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Beat Syndicate 4242

Financial Statements

For the 60 Months ended 31 December 2021

2017 Underwriting Year Report and Accounts

Contents

Directors and administration

Managing Agent

Asta Managing Agency Ltd

Directors

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

*Non-Executive Directors

Company Secretary

N J Burdett

Managing Agent's Registered Office

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

Managing Agent's Registered Number

1918744

Active Underwriter

A J T Milligan

Bankers

Citibank NA
Barclays Bank Plc
RBC Dexia

Investment Managers

New England Asset Management (NEAM)

Registered Auditors

Ernst & Young LLP

Signing Actuary

Alex Lee, Ernst & Young LLP

Managing Agent's report for the 2017 Underwriting Year of Account

For the 60 months ended 31 December 2021.

The Directors of Asta Managing Agency Ltd ("Asta") present their report at 31 December 2021 for the 2017 underwriting year of account.

This report is prepared in accordance with the Lloyd's Syndicate Bylaw (No 8 of 2005). It accompanies the underwriting year accounts prepared on an underwriting year basis of accounting as required by Statutory Instrument No 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Underwriting year results

The Syndicate generated a loss of $85.6m before standard personal expenses on gross written premiums of $200.7m for the 2017 underwriting year.

The 2017 underwriting year has a reinsurance asset, the payment of which is being disputed. There is naturally an element of uncertainty over the timeframe for collectability of the recovery pending resolution of the dispute. The recoverable amount recognised in the accounts is $21.6m. Management have applied, with the aid of experts, a 50% bad debt provision against this asset and as such the net asset on the balance sheet is $10.8m. The reinsurance to close premium payable on the 2017 year of account will be paid once the underwriting year closes – closure is now expected to be on 31 December 2022.

Principal activities and review of the business

The Syndicate transacts general insurance and reinsurance business in the United Kingdom (U.K.) within the Lloyd's market. The Syndicate specialises in underwriting property insurance policies covering small and middle market businesses located in areas of the United States (U.S.) that are prone to hurricanes and earthquakes. Hurricane policies include coverage for tropical storms and also provide attritional protection against tornados, hail, and other windstorm risks. The Syndicate also offers incidental general liability and limited flood coverage when purchased alongside hurricane or earthquake coverage and All Other Peril (AOP) coverage. AOP coverage provides protection against fires, theft, vandalism, water damage, and other covered property perils. The Syndicate also provides reinsurance to U.S. insurance companies covering personal lines property risks against named hurricanes in Hawaii and earthquakes in California and Hawaii.

ICAT Managers LLC (ICAT) underwrites most of the Syndicate's insurance business as its primary coverholder. ICAT writes business for the Syndicate through its network of relationships with surplus lines wholesale brokers and licensed retail agents. Although the Syndicate delegates day-to-day underwriting and related operational management responsibility to ICAT, the directors regularly review the results of the coverholder's monitoring procedures and supplement these procedures with Managing Agent and third party audits.

Boulder Claims LLC provides claims administration services to the Syndicate.

The Syndicate entered into a binding authority with ICAT to underwrite insurance business for the 2017 underwriting year. ICAT wrote this business in the underwriting regions of the U.S. below:

Managing Agent's report for the 2017 Underwriting Year of Account continued

i. Eastern Seaboard
ii. Florida
iii. Gulf Coast
iv. Hawaii
v. Earthquake (California, Pacific Northwest, New Madrid, Intermountain West, Alaska, Hawaii, Mississippi, New Jersey, South Carolina, Massachusetts, and Maryland)

ICAT further divided its commercial underwriting operations into two business units: the Platform Business Unit (PBU) and the Middle Market Business Unit (MMBU).

The Syndicate also provided proportional reinsurance to a U.S. insurance company (the Ceding Company) covering Hawaii personal lines risks (homeowners, renters, and condominium unit owners) against named hurricanes for the 2017 underwriting year. ICAT underwrote this coverage under a program manager agreement with the Ceding Company.

