IMPORTANT INFORMATION ABOUT THE SYNDICATE REPORT AND ACCOUNTS

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Capita Managing Agency Limited

Report and Financial Statements

Syndicate 1110

for the year ended

31-Dec-20

CONTENTS

DIRECTORS AND ADMINISTRATION

Managing agent

Capita Managing Agency Limited (CMA) is the managing agent of Syndicate 1110. CMA is a wholly owned subsidiary (indirectly held) of Capita plc and operates within the Group's Specialist Services division.

Directors

Directors who served at CMA during the year or up until the period the Report & Accounts were signed are as follows:

I J Bremner - Non-Executive Director (appointed 1 September 2020)
R Richardson-Bunbury - Chief Actuary (appointed 21 January 2021)
K Coogans - Finance Director
K D Curtis - Non-Executive Director (appointed 6 February 2020)
D E Hope - Non-Executive Director
J Hummerston - Director of Underwriting
P Koslover - Chief Risk Officer (resigned 28th August 2020)
P M Laws - Risk & Compliance Director
W Scott - Chief Executive Officer (resigned 14 February 2020)
P Smith - Managing Director (appointed 4 February 2020)
E S Stobart - Chairman, Non-Executive (resigned 5 August 2020)
S Sykes - Chief Executive Officer (appointed 29 April 2020)
S M Wilton - Chairman, Non-Executive Director (appointed Chairman 6 April 2020)

Company secretary

Capita Group Secretary Limited

Managing agent’s registered office

65 Gresham Street
London
England
United Kingdom
EC2V 7NQ

Managing agent’s registered number

03935227

DIRECTORS AND ADMINISTRATION (continued)

Syndicate

Run-Off Manager
J B King

Bankers
Lloyds Bank plc - London
Citibank NA - London and New York
RBC Investor & Treasury Services - Toronto

Investment Managers
Payden & Rygel Global Limited
Lloyd’s Treasury & Investment Managers (LTIM)

Independent Auditors
PKF Littlejohn LLP

Statement of actuarial opinion signing actuary
Willis Towers Watson

MANAGING AGENT'S REPORT

The Directors of CMA, the managing agent, present their report for Syndicate 1110 ('the Syndicate') for the year ended 31 December 2020. This report includes the strategic report.

Until 26 October 2017, the Syndicate was managed by ProSight Specialty Managing Agency Limited (PSMAL). The PSMAL Board was informed on 10 March 2017 by ProSight Global Holdings Limited (the ultimate Parent Company) of its intention to sell the UK subsidiary group, including the managing agency of Syndicate 1110 and the corporate members providing capital. The Syndicate went into run-off on 8 June 2017.

On 26 October 2017 PSMAL and its corporate members were sold to the R&Q group and subsequently PSMAL novated the management of the Syndicate to R&Q Managing Agency Limited (RQMA) which was renamed Coverys Managing Agency Limited on 1 December 2017. Capita assumed the Third-Party Management of S1110 by way of novation, effective 25 October 2019.

As at 31 December 2019, the Board of the CMA approved the decision to put the 2017 year of account into run-off. As at year end 31 December 2020, the Board has approved the recommendation to keep this year of account in run off.

Strategic report

The managing agent's report should be read in conjunction with the strategic report as it includes information required to be disclosed in the managing agent's report. This information is primarily relating to a review of the business and a description of principle risks and uncertainties, although there is more extensive disclosure of risk management contained within the notes to the accounts.

Directors' Interests

None of the Directors of the managing agency have any participation in the Syndicate's premium income capacity.

Rating Agencies

Syndicate 1110 does not have its own security rating; however, it does benefit from the Lloyd's global A (Excellent) rating from A.M. Best, A+ (Strong) rating from Standard and Poor's and AA- (Very Strong) from Fitch. Ratings were confirmed as at 15 December 2020.

Working Capital

CMA monitors the Syndicate's actual cash flow against projections to help identify any potential future working capital strain and thereby assist in actively managing any such occurrence.

Syndicate Annual General Meeting

CMA does not propose to hold an annual general meeting of members of the Syndicate. Members are asked to note that any objections to this proposal should be submitted, in writing, to the CMA Risk & Compliance Director within 21 days of this notice.

MANAGING AGENT'S REPORT (continued)

Related Party Transactions

The Syndicate did not enter into any related party transactions which were not concluded under normal market conditions. For a full listing of related party transactions please refer to the related parties section in the notes to the accounts.

Auditors

PKF Littlejohn LLP have indicated their willingness to continue in office as the Syndicate's auditor.

Disclosure of information to auditors

So far as each person who was a director of the managing agent at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Syndicate's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved by order of the Board of Directors and signed on its behalf:

Simon Sykes
Director
4 March 2021

Strategic report

The Directors of CMA present their strategic report for Syndicate 1110 for the year ended 31 December 2020.

Principal Activities

The principal activity of Syndicate 1110 is the transaction of reinsurance business in the United Kingdom by way of either reinsurance to close (RITC) or loss portfolio transfer (LPT).

Review of the business

For the 2017 year of account, the Syndicate's stamp capacity was £280 million, but following the decision by the Board of the PSMAL to sell Syndicate 1110, the Syndicate went into run-off on 8 June 2017. Following the decision to sell Syndicate 1110 and as part of the novation to RQMA the following arrangements were entered into:

- PSMAL commuted the treaty business as at 31 March 2017 that originated from New York Marine and General Insurance Company, Southwest Marine and General Insurance Company and Gotham Insurance Company subsidiaries of the ProSight Group.
- From 1 April 2017, PSMAL agreed a 100% quota share for the delegated underwriting authority business placed by a service company of the ProSight Group.
- PSMAL cancelled an aggregate stop loss policy from a subsidiary of the ProSight Group and entered into an adverse development loss contract with that same subsidiary.
- PSMAL entered into a 100% quota share for policies written after 30 June 2017 with a subsidiary of the ProSight Group.

The ultimate strategy for the former ProSight portfolio is to run off the current net technical liabilities as expediently as possible. There remains a desire to conclude any outstanding amounts due to and from the ProSight Group and to execute an RITC which will be investigated with ProSight and Lloyd's during 2021.

At 31 December 2020 all Gross Claims Reserves, £59.3m (2019: £74.98m), were covered by the NYMAGIC/Prosight RI arrangements with the whole account stop loss (WASL) attachment point breached in September 2020.

In 2019, Syndicate 1110 was authorised by Lloyd's to write both RITCs and reinsurances of discontinued Lloyd's Syndicate Business, with two portfolios transferring into the 2019 YOA:

- Syndicate 3330 2017 YOA was accepted as an RITC as at 1 January 2020 with £6.2m of net claims transferred to Syndicate 1110 2019 YOA.

Strategic report (continued)

- Syndicate 1110 has provided an LPT of Financial Institutions, Directors & Officers, Professional Indemnity classes to Syndicate 3334 with a Premium of £58.4m received and Technical Provisions of £58.8m (including ULAE) transferred. Claims administration has been retained by Syndicate 3334. The 100% LPT does not discharge Syndicate 3334's liability as primary (re)insurer and the strategy of Syndicate 1110 continues to be ensuring that the LPT is managed in an appropriate manner with the protocols as detailed in the LPT agreement and, Lloyd's Minimum standards maintained.

