-	-	709,664
Participation in investment pools	-	-	-	-	-	-	-
Loans with credit institutions	-	-	-	-	-	-	-
Deposits with credit institutions	10,040	1,661	1,433	1,433	1,207	11,383	27,157
Deposits with ceding undertakings	-	-	-	-	-	251	251
Reinsurer' share of claims outstanding	-	143,914	125,588	7,841	-	903	278,246
Insurance debtors	-	-	-	-	-	205,889	205,889
Reinsurance debtors	-	-	-	-	-	90,334	90,334
Other debtors	-	-	-	-	-	4,134	4,134
Cash at bank and in hand	-	1,482	33,856	-	-	47	35,385
Total credit risk	446,965	325,289	192,614	72,044	1,207	320,402	1,358,521

4. RISK AND CAPITAL MANAGEMENT (continued)

(a) Credit Risk (continued)

The Syndicate has debtors arising from direct insurance and reinsurance operations that are past due but not impaired at the reporting date. The Syndicate does not consider these debtors to be impaired on the basis of stage of collection of amounts owed to the Syndicate.

These debtors have been individually assessed for impairment by considering information such as the occurrence of significant changes in the counterparty's financial position, patterns of historical payment information and disputes with counterparties.

An analysis of the carrying amounts of past due or impaired debtors is presented in the tables below.

2021		Financials assets that are past due but not impaired					
	Neither due nor impaired	Up to three months	Three to six months	Six months to one year	Greater than one year	Impaired	Total
	£000	£000	£000	£000	£000	£000	£000
Insurance debtors	271,264	2,901	387	296	526	(523)	274,851
Reinsurance debtors	138,028	20,512	12,129	1,425	1,253	(9)	173,338
Other debtors	3,533	-	-	-	-	-	3,533
Total credit risk	412,825	23,413	12,516	1,721	1,779	(532)	451,722

2020		Financials assets that are past due but not impaired					
	Neither due nor impaired	Up to three months	Three to six months	Six months to one year	Greater than one year	Impaired	Total
	£000	£000	£000	£000	£000	£000	£000
Insurance debtors	205,889	2,734	749	113	41	-	209,526
Reinsurance debtors	90,334	17,668	23,938	5,440	1,852	(9)	139,223
Other debtors	4,134	-	-	-	-	-	4,134
Total credit risk	300,357	20,402	24,687	5,553	1,893	(9)	352,883

(b) Liquidity Risk

Liquidity risk is the risk that the Syndicate will not have sufficient financial resources to meet liabilities as they fall due. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected reinsurance recoveries and an associated risk of gross funding of US Situs losses.

A liquidity risk policy exists that sets out the assessment and determination of what constitutes liquidity risk. Compliance with the policy is monitored and exposures and breaches are reported to the Risk and Capital Committee.

4. RISK AND CAPITAL MANAGEMENT (continued)

(b) Liquidity Risk (continued)

The table below summarises the maturity profile of the Syndicate's financial assets and liabilities.

2021	No stated maturity £000	0-1 year £000	1-3 years £000	3-5 years £000	>5 years £000	Total £000
Financial assets						
Shares and other variable yield securities and unit trusts	-	-	-	7,461	-	7,461
Debt securities and other fixed income securities	-	141,248	439,267	143,805	69,398	793,718
Participation in investment pools	-	-	-	-	-	-
Deposits with credit institutions	11,433	41,518	23,839	5,295	738	82,823
Insurance debtors	-	274,851	-	-	-	274,851
Reinsurance debtors	-	173,338	-	-	-	173,338
Other debtors	-	3,533	-	-	-	3,533
Cash at bank and in hand	-	68,119	-	-	-	68,119
Total	**11,433**	**702,607**	**463,106**	**156,561**	**70,136**	**1,403,843**
Financial liabilities						
Creditors	-	164,384	-	-	-	164,384
Provision	625	-	-	-	-	625
Total	**625**	**164,384**	-	-	-	**165,009**

2020	No stated maturity £000	0-1 year £000	1-3 years £000	3-5 years £000	>5 years £000	Total £000
Financial assets						
Shares and other variable yield securities and unit trusts	-	-	-	7,461	-	7,461
Debt securities and other fixed income securities	-	215,248	380,816	94,218	19,382	709,664
Participation in investment pools	-	-	-	-	-	-
Deposits with credit institutions	11,383	7,860	6,020	1,660	234	27,157
Insurance debtors	-	209,526	-	-	-	209,526
Reinsurance debtors	-	139,223	-	-	-	139,223
Other debtors	-	4,134	-	-	-	4,134
Cash at bank and in hand	-	35,385	-	-	-	35,385
Total	**11,383**	**611,376**	**386,836**	**103,339**	**19,616**	**1,132,550**
Financial liabilities						
Creditors	-	169,617	-	-	-	169,617
Provision	859	-	-	-	-	859
Total	**859**	**169,617**	-	-	-	**170,476**

4. RISK AND CAPITAL MANAGEMENT (continued)

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise of currency and interest risk.