The Syndicate also has separate binding authority agreements with a third party coverholders to underwrite a small amount of policies covering homes in the Northeast U.S and earthquake policies in the Western U.S. These policies account for the rest of the Syndicate's total business.

In the opinion of the directors, the key financial performance indicators below best represent the performance and position of the Syndicate for the underwriting year.

	2017 Underwriting Year $'000
Gross written premiums:	
Eastern Seaboard	16,505
Florida	41,974
Gulf Coast	25,743
Hawaii (includes direct and inward reinsurance premiums)	5,247
Earthquake (includes direct and inward reinsurance premiums)	53,86
Fire and other perils	57,408
Total gross written premiums	200,740
Loss for the closed year of account	(85,595)
Loss ratio	120.1%
Combined ratio (financial basis)	178.1%

Outward reinsurance arrangements

Catastrophe Coverage – The Syndicate has extensive catastrophe reinsurance to protect against the adverse accumulation of losses from multiple policies as a result of large catastrophic event.

All Other Peril Coverage - The Syndicate has per risk reinsurance to protect against the occurrence of losses from other perils such as large fires that impact upon the portfolio underwritten, or overseen, by ICAT Managers.

Other reinsurances: The Syndicate has proportional reinsurance to cover most of its general liability and equipment breakdown related liabilities and also purchases facultative AOP reinsurance for non-catastrophe loss exposures.

Managing Agent’s report for the 2017 Underwriting Year of Account continued

Directors

Details of the Directors of the Managing Agent that served during the year and up to the date of signing of the financial statements are provided on page 1. Changes to the directors were as follows:

S D Redmond	Appointed 20 April 2021

Disclosure of Information to the Auditor

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

The board of directors of the Managing Agent has overall responsibility for the establishment and oversight of the Syndicate’s risk and capital management.

Approved by the Board of Directors and signed on behalf of the Board.

N J Burdett
Company Secretary
3 March 2022

Statement of Managing Agent's responsibilities

The directors of the managing agent are responsible for preparing the Syndicate underwriting year accounts in accordance with the Lloyd's Syndicate Accounting Byelaw.

Regulations require the directors to prepare underwriting year accounts for each financial year. Under the relevant regulations they have elected to prepare the underwriting year accounts in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

In preparing these underwriting year accounts, the directors are required to:

- select suitable accounting policies and where there are items which affect more than one year of account, ensure a treatment which is equitable between the members of the syndicate affected is used and 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 underwriting year accounts;

- assess the syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and

- use the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 4242

Opinion

We have audited the syndicate underwriting year accounts for the 2017 run-off year of account of syndicate 4242 ('the syndicate') for the 5 years ended 31 December 2021 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Members' Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, The Lloyd's Syndicate Accounting Byelaw (no.8 of 2005) 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 underwriting year accounts for the 2017 run-off year of account:

- have been prepared in accordance with the requirements of The Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

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 underwriting year 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 underwriting year 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 underwriting year accounts, we have concluded that the managing agent's use of the going concern basis of accounting in the preparation of the syndicate underwriting year 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 underwriting year 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.

Independent auditor's report continued

Emphasis of matter – dispute over reinsurance recoveries

We draw attention to notes 1, 7, 13 which describes a contractual dispute with a reinsurer which has resulted in the managing agent deciding to not close the 2017 run-off year of account. The ultimate outcome of the dispute is subject to significant uncertainty and may differ materially from the estimate currently provided in these accounts.

Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual reportother than the syndicate underwriting year accounts for the 2017 run-off year of account and our auditor's report thereon. The managing agent is responsible for the other information contained within the annual report].

Our opinion on the syndicate underwriting year accounts for the 2017 run-off year of account 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 underwriting year accounts for the 2017 run-off year of account 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 underwriting year accounts for the 2017 run-off year of account 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) 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 underwriting year accounts for the 2017 run-off year of account are not in agreement with the accounting records.