In August 2020 the Syndicate underwrote into the 2020 YOA a 90% Adverse Development Cover in respect of the casualty reserves for S1458, years of account 2009-2017.

The effective date of the cover is from the 1 January 2020 and this transaction has resulted in an increase to Syndicate 1110's gross written premium of £95.2m and an increase to gross and net technical provisions of £82.2m.

The ultimate responsibility for the liabilities, subject to the ADC, remains with S1458 providing S1110 information as detailed within the ADC agreement, and applying accompanying protocols, to ensure that the liabilities can be correctly assessed.

At the end of the year, Syndicate 1110 entered into an LPT reinsurance with QBE Syndicates 45 & 386. This transaction has strengthened the reserve position of the 2020 year of account by £14.8m. The gross written premium receivable amounts to £17.3m and this transaction contributed a calendar year profit of £1.5m as at 31 December 2020.

Review of underwriting activities for 2020

The table below summarises the premium volumes and performance of the Syndicate for 2020, with the comparative numbers for 2019.

Key performance indicators

	2020 £m	2019 £m
Gross premiums written	114.1	60.2
Net premiums earned	114.7	58.7
Profit/(Loss) for the year	5.9	(0.2)
Combined ratio	98%	99%

As at 31 December 2020, Syndicate 1110 is declaring a profit of £5.9m (2019: loss of £0.2m) of which £7.9m is attributable to 2020 year of account, partially offset by losses of £0.1m and £1.9m, arising from the 2019 and 2017 & prior years of account respectively. The combined ratio excludes investment income and foreign exchange gains or losses.

Strategic report (continued)

Other performance indicators

Staff matters

The managing agent considers its staff to be a key resource and seeks to provide a good working environment for its staff that is rewarding and safe, and complies with appropriate employee legislation. During the year there have been no significant injuries to staff in the workplace nor any significant actions taken by any regulatory bodies with regard to staff matters.

Environmental matters

The managing agent does not consider that a business such as a Syndicate at Lloyd's has a large adverse impact upon the environment. As a result the agent does not manage its business by reference to any environmental key performance indicators.

Approved by order of the Board of Capita Managing Agency Limited and signed on its behalf:

Simon Sykes
Director
4 March 2021

Statement of managing agent's responsibilities

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

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ('the 2008 Regulations') require the managing agent to prepare Syndicate annual accounts for each financial year. Under that law the managing agent has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the managing agent must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Syndicate and of the result or loss of the Syndicate for that period.

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

1. select suitable accounting policies which are applied consistently, subject to changes arising on the adoption of new accounting standards in the year;

2. make judgements and estimates that are reasonable and prudent;

3. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

4. prepare the annual accounts on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume the Syndicate will do so.

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate annual accounts comply with the 2008 Regulations. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Syndicate 1110

Opinion

We have audited the financial statements of Syndicate 1110 (the 'syndicate') for the year ended 31 December 2020 which comprise the Statement of Profit or Loss, the Balance Sheet, the Statement of Changes in Members' Balances, the Statement of Cash Flows and notes to the financial statements, 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 Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with 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 financial statements section of our report. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Independent auditor's report to the members of Syndicate 1110 (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The managing agent is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Insurance Accounts Directive (Lloyd's Syndicate and

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

- the information given in the report of the directors of the managing agent for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the report of the directors of the managing agent 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 report of the directors of the managing agent.

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

- adequate accounting records have not been kept on behalf of the Syndicate; or

- the financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of managing agent emoluments and other benefits specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Independent auditor's report to the members of Syndicate 1110 (continued)

Responsibilities of the managing agent

As explained more fully in the statement of managing agent's responsibilities, the managing agent is responsible for the preparation of the financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the managing agent is responsible for assessing the Syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the managing agent either intend to cease the Syndicate's operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 financial statements.

In preparing the financial statements, the managing agent is responsible for assessing the syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the managing agent either intend to liquidate the syndicate or to cease operations, or have no realistic alternative but to do so.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the Syndicate and the insurance sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research and the application of our cumulative audit knowledge and experience of the insurance sector.

- We determined the principal laws and regulations relevant to the Syndicate in this regard to be those arising from the FCA, PRA, Lloyd's, companies' legislation and the financial reporting framework.

Independent auditor's report to the members of Syndicate 1110 (continued)

- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the Syndicate with those laws and regulations. These procedures included, but were not limited to:

  - agreement of the financial statement disclosures to underlying supporting documentation;
  - enquiries of management and review of minutes of Board and management meetings throughout the period;
  - understanding the Syndicate's policies and procedures in monitoring compliance with laws and regulations;
  - inspection of correspondence with Lloyd's, the PRA and FCA; and
  - reviewing compliance reports and internal audit reports relating to the Syndicate.

- We also identified possible risks of material misstatement of the financial statements due to fraud. We considered in addition to the no-rebuttable presumption of a risk of fraud arising from management override of controls, that there was potential for management bias in the reporting of events and transactions in the financial statements relating to the valuation of technical provisions and the calculation of the reinsurer's share of technical provisions, To address this, we challenged the assumptions and judgements made by management when auditing those significant accounting estimates.

- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to, the testing of journals and reviewing accounting estimates for evidence of bias and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with laws and regulations. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. This risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, conclusion, omission or misrepresentation.

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

Independent auditor's report to the members of Syndicate 1110 (continued)

Use of our report

This report is made solely to the Syndicate's members, as a body, in accordance with Part 2 of 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.

Neil Coulson (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

4 March 2021

Statement of profit or loss
Technical account - General business
Year ended 31 December 2020

	Notes	2020 £000	2020 £000	2019 £000	2019 £000
Earned premiums, net of reinsurance					
Gross premiums written	1	114,133		60,234	
Outward reinsurance premiums		(721)		(258)	
Net written premiums		113,412		59,976	
Change in the provision for unearned premiums					
Gross amount	8	1,309		(1,317)	
Reinsurers' share	8	-		-	
Net change in the provision for unearned premium		1,309		(1,317)	
Earned premiums net of reinsurance			114,721		58,659
Allocated investment return transferred from the non-technical account			2,574		1,233
Claims incurred, net of reinsurance					
Claims paid					
Gross amount	9	(47,895)		(29,085)	
Reinsurers' share	9	16,123		15,136	
Net claims paid		(31,772)		(13,949)	
Change in the provision for claims					
Gross amount	9	(71,237)		(47,125)	
Reinsurers' share	9	(2,676)		3,161	
Net change in the provision for claims		(73,913)		(43,964)	
Claims incurred net of reinsurance			(105,685)		(57,913)
Net operating expenses	3		(5,488)		(1,715)
Balance on the technical account for general business			6,122		264

All items relate to continuing operations.
The accounting policies and notes on pages 22 to 50 form part of these financial statements.

