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Skuld Syndicate 1897

Syndicate Annual Report and Accounts

31 December 2020

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
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

G S Thomas	Resigned 31 July 2019

Run-off Manager

S Smith	Appointed 28 October 2019
S Smith	Resigned 30 September 2020
M Bannister	Appointed 01 October 2020

Bankers
Barclays Plc
Citibank NA
RBC Dexia

Investment Managers
New England Asset Management Limited (NEAM)

Registered Auditors
Ernst & Young LLP

Signing Actuary
Ernst & Young LLP

Managing Agent's report

The Syndicate's Managing Agent is a company registered in England and Wales. The Directors of the Managing Agent present their report for the year ended 31 December 2020.

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

Results

The total recognised result for calendar year 2020 is a loss of £5,597,285 (2019: loss of £23,359,197). Profits and losses will be distributed and collected by reference to the results of individual underwriting years.

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

During 2020, the Skuld Corporate members I and II were sold to RiverStone Holdings Ltd. As of 1st January 2021, the Managing Agency contract for Syndicate 1897 was novated to RiverStone Managing Agency Limited (“RSML”). RSML expects that the 2019 YOA of Syndicate 1897 will be closed into Syndicate 3500 in the normal course of closure as of 31st December 2021.

Principal activity and review of the business

The Syndicate’s principal activity was the underwriting of direct insurance and reinsurance business in the Lloyd’s market.

The Syndicate wrote predominately marine and energy insurance primarily in the United Kingdom. The Syndicate ceased underwriting on the 1st July 2019 and entered into voluntary run off.

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

	2020 £’000	**2019 £’000**
Builders / Special Risks	196	588
Cargo	417	(19)
Energy Upstream Onshore	(166)	1,170
HE – Treaty	-	(21)
Increased Value	11	1,001
Loss of Hire	(33)	341
Marine Hull	(1,715)	15,069
Marine Liability	1,366	3,792
Marine War Risks	2,569	2,119
Non Marine Liability	497	(96)
OEGW Offshore Energy GOM	2	(32)
Offshore Energy Excluding GOM Wind	(618)	1,150
Political Risks	1	(12)
Ports and Terminals	88	(22)
Property Binders	-	529
Property D&F	-	228
Property Treaty	-	581
Speciality	-	(50)
Yachts	(182)	316
	2,433	26,632

Managing Agent's report continued

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

	2020 £'000	2019 £'000	Change %
Gross written premiums	2,433	26,632	(90.9%)
Loss for the financial year	(6,269)	(29,518)	(78.8%)
Total comprehensive loss	(5,597)	(23,359)	(76.0%)
Combined ratio	155.2%	165.3%	(10.1%)

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

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

The return on capacity for the 2018 closed year of account at 31 December 2020 is shown below together with the forecast for the 2019 open year of account.

	2019 YOA Open	2018 YOA Closed
Capacity (£'000)	43,333	65,000
Result/forecast (£'000)	(10,911)	(23,728)
Return on capacity (%)	(25.2%)	(36.5%)

Principal risks and uncertainties

The Agency Risk Committee met at least quarterly to oversee the risk management framework. The Run-Off Committee, a sub-committee of the Agency Board, reviewed the risk profile as reflected in the risk register, and monitored performance against risk appetite using a series of key risk indicators. Following the novation of the managing agent to RiverStone the process for identifying risks and uncertainties will fall under their group policy. The below principal risk and uncertainties facing the Syndicate are as per the Asta policy and are as follows:

Insurance risk

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

Credit risk

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

Market risk

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

Exposure to changes in interest rates comes from the Syndicate’s investment portfolio. The Agency seeks to minimise this risk through investing in either fixed interest securities or high quality floating rate notes.

In addition, an Investment Committee which reports to the Run-Off Committee ensures that the Syndicate’s investment portfolio is managed by the external investment manager in accordance with the Syndicate’s risk appetite and to guidelines as approved by the Run-Off Committee.

Liquidity risk

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

Operational risk

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

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

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

Group / strategic risk

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

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

Future developments

During 2020, it was agreed with RiverStone Managing Agency Limited (RSML), that following the closure of the 2018 year of account, it would reinsure into their Syndicate 3500 on 1st January 2021. At the same time, RSML would also assume the management and administration of the 2019 YOA, by way of a loss portfolio transfer from Syndicate 1897 to Syndicate 3500.

Environmental, Social and Governance (ESG)

In 2020 Asta initiated work to document relevant ESG requirements and complete an assessment of its current business model against these requirements. This work culminated in a number of actions to strengthen Asta's ESG Framework which will be completed in 2021.

This work will also inform Asta's approach to its syndicates' ESG frameworks and is aligned to Lloyd's ESG work demonstrated though the Lloyd's ESG report produced in December 2020, and to Asta's climate change work detailed below.

Climate change

Following the Prudential Regulation Authority's (PRA) Supervisory Statement in 2019 and subsequent Dear CEO letter in 2020, AMA have ensured Board-level engagement and accountability with the PRA's requirements, assigning clear responsibilities for managing AMA's and its syndicate's financial risks associated with climate change. The AMA Finance Director, who is a Board member, is responsible for identifying and managing financial climate related risks.