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 5, the managing agent is responsible for the preparation of the syndicate underwriting year accounts for the 2017 run-off year of account in accordance with The Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) and United Kingdom Generally Accepted Accounting Practice, 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 underwriting year accounts for the 2017 run-off year of account that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate underwriting year accounts for the 2017 run-off year of account, the managing agent is responsible for assessing the syndicate's ability to realise its assets and discharge its liabilities in the normal course of business, disclosing, as applicable, any matters that impact its ability to do so.

Independent auditor’s report continued

Auditor’s responsibilities for the audit of the syndicate underwriting year accounts for the 2017 run-off year of account

Our objectives are to obtain reasonable assurance about whether the syndicate underwriting year accounts for the 2017 run-off year of account 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 underwriting year accounts for the 2017 run-off year of account.

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 (UKGAAP) 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 underwriting year 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. We also performed procedures to understand the culture of compliance and governance including the obtainment and review of the code of conduct, employee handbook and whistleblowing policy. Furthermore in order to assess the internal views of risks and their likelihoods, we have reviewed the risk register and risk event summary for the syndicate.

- 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 underwriting year accounts’ items for the 2017 run-off year of account.

Independent auditor's report continued

- For both direct and other laws and regulations, our procedures involved: making enquiries of the directors of the managing agent and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the managing agent's methods of enforcing and monitoring compliance with such policies, 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 underwriting year accounts for the 2017 run-off year of account 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, complex transactions, performance targets, economic or external pressures and the impact these have on the control environment. Where this risk was considered to be higher, on the valuation of claims outstanding and estimated premium income, we performed audit procedures to address each identified fraud risk. . These procedures included testing manual journals and were designed to provide reasonable assurance that the syndicate underwriting year accounts for the 2017 run-off year of account were free from fraud or error.

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

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005). Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate and the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Robert Bruce (Senior statutory auditor)

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

London

03 March 2022

Profit and loss account: Technical account – General business

For the 60 months ended 31 December 2021

	Notes	$'000	$'000
Earned premiums, net of reinsurance			
Gross premiums written	4	200,740	
Outward reinsurance premiums		(96,777)	
			103,963
Reinsurance to close premiums received, net of reinsurance	6		6,049
Allocated investment return transferred from the non-technical account			274
Claims incurred, net of reinsurance			
Claims paid - Gross amount		(341,809)	
- Reinsurers' share		218,888	
Net claims paid		(122,921)	
Amounts retained to meet all known and unknown outstanding liabilities, net of reinsurance	7	(9,241)	
			(132,162)
Net operating expenses	8		(63,719)
Balance on the technical account – general business			(85,595)

The notes on pages 15 to 27 form part of these financial statements.

Profit and loss account: Non-technical account

For the 60 months ended 31 December 2021

	Notes	$'000
Balance on the technical account – general business	5	(85,595)
Investment Income	9	270
Realised gains on investments		44
Realised losses on investments		(21)
Unrealised gains on investments		13
Unrealised losses on investments		(5)
Investment expenses and charges		(27)
Allocated investment return transferred to general business technical account		(274)
Exchange gains		0
Loss for the closed year of account		(85,595)

There were no recognised gains or losses relating to the current or preceding year other than those included in the profit and loss. Therefore no statement of other comprehensive income has been presented.

The notes on pages 15 to 27 form part of these financial statements.

Balance sheet

As at 31 December 2021

	Notes	$'000	$'000
ASSETS			
Investments	10		3,487
Debtors			
Debtors arising out of direct insurance operations		6	
Debtors arising out of reinsurance operations	13	22,931	
Other debtors, prepayments and accrued income		77	
			23,014
Reinsurance recoveries anticipated on gross amounts retained to meet all known and unknown outstanding liabilities			46,840
Other Assets			
Cash at bank and in hand			2
Prepayments and accrued income			
Other prepayments and accrued income			0
TOTAL ASSETS (EXCLUDING AMOUNTS DUE FROM MEMBERS)			73,343
LIABILITIES			
Amounts due from members			10,334
Amounts retained to meet all known and unknown outstanding liabilities – gross amount			(56,081)
Creditors			
Creditors arising out of reinsurance operations	14	(1,953)	
Profit commission		-	
Other Creditors, accruals and deferred income		(25,645)	
			(4,038)
TOTAL LIABILITIES (NET OF AMOUNTS DUE FROM MEMBERS)			(73,343)

The notes on pages 15 to 27 form part of these financial statements.