For assets backing outstanding claims provisions, market risk is managed by matching the duration and profile of the assets to the technical provisions they are backing, referred to as Asset-Liability Matching. This helps manage market risk to the extent that changes in the values of assets are matched by a corresponding movement in the values of the technical provisions.

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 Sterling and its exposure to foreign exchange risk arises primarily with respect to transactions in United States dollars, Euros 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 amount in "Other" in the current year predominantly relates to the funding requirements maintained to cover the liabilities in respect of the South African riots.

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

2021	**GBP £000**	**USD £000**	**EUR £000**	**CAD £000**	**Other £000**	**Total £000**
Total assets	306,667	1,321,929	109,176	58,473	71,855	1,868,100
Total liabilities	(340,022)	(1,101,297)	(90,470)	(52,661)	-	(1,584,449)
Net assets	**(33,355)**	**220,632**	**18,706**	**5,812**	**71,855**	**283,651**

2020	**GBP £000**	**USD £000**	**EUR £000**	**CAD £000**	**Other £000**	**Total £000**
Total assets	236,161	1,162,453	91,656	46,309	17,866	1,554,445
Total liabilities	(276,181)	(1,007,468)	(83,329)	(43,232)	-	(1,410,210)
Net assets	**(40,020)**	**154,985**	**8,327**	**3,077**	**17,866**	**144,235**

The table below shows the impact on the Syndicate's net assets of a 5% appreciation or depreciation in each currency relative to Sterling, as at the balance sheet date.

2021	**GBP £000**	**USD £000**	**EUR £000**	**CAD £000**	**Other £000**	**Total £000**
5 percent appreciation	-	11,032	935	291	3,593	15,851
5 percent depreciation	-	(11,032)	(935)	(291)	(3,593)	(15,851)

2020	**GBP £000**	**USD £000**	**EUR £000**	**CAD £000**	**Other £000**	**Total £000**
5 percent appreciation	-	7,749	416	154	893	9,212
5 percent depreciation	-	(7,749)	(416)	(154)	(893)	(9,212)

4. RISK AND CAPITAL MANAGEMENT (continued)

(c) Market Risk (continued)

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. The sensitivity analysis below shows the impact of a 50 basis point movements in interest rates with all other variables held constant, showing the impact on net assets.

	2021 £000	2020 £000
Impact of 50 basis point increase on net assets	(9,200)	(6,600)
Impact of 50 basis point decrease on net assets	9,200	6,600

The impact of the reasonably possible changes in the interest rate on Members' balances would be the same, since the Syndicate recognises all changes in recognised assets and liabilities in profit or loss.

Capital Management

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 and in accordance with the Solvency II Directive.

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

Although, as described below, the Lloyd's capital setting processes use a capital requirement set at the syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at the overall and member level, 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 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(s) on which it participates 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% (2020 35%) of the member's SCR 'to ultimate'.

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 ('FAL')), held within and managed within a syndicate (Funds in Syndicate ('FIS')) or as the member's share of the members' balances on each syndicate on which it participates.

4. RISK AND CAPITAL MANAGEMENT (continued)

Provision of capital by members

With the exception of the FIS balance held, all the assets less liabilities of the Syndicate, as represented in the members' balances reported on the balance sheet on page 20, represent resources available to meet members' and Lloyd's capital requirements.

Using its detailed measurement of risk exposures, the Syndicate allocates capital to support the business according to the risk appetite and expected returns. The Managing Agent regularly reviews and enhances its risk management processes and their enabling governance structures to ensure that the managing agent can demonstrate continuous compliance with regulatory and Lloyd's requirements. The Syndicate has complied with all capital requirements during the year ended 31 December 2021.