AMA are working to establish a framework for assessing the impacts of climate change. This framework considers the impacts in relation to Governance, Disclosure, Risk Management, Scenario Analysis, Counterparty assessment and Investment Strategy.

Coronavirus

Since the start of 2020, there has been a global outbreak of the Coronavirus, Covid-19, which is a new virus that predominantly affects lungs and airways. Many countries have reacted to contain the spread of the virus by isolating whole affected areas and infected individuals. This has resulted in wide-ranging operational changes across many industries, including syndicates operating in the Lloyd's of London insurance market.

As part of the ongoing activities of the Asta Risk Management Framework, such circumstances are considered and work has been undertaken to assess the insurance, operational and economic risks associated with the outbreak and any impact on the Syndicate has been mitigated or addressed where possible.

The Syndicate has not incurred material losses to date as a result of Covid-19, with the financial impact regularly assessed as part of the reserving and capital modelling processes.

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

Working arrangements across the Agency and the Syndicate have been adjusted in line with government restrictions and guidance. While working remotely has proved challenging at times the overall experience has been successful. Staff have embraced new technology and maintained active communication with each other and clients. The IT infrastructure has dealt well with the changes and we have seen minimal downtime. The Agency and Syndicate have continued to meet the business and regulatory requirements.

The Agency plans to maintain the current form of operations for the foreseeable future with no adverse effects anticipated

Managing Agent’s report continued

Directors

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

C N Griffiths	Appointed 01 January 2020
K A Green	Appointed 01 February 2020

Disclosure of information to the Auditors

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

Auditors

Following 1897’s RITC and Loss Portfolio transfer to RSML Syndicate 3500, the Audit and Actuarial opinions will be undertaken by the those of the wider Riverstone Group.

Syndicate Annual General Meeting

Following 1897’s novation to RiverStone Managing Agency and in accordance with the Syndicate Meetings (Amendment No 1) Byelaw (No 18 of 2000) the Managing Agent does not propose holding an annual meeting this year; objections to this proposal can be made by Syndicate members before 30 April 2021.

On behalf of the Board

N J Burdett
Company Secretary
04 March 2021

Statement of Managing Agent's responsibilities

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

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

In preparing the Syndicate annual accounts, the Managing Agent is required to:

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

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

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

Independent Auditor’s report

Independent auditor's report to the members of Syndicate 1897

Opinion

We have audited the syndicate annual accounts of syndicate 1897 (‘the syndicate’) for the year ended 31 December 2020 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 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ and FRS 103 ‘Insurance Contracts’ (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

- give a true and fair view of the syndicate’s affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the syndicate annual accounts section of our report. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, including the 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 syndicate annual accounts, we have concluded that the managing agent’s use of the going concern basis of accounting in the preparation of the syndicate annual accounts is appropriate.

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

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

Other information

The other information comprises the information included in the annual report, other than the syndicate annual accounts and our auditor's report thereon. The directors of the managing agent is responsible for the other information contained within the annual report.

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

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

We have nothing to report in this regard.

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

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the managing agent

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

Independent auditor's report continued

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

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

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

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

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

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

Our approach was as follows:

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

- We obtained a general understanding of how the syndicate is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the syndicate. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the syndicate, Lloyd's of London and other UK regulatory bodies; reviewed minutes of the Board and Risk Committee of the managing agent; and gained an understanding of the managing agent's approach to governance.

- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related syndicate annual accounts' items.

- For both direct and other laws and regulations, our procedures involved: making enquiry of the directors of the managing agent and senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the managing agent's methods of enforcing and monitoring compliance with such policies, inspecting significant correspondence with Lloyd's, the FCA and the PRA.

Independent auditor's report continued

- The syndicate operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

- We assessed the susceptibility of the syndicate's annual accounts to material misstatement, including how fraud might occur by considering the controls that the managing agent has established to address risks identified by the managing agent, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, 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, 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 annual accounts 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 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.

Jonathan Bell (Senior statutory auditor)

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

London

04 March 2021

Income statement

Technical account - General business

For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Gross premiums written	3	2,433	26,632
Outward reinsurance premiums		(403)	(5,401)
Net written premiums		2,030	21,231
Change in the provision for unearned premiums			
• Gross amount		10,335	27,351
• Reinsurers' share		-	(2,245)
Change in the net provision for unearned premiums	4	10,335	25,106
Earned premiums, net of reinsurance		12,365	46,337
Allocated investment return transferred from the non-technical account		888	1,313
Claims paid			
• Gross amount		(40,479)	(92,969)
• Reinsurers' share		1,237	34,731
		(39,242)	(58,238)
Changes in claims outstanding			
• Gross amount		29,213	30,091
• Reinsurers' share		(567)	(28,217)
Change in the net provision for claims	4	28,646	1,874
Claims incurred, net of reinsurance		(10,596)	(56,364)
Net operating expenses	5	(8,599)	(20,253)
Balance on technical account – general business		(5,942)	(28,967)

Income statement continued

Non-technical account - General business

For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Balance on technical account – general business		(5,942)	(28,967)
Investment income	9	625	976
Gains on the realisation of investments		234	267
Unrealised gains on investments		116	177
Losses on the realisation of investments		(22)	(13)
Unrealised losses on investments		(36)	(40)
Investment management charges		(29)	(54)
Allocated investment return transferred to the general business technical account		(888)	(1,313)
Exchange (losses)		(327)	(551)
Loss for the financial year		(6,269)	(29,518)

All the amounts above are in respect of continuing operations.