The Syndicate underwriting year accounts were approved by the Board of Asta Managing Agency Ltd on 3 March 2022 and were signed on its behalf by

R P Barke
Director
3 March 2022

Statement of members' balances

For the 60 months ended 31 December 2021

	$'000
Loss for the closed year of account	(85,595)
Members' agents' fees	(142)
Other non-standard personal expenses	2
Cash calls	75,401
Members' balances carried forward at 31 December 2021	(10,334)

The notes on pages 15 to 27 form part of these financial statements.

Statement of cash flows

	Notes	$'000
Cash flows from operating activities		
Loss for the year of account		(85,595)
(Increase) in debtors		(5,770)
Increase in creditors		9,199
Non cash consideration received as part of RITC received	11	(354)
RITC premium payable, net of reinsurance		9,241
Net cash (outflow) from operating activities		(73,279)
Cash flows from investing activities		
Net purchase of portfolio investments		(1,980)
Net cash (outflow) from investing activities		(1,980)
Cash flows from financing activities		
Cash calls		75,401
Members' agents fees and non-standard personal expenses		(140)
Net cash inflow from financing activities		75,261
Net increase in cash and cash equivalents		2
Cash and cash equivalent at 1 January 2017		-
Cash and cash equivalent at 31 December 2021		2

The notes on pages 15 to 27 form part of these financial statements.

Notes to the financial statements

For the 60 months ended 31 December 2021

1. Basis of preparation

The Syndicate underwriting year accounts have been prepared under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Lloyd's Regulations") and in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005) and applicable Accounting Standards in the United Kingdom, including relevant disclosures of Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK (“FRS 102”) and Financial Reporting Standard 103 Insurance Contracts (“FRS 103”).

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

The financial statements are prepared in USD which is the functional and presentational currency of the Syndicate and rounded to the nearest $'000.

Members participate on a Syndicate by reference to a year of account and each Syndicate year of account is a separate annual venture. These accounts relate to the 2017 year of account which has not been closed, under normal circumstances, by reinsurance to close at 31 December 2019. Consequently the balance sheet represents the assets and liabilities of the 2017 year of account as at 31 December 2021 and the profit and loss account reflects the transactions for that year of account during the 60 month period to 31 December 2021.

Due to the payment of a recovery being disputed and the associated uncertainty over the timing of collectability pending resolution of the dispute, the Directors of the Managing Agent have decided to keep the 2017 underwriting year of account open for an additional year to allow time for this dispute to be fully assessed and closed. The year of account is now expected to close on 31 December 2022. The recoverable amount recognised in the accounts is $21.6m. Management have applied, with the aid of experts, a 50% bad debt provision against this asset. And as such the net asset on the balance sheet is $10.8m. The net asset is disclosed in notes 7 and 13.

2. Accounting policies

Significant accounting estimates and judgements

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

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

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

Accounting policies continued

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year, the current security rating of the reinsurance companies involved and any disputed balances. In the case of disputed reinsurances, a prudent estimate of the collectable amount is assessed, following independent professional advice on the issues surrounding the dispute.

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

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

Underwriting transactions

The underwriting accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of that three year period, outstanding liabilities can normally be determined with sufficient accuracy to permit the year of account to be closed by payment of a reinsurance to close premium to the successor year of account. As explained in note 1, this is now expected to occur at the end of a five year period.

Gross premiums are allocated to years of account on the basis of the inception date of the policy. Commission and brokerage are charged to the year of account to which the relevant policy is allocated. Policies written under binding authorities, lineslips or consortium arrangements are allocated to the year of account into which the arrangement incepts. Additional and return premiums follow the year of account of the original premium. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due, but not yet notified to the Syndicate year of account.