5. ANALYSIS OF UNDERWRITING RESULT

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

2021	**Gross Written Premiums £000**	**Gross Premiums Earned £000**	**Gross Claims Incurred £000**	**Gross Operating Expenses £000**	**Re-insurance Balance £000**	**Total £000**
Direct insurance						
Marine, Energy, Aviation and Transport	328,853	309,075	(139,799)	(106,415)	(11,246)	51,615
Fire and other damage to property	165,701	147,882	(103,570)	(50,624)	5,970	(342)
Third party liability	225,956	152,123	(103,686)	(54,467)	(2,130)	(8,160)
Accident & Health	2,880	2,094	4,826	(446)	(4,885)	1,589
Motor (other classes)	356	407	(335)	(112)	-	(40)
	723,746	611,581	(342,564)	(212,064)	(12,291)	44,662
Reinsurance	172,953	167,232	(46,453)	(39,044)	(26,274)	55,461
Total	**896,699**	**778,813**	**(389,017)**	**(251,108)**	**(38,565)**	**100,123**

2020	**Gross Written Premiums £000**	**Gross Premium Earned £000**	**Gross Claims Incurred £000**	**Gross Operating Expenses £000**	**Re-insurance Balance £000**	**Total £000**
Direct insurance						
Marine, Energy, Aviation and Transport	326,025	290,008	(256,419)	(105,043)	71,323	(131)
Fire and other damage to property	143,998	116,574	(76,684)	(40,613)	(17,386)	(18,109)
Third party liability	95,498	73,810	(50,134)	(26,034)	(1,459)	(3,817)
Accident & Health	2,733	6,184	355	(1,166)	(563)	4,810
Motor (other classes)	473	202	(1,062)	(137)	-	(997)
	568,727	486,778	(383,944)	(172,993)	51,915	(18,244)
Reinsurance	170,483	144,944	(107,876)	(42,579)	(14,809)	(20,320)
Total	**739,210**	**631,722**	**(491,820)**	**(215,572)**	**37,106**	**(38,564)**

5. ANALYSIS OF UNDERWRITING RESULT (continued)

All premiums are written through Lloyd's platform.

Brokerage and commission on direct business written was £170.9m (2020: £135.6m).

The geographical analysis of premiums by destination is as follows:

	2021 £000	2020 £000
United Kingdom	896,699	739,210
Total	**896,699**	**739,210**

6. NET OPERATING EXPENSES

	2021 £000	2020 £000
Acquisition costs	246,669	205,403
Change in deferred acquisition costs	(27,364)	(20,632)
Administrative expenses	31,803	30,801
Gross operating expenses	251,108	215,572
Reinsurance commissions	(13,983)	(8,670)
Net Operating Expenses	**237,125**	**206,902**

Administrative expenses include:

	2021 £000	2020 £000
Fees payable to the Syndicate auditor for the audit of the Syndicate Annual Accounts	98	93
Fees payable to the Syndicate auditor and its associates for other services		
Other services pursuant to Regulations and Lloyd's Byelaws	50	50
Audit related assurance services	27	-
Actuarial valuation services	90	90
Total	**265**	**233**

Members' standard personal expenses are included within administrative expenses.

7. STAFF NUMBERS AND COSTS

All staff are employed by the MRSG UK Services Limited. The following amounts were recharged to the Syndicate in respect of salary costs:

	2021 £000	2020 £000
Wages and salaries	15,757	13,120
Social security costs	1,975	1,703
Other pension costs	1,089	987
Total	**18,821**	**15,810**

The average number of employees employed by the service company but recharged to the Syndicate during the year was as follows:

	2021	2020
Underwriting	60	87
Claims	13	14
Other	84	67
Total	**157**	**168**

No IT staff have been included in the 2021 numbers.

8. KEY MANAGEMENT PERSONNEL COMPENSATION

Five (2020: Five) directors of Munich Re Syndicate Limited received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2021 £000	2020 £000
Directors' Emoluments	2,370	1,742
Contributions to pension scheme	20	17
Total	**2,390**	**1,759**

No other compensation was payable to key management personnel. For the purposes of this disclosure, key management personnel are taken to be the Directors of the Managing Agent.