The notes on pages 18 to 43 form part of these financial statements.

Statement of other comprehensive income

For the year ended 31 December 2020

	2020 £'000	2019 £'000
Loss for the financial year	(6,269)	(29,518)
OCI – Currency Translation Differences	672	6,159
Total comprehensive loss for the year	(5,597)	(23,359)

Statement of changes in members' balances

For the year ended 31 December 2020

	2020 £'000	2019 £'000
At 1 January	(44,268)	(31,428)
Total comprehensive loss for the year	(5,597)	(23,359)
Collection from members	-	-
Cash Call	-	-
Distribution loss	16,577	10,668
Exchange difference	-	(149)
At 31 December	(33,288)	(44,268)

Statement of financial position

As at 31 December 2020

	Notes	2020 £'000	2019 £'000
Assets			
Investments			
Financial investments	10	33,479	39,470
Reinsurers' share of technical provisions			
Provision for unearned premiums	4	-	-
Claims outstanding	4	6,310	25,445
		6,310	25,445
Debtors			
Debtors arising out of direct insurance operations	11	980	9,500
Debtors arising out of reinsurance operations	12	696	7,397
Other debtors		60	534
		1,736	17,431
Cash and other assets			
Cash at bank and in hand	17	2,647	6,537
Other assets	16	3,386	4,018
		6,033	10,555
Prepayments and accrued income			
Deferred acquisition costs	4	147	2,747
Other prepayments and accrued income		51	150
		198	2,897
Total assets		47,756	95,798

The notes on pages 18 to 43 form part of these financial statements.

Statement of financial position continued

As at 31 December 2020

	Notes	2020 £'000	2019 £'000
Members' balance and liabilities			
Capital and reserves			
Members' balances		(33,288)	(44,268)
Liabilities			
Technical provisions			
Provision for unearned premiums	4	548	10,773
Claims outstanding	4	73,097	123,873
		73,645	134,646
Creditors			
Creditors arising out of direct insurance operations	13	427	411
Creditors arising out of reinsurance operations	14	863	1,915
Other creditors	15	3,446	2,643
		4,736	4,969
Accruals and deferred income		2,663	451
Total liabilities		81,044	140,066
Total members' balances and liabilities		47,756	95,798

The notes on pages 18 to 43 form part of these financial statements.

The financial statements on pages 12 to 43 were approved by Board of Directors on 01 March 2021 and were signed on its behalf by:

R P Barke
Director
04 March 2021

Statement of cash flows

For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Cash flows from operating activities			
Loss on ordinary activities		(6,269)	(29,518)
(Decrease) in gross technical provisions		(61,001)	(74,219)
Decrease in reinsurers' share of gross technical provisions		19,135	39,870
Decrease in debtors		15,695	21,614
(Decrease) in creditors		(233)	(2,796)
Movement in other assets/liabilities		5,543	8,225
Foreign exchange		1,669	7,039
Investment Return		(888)	(1,313)
Net cash (outflows) from operating activities		(26,349)	(31,098)
Cash from investing activities			
Purchase of equity and debt instruments		(40,542)	(77,098)
Sale of equity and debt instruments		51,034	92,884
Investment income received		808	1,313
Net cash inflows from investing activities		11,300	17,099
Cash from financing activities			
Collection of losses		16,577	10,668
Cash call		-	-
Exchange difference		-	(149)
Net cash inflows from financing activities		16,577	10,519
Net increase/(decrease) in cash and cash equivalents		1,528	(3,480)
Cash and cash equivalents at beginning of year		18,760	23,120
Exchange differences on opening cash		(113)	(880)
Cash and cash equivalents at end of year	17	20,175	18,760

Notes to the financial statements

For the year ended 31 December 2020

1. Basis of preparation

Statement of compliance

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

The financial statements are prepared under the historical cost convention except for certain financial instruments which are measured at fair value. The Syndicate's functional currency is USD. The financial statements are prepared in GBP which is the reporting and presentational currency of the Syndicate and rounded to the nearest £'000.

As permitted by FRS 103 the Syndicate continues to apply the existing accounting policies that were applied prior to this standard for its insurance contracts.