Statement of profit or loss
Non-technical account
Year ended 31 December 2020

	Notes	2020 £000	2019 £000
Balance on the technical account for general business		6,122	264
Investment income	6	1,941	1,012
Unrealised gains/(losses) on investments	6	771	238
Investment expenses and charges	6	(138)	(17)
Allocated investment return transferred to technical account – general business		(2,574)	(1,233)
Non-technical account charges		(255)	(455)
Profit/(loss) for the financial year		5,867	(191)

Statement of other comprehensive income for the year ended 31 December 2020

		2020 £000	2019 £000
Profit/ (loss) for the financial year		5,867	(191)
Total comprehensive income for the financial year		5,867	(191)

Statement of Retained earnings

		2020 £000	2019 £000
Balance due to members at 1 January		5,194	14,413
Total comprehensive income for the financial year		5,867	(191)
(Distribution) in the year		-	(7,619)
Members' fees		1,278	(1,409)
Balance due to members at 31 December	14	12,339	5,194

The accounting policies and notes on pages 22 to 50 form part of these financial statements.

Balance Sheet - Assets
at 31 December 2020

	Notes	2020 £000	2019 £000
Investments			
Other financial investments	7	97,172	11,968
Reinsurers' share of technical provisions			
Provision for unearned premiums	8	-	-
Claims outstanding	9	60,261	62,223
		60,261	62,223
Debtors			
Debtors arising out of direct insurance operations	11	6,550	5,248
Debtors arising out of reinsurance operations	11	63,259	59,718
Other debtors	12	13,528	2,788
		83,337	67,754
Other assets			
Cash at bank and in hand	16	4,382	368
Overseas deposits	13	6,297	7,109
		10,679	7,477
Prepayments and accrued income			
Deferred acquisition costs		-	-
Other prepayments and accrued income		748	104
		748	104
Total assets		252,197	149,526

The accounting policies and notes on pages 22 to 50 form part of these financial statements.

Balance Sheet - Liabilities
at 31 December 2020

	Notes	2020 £000	2019 £000
Capital and reserves			
Members' balances	14	12,339	5,194
Technical provisions			
Provision for unearned premiums	8	7	1,317
Claims outstanding	9	206,415	133,771
		206,422	135,088
Creditors			
Creditors arising out of reinsurance operations	15	20,727	8,724
Other creditors	15	9,562	-
		30,289	8,724
Accruals and deferred income		3,147	520
Total liabilities		252,197	149,526

The accounting policies and notes on pages 22 to 50 form part of these financial statements.

The Syndicate Annual Financial Statements were approved by the Board of Directors of Capita Managing Agency Limited and were signed on its behalf:

Simon Sykes
Director
4 March 2021

Statement of cash flows
Year ended 31 December 2020

	Notes	2020 £000	2019 £000
Cash flow from operating activities			
Profit/(loss) for the financial year		5,867	(191)
Exclude investment return		(2,574)	(1,233)
Increase in technical provisions		73,297	44,893
(Increase) in debtors		(19,284)	(65,599)
Increase/(decrease) in prepayments and accrued income		644	(226)
(Decrease)/increase in other assets		(201)	3,745
Increase/(decrease) in creditors		26,544	(920)
Increase/(decrease) in accruals and deferred income		2,627	(90)
Net cash generated from operating activities		86,920	(19,621)
Cash flows from investing activities:			
Investment income received		2,574	996
Purchases of debt and equity instruments		(117,325)	-
Sales of debt and equity instruments		35,627	26,755
Foreign exchange		10	58
Net cash generated from investing activities		(79,114)	27,809
Cash flows from financing activities:			
(Distribution) in the year		-	(7,619)
Net cash generated from financing activities		-	(7,619)
Net increase/(decrease) in cash and cash equivalents		7,806	569
Cash and cash equivalents at 1 January		5,777	5,208
Cash and cash equivalents at 31 December	16	13,583	5,777

The accounting policies and notes on pages 22 to 50 form part of these financial statements.

Statement of accounting polices

General information

Syndicate 1110 is a Lloyd's Syndicate domiciled in England and Wales. On 25 October 2019 the management of it was novated from Coverys at Lloyd's (CaL) to Capita Managing Agency Limited (CMA). The Syndicate's 2017 year of account is supported 90.9% by capacity from R&Q Capital No.6 Limited and 9.1% from R&Q Capital No.7 Limited. Following the novation of its management from CaL to CMA, the syndicate opened two additional years of account. The 2019 and 2020 years of account are supported 100% by capacity from R&Q Capital No.1 Limited.

On the 23 December 2019, the Syndicate accepted a loss portfolio transfer (LPT) reinsurance from Hamilton Underwriting Limited (HUL) Syndicate 3334 for Directors & Officers, Financial Institutions and Professional Indemnity business, 2016 to 2018 years of account inclusive. Effective 1 January 2020, Syndicate 1110 also accepted the RITC of Syndicate 3330 2017 & prior years of account. In August 2020 the Syndicate underwrote an Adverse Development Cover (ADC) in respect of the Casualty reserves for Syndicate 1458, years of account 2009-2017 and at the end of 2020 wrote a further LPT from QBE Syndicates 45 & 386. Both the ADC and the QBE LPT were written on the 2020 year of account.

Compliance with accounting standards

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

Basis of preparation

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

Going concern basis

The Syndicate ceased underwriting on 2017 year of account beyond 8 June 2017. Following the novation to CMA on the 25 October 2019, the Syndicate has accepted LPT reinsurance from HUL. Furthermore, in 2020 the Syndicate also accepted the RITC of 3330, ADC cover on 1458 and an LPT from Syndicates 45 and 386. It is intended that the Syndicate becomes a vehicle for underwriting run-off business. The managing agent has, with the agreement of the members, left the 2017 year of account open until resolution is found between CMA, ProSight and the R&Q corporate members regarding significant balances due to and from the Syndicate. The intention is to close the 2017 underwriting year of account at the earliest opportunity upon resolution. Following which, this year of account will close by way of RITC into the 2019 year of account. As the Syndicate has written new business, the going concern basis has been used for the preparation of the financial statements. A provision has been made for unallocated loss adjusted expenses (ULAE) of £5,389k which is included within the technical provisions. The managing agent considers that the ULAE reserve is sufficient to allow the Syndicate to run-off the current portfolios and meet its liabilities as they fall due. The ULAE provision will be assessed annually.

Statement of accounting polices (continued)

Basis of accounting

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

Premiums written

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

Reinsurance premium ceded

Reinsurance premiums are allocated to a year of account in accordance with the underlying risks being protected or in relation to the coverage period of the contract as appropriate. Any reinsurance premium adjustments are charged to a year of account according to the basis on which the adjustments concerned are calculated.

Technical provisions – claims incurred and reinsurers' share

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 reserves includes an estimate of the cost of claims incurred but not reported (IBNR) at the balance sheet date based on statistical methods. This reserve also includes an allowance for any expected deficiency or redundancy in notified outstanding claims which is implicitly included in actuarial projection techniques. The provision for reserves also includes a provision for related claims handling costs and bad debts.

The statistical methods referred to above generally involve projecting aggregated historical data to form a view of the likely ultimate claims to be experienced for more recent underwriting years. These methods can incorporate judgemental allowances for example for changes in business mix or changes in market conditions.

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 most critical assumption as regards claims provisions is that the past is a reasonable predictor of the likely level of claims development. The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided.

Statement of accounting polices (continued)

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.

Reinsurance to close

A reinsurance to close contract of insurance which, in return for a premium paid by the closing year of account, transfers, normally to the following year of account, all known and unknown liabilities arising out of transactions connected with insurance business underwritten by the closing year of account. However, it should be noted that a reinsurance contract does not extinguish the primary liability of the original underwriter.