The highest paid director received the following remuneration charged as a Syndicate expense and included within the directors' emoluments above:

	2021 £000	2020 £000
Emoluments	743	438
Contributions to pension scheme	3	-
Total	**746**	**438**

8. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

The Chief Underwriting Officer received the following remuneration charged as a Syndicate expense and included within the directors' emoluments above:

	2021 £000	2020 £000
Emoluments	668	438
Contributions to pension scheme	-	-
Total	**668**	**438**

9. INVESTMENT RETURN

	2021 £000	2020 £000
Investment income		
Income from investments	7,136	9,163
Gains on the realisation of investments	83	192
Unrealised gains on investments	198	6,538
	7,417	15,893
Investment expenses and charges		
Investment management expenses	(556)	(507)
Losses on the realisation of investments	(854)	(551)
Unrealised losses on investments	(9,445)	(2,917)
	(10,855)	(3,975)
Total investment return	**(3,438)**	**11,918**

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

	2021 £000	2020 £000
Average amount of syndicate funds available for investment during the year		
Sterling	121,954	92,949
Euro	27,837	24,349
US dollar	368,593	346,437
Canadian dollar	40,560	32,900
Average funds available for investment, in Sterling	**558,944**	**496,635**
Total investment return	**(3,438)**	**11,918**

9. INVESTMENT RETURN (continued)

	2021	2020
Annual investment yield	%	%
Sterling	(0.4)	0.4
Euro	(1.5)	(0.9)
US dollar	(0.5)	3.0
Canadian dollar	(0.2)	2.0
Total annual investment return, in %	**(0.6)**	**2.4**

10. NON-TECHNICAL ACCOUNT INCOME/CHARGES

The non-technical account loss of £(3.1)m (2020: income of £4.9m) reflects investment losses on the Funds in Syndicate deposited by MRCL into the Syndicate's Premium Trust Fund.

11. OTHER FINANCIAL INVESTMENTS

	Fair value		Cost	
	2021 £000	**2020 £000**	**2021 £000**	**2020 £000**
Shares and Other variable yield securities	7,461	7,461	8,777	8,777
Debt securities and other fixed income securities	793,718	709,664	806,152	727,419
Deposits with credit institutions	82,823	27,157	82,823	27,157
Total	**884,002**	**744,282**	**897,752**	**763,353**

All debt securities and other fixed income securities are highly liquid and marketable. These comprise 89.8% (2020: 95.3%) of the total market value of investments.

Included within the fair value of financial investments is accrued income of £3.4m (2020: £3.5m).

Included within Deposits with credit institutions are Overseas deposits of £85.0m (2020: £27.2m) held at fair value (see note 15).

Valuation hierarchy

The Syndicate classifies its financial instruments held at fair value in its Statement of Financial Position using a fair value hierarchy, as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – Inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Given the uncertainty regarding repayment of the Lloyd's loan, we have considered a discount for lack of marketability of between 10% and 20% and therefore have applied a 15% fair value adjustment.

No further level 3 disclosure is provided on the grounds of materiality.

11. OTHER FINANCIAL INVESTMENTS (continued)

The table below analyses financial instruments held at fair value in the Syndicate's balance sheet at the reporting date by its level in the fair value hierarchy.

2021

	Fair value hierarchy			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Shares and other variable yield securities	-	-	7,461	7,461
Debt securities and other fixed income securities	-	793,718	-	793,718
Loans and deposits with credit institutions	11,302	71,521	-	82,823
Total	**11,302**	**865,239**	**7,461**	**884,002**

2020

	Fair value hierarchy			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Shares and other variable yield securities	-	-	7,461	7,461
Debt securities and other fixed income securities	-	709,664	-	709,664
Loans and deposits with credit institutions	11,125	16,032	-	27,157
Total	**11,125**	**725,696**	**7,461**	**744,282**

12. DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2021 £000	2020 £000
Due from intermediaries		
Due within one year	274,325	209,526
Due after one year	526	-
Total	**274,851**	**209,526**

13. OTHER DEBTORS

	2021 £000	2020 £000
Due from IDCs	2,638	3,200
Due from others	895	934
Total	**3,533**	**4,134**

14. DEFERRED ACQUISITION COSTS

	2021 £000	2020 £000
Balance at 1 January	103,105	85,039
Movement in deferred acquisition costs	27,364	20,632
Effect of movements in exchange rates	1,919	(2,566)
Balance at 31 December	**132,388**	**103,105**

15. OVERSEAS DEPOSITS

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries and for local regulatory requirements. Of the total balance below, £2.1m (2020: £0.1m) is recognised as cash and £82.8m (2020: £27.2m) is recognised as Other Financial Investments.