2. Accounting policies

Use of estimates

In preparation of the financial statements, the Directors of the Managing Agent have made judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the accounts, and the reported amounts of income and expenses during the reporting period. Actual results may differ from those estimates. Significant items subject to such estimates and assumptions include:

(i) provision for claims outstanding (refer to claims incurred accounting policy);

(ii) estimates of future premium for binder contracts (refer to gross premiums accounting policy).

Significant accounting policies

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

Gross premiums

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

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

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

Accounting policies continued

Reinsurance premiums

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

Claims incurred

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

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

The amount included in respect of IBNR is based on statistical techniques of estimation applied by actuaries. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

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

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

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

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

Provisions for unearned premiums

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

Accounting policies continued

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

Unexpired risks

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

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

At 31 December 2020 the Syndicate had nil unexpired risk provision (31 December 2019 £0.9m).

Deferred acquisition costs

Acquisition costs comprise costs arising from the conclusion of insurance contracts. They include both direct costs, such as intermediary commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio, and indirect costs, such as the administrative expenses connected with the processing of proposals and the issuing of policies.

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

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

Reinsurance assets

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

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

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. There were no such gains recognised in 2020 or 2019.

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

Insurance receivables

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

Accounting policies continued

Insurance receivables are not recognised when the derecognition criteria for financial assets have been met.

Insurance payables

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

Foreign currencies

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

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.

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

	2020	**2019**
	Year End	**Year End**
USD	1.37	1.32
CAD	1.74	1.72
EUR	1.12	1.18

Financial liabilities

The Syndicate's financial liabilities include trade and other payables and insurance payables. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

A financial liability is derecognised when the obligation under the liability is discharged or expires.

Financial investments

The Syndicate classifies its financial investments as either financial assets at fair value through profit or loss, loans and receivables or available for sale. The Syndicate determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value plus, in the case of instruments not at fair value through profit or loss, directly attributable transaction costs.

The classification depends on the purpose for which the investments were acquired or originated. In general, financial assets are classified as fair value through profit or loss as the Syndicate's documented investment strategy is to manage financial investments acquired on a fair value basis.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date the Syndicate commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the time frame generally established by regulation or convention in the market place.

Accounting policies continued

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value at each reporting date. Fair value adjustments and realised gains and losses are recognised in the income statement.

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

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

Investment return

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

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

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

Taxation

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

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

Profit commission

Profit commission is charged by the Managing Agent at a rate of 5% of profit subject to the operation of a two year deficit clause. Such commission does not become payable until after the appropriate year of account closes normally at 36 months.

Pension costs

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

Accounting policies continued

Syndicate operating expenses

Where expenses were incurred by the Managing Agent or on behalf of the Managing Agent on the administration of managed Syndicates, these expenses are apportioned using various methods depending on the type of expense. Expenses which are incurred jointly for the Managing Agent and managed Syndicates are apportioned between the Managing Agent and the Syndicates depending on the amount of work performed, resources used and volume of business transacted. Following the novation to RSML the syndicate will incur charges based on RSML internal policy.

3. Segmental analysis

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

2020	Gross written premiums	Gross premium earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Direct insurance:						
Marine aviation and transport	540	7,116	(4,962)	(5,550)	(442)	(3,838)
Fire and other damage to property	(268)	(74)	90	(266)	15	(235)
Third-party liability	503	503	(1,583)	(13)	651	(442)
Pecuniary loss	-	-	-	-	-	-
Other Including motor	-	-	-	-	-	-
	775	7,545	(6,455)	(5,829)	224	(4,515)
Reinsurance	1,658	5,223	(4,811)	(2,770)	42	(2,316)
Total	2,433	12,768	(11,266)	(8,599)	267	(6,830)

2019	Gross written premiums	Gross premium earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Direct insurance:						
Marine aviation and transport	11,659	32,897	(45,074)	(10,625)	(220)	(23,022)
Fire and other damage to property	744	4,139	(4,042)	(1,417)	701	(619)
Third-party liability	179	221	(2,950)	(366)	48	(3,047)
Pecuniary loss	(6)	(2)	-	1	-	(1)
Other Including motor	35	126	(5)	(41)	(71)	9
	12,611	37,381	(52,071)	(12,448)	458	(26,680)
Reinsurance	14,021	16,602	(10,807)	(7,805)	(1,590)	(3,600)
Total	26,632	53,983	(62,878)	(20,253)	(1,132)	(30,280)

All premiums were concluded in the UK.

The reinsurance balance is the aggregate total of all those items included in the technical account which relate to reinsurance outwards transactions.

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

As detailed in Note 23, the impact of the Part VII transfer to Lloyd's Brussels has not been reflected above.