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

Outwards reinsurance premiums ceded are attributed to the same year as the original risk.

Gross claims paid are allocated to the same year of account as that to which the corresponding premiums are allocated and include internal and external claims settlement expenses. Reinsurance recoveries are allocated to the year of account to which the claim was charged.

The reinsurance to close premium is determined by reference to the outstanding technical provisions (including those for outstanding claims and unearned premiums, net of deferred acquisition costs and unexpired risks) relating to the closed year and to all previous closed years reinsured therein. Although this estimate of net outstanding liabilities is considered to be fair and reasonable, it is implicit in the estimation procedure that the ultimate liabilities will be at variance from the premium so determined. The reinsurance to close premium transfers

Accounting policies continued

the liability in respect of all claims, reinsurance premiums, return premiums and other payments in respect of the closing year (and previous closed years reinsured therein) to the members of the successor year of account and gives them the benefit of refunds, recoveries, premiums due and other income in respect of those years in so far as they have not been credited in these accounts.

The outstanding claims comprise amounts set aside for claims notified and claims incurred but not yet reported (IBNR).

Notified claims are estimated on a case by case basis with regard to the circumstances as reported, any information available from loss adjusters and previous experience of the cost of settling claims with similar characteristics. The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate's external consulting actuaries and the addition of a management margin is considered. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. 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 provision for claims includes amounts in respect of internal and external claims handling costs.

The Syndicate uses a number of statistical techniques to assist in making the above estimates. The two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred. The methods used, and the estimates made, are reviewed regularly.

A provision for unexpired risks is created where claims, related expenses and deferred acquisition costs, likely to arise after the balance sheet date in respect of contracts relating to the closing year of account, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

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

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).

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.

Accounting policies continued

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.

Regular way 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.

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.

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.

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.

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.

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Interest income on financial assets measured at amortised cost is recognised using the effective interest method. For the purpose of separately presenting investment income and unrealised gains and losses for financial assets at fair value through profit or loss, interest income is recognised as it accrues on the next coupon payment.

Accounting policies continued

For investments at fair value through profit or loss, realised gains and losses represent the difference between the net proceeds on disposal and the purchase price. For investments measured at amortised cost, realised gains and losses represents the difference between the net proceeds on disposal and the latest carrying value (or if acquired after the last reporting date, the purchase price).

Unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price. Movements in unrealised investment gains and losses comprise the increase/decrease in the reporting period in the value of the investments held at the reporting date and the reversal of unrealised investment gains and losses recognised in earlier reporting periods in respect of investment disposals of the current period, or the valuation at the beginning of the year; as well as the reversal of previously recognised unrealised gains and losses in respect of investment disposed of in the current period.

Investment return is initially recorded in the non-technical account. The return is transferred in full to the general business technical account to reflect the investment return on funds supporting underwriting business.

Syndicate operating expenses & profit commission

Costs incurred by the Managing Agent in respect of the Syndicate are charged to the Syndicate and included within the relevant profit and loss account heading. Where expenses do not relate to any specific year of account they are apportioned between years of account on a basis which reflects the benefit obtained by each year of account from each type of expense.

Where expenses are incurred jointly by the Managing Agent and the Syndicate, they are apportioned as follows:

- Salaries and Related Costs
  According to time of each individual spent on Syndicate matters.

- Accommodation Costs
  According to number of personnel.

- Other Costs
  As appropriate in each case.

- Profit Commission
  Profit commission is charged by the Managing Agent at a rate of 17.5% of profit subject to the operation of a deficit clause. Such commission does not become payable until after the appropriate year of account closes, normally at 36 months. Profit commission on naturally open years is accrued on the basis of earned profit to date.

- Pensions
  The Managing Agent operates a defined contribution pension scheme and its recharges to the Syndicate in respect of salaries and related costs include an element for pension costs. These pension costs are expensed in full in the period to which the recharge relates.