	2021 £000	2020 £000
Illinois Deposit	2,110	1,790
Joint Asset Trust Funds	1,667	911
Additional Securities Limited	6,834	11,506
South African Trust Deed	49,651	1,228
Australian Trust Fund	15,465	5,245
Other Funds	9,276	6,523
Overseas Deposits	**85,003**	**27,203**

The Illinois Deposit is determined by reference to the Syndicate's premium income and estimated exposure to outstanding liabilities arising from business written in the State of Illinois, USA and is required to enable the Syndicate to underwrite business arising in that State.

The Joint Asset Trust Funds are determined by reference to the Syndicate's US dollar reinsurance and surplus lines premium income and are required to enable the Syndicate to write certain reinsurance and surplus lines business in the USA.

The Additional Securities Limited deposits are lodged as a condition of conducting underwriting business in Switzerland and other countries.

The South African Trust Deed is required to enable the Syndicate to underwrite business arising in South Africa. The Syndicate's contribution to the fund is calculated by reference to the amount of outstanding liabilities under South African policies.

The Australian Trust Fund is required to enable the Syndicate to underwrite business arising in Australia. The Syndicate's contribution to the fund is calculated by reference to the premium income and estimated exposure to outstanding liabilities arising from business written in Australia.

Other Funds predominantly consists of the Syndicates Canadian Margin Fund.

16. TECHNICAL PROVISIONS

	2021 Gross Provisions £000	2021 Reinsurance assets £000	2021 Net £000	2020 Gross Provisions £000	2020 Reinsurance assets £000	2020 Net £000
Claims outstanding						
Balance at 1 January	870,490	(278,246)	592,244	687,047	(229,346)	457,701
Change in claims outstanding	53,389	(848)	52,541	215,861	(63,011)	152,850
Effect of movements in exchange rates	1,507	(51)	1,456	(32,418)	14,111	(18,307)
Balance at 31 December	**925,386**	**(279,145)**	**646,241**	**870,490**	**(278,246)**	**592,244**
Claims notified	334,856	(95,069)	239,787	289,093	(85,031)	204,062
Claims incurred but not reported	590,530	(184,076)	406,454	581,397	(193,215)	388,182
Balance at 31 December	**925,386**	**(279,145)**	**646,241**	**870,490**	**(278,246)**	**592,244**
Unearned premiums						
Balance at 1 January	369,143	(40,293)	328,850	273,730	(30,375)	243,355
Change in unearned premiums	117,886	(7,852)	110,034	107,488	(12,779)	94,709
Effect of movements in exchange rates	3,176	(1,509)	1,667	(12,075)	2,861	(9,214)
Balance at 31 December	**490,205**	**(49,654)**	**440,551**	**369,143**	**(40,293)**	**328,850**

Claims outstanding

The 2021 net technical result of £96.9m (2020: £(26.2)m) includes £68.4m (2020: £45.0m) of releases from reserves in respect of prior accident years.

	2021 £000	2020 £000
Marine	34,624	26,492
Property	29,339	(6,025)
Energy	10,670	23,487
Reinsurance	(5,911)	1,534
Aviation	1,268	1,431
Casualty	(1,598)	(781)
Motor	-	(1,128)
Life	-	-
Total prior year releases	**68,392**	**45,010**

17. CLAIMS DEVELOPMENT

Claims development is shown in the tables below, both gross and net of reinsurance ceded, on an underwriting year basis. Balances have been translated at exchange rates prevailing at 31 December 2021 in all cases.

Claims development table gross of reinsurance

	2012 £000	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	2020 £000	2021 £000	Total £000
Estimate of cumulative claims											
At end of underwriting year	(135,893)	(153,572)	(147,722)	(153,252)	(124,736)	(164,736)	(157,468)	(151,917)	(195,888)	(225,268)	
One year later	(278,894)	(310,799)	(282,753)	(286,237)	(263,403)	(290,171)	(343,493)	(471,640)	(445,118)		
Two years later	(297,815)	(310,622)	(276,151)	(251,668)	(239,256)	(263,346)	(361,090)	(443,486)			
Three years later	(291,391)	(291,052)	(251,319)	(227,391)	(221,333)	(243,831)	(337,140)				
Four years later	(293,171)	(295,845)	(254,393)	(224,042)	(209,299)	(234,499)					
Five years later	(275,571)	(294,571)	(250,120)	(213,141)	(202,476)						
Six years later	(271,044)	(286,381)	(241,534)	(207,096)							
Seven years later	(269,856)	(283,180)	(236,224)								
Eight years later	(265,163)	(281,167)									
Nine years later	(265,936)										
Less gross claims paid	254,772	269,369	220,555	193,568	182,266	194,490	244,907	260,034	135,220	26,672	
Gross claims reserve	(11,164)	(11,798)	(15,669)	(13,528)	(20,210)	(40,009)	(92,233)	(183,452)	(309,898)	(198,596)	(896,557)
Gross claims reserve for 2011 and prior years											(28,829)
Total gross claims reserve											**(925,386)**