4. Technical provisions

	2020			2019		
	Gross provisions £'000	**Reinsurance assets £'000**	**Net £'000**	**Gross provisions £'000**	**Reinsurance assets £'000**	**Net £'000**
Claims outstanding						
Balance at 1 January	123,873	(25,445)	98,428	169,320	(63,084)	106,236
Change in claims outstanding	(29,213)	567	(28,646)	(30,091)	28,217	(1,874)
Effect of FX and other movements	(21,563)	18,568	(2,995)	(15,356)	9,422	(5,934)
Balance at 31 December	**73,097**	**(6,310)**	**66,787**	**123,873**	**(25,445)**	**98,428**
Claims notified	47,797	(3,279)	44,518	79,591	(18,118)	61,473
Claims incurred but not reported	25,300	(3,031)	22,269	44,282	(7,327)	36,955
Balance at 31 December	**73,097**	**(6,310)**	**66,787**	**123,873**	**(25,445)**	**98,428**
Unearned premiums						
Balance at 1 January	10,773	-	10,773	39,545	(2,230)	37,315
Change in unearned premiums	(10,335)	-	(10,335)	(27,351)	2,245	(25,106)
Effect of movements in exchange rates	110	-	110	(1,421)	(15)	(1,436)
Balance at 31 December	**548**	**-**	**548**	**10,773**	**-**	**10,773**
Deferred acquisition costs						
Balance at 1 January	2,747	-	2,747	9,896	-	9,896
Change in deferred acquisition costs	(2,627)	-	(2,627)	(6,784)	-	(6,784)
Effect of movements in exchange rates	27	-	27	(365)	-	(365)
Balance at 31 December	**147**	**-**	**147**	**2,747**	**-**	**2,747**

5. Net operating expenses

	2020	2019
	£'000	£'000
Acquisition costs	(289)	(6,057)
Change in deferred acquisition costs	(2,627)	(6,784)
Administration expenses	(5,683)	(7,412)
Net operating expenses	(8,599)	(20,253)

Members' standard personal expenses amounting to £nil (2019: £0.6m) are included in administrative expenses. Members' standard personal expenses include Lloyd's subscriptions, New Central Fund contributions, Managing Agency fees and profit commission.

6. Staff costs

	2020	2019
	£'000	£'000
Wages and salaries	(196)	(1,553)
Social security costs	(28)	(179)
Other pension costs	(18)	(80)
	(242)	(1,812)

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

	2020	2019
Administration and finance	-	2
Underwriting	-	7
Claims	2	4
	2	13

7. Auditor's remuneration

	2020	2019
	£'000	£'000
Audit of the Syndicate annual accounts	(28)	(27)
Other services pursuant to Regulation and Lloyd's Byelaws	(113)	(110)
Other non-audit services	(70)	(73)
	(211)	(210)

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

8. Emoluments of the Directors of Asta Managing Agency Ltd

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

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

No other compensation was payable to key management personnel.

9. Investment return

	2020	2019
	£'000	£'000
Income from other financial investments	625	976
Gains on realisation of investments		
- Fair value through profit or loss designated upon initial recognition	234	267
Total investment income	859	1,243
Losses on realisation of investments		
- Fair value through profit or loss designated upon initial recognition	(22)	(13)
Investment expenses and charges	(29)	(54)
	(51)	(67)
Net unrealised gains/(losses) on investments		
- Financial instruments at fair value through profit and loss	80	137
Total investment return	888	1,313

Investment return continued

Average amount of funds available for investing during the year:		
Sterling	2,836	3,264
United States dollars	46,981	47,640
Canadian dollars	10,664	11,850
Euro	3,139	5,461
Combined in sterling	48,601	52,328
Gross calendar year investment yield:		
Sterling	77	56
United States dollars	843	1,537
Canadian dollars	323	197
Euro	(33)	(62)
Combined in sterling	888	1,313

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

10. Financial investments

	2020		
	Carrying value	Purchase price	Listed
	£'000	£'000	£'000
Shares and other variable yield securities and units in unit trusts			
- Designated at fair value through profit or loss	17,644	17,644	17,644
Debt securities and other fixed income securities			
- Designated at fair value through profit or loss	15,835	15,754	15,553
	33,479	33,398	33,197

Financial investments continued

	2019		
	Carrying value	Purchase price	Listed
	£'000	£'000	£'000
Shares and other variable yield securities and units in unit trusts			
- Designated at fair value through profit or loss	12,339	12,339	12,339
Debt securities and other fixed income securities			
- Designated at fair value through profit or loss	27,131	26,994	26,959
	39,470	39,333	39,298

Amounts included within Shares and other variable securities include CIS/Unit Trusts where funds are invested in a single entity which invests in investments. These have the attributes of a cash instrument with the carrying value and purchase price being the same.

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

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

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
31 December 2020				
Shares and other variable yield securities and units in unit trusts	14,110	3,418	116	17,644
Debt securities and other fixed income securities	739	15,096	-	15,835
Total	14,849	18,514	116	33,479

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
31 December 2019				
Shares and other variable yield securities and units in unit trusts	8,315	3,908	116	12,339
Debt securities and other fixed income securities	6,371	20,760	-	27,131
Total	14,686	24,668	116	39,470

Financial investments continued

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.