Loss funds

Following novation, the decision was taken to remove loss funds from the paid claims and include the funds within IBNR. The loss funds are similar in substance to claims floats - which would not appear under paid claims but remain on the balance sheet as a basic financial instrument. This change in accounting treatment is considered to more accurately reflect the nature of the balance and align with other syndicates under management. By adopting this approach, the managing agent considers to better align the GAAP and solvency II reporting requirements and prevent distortion in payment patterns, given the run-off nature of the Syndicate's portfolio and the quantum of loss funds compared to signed claims.

Net operating expenses

Net operating expenses are accounted for on the accruals basis. Employee costs include the cost of all employee benefits to which employees have become entitled as a result of service rendered to the entity during the reporting period, which the managing agent considers to be attributable to this Syndicate.

Distribution of profits and collection of losses

Lloyd's operates a detailed set of regulations regarding solvency and the distribution of profits and payment of losses between Syndicates and their members. Lloyd's continues to require membership of Syndicates to be on an underwriting year of account basis and profits and losses belong to members according to their membership of a year of account. Normally profits and losses are transferred between the Syndicate and members after results for a year of account are finalised after 36 months. This period may be extended if a year of account goes into run-off. The Syndicate may make earlier on account distributions or cash calls according to the cash flow of a particular year of account and subject to Lloyd's requirements.

Foreign currencies

The presentational and functional currency of the Syndicate is Sterling. Transactions in US dollars, Euros, Canadian dollars and Australian dollars are translated at the average rates of exchange for the period. Transactions denominated in other foreign currencies are included within GBP having been converted at the rate of exchange ruling at the date the transaction is processed.

In accordance with FRS 102 all monetary balance sheet assets and liabilities are translated into the Sterling functional currency at the rates of exchange at the balance sheet date. The profit or loss arising on the retranslation of balances to the closing rate of exchange is dealt with through the profit or loss account – non technical account.

Statement of accounting polices (continued)

Financial assets and liabilities classification

The full provisions of FRS 102 have been applied to the treatment of financial instruments. The accounting classification of financial assets and liabilities determines their basis of measurement and how changes in those values are presented in the profit or loss or other comprehensive income. These classifications are made at initial recognition and subsequent reclassification is only permitted in restricted circumstances.

Investments in shares and other variable yield securities and unit trusts and debt securities and other fixed income securities are classified as fair value through profit or loss as they are managed on a fair value basis. Cash at bank, deposits with credit institutions, debtors and accrued interest are classified as held at amortised cost.

Recognition

Financial assets and liabilities are recognised when the Syndicate becomes party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the asset after deducting all of its liabilities.

Initial measurement

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Subsequent measurement

Non-current debt instruments are subsequently measured at amortised cost using the effective interest method. Debt instruments that are classified as payable or receivable within one financial year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received. Investments in shares and other debt instruments are measured at fair value through profit or loss.

Movements in unrealised gains and losses on investments represent the difference between their valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in previous calendar years in respect of the investment disposed of in the current period.

Statement of accounting polices (continued)

De-recognition of financial assets and liabilities

Financial assets are derecognised when and only when a) the contractual rights to the cash flow from the financial asset expire or are settled, b) the Syndicate transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Syndicate, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Fair value measurement

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

Impairment of financial instruments measured at amortised cost or cost

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, i.e. using the effective interest method.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. The amount of the reversal is recognised in profit and loss immediately.

Offsetting

Debtors/creditors arising from insurance/reinsurance operations shown in the balance sheet include the totals of all outstanding debit and credit transactions as processed by the Lloyd's central facility. No account has been taken of any offsets which may be applicable in calculating the net amounts due between the Syndicate and each of its counterparty insureds, reinsurers or intermediaries as appropriate.

Statement of accounting polices (continued)

Investment return

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

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

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

Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax deducted from Syndicate investment income is recoverable by managing agents and consequently the distribution made to members is gross of tax. 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 have been included in the balance sheet under the heading ‘other debtors’.

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

Pension costs

No pension costs are directly borne by the Syndicate.

Key accounting judgements and estimation uncertainties

Of the various accounting judgements, assumptions and estimates made in the preparation of these financial statements those relating to the determination of the technical provisions and investment valuations are considered to be those most critical to understanding the Syndicate’s results and financial position.

Investment valuations

All investments are shown at their fair value as described in the accounting policies on above and details of the risks relating to investments are disclosed in the risk management section. All investments are highly rated securities and regularly traded on major stock exchanges so that the risks in their valuations are reduced.

Statement of accounting polices (continued)

Technical provisions

The accounting policy for technical provisions is described on page 16 and the related risks are described within the risk section below. The net technical provisions after the reinsurers' share is £146.2m (2019: £71.6m).

The most uncertain element within these technical provisions is the amount for gross claims outstanding, which covers amounts where either, the claim has been notified to the Syndicate, or where there has not yet been a notification, or although notified there has been insufficient information to date to be certain regarding its ultimate costs. This amounted to £206.4m (2019: £133.8m). As described in the risk note there is a thorough review process of claims notifications and reserving estimates, including detailed actuarial evaluation of past claims development. There is however a risk that past performance may not be a good indicator of the future developments

This is however mitigated by a diverse portfolio of policies from a number of geographical areas across several years that should reduce the risk of a common trend of adverse development occurring. The uncertainty within technical provisions is mitigated by the element of reinsurers' share, although there are uncertainties in calculating that.

Risk management

Capita approach to Syndicate risk management

The Syndicate’s activities expose it to a variety of financial and non-financial risks. The Syndicate’s core business is to accept significant insurance risk, whilst the appetite for other risks is low. The managing agent is responsible for understanding and managing the Syndicate’s exposure to such risks and does this through the deployment of its risk management framework.

CMA’s risk management framework includes an annual review, setting and Board approval of risk appetite for the Syndicate as a part of the Syndicate business planning and capital setting process.

The Syndicate novated management to CMA on 25 October 2019. The Run-Off Management Committee currently measures performance against the syndicate business forecast. Once a fully integrated risk dashboard is operational, performance will also be monitored against this.

Critical to the risk management of the Syndicate is ensuring sufficient capital is in place to meet the solvency needs of the Syndicate. The capital for the 2020 calendar year was based upon output submitted to Lloyd’s from the previous managing agent’s Capital Model. Capital for the 2021 calendar year will be based on the Lloyd’s Benchmark model, pending Lloyd's approval of the syndicates' new Internal Model.

Investment risk

The Syndicate's investments expose it to investment risk, driven by the following sub-risk types: market risk, spread risk, currency and interest rate risks, and a low liquidity risk.

The Syndicate’s investment policy is established by the Board following recommendations by the Investment Committee. In order to mitigate market risk, the committee assesses reports from external fund managers to monitor the economic situation and to seek to anticipate any future interest rate movements and to take appropriate action to mitigate their effect on the value of Syndicate assets.

Syndicate risk exposures

The following provides a summary of the types of risks to which the Syndicate is exposed, the materiality of the risk to the Syndicate and their key drivers, and the risk management tools and procedures in place to mitigate these risks.

Risk management (continued)

Gross Reserving risk

There are a number of drivers of gross reserving risk.