17. CLAIMS DEVELOPMENT (continued)

Claims development table net of reinsurance

	2012 £000	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	2020 £000	2021 £000	Total £000
Estimate of cumulative claims											
At end of underwriting year	(117,354)	(138,021)	(106,534)	(93,520)	(79,781)	(79,623)	(94,763)	(106,389)	(153,648)	(176,496)	
One year later	(244,349)	(268,362)	(218,231)	(191,381)	(168,779)	(184,659)	(227,762)	(285,622)	(321,495)		
Two years later	(264,756)	(266,203)	(212,116)	(185,848)	(170,013)	(186,116)	(251,942)	(258,472)			
Three years later	(251,935)	(247,513)	(195,220)	(169,594)	(163,382)	(176,559)	(238,584)				
Four years later	(253,896)	(250,090)	(198,173)	(168,730)	(155,747)	(170,497)					
Five years later	(244,723)	(247,529)	(193,565)	(160,727)	(149,888)						
Six years later	(240,481)	(239,414)	(186,590)	(155,550)							
Seven years later	(239,250)	(236,493)	(183,884)								
Eight years later	(234,579)	(234,923)									
Nine years later	(233,941)										
Less net claims paid	224,969	224,319	172,679	145,057	141,426	136,260	173,782	142,771	110,163	25,806	
Net claims reserve	(8,972)	(10,604)	(11,205)	(10,493)	(8,462)	(34,237)	(64,802)	(115,701)	(211,332)	(150,690)	(626,498)
Net claims reserve for 2011 and prior years											(19,743)
Total net claims reserve											**(646,241)**

18. FINANCIAL LIABILITIES AT AMORTISED COST

	2021 £000	2020 £000
Creditors arising out of direct insurance operations	25,540	19,756
Creditors arising out of reinsurance operations	108,739	95,936
Other creditors	30,105	53,925
Total	**164,384**	**169,617**

19. CREDITORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2021 £000	2020 £000
Arising out of direct insurance operations intermediaries		
Due within one year	25,540	19,756
Due after one year	-	-
Total	**25,540**	**19,756**

20. CREDITORS ARISING OUT OF REINSURANCE OPERATIONS

	2021 £000	2020 £000
Arising out of reinsurance insurance operations intermediaries		
Due within one year	108,739	95,936
Due after one year	-	-
Total	**108,739**	**95,936**

21. OTHER CREDITORS

	2021 £000	2020 £000
Due within one year		
Amount due to Managing Agent	25,338	48,434
Amount due to IDCs	4,163	3,992
Other creditors	604	1,499
Total	**30,105**	**53,925**

22. GROSS DISTRIBUTION PAYABLE

The gross distribution payable to the member was £2.6m (2020: £39.2m). To come into line with Lloyd's solvency requirements, £50.1m of the Funds in Syndicate were added during this year (2020 increase of £110.7m). Income relating to these funds retained has been included within the profit and loss account and foreign exchange gains in the statement of total recognised gains and losses.

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

23. CASH AND CASH EQUIVALENTS

	2021 £000	2020 £000
Cash at bank and in hand	68,119	35,385
Other Financial Investments	10,457	9,547
Total	**78,576**	**44,932**

Cash at bank and in hand includes £15.1m (2020: £8.5m) of Singapore funds. The Singapore funds relate to the Singapore and Offshore Insurance Funds ('SIF' and 'OIF' respectively) assets held in trust in accordance with the Lloyd's Asia (Singapore policies) Instruments 2002 and Lloyd's Asia (Offshore policies) Instrument 2002. Under the terms of the standard mandate agreement all powers, authorities and discretions of the Managing Agent's trustees and of the Managing Agent are delegated to individuals who are officers of Munich Re Syndicate Singapore Pte Limited, an IDC of the Syndicate.