11. Debtors arising out of direct insurance operations

	2020	2019
	£'000	£'000
Due from intermediaries within one year	975	9,471
Due from intermediaries after one year	5	29
	980	9,500

12. Debtors arising out of reinsurance operations

	2020	2019
	£'000	£'000
Due from intermediaries within one year	641	7,335
Due from intermediaries after one year	55	62
	696	7,397

13. Creditors arising out of direct insurance operations

	2020	2019
	£'000	£'000
Due to intermediaries within one year	426	402
Due to intermediaries after one year	1	9
	427	411

14. Creditors arising out of reinsurance operations

	2020 £'000	2019 £'000
Due to intermediaries within one year	836	1,915
Due to intermediaries after one year	27	-
	863	1,915

15. Other creditors

	2020 £'000	2019 £'000
Other creditors	3,446	2,643
	3,446	2,643

The 2017 year of account Property class of business was transferred to the 2018 year of account under an RITC agreement. At the same time the cession between Syndicate 1897 and Syndicate 6126 on the 2017 year of account was increased from 85% to 100%. The 2017 year of account for Syndicate 6126 was reinsured to close (RITC) to Syndicate 3268.

Syndicate 1897 (as the host syndicate) will still pay the claims on the Property class of business on behalf of Syndicate 6126 (now Syndicate 3268). The premium payable by Syndicate 1897 to Syndicate 3268 for the increase in the cession from 85% to 100% has not been settled. As claim payments on the Property class of business by Syndicate 1897 are made, these will be offset against the creditor held on the balance sheet.

The net transactions for the Property class of business were:

	2020 £'000	2019 £'000
Net Property Premium	(97)	(133)
Quota share 100% RI premium	97	133
Net claim paid	(5,411)	(1,855)
Quota share 100% RI recoveries on paid claims	5,411	1,855
Change in Net claim Outstanding	5,994	2,656
Quota share change in net claim outstanding	(5,994)	(2,656)
Change in net claim IBNR	36	(324)
Quota share change in net claim IBNR	(36)	324

16. Other assets

Other assets comprise overseas deposits which are lodged as a condition of conducting underwriting business in certain countries.

17. Cash and cash equivalents

	Note	2020	2019
		£'000	**£'000**
Cash at bank and in hand		2,647	6,537
Shares and other variable yield securities and units in unit trusts	10	17,644	12,339
Syndicate Loan to Central Fund		(116)	(116)
		20,175	18,760

Shares and other variable yield securities and units in unit trusts are investments in nature but are treated as Cash and cash equivalents for cash flow purposes, so therefore are included in both Financial investments and Cash and cash equivalents.

18. Related parties

Asta provided service and support to Syndicate 1897 in its capacity as Managing Agent. Managing Agency fees of £nil (2019: £0.2m) and service charges of £1.6m (2019: £1.9m) were recharged by Asta to the Syndicate during 2020. As at 31 December 2020 an amount of £0.1m (2019: £0.3m) was owed to Asta in respect of services provided.

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 arms length basis.

Skuld Services Limited provided support to the Syndicate throughout 2020. These fees were £0.3m (2019: £3.2m), held in Administration expenses. As at 31 December 2020 an amount of £nil (2019: £0.1m) was owed to Skuld Services Limited in respect of services provided.

Riverstone Management Limited provided support to the Syndicate throughout 2020. These fees were £0.1m (2019: £nil), held in Administration expenses. As at 31 December 2020 an amount of £nil (2019: £nil) was owed to Riverstone Management Limited in respect of services provided.

19. Disclosure of interests

Managing Agent's interest

During 2020 Asta was the Managing Agent for ten Syndicates, three Special Purpose Arrangements and one Syndicate in a Box. Syndicate 1729, 1897,1980, 2288, 2525, 2689, 2786, 3268, 4242 and 5886 as well as Special Purpose Arrangements 1892, 6123, and 6131 and Syndicate in a Box 4747 were managed on behalf of third party capital providers.

On 1 January 2020, Asta took on management of Syndicate 2288.

On 1 July 2020, Asta took on management of Syndicate in a Box 4747.

On 1 January 2021, Asta novated Syndicate 1897 to Riverstone Managing Agency.

On 4 February 2021 Asta took on management of Syndicate 1609.

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

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

20. Funds at Lloyd's

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

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the Managing Agent, no amount has been shown in these annual accounts 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. Refer to note 21 for further details on capital resources and note 22 for further details on the call on the member's FAL.

21. Off-balance sheet items

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

22. Risk management

a) Governance framework

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

Asta maintained a risk management function for the Syndicate with clear terms of reference from the Run-Off Committee, its committees and sub committees. Asta supplemented this with a clear organisational structure with documented delegated authorities and responsibilities from the main Asta Managing Agency Board to the Syndicate who performed the underwriting activities. Lastly, the Syndicate policy framework sets its risk management and control and business conduct standards for operations. Asta reviewed and monitored each policy to ensure compliance with the policy throughout the Syndicate.

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

Subsequent to the transfer to RiverStone Managing Agency Limited, the risk management of Syndicate 1897 will fall under the RSML policies and procedures.

b) Capital management objectives, policies and approach

Capital framework at Lloyd's

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

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

Risk management continued

Although Lloyd's capital setting processes use a capital requirement set at Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at Syndicate level. Accordingly the capital requirement in respect of Syndicate 1897 is not disclosed in these financial statements.