Amounts recharged by the Managing Agent include costs arising from the use of assets in the period. These rental costs are expensed in full in the period to which the recharge relates.

Accounting policies continued

Offsetting

The Syndicate sets off and presents its financial assets and liabilities net where:

(i) each it and another party owes the other determinable amounts,

(ii) it has the right to set off the amount owed with the amount owed by the other party,

(iii) it intends to set off, and

(iv) the right of set off is enforceable at law.

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 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. It is the responsibility of members to agree and settle their individual tax liabilities with HM Revenue & Customs.

Members resident overseas for tax purposes are responsible for agreeing and settling any tax liabilities with the taxation authorities of their country of residence.

Foreign currencies

The Syndicate's functional currency and presentational currency is USD.

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

Exchange differences are recorded in the non-technical account.

3. Risk management

As the year of account is now expected to close on 31 December 2022, the RITC process will be deferred a year. This means that Insurance, Financial, Credit, Liquidity, Market and Capital risks will not be transferred to an accepting year of account of the Syndicate as would normally be expected. Full disclosures relating to these risks are provided in the main Annual accounts of the Syndicate.

4. Particulars of business written

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

	Gross Premiums Written and Earned $'000	Gross Claims Incurred $'000	Net Operating Expenses $'000	Reinsurance Balance $'000	Total $'000
Fire and other damage to property	178,060	(355,050)	(56,595)	148,809	(84,776)
Third party liability	1,057	(1,974)	794	713	590
Reinsurance assumed	21,623	(6,454)	(7,918)	(8,934)	(1,683)
Total	200,740	(363,478)	(63,719)	140,588	(85,869)

Included in Net Operating Expenses are reinsurance commissions and profit participation of $6.2m.

5. Analysis of result by year of account

	2016 & prior years of account $'000	2017 Pure year $'000	2017 Total combined $'000
Technical account balance before allocated investment return and net operating expenses	(2,155)	(19,995)	(22,150)
Brokerage and commission on gross premium	6	(132,167)	(132,161)
	(2,149)	(152,162)	(154,311)
Net other expenses	258	68,184	68,442
Investment income	-	274	274
Balance on technical account	(1,891)	(83,704)	(85,595)

6. Reinsurance to close premium received net of reinsurance

	Reported $'000	IBNR $'000	Total $'000
Gross outstanding losses	(10,650)	(23,762)	(34,412)
Reinsurance recoveries anticipated	7,033	21,330	28,363
Net outstanding losses	(3,617)	(2,432)	(6,049)

7. Amounts retained to meet all known and unknown outstanding liabilities, net of reinsurance

	Reported $'000	IBNR $'000	Total $'000
Gross outstanding losses	(7,776)	(48,306)	(56,082)
Reinsurance recoveries anticipated	6,907	39,934	46,841
Net outstanding losses	(869)	(8,372)	(9,241)

The reinsurance to close premium payable on the 2017 year of account will be paid once the underwriting year closes – closure is now expected to be on 31 December 2022. A portion of a reinsurance asset under dispute resides within Reinsurance recoveries anticipated, along with an associated provision, as explained in note 1 on page 15.

8. Net operating expenses

	$'000
Acquisition costs	(132,161)
Administration expenses	68,442
Reinsurance commissions and profit participations	-
	(63,719)

	$'000
The closed year profit is stated after charging the following Auditor's remuneration:	
Audit of the financial statements	(476)
Other services pursuant to Regulations and Lloyd's Byelaws	(23)
Other services related to actuarial review	(17)
	(516)

9. Investment income

	$'000
Income from investments	270
Realised gains on investments	45
Realised losses on investments	(22)
	293
Investment management expenses	(27)
Unrealised gains on investments	13
Unrealised losses on investments	(5)
	(19)
Net investment return	274

10. Investments

	Fair Value $’000	Cost $’000
Holdings in collective investment schemes	21	21
Debt securities and other fixed income securities	3,241	3,241
Overseas deposits as investments	225	225
	3,487	3,487

There was no material change in fair value for financial instruments held at fair value (other than derivatives) attributeable to own credit risk in the current period.