Only Other Financial Investments comprising of call deposits with maturities of three months or less from the acquisition date that are used by the Syndicate in the management of its short-term commitments are included in cash and cash equivalents.

24. RELATED PARTIES

Münchener Rückversicherungs–Gesellschaft Aktiengesellschaft in München ('Munich Re')

Munich Re Syndicate Limited is wholly owned by Munich Re Specialty Group Ltd (MRSGL), which is wholly owned by Munich Re. The Syndicate placed a total of £15.8m (2020: £28.7m) outwards reinsurance premium with its ultimate parent undertaking under 19 different contracts for the 2021 year of account (2020: 27). These contracts provided the Syndicate with cover within the normal course of business and the transactions were carried out at arm's length.

During 2021, the Syndicate wrote reinsurance contracts with other Munich Re group companies including American Alternative Insurance Corporation, Great Lakes Insurance SE, HSB Engineering Insurance Ltd and ERGO, the primary insurer of Munich Re. The total inwards premium on these policies was £35.3m (2020: £12.7m).

Munich Re Capital Limited ('MRCL')

MRCL is the corporate member of the Syndicate. MRCL's immediate parent company is MRSGL.

T E Artmann, R J Attwood and D J R Hoare are directors of MRCL.

24. RELATED PARTIES (continued)

Munich Re Syndicate Limited ('MRSL')

During the year, the Syndicate has paid fees to MRSL, the Managing Agent of the Syndicate, amounting to £1.5m (2020: £1.1m). MRSL's immediate parent company is MRSGL. The outstanding net balances at year end were £25.3m from the Syndicate (2020: £48.4m due from the Syndicate).

The managing agent has paid £34.1m (2020: £30.3m) in shared service recharges for the ordinary day to day running costs related to the Syndicate.

Munich Ergo Asset Management GmbH ('MEAG')

MEAG is Munich Re's asset management company. The Syndicate paid a total of £0.6m (2020: £0.5m) for investment management and accounting services in 2021.

Munich RE Specialty Insurance (UK) Limited (MRSI) formerly NMU (Specialty) Limited ('NMU')

MRSI is a non-profit making IDC, wholly owned by MRSGL and produces predominantly UK provincial Marine business for the Syndicate under a binding authority. Business produced by NMU amounts to approximately 9.9% (2020: 11.3%) of the estimated earned premium (gross of reinsurance) of the Syndicate in 2021.

On 31 December 2011 the Syndicate provided a subordinated loan of £0.2m to MRSI. This was necessary to ensure the continued regulatory compliance of MRSI. This loan bears interest at LIBOR plus 1%. This loan is repayable not less than two years from the date on which the loan is made; or not less than two years from the date on which the borrower gave notice in writing to the Lender and the FCA. The outstanding net balances at year end were £8.5m due from the Syndicate (2020: £3.0m due to the Syndicate).

T E Artmann, R J Attwood, T Coskun and D J R Hoare are directors of MRSI.

Groves, John & Westrup Limited ('GJW')

GJW is a non-profit making IDC, wholly owned by MRSGL and produces predominantly UK Yacht and related business exclusively for the Syndicate under a binding authority. Business produced by GJW amounts to approximately 1.4% (2020: 1.3%) of the estimated earned premium (gross of reinsurance) of the Syndicate in 2021.

On 31 December 2007 the Syndicate provided a subordinated loan of £0.7m to GJW. This was necessary to ensure the continued regulatory compliance of GJW. This loan bears interest at LIBOR plus 1%. This loan is repayable not less than two years from the date on which the loan is made; or not less than two years from the date on which the borrower gave notice in writing to the Lender and the FCA. The outstanding net balances at year end were £1.5m due to the Syndicate (2020: £1.1m due from Syndicates).

R J Attwood, T Coskun and D J R Hoare are directors of GJW.

Munich Re Syndicate Singapore Pte Limited ('MRSS')

MRSS is a non-profit making IDC owned by MRSGL and produces Marine business from S.E. Asia exclusively for the Syndicate under a binding authority. Business produced by MRSS amounts to approximately 2.7% (2020: 3.3%) of the estimated earned premium (gross of reinsurance) of the Syndicate in 2021.

The outstanding net balances at year end were £11.0m due to the Syndicate (2020: £2.9m due from the Syndicate).

T E Artmann and R J Attwood are directors of MRSS.