Reserves are established for earned premium income, as all premium is now earned, which includes an allowance for ULAE and bad debt. The risk is that emerging experience is worse than expected leading to reserve strengthening.

This risk is mitigated by CMA's actuarial function using recognised actuarial reserving approaches, coupled with close liaison with the claims personnel to identify potential downside risks before they become apparent in the data. These results are then subject to formal annual external peer review, the result of which is a Statement of Actuarial Opinion over the held reserves being at least as high as a mean best estimate and is provided annually to Lloyd's.

The governance process is through the Technical Provisions Committee, reporting to the Audit and Risk Committee which then makes a reserve recommendation to the Board. The level of booked reserves requires formal approval by the Board and is subject to an external audit.

Reinsurance credit risk

The 2017 and prior years have third party reinsurers and whole account protections with New York Marine and General Insurance Company (NYMAGIC). The exposure to NYMAGIC is significant at £58.7m (2019: £58.7m). However, this risk is largely mitigated by forecast recoveries being collateralised. Contracts ceded net to the syndicate are not considered to carry reinsurance credit risk and are assessed as part of gross reserving risk. Reinsurance aged debt and risk of default are monitored by R&Q who report to CMA through the Run-Off Management Committee.

Risk management (continued)

Insurance Risk

The following table shows the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive underwriting year at each reporting date, together with cumulative payments to date. The cumulative claim estimates and cumulative payments are translated to Converted Sterling at the rate of exchange that applied at the end of the underwriting year.

Insurance contract outstanding claims provision by year of account as at 31 December 2020:

Analysis of claims development by year of account 2020 in £'000

	2020	2019	2017	2016	2015
Estimate of cumulative gross claims incurred:					
At end of underwriting year	99,016	58,790	16,270	52,762	46,653
After one year		67,432	20,776	117,709	135,012
After two years			25,045	124,663	150,327
After three years			22,549	125,795	149,475
After four years				129,067	148,820
After five years					150,772
Cumulative gross payments to date		19,357	14,159	106,298	136,664
Outstanding gross claims provision at 31 December 2020	99,016	48,075	8,390	22,769	14,108
Estimate of cumulative net claims incurred:					
At end of underwriting year	97,924	58,790	6,664	47,456	42,336
After one year		64,968	8,328	74,188	123,679
After two years			12,305	76,006	125,432
After three years			9,246	74,662	126,366
After four years				81,929	122,773
After five years					116,415
Cumulative net payments to date		19,357	5,766	82,075	116,730
Outstanding net claims provision at 31 December 2020	97,924	45,611	3,480	(146)	(315)

The fixed rates on the whole account stop loss give rise, in some cases, to negative net claims provisions.

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

Risk management (continued)

Liquidity risk

To mitigate liquidity risk the investment committee regularly reviews cash flow projections and maintains cash levels consistent with the needs of the Syndicate. The Syndicate maximises the inflow of funds from reinsurance recoveries and monitors costs through the reporting of actuals against budget.

The following table illustrates the maturity profile of the Syndicate's financial liabilities.

As at 31 December 2020	**Within one year**	**Between one and three years**	**Between three and five years**	**Over five years**	**Total**
	£000	***£000***	***£000***	***£000***	***£000***
Outstanding claims liabilities	32,834	43,631	53,171	76,779	206,415
Creditors	30,289	-	-	-	30,289
As at 31 December 2019					
Outstanding claims liabilities	41,309	46,527	27,215	18,720	133,771
Creditors	8,724	-	-	-	8,724

Currency risk

The main exposure to foreign currency risk arises from insurance business originating overseas. The Syndicate seeks to mitigate the risk by looking to match the estimated foreign currency denominated liabilities with assets denominated in the same currency where possible.

The Syndicate is exposed to changes in the unmatched value of assets and liabilities due to movements in foreign exchange rates. The Syndicate has five settlement currencies: UK sterling; Canadian dollars; Euros; Australian dollars; and US dollars. Transactions also take place in other currencies, although these are immediately converted to UK sterling. A 10% fall in the in the value of all overseas net assets would lead to a £0.5m loss (2019: £0.5k loss) with US dollar net assets being the largest element of that at £0.4m loss (2019: £0.4k loss).

The Syndicate has not taken out any transactions to hedge these balances.

Risk management (continued)

At 31 December 2020	**Sterling £000**	**US Dollar £000**	**Euro £000**	**CAD £000**	**Total £000**
Total assets	85,302	140,753	7,520	9,060	242,635
Total liabilities	(86,214)	(133,205)	(6,200)	(4,677)	(230,296)
Net assets	(912)	7,548	1,320	4,383	12,339

At 31 December 2019	**Sterling £000**	**US Dollar £000**	**Euro £000**	**CAD £000**	**Total £000**
Total assets	113,734	30,713	197	4,882	149,526
Total liabilities	(106,971)	(30,318)	(4,104)	(2,939)	(144,332)
Net assets	6,763	395	(3,907)	1,943	5,194

Interest rate risk

The Syndicate's main exposure to fluctuation in interest rates arises from its effect on the valuation of funds invested in bonds and equities. In order to mitigate this risk, the Investment Committee, advised by its external investment managers, monitors the economic situation to seek to anticipate any future interest rate movement and to take appropriate action to mitigate its effect on the value of investments held.

A large element of the Syndicate's investments comprises fixed income securities. The fair value of the investment in fixed income securities is inversely correlated to the movement in market interest rates. If market rates fall, the fair value of the Syndicate's fixed interest investments would tend to rise and vice versa. Fixed income assets are predominantly invested in high quality corporate and government securities. The investments typically have relatively short durations and terms to maturity.

	2020 **£000**	***2019*** **£000**
Impact of a 50 basis point increase in interest rates on result	(539)	(97)
Impact of a 50 basis point decrease in interest rates on result	539	97
Impact of a 50 basis point increase in interest rates on net assets	(539)	(97)
Impact of a 50 basis point decrease in interest rates on net assets	539	97

Credit risk

Credit risk arises where counterparties fail to meet their financial obligations in full as they fall due. The primary sources of credit risk for the Syndicate are:

- **Reinsurers:** Whereby reinsurers may fail to pay valid claims against a reinsurance contract held by the Syndicate.
- **Brokers and intermediaries:** Whereby counterparties fail to pass on premiums collected or claims paid on behalf of the Syndicate.
- **Financial instruments:** Whereby issuer default results in the Syndicate losing all or part of the value of a financial instrument.

Risk management (continued)

Financial instruments risk

The Syndicate has debtors, creditors, bank balances and investments in various currencies in the normal course of its business. The risks with regard to these transactions are detailed above and none of these financial instruments are considered to present any risks that are exceptional in their nature for their type of instrument. The Syndicate does not actively enter into derivatives, hedging or other uses of financial instruments as part of its financial risk management.

The following table shows credit risk exposure of the Syndicate's financial assets.