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

	Level 1 $’000	Level 2 $’000	Level 3 $’000	Total $’000
Holdings in collective investment schemes	21	-	-	21
Debt securities and other fixed income securities	1,465	1,776	-	3,241
Overseas deposits as investments	32	193	-	225
Total	1,518	1,969	-	3,487

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

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

Included in the level 3 category, are financial assets measured using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Therefore, unobservable inputs reflect the Syndicate's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Syndicate's own data. The Syndicate does not have any financial investments that meet level 3 criteria.

11. Non cash consideration received as part of RITC received

	$'000
Portfolio investments	1,508
Debtors	17,243
Creditors	(18,397)
Non cash consideration received	354

12. Movement in cash and portfolio investments net of financing

	At 1 January 2017	Received within RITC Premium	Cash flow	Unrealised losses & foreign exchange	At 31 December 2021
	$'000	$'000	$'000	$'000	$'000
Cash	-	94	(92)	-	2
Investments	-	1,509	1,983	(5)	3,487
	-	1,603	1,891	(5)	3,489

13. Debtors arising out of reinsurance operations

	$'000
Due within one year	22,931
Due after one year	-
	22,931

A portion of a reinsurance asset under dispute resides within Debtors arising out of reinsurance operations, along with an associated provision, as explained in note 1 on page 15.

14. Creditors arising out of reinsurance operations

	$'000
Due within one year	(1,953)
Due after one year	-
	(1,953)

15. Disclosure of interests

Managing Agent's interest

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

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

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

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

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

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

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

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

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

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

16. Related parties

Asta provides services and support to Syndicate 4242 in its capacity as Managing Agent. The 2017 year of account was charged managing agency fees of $1.2m. Asta also recharged $2.8m worth of service charges to the 2017 year of account. As at 31 December 2020, nothing was owed to Asta in respect of this service.

From time to time, Syndicates managed by Asta enter into (re)insurance contracts with one another. All such transactions are subject to Asta's internal controls which ensure that all are compliant with Lloyd's Related Party Byelaw provisions. All transactions are entered into on an arm's length basis.

The Managing Agent is owned by Asta Capital Ltd, a company incorporated in the U.K. and registered in England and Wales. Paraline International Ltd, a wholly owned subsidiary of Paraline Group Ltd (Paraline Group), owns 27.8% of Asta Capital Ltd.

Paraline Group, a company registered in Bermuda, facilitated 13.9% of the Syndicate's insurance capacity through its owned corporate member. Paraline Reinsurance Ltd (Paraline Re), an indirectly owned Bermudian reinsurance company of Paraline Group supports the Paraline corporate member's participation on the Syndicate. An affiliate of Paraline Group, Elliott CCM Ltd, provided another 1.8% of capacity.

Related parties continued

Paraline Group is a joint shareholder of Beat Capital Partners Ltd (Beat). Within the Beat group is the corporate member Beat CCM 9 Ltd which also participates on the Syndicate. And Asta Capital Ltd owns Asta Corporate Member (2) Ltd, again participating on the Syndicate. Unrelated foreign reinsurers fully support these two corporate members' participation.

The table below details the Syndicate capacity provided by related party members for the 2017 underwriting year.

	Share of 2017 Underwriting Capacity
Paraline CCM Ltd	13.93%
Hannover Re AG (via Asta Corporate Member (2) Ltd)	6.41%
Elliott CCM Ltd	1.77%
Sompo Japan Nipponkoa (via Beat CCM 9 Ltd)	11.50%

Several of the members feature in the Syndicate's catastrophe reinsurance programme, along with other 3rd party reinsurers – these arrangements are conducted at arm's length.

17. Calendar Year Result

The below table reflects the audited 2017 Year of account result at 48 months, 60 months and the 2021 calendar year movement.