24. RELATED PARTIES (continued)

Roanoke International Brokers (MENA) Limited (RIBML) – Formerly known as Munich Re Syndicate Middle East Limited ('MRSMEL')

MRSMEL is an IDC owned by MRSGL and produces Marine business from the Middle East exclusively for the Syndicate under a binding authority. Business produced by MRSMEL amounts to approximately 0.8% (2020: 1.1%) of the estimated earned premium (gross of reinsurance) of the Syndicate in 2021.

The outstanding net balances at year end were £0.5m due from the Syndicate (2020: £1.2m due to the Syndicate).

D J R Hoare resigned on 5 January 2022 as a director of RIBML.

Munich Re Syndicate Labuan Limited ('MRSLAB')

MRSLAB is a non-profit making IDC owned by MRSGL and produces Marine business from Malaysia exclusively for the Syndicate under a binding authority. MRSLAB commenced trading 1 January 2014. Business produced by MRSLAB amounts to approximately 0.5% (2020: 0.8%) of the estimated earned premium (gross of reinsurance) of the Syndicate in 2021.

The outstanding net balances at year end were £0.1m due from the Syndicate (2020: £0.3m due from the Syndicate).

There were no directors in common between the Syndicate and MRSLAB for 2021.

Munich Re Specialty Group N.A Inc. ('Roanoke US')

Munich Re Specialty Group N.A. Inc. is a directly wholly owned company by MRSGL and produces Marine business from the USA for the Syndicate under a binding authority. Business produced by Roanoke US amounts to approximately 10.0% (2020: 3.6%) of the estimated earned premium (gross of reinsurance) of the Syndicate in 2021.

The outstanding net balances at year end were £13.1m due to the Syndicate (2020: £10.4m due to the Syndicate).

T E Artmann, R J Attwood and D J R Hoare are directors of Munich Re Specialty Group N.A.

Roanoke International Brokers Limited ('RIBL')

RIBL is an insurance broker wholly owned by MRSGL. RIBL conducts business both with the Syndicate and third parties. The gross brokerage income generated by RIBL in the year ending to 31 December 2021 was £3.8m (2020: £3.5m). A high percentage of this brokerage is from the placement of business through the above mentioned IDCs.

There were no directors in common between the Syndicate and RIBL for 2021.

Munich Re Risk Solutions Ireland Limited ('MRRSI')

MRRSI is a wholly owned subsidiary of MRSGL which was set up for the Syndicate to enable it to have continued access to EEA business via the Lloyd's Brussels platform following Brexit. As of 31 December 2021, MRRSI has written £1.4m of reinsurance contracts.

T Coskun and R J Attwood are directors of MRRSI.

MRSG UK Services Limited ('MRSGUKS')

MRSGUKS is a wholly owned subsidiary of MRSGL, which is the sole employer within the subgroup.

T E Artmann, T Coskun and R J Attwood are directors of MRSGUKS.

25. 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 assets are in the form of letters of credit from Munich Re. 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 the PRA's requirements and resource criteria. FAL is determined by a number of factors including the nature and amount of risk in respect of business that has been 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.

26. FUNDS IN SYNDICATE

MRCL holds investments in the Syndicate used to support the Syndicate's capital requirements of FAL. This gives the Syndicate the ability to manage these funds under the same investment mandate as the other funds of the Syndicate that are held within the premium trust funds.

27. FOREIGN EXCHANGE RATES

The following foreign currency exchange rates have been used for principal foreign currency transactions:

	2021 Year-end rate	2021 Average rate	2020 Year-end rate	2020 Average rate
Euro	1.19	1.16	1.12	1.12
US dollar	1.35	1.38	1.37	1.28
Canadian dollar	1.71	1.72	1.74	1.72

28. POST BALANCE SHEET EVENTS

On 24 February 2022, Russian forces launched an invasion of Ukraine, where the uncertainty associated with the scale, duration and impact of the attack and of the international response, including the impact of sanctions imposed, exacerbates the uncertainty already prevalent in the global economy.

Given the fluidity of the situation at the moment and the fact that the full scale of human and economic impact remains to be seen, no estimates have yet been reliably determined. MRSL is closely monitoring the situation, particularly in respect of lines of business which may be impacted by the conflict, with support being provided by the Compliance Advisory team with respect to sanctions.

A cash call of £(1.5m) to members will be proposed in relation to the 2019 year of account (2020: £2.6m distribution in relation to the 2018 year of account).