Lloyd's capital setting process

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

A Syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the Syndicate on which it 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 2020 was 35% of the member's SCR 'to ultimate'.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (Funds at Lloyd's), 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. Accordingly, the ending members balances reported on the statement of financial position on page 16, represent resources available to meet members' and Lloyd's capital requirements.

c) Insurance risk

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

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

The Syndicate purchases reinsurance as part of its risks mitigation programme. The Syndicate’s reinsurance program is predominantly covered by a whole account, non-proportional losses occurring during policy which covers the calendar year. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. The Syndicate's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations substantially dependent upon any single reinsurance contract.

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

Risk management continued

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

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

Subsequent to the transfer to RiverStone Managing Agency Limited, the reserve risk management of Syndicate 1897 will fall under the RSML policies and procedures.

Key assumptions

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

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

Sensitivities

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

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

	2020 Loss/(Profit)	2019 Loss/(Profit)
Gross	**£'000**	**£'000**
Five percent increase	3,655	6,194
Five percent decrease	(3,655)	(6,194)
Net		
Five percent increase	3,339	4,921
Five percent decrease	(3,339)	(4,921)

The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

Claims development table

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

Risk management continued

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

Underwriting year	2011	2012	2013	2014	2015	2016	2017	2018	2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Estimate of cumulative gross claims incurred:									
At end of underwriting year	7,306	17,270	26,499	29,032	33,953	42,330	24,742	19,200	17,668
One year later	17,490	33,423	54,603	60,818	66,951	65,899	52,053	47,618	23,202
Two years later	20,139	37,089	54,192	63,593	69,950	67,693	62,056	49,021	
Three years later	19,723	34,553	52,391	66,194	68,214	66,533	63,505		
Four years later	20,623	34,395	53,336	75,441	69,818	68,661			
Five years later	20,710	34,299	56,608	74,402	69,975				
Six years later	20,957	34,662	54,916	74,308					
Seven years later	21,353	34,402	54,305						
Eight years later	22,378	34,352							
Nine years later	22,422								
Less cumulative gross paid	(21,467)	(33,420)	(51,829)	(70,452)	(61,521)	(57,073)	(47,785)	(32,603)	(10,504)
Liability for gross outstanding claims (2011 to 2019)	955	932	2,476	3,856	8,454	11,588	15,720	16,418	12,698
Total gross outstanding claims all years									73,097

Underwriting year	2011	2012	2013	2014	2015	2016	2017	2018	2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Estimate of cumulative net claims incurred:									
At end of underwriting year	6,464	14,548	23,889	25,689	32,584	35,955	21,264	18,534	17,344
One year later	13,026	31,597	47,495	53,705	64,186	59,350	44,687	47,165	23,001
Two years later	15,396	35,175	49,369	56,081	67,093	60,068	54,203	48,709	
Three years later	14,393	32,227	47,273	58,428	65,534	59,064	55,575		
Four years later	14,856	32,069	48,198	63,206	65,660	60,439			
Five years later	14,749	31,973	51,470	61,596	65,420				
Six years later	14,954	32,336	49,787	61,892					
Seven years later	15,350	32,070	49,192						
Eight years later	15,121	32,012							
Nine years later	15,158								
Less cumulative net paid	(14,494)	(31,084)	(46,730)	(58,531)	(58,635)	(50,391)	(41,639)	(32,603)	(10,504)
Liability for net outstanding claims (2011 to 2019)	664	928	2,462	3,361	6,785	10,048	13,936	16,106	12,497
Total net outstanding claims all years									66,787

The uncertainty associated with the ultimate claims experience of an underwriting year is greatest when the underwriting year is at an early stage of development and the margin for future experience potentially being more adverse than assumed is at its highest.

As claims develop, and the ultimate cost of the claims becomes more certain, the relative level of margin should decrease. Due, however, to the uncertainty inherent in the claims estimation process, initial reserves may not always be in a surplus. In 2020, there has been an overall deficit of £3.2m on prior year reserves (2019 deficit of £16m). The deficit is primarily driven by premium reductions and reserve increases on the marine and energy classes of business.

Risk management continued

d) Financial risk

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to honour their obligation to the Syndicate.

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

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

Subsequent to the transfer to RiverStone Managing Agency Limited, the credit risk management of Syndicate 1897 will fall under the RSML policies and procedures.