	For the 48 months ended 31 December 2020	**Calendar Year Movement**	**For the 60 months ended 31 December 2021**
	$'000	**$'000**	**$'000**
Earned premiums, net of reinsurance			
Gross premiums written	200,744	(4)	200,740
Outward reinsurance premiums	(94,366)	(2,411)	(96,777)
	106,378	(2,415)	103,963
Reinsurance to close premiums received, net of reinsurance	6,049	0	6,049
Allocated investment return transferred from the non-technical account	274	0	274
Claims incurred, net of reinsurance			
Claims paid - Gross amount	(317,115)	(24,694)	(341,809)
- Reinsurers' share	198,166	20,722	218,888
Net claims paid	(118,949)	(3,972)	(122,921)
Amounts retained to meet all known and unknown outstanding liabilities, net of reinsurance	(8,873)	(368)	(9,241)
	(127,822)	(4,340)	(132,162)
Net operating expenses	(61,186)	(2,533)	(63,719)
Balance on the technical account – general business	(76,307)	(9,288)	(85,595)

18. Post balance sheet event

The 2017 underwriting year loss, less members' agents' fees and cash calls, sums to $10.3m. The remainder of the members balance may be called from members during 2022, although the final settlement amount and date will depend on the recovery of the reinsurance asset which is being disputed.

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

Summary of Closed Year Results – unaudited

as at 31 December 2021

Year of Account	2011	2012	2013	2014	2015	2016	2017
Syndicate allocated capacity (£'000)	**80,000**	**80,000**	**80,000**	**80,000**	**90,000**	**95,000**	**100,000**
Syndicate allocated capacity ($'000)	**125,600**	**124,000**	**124,272**	**99,200**	**121,500**	**120,650**	**135,000**
Number of Underwriting members	10	12	10	10	10	11	11
Aggregate net premiums ($'000)	36,900	43,635	50,534	53,565	59,959	53,676	(28,199)
Results for an illustrative share of £10,000	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Gross premiums	13,409	14,805	15,628	16,915	18,134	19,608	20,074
Net premiums	4,613	5,454	6,354	6,696	6,662	5,650	(2,820)
Reinsurance to close from an earlier account	104	94	318	294	214	284	605
Net claims	(1,627)	(2,669)	(1,403)	(1,571)	(2,417)	(4,726)	(12,292)
Reinsurance to close	(94)	(318)	(294)	(240)	(297)	(561)	(924)
Profit/ (Loss) on exchange	4	(5)	(6)	(4)	(16)	(11)	-
Syndicate operating expenses	(146)	(327)	(38)	(467)	(330)	(343)	6,830
Balance on technical account	2,854	2,230	4,931	4,708	3,816	293	(8,601)
Investment income less investment expenses and charges and investment gains less losses	5	1	6	5	24	52	27
Profit/ (Loss) on ordinary activities	2,859	2,231	4,937	4,713	3,840	345	(8,574)
Illustrative personal expenses							
Profit commission	(289)	(242)	(519)	(553)	(445)	(6)	-
Personal expenses	(547)	(474)	(785)	(306)	(300)	(315)	-
Profit/ (Loss) after illustrative profit commission and personal expenses	2,023	1,515	3,633	3,854	3,095	24	(8,574)
	£	**£**	£	£	£	£	£
Profit/ (Loss) after illustrative profit commission and personal expenses	1,219	975	2,454	3,108	2,292	19	(6,351)

Notes

1. The summary of closed year results has been prepared from the audited accounts of the Syndicate. This summary however is not audited.

2. Personal expenses have been stated at the amount which would be incurred pro rata by individual Names writing the illustrative premium income in the Syndicate irrespective of any minimum charge applicable. Corporate members may be charged at different rates. Foreign tax, which may be treated as a credit for personal tax purposes, has been excluded.

3. As regards the 2017 year of account, an illustrative share of £10,000 represents 0.01% of the respective allocated capacity.