At 31 December 2020	***AAA***	***AA***	***A***	***Other/ non- rated***	***Total***
	£000	**£000**	**£000**	**£000**	**£000**
Variable yield securities and unit trusts	3,185	1,400	3,670	946	9,201
Debt securities and other fixed income securities (including derivative contracts)	12,997	3,433	31,713	39,584	87,727
Participation in investment pools	-	-	-	-	-
Deposits with credit institutions	-	-	244	-	244
Reinsurers share of outstanding claims	4,535	55,725	-	-	60,260
Reinsurance debtors	-	-	-	160	160
Cash at bank and in hand	-	-	4,382	-	4,382
Overseas deposits	3,531	588	466	1,712	6,297
Total	24,248	61,146	40,475	42,402	168,271
Amounts attributable to largest single counterparty	-	56,254	-	-	56,254

	AAA	***AA***	***A***	***Other/ non- rated***	***Total***
At 31 December 2019	**£000**	**£000**	**£000**	**£000**	**£000**
Variable yield securities and unit trusts	3,273	757	*1,020*	358	5,408
Debt securities and other fixed income securities (including derivative contracts)	-	4,515	1,910	134	6,559
Participation in investment pools	-	-	-	-	-
Reinsurers share of outstanding claims	3,433	58,790	-	-	62,223
Cash at bank and in hand	-	-	368	-	368
Overseas deposits	4,350	934	577	1,248	7,109
Total	11,056	64,996	3,875	1,740	81,667
Amounts attributable to largest single counterparty	-	58,671	-	-	58,671

Risk management (continued)

Operational risk

Much of the effect of the Syndicate's exposure to operational risks is reflected in the various other risk headings above, and is mitigated and managed through the exercise of the management controls and actions described above. The main additional exposures are in relation to business continuity, i.e. the risk that the ability of the Syndicate to continue in business will be affected by events not reflected under other headings, for example the impact of terrorist activity, and in the management of relationships and arrangements with key individuals.

In relation to the former, the managing agent maintains a Business Continuity Plan (BCP) which sets out the anticipated risks, including those relating to the robustness and sustainability of IT infrastructure and business applications, and the arrangements in place to mitigate those risks. The BCP is monitored and updated regularly. In addition, to mitigate the risk of loss of key staff, the managing agent seeks to maintain a succession plan to reduce the dependence on any one individual so far as is practicably possible.

Operational risk is monitored via regular risk and control assessments and tested for adequate risk mitigation in place through scenario assessments; the insight from these processes is used to quantify operational risk in the internal model.

Regulatory risk

The managing agent is required to comply, inter alia, with the requirements of the Prudential Regulation Authority, the Financial Conduct Authority and Lloyd's. Failure to comply with applicable regulations could result in a variety of sanctions, the most extreme being a withdrawal of the right to conduct business at Lloyd's. The managing agent has established a business ethos in which best practice is the required standard for all operations, both in the commercial interests of the business and to ensure regulatory compliance. Management has also put in place appropriate monitoring structures to mitigate the risk of failing to meet this standard. The Risk & Compliance Director monitors regulatory developments to ensure the managing agent remains compliant. In addition, the Risk Management function reports on the regulatory risk. The internal audit function supports the monitoring process, and reports into the Risk & Capital Committee, itself comprised of non-executive directors of the managing agent.

Risk management (continued)

Solvency risk

The Board sets the Syndicate's risk appetite in line with its strategy and ensures that sufficient capital resources are raised to cover those risks in line with regulatory and Lloyd's capital setting processes. The Risk & Capital committee monitors risk appetite and tolerances on behalf of the Board.

In the event of extreme adverse claims experience, it is possible that the Syndicate may not be able to settle its claim liabilities out of its own funds. In that event, the capital structure underpinning the Syndicate is such that any deficits can be called from the Syndicate's capital providers (members) in accordance with Lloyd's rules. In the event of any member being unable to fulfil its share of such a call, Lloyd's Central Guarantee Fund may, at Lloyd's discretion, be applied to make good any deficits for the benefit of policyholders.

Brexit – Lloyd's Europe & Lloyd's Part VII Transfer

Following the UK's decision in the Referendum of 23 June 2016 to leave the European Union, Lloyd's has given much thought to and has developed a solution allowing Syndicates to continue to trade beyond the transition period ending 31 December 2020. Lloyd's Brussels (Lloyd's Insurance Company S.A) is Lloyd's first Europe wide operation, established to bring the scale, expertise and capacity of the world's specialist insurance market closer to its customers in Europe through a locally staffed and regulated insurer.

The transfer does not change the terms and conditions of any policy, except that Lloyd's Brussels becomes the Insurer and Data Controller in respect of Transferring Policies. The transfer has been carefully designed to ensure that it will not change how policies operate. Policyholders will see no direct administrative change as a result of the proposed transfer and the process for making claims and any payments that may be due as settlement of a valid claim is unaffected by the proposed transfer. The transfer took effect on 30 December 2020.

As Lloyd's Brussels is wholly reinsured by the Syndicates in respect of the transferred business, one innovation in the scheme is to convert the applicable Syndicates' external reinsurance into retrocessions of the Syndicates that reinsure Lloyd's Brussels with the intention of preserving reinsurance cover for the transferred risks.

Covid-19

Direct exposure to the Covid-19 pandemic is not believed to be material as the portfolio is in run-off. The underlying insurance policies were originally unwritten between 1992 and 2018, and coverage ceased before the start of the pandemic, with few exceptions. However, the secondary effects of the pandemic could still affect future claim settlements; for example, the economic fallout could lead to higher inflation and higher claims awards as a consequence.

Risk management (continued)

Climate Change

Climate change is driving unprecedented physical impacts, with increased frequency of extreme weather events and rising sea levels resulting in business disruption. At the same time, global policy and technology changes that seek to limit warming and reduce the associated physical impacts can also cause disruption to business. As with any form of disruption, climate change is creating and will continue to create risks and opportunities for business in a diverse number of ways. As prompted by the Paris Agreement, the recommendations of the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD), the heightened awareness of physical impacts and risks detailed in the Special Report of the Intergovernmental Panel on Climate Change (IPCC) on Global Warming 1.5°C, the impact of climate change, risk management and its integration into business is key in long term resilience.

As a writer of run-off business, the Syndicate considers that it is less exposed to the financial risks presented by climate change than a live business would be but recognises that there may be some effects on its reserves. As part of the risk management strategy of the agency the impact of climate change is considered through business continuity planning, scenario analysis and risk assessment presentations from the Risk Officer to the Executive Directors. Further work continues to promote effective governance surrounding climate risk and opportunity. This endeavour will be ongoing, with review and development to quantify the financial impact, while devising and implementing appropriate measures to mitigate downside risk where possible.

Notes to the annual financial statements
at 31 December 2020

1. Analysis of underwriting results
An analysis of the technical account balance before investment return is set out below:

2020	*Gross premiums written* £000	*Gross premiums earned* £000	*Gross claims incurred* £000	*Gross operating expenses* £000	*Re-insurance balance* £000	*Total* £000
Direct insurance:						
Fire and other damage to property	107	107	(2,802)	(431)	2,720	(406)
Marine, aviation and transport	78	78	(697)	(101)	292	(428)
Third party liability	113	113	(2,015)	(452)	4,285	1,931
Pecuniary loss	18	18	(356)	(79)	558	141
Other	42	42	(210)	(36)	34	(170)
	358	358	(6,080)	(1,099)	7,889	1,068
Reinsurance acceptances:						
Casualty	113,514	114,823	(109,877)	(3,904)	3,609	4,651
Property	61	61	(950)	(274)	43	(1,120)
Marine	192	192	(2,001)	(193)	1,144	(858)
Energy	4	4	(6)	(15)	1	(16)
Motor	-	-	(5)	(2)	2	(5)
Aviation	4	4	(213)	(2)	40	(171)
	114,133	115,442	(119,132)	(5,489)	12,728	3,549

2019	*Gross premiums written* £000	*Gross premiums earned* £000	*Gross claims incurred* £000	*Gross operating expenses* £000	*Re-insurance balance* £000	*Total* £000
Direct insurance:						
Fire and other damage to property	410	410	318	(642)	(329)	(243)
Marine, aviation and transport	(1)	(1)	(26)	(2)	27	(2)
Third party liability	(244)	(244)	(17,458)	(382)	18,078	(6)
Pecuniary loss	-	-	-	-	-	-
Other	234	234	(188)	(506)	195	(265)
	399	399	(17,354)	(1,532)	17,971	(516)
Reinsurance acceptances:						
Casualty	59,835	58,518	(58,856)	(183)	68	(453)
	60,234	58,917	(76,210)	(1,715)	18,039	(969)

All premiums were concluded in the United Kingdom.

Notes to the annual financial statements (continued)
at 31 December 2020

2. Particulars of business written

Gross operating expenses are the same as net operating expenses shown in the statement of profit or loss technical account, as no commissions in respect of outward reinsurance were received and set off in arriving at the net operating expenses. Net assets are not managed by reference to the classes on page 30. An allocation of net assets and net liabilities is shown on page 26.

	2020 ***Gross premiums written*** **£000**	***2020*** ***Profit/ (loss)*** **£000**	***2019*** ***Gross premiums written*** **£000**	***2019*** ***Profit/ (loss)*** **£000**
Direct	358	1,841	399	141
Reinsurance	113,775	4,280	59,835	123
	114,133	6,121	60,234	264

Geographical analysis by destination	***2020*** ***Gross premiums written*** **£000**	**2019** ***Gross premiums written*** **£000**
UK	113,337	59,915
EU	786	315
USA	(102)	(41)
Other	112	45
	114,133	60,234

3. Net operating expenses

	2020 **£000**	***2019*** **£000**
Acquisition costs	2,914	482
Administrative expenses	2,574	1,233
	5,488	1,715

Members' standard personal expenses amounting to £900k (2019: £150k) are included in administrative expenses. Members' standard personal expenses include Lloyd's subscriptions, New Central Fund contributions and managing agent's fees.

Notes to the annual financial statements (continued)
at 31 December 2020

3. Net operating expenses (continued)

Administrative expenses include:

	2020	*2019*
	£000	£000
Auditor's remuneration:		
Audit of the Syndicate's financial statements	140	67
Other services pursuant to regulations and Lloyd's byelaws	115	42
Standard personal expenses	900	150

A further amount of £70k (2019:£22k) is chargeable in relation to the additional audit work required.

4. Employees

The following amounts were recharged to the Syndicate in respect of salary and related costs:

	2020	*2019*
	£000	£000
Wages and salaries	2,375	1,898
Social security costs	331	264
Other pension costs	171	137
	2,877	2,299

Salaries and related costs, where they relate to ULAE are treated as paid claims and charged against the ULAE reserve.

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

	2020	*2019*
Underwriting	2	1
Underwriting support	2	2
Claims	2	2
Administration and finance	13	11
	19	16

Notes to the annual financial statements (continued)
at 31 December 2020

5. Directors' and run-off manager's emoluments

The following amounts in respect of emoluments paid to the run-off manager were charged to the Syndicate during the year. The run-off manager was M Langridge until 25 October 2019, who was then succeeded by JB King from this date.

	2020	***2019***
	£000	**£000**
Run-off manager's emoluments	307	25
	307	25

No emoluments of the directors of CMA were directly charged to the Syndicate and consequently no meaningful disclosure can be made.

6. Investment return
(a) Investment return

	2020	***2019***
	£000	**£000**
Income from financial investments	1,689	905
Realised gains on investments	252	107
Investment income	1,941	1,012
Realised losses on investments	(82)	(16)
Investment expenses	(56)	(1)
Investment expenses and charges	(138)	(17)
Unrealised gains on investments	1,380	242
Unrealised losses on investments	(609)	(4)
Net unrealised gains and losses on Investments	771	238
Allocated investment return transferred to the technical account from the non-technical account.	2,574	1,233

(b) Average amount of funds available for investment during the year

	2020	***2019***
	£000	**£000**
U.S. dollars	32,165	15,044
Sterling (including Australian and Euro TF)	15,339	11,992
Canadian dollars	4,704	6,352
Combined in sterling	52,208	33,388

Net calendar year investment yield	***2020***	***2019***
U.S. dollars	1.9%	4.0%
Sterling (including Australian and Euro TF)	3.1%	3.9%
Canadian dollars	3.4%	2.5%
Combined in sterling	2.4%	3.7%

Notes to the annual financial statements (continued)

at 31 December 2020

7. Other financial investments

	2020 Cost £000	*2020* Market value £000	*2019* Cost £000	*2019* Market value £000
Shares and other variable yield securities and units in unit trusts (note 16)	9,074	9,201	5,392	5,409
Debt securities and other fixed income securities	87,002	87,728	6,373	6,559
Participation in investment pools	-	-	-	-
Other investments	244	244	-	-
	96,320	97,173	11,765	11,968

Breakdown of investments by currency

	US dollar US$000	*Canadian dollar* Can$000	*Other* £000	*Total* £000
Year ended 31 December 2020				
Shares and other variable yield securities and units in unit trusts	7,226	7,591	-	9,200
Debt securities and other fixed income securities	120,187	-	-	87,728
Participation in investment pools	-	-	-	-
Other investments	334	-	-	244
	127,747	7,591	-	97,172
Year ended 31 December 2019				
Shares and other variable yield securities and units in unit trusts	2,109	6,555	-	5,409
Debt securities and other fixed income securities	8,658	-	-	6,559
Participation in investment pools	-	-	-	-
Other investments	-	-	-	-
	10,767	6,555	-	11,968

Notes to the annual financial statements (continued)
at 31 December 2020

7. Other financial investments (continued)

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
Year ended 31 December 2020				
Shares and other variable yield securities and units in unit trusts	5,145	4,055	-	9,200
Debt securities and other fixed income securities	19,219	68,509	-	87,728
Participation in investment pools	-	-	-	-
Other investments	244	-	-	244
Total	24,608	72,564	-	97,172
Year ended 31 December 2019				
Shares and other variable yield securities and units in unit trusts	160	5,249	-	5,409
Debt securities and other fixed income securities	6,559	-	-	6,559
Participation in investment pools	-	-	-	-
Other investments	-	-	-	-
Total	6,719	5,249	-	11,968

In accordance with FRS 102 paragraph 11.27 the above financial instruments have been classified using three levels to estimate their fair values, with Level 1 being the most reliable. The levels within the fair value hierarchy are defined as follows:

Level 1: The unadjusted quoted prices in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e.. developed using market data), for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Notes to the annual financial statements (continued)
at 31 December 2020

8. Provision for unearned premiums

2020	*Gross* £000	*Reinsurers' share* £000	*Net* £000
At 1 January 2020	-	-	-
Premiums written in the year	114,133	(721)	113,412
Premiums earned in the year	(115,442)	721	(114,721)
Foreign exchange	-	-	-
At 31 December 2020	(1,309)	-	(1,309)

2019			
At 1 January 2019	-	-	-
Premiums written in the year	60,234	(258)	59,976
Premiums earned in the year	(58,917)	258	(58,659)
Foreign exchange	-	-	-
At 31 December 2019	1,317	-	1,317

Notes to the annual financial statements (continued)
at 31 December 2020

9. Claims outstanding

2020	***Gross***	***Reinsurers' share***	***Net***
	£000	**£000**	**£000**
At 1 January 2020	133,771	(62,222)	71,548
Claims incurred in the year	127,798	(13,448)	114,350
Claims paid during the year	(47,895)	16,123	(31,772)
Foreign exchange	(7,252)	(714)	(7,966)
At 31 December 2020	206,422	(60,261)	146,160

2019	***Gross***	***Reinsurers' share***	***Net***
	£000	**£000**	**£000**
At 1 January 2019	93,512	(59,956)	33,556
Claims incurred in the year	70,626	(18,297)	52,329
Claims paid during the year	(29,085)	15,136	(13,949)
Foreign exchange	(1,282)	895	(388)
At 31 December 2019	133,771	(62,222)	71,548

Within the calendar year net technical result, surpluses of £1.0m on direct business (2019: £0.5m deficit) and £2.5m on reinsurance accepted business (2019: £0.5m deficit) relate to the reassessment of net claims incurred for previous accident years.

Notes to the annual financial statements (continued)
at 31 December 2020

10. Significant reinsurance arrangements

Prior to the novation to CMA on the 25 October 2019 the Syndicate had ceased to accept any new business, other than business that was already committed. The following reinsurance arrangements were entered into during 2017 that relate wholly to the 2017 and prior years of account are still in force:

- PSMAL commuted the treaty business as at 31 March 2017 that originated from New York Marine and General Insurance Company, Southwest Marine and General Insurance Company and Gotham Insurance Company subsidiaries of the ProSight Group.
- From 1 April 2017, PSMAL agreed a 100% quota share for the delegated underwriting authority business placed by a service company of the ProSight Group.
- PSMAL cancelled an aggregate stop loss policy from a subsidiary of the ProSight Group and entered into an adverse development loss contract with that same subsidiary.
- PSMAL entered into a 100% quota share for policies written after 30 June 2017 with a subsidiary of the ProSight Group.

The practical effect of these arrangements is to ensure that any adverse claim developments will be covered by the above reinsurance arrangements.

11. Debtors

	2020	***2019***
	£000	**£000**
Debtors due within one year		
Due from intermediaries		
Amounts arising out of direct insurance operations	3,715	5,248
Amounts arising out of reinsurance operations	33,843	15,824
	37,558	21,072
Debtors due after one year		
Due from intermediaries		
Amounts arising out of direct insurance operations	2,834	-
Amounts arising out of reinsurance operations	29,416	43,894
	32,250	43,894

Debtors due within one year and arising from direct insurance operations represent loss funds.

Notes to the annual financial statements (continued)
at 31 December 2020

12. Other debtors

	2020	*2019*
	£000	**£000**
Inter-Syndicate loan with 3330	-	2,500
Sundry Debtors	9,562	-
Short term	3,966	288
	13,528	2,788

13. Overseas deposits

	2020	*2019*
	£000	**£000**
Amounts advanced in other countries as a condition of carrying on business there, in particular Australia	6,297	7,109

14. Reconciliation of members' balances

	2020	*2019*
	£000	**£000**
Members' balances at 1 January	5,194	14,413
Closed year result	-	(7,619)
Profit/(loss) for the financial year	5,867	(191)
Members' fees	1,278	(1,409)
Members' balances carried forward at 31 December	12,339	5,194

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.

Notes to the annual financial statements (continued)
at 31 December 2020

15. Creditors

	2020	*2019*
	£000	£000
Creditors due within one year		
Amounts arising out of:		
Reinsurance operations	20,727	8,724
Other creditors including taxation	9,562	-
Amounts falling due within one year	30,289	8,724

16. Cash and cash equivalents

	2020	*2019*
	£000	£000
Cash at bank and in hand	4,382	368
Short-term deposits with financial institutions (note 7)	9,201	5,409
	13,583	5,777

17. Regulatory capital requirements

Funds at Lloyd's

Every member of Lloyd's is required to hold additional capital at Lloyd's which is held in trust and known as Funds at Lloyd's ("FAL"). These funds are required primarily in case Syndicate assets prove insufficient to meet members' underwriting liabilities.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's according to the nature and the amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of that business. FAL is not hypothecated to any specific Syndicate participation by a member, therefore there are no specific funds available to a Syndicate which can be precisely identified as its capital.

In addition to the FAL and any additional funds a member may introduce to meet losses, there is a Central Guarantee Fund controlled by Lloyd's which they may utilise to meet any Syndicate liabilities that are not met by a member.

Notes to the annual financial statements (continued)

at 31 December 2020

17. Regulatory capital requirements (continued)

Capital framework at Lloyd's

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

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, Lloyd's capital setting processes use a capital requirement set at Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at Syndicate level. Accordingly, the capital requirement in respect of Syndicate 1110 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 comprise 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 is participating but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate SCR 'to ultimate'. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2019 was 35% of the member's SCR 'to ultimate'.

Notes to the annual financial statements (continued)

at 31 December 2020

17. Regulatory capital requirements (continued)

Provision of capital by members'

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

There are no funds in Syndicate held for this Syndicate, accordingly all of the assets less liabilities of the Syndicate, as represented by the member's balances reported on the balance sheet represent resources available to meet members' and Lloyd's capital requirements. Every member is required to hold capital at Lloyd's which is held in trust and known as FAL. These funds are intended primarily to cover circumstances where Syndicate assets prove insufficient to meet participating members' underwriting liabilities. The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the managing agent, no amount has been shown in these annual financial statements by way of such capital resources. However, the managing agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses.

18. Related parties

(i) During the year R&Q MA Services Limited, was paid £0.2m (2019: £0.6m) by the Syndicate for services provided. This amount has been charged on an arms-length basis.

(ii) During the year Coverys MA Services Limited (CMAS), was paid £0.1m (2019: £1.5m) by the Syndicate for services provided to reflect the conclusion of services to S.3330, which closed by way of RITC on 1 January 2021. This amount has been charged on an arms-length basis.

(iii) During the year Capita Managing Agency Limited recharged £1.35m in respect of time and materials costs (2019: £0.245m). This amount has been charged on an arms-length basis.

19. Derivatives

During the year, the Syndicate has not held or purchased any derivative contracts.

20. Off-balance sheet items

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

21. Post Balance Sheet Events

As a result of Brexit and the Part VII transfer, on 4 January 2021 the Syndicate transferred £1.6m from the premium trust funds to the Part VII settlement accounts held by Lloyd's Europe. These funds are held to pay claims for all European policy holders. The total liquidity required to support the Syndicate's European business is assessed on a monthly basis.

Following the year ending 31 December 2020, the Syndicate is to pay undistributed profits of £7.0m, relating to the closed 2016 year of account, to R&Q Corporate Members 6 and 7.