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

2020		**£'000**		
	Neither past due or impaired	**Past due**	**Impaired**	**Total**
Shares and other variable yield securities	17,644	-	-	17,644
Debt Securities and other fixed income securities	15,835	-	-	15,835
Overseas Deposits	3,386	-	-	3,386
Reinsurers share of claims outstanding	6,310	-	-	6,310
Debtors arising out of direct insurance operations	971	9	-	980
Debtors arising out of reinsurance insurance operations	368	-	-	368
Other debtors	586	-	-	586
Cash and cash equivalents	2,647	-	-	2,647
Total	47,747	9	-	47,756

Risk management continued

2019	£'000			
	Neither past due or impaired	Past due	Impaired	Total
Shares and other variable yield securities	12,339	-	-	12,339
Debt Securities and other fixed income securities	27,131	-	-	27,131
Overseas Deposits	4,018	-	-	4,018
Reinsurers share of claims outstanding	25,445	-	-	25,445
Debtors arising out of direct insurance operations	7,466	2,034	-	9,500
Debtors arising out of reinsurance insurance operations	2,611	-	-	2,611
Other debtors	7,203	1,014	-	8,217
Cash and cash equivalents	6,537	-	-	6,537
Total	92,750	3,048	-	95,798

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2020 by classifying assets according to independent credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade and have not been rated. Debtors, other than amounts due from reinsurers, have been excluded from the table as these are not rated.

2020	£'000						
	AAA	AA	A	BBB	BBB or less	Not Rated	Total
Shares and other variable yield securities	-	-	17,644	-	-	-	17,644
Debt Securities and other fixed income securities	5,542	4,443	5,484	366	-	-	15,835
Overseas Deposits	1,231	231	189	172	527	1,036	3,386
Reinsurers share of claims outstanding	-	2,613	3,630	-	2	65	6,310
Debtors arising out of reinsurance insurance operations	-	14	303	-	-	51	368
Cash and cash equivalents	-	-	2,647	-	-	-	2,647
Total	6,773	7,301	29,897	538	529	1,152	46,190

Risk management continued

2019 £'000

	AAA	AA	A	BBB	BBB or less	Not Rated	Total
Shares and other variable yield securities	-	-	12,339	-	-	-	12,339
Debt Securities and other fixed income securities	3,689	9,085	14,357	-	-	-	27,131
Overseas Deposits	1,514	274	324	255	269	1,382	4,018
Reinsurers share of claims outstanding	-	2,719	22,564	-	-	162	25,445
Debtors arising out of reinsurance insurance operations	-	2,199	412	-	-	-	2,611
Cash and cash equivalents	-	-	6,537	-	-	-	6,537
Total	5,203	14,277	56,533	255	269	1,544	78,081

Maximum credit exposure

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

During the year, no credit exposure limits were exceeded.

Liquidity risk

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

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

2020 £'000

	No stated maturity	0-1 Year	1-3 Years	3-5 Years	More than 5 years	Total
Creditors	-	3,084	1,119	377	156	4,736
Claims outstanding	-	25,339	21,639	10,332	15,787	73,097
Total	-	28,423	22,758	10,709	15,943	77,833

Risk management continued

2019	£'000					
	No stated maturity	0-1 Year	1-3 Years	3-5 Years	More than 5 years	Total
Creditors	-	4,960	9	-	-	4,969
Claims outstanding	-	47,404	38,251	14,736	23,482	123,873
Total	-	52,364	38,260	14,736	23,482	128,842

Market risk

a. Currency risk

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

The Syndicate's functional currency is USD and its exposure to foreign exchange risk arises primarily with respect to transactions in EUR, GBP and CAD. The Syndicate seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

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

2020	£'000				
	GBP	USD	EUR	CAD	Total
Total Assets	(1,022)	44,535	3,339	904	47,756
Total Liabilities	(8,458)	(62,096)	(9,271)	(1,219)	(81,044)
Net Assets	(9,480)	(17,561)	(5,932)	(315)	(33,288)

2019	£'000				
	GBP	USD	EUR	CAD	Total
Total Assets	8,724	44,535	14,225	1,310	95,798
Total Liabilities	(10,126)	(112,419)	(14,694)	(2,827)	(140,066)
Net Assets	(1,402)	(40,880)	(469)	(1,517)	(44,268)

The Syndicate matches its currency position so it holds net assets across a number of currencies. The Syndicate takes into consideration the underlying currency of the Syndicate's required capital and invests its assets proportionately across these currencies so as to protect the solvency of the Syndicate, against variation in foreign exchange rates. As a result, the Syndicate holds a significant proportion of its assets in foreign currency adjustments.

Sensitivity to changes in foreign exchange rates

The table below gives an indication of the impact on profit of a percentage change in the relative strength of Sterling against the value of the US dollar, Canadian dollar and Euro simultaneously. The analysis is based on the information as at 31st December 2020.

	Impact on profit and member's balance	
	2020	**2019**
	(Loss)/Profit	**(Loss)/Profit**
	£'000	**£'000**
Sterling weakens		
10% against other currencies	(2,381)	(4,287)
20% against other currencies	(4,762)	(8,573)
Sterling strengthens		
10% against other currencies	2,381	4,287
20% against other currencies	4,762	8,573

b. Interest rate risk

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

The Syndicate has no significant concentration of interest rate risk.

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

	2020	**2019**
	(Loss)/Profit	**(Loss)/Profit**
	£'000	**£'000**
Interest Rate Risk		
Impact of 50 basis point increase on result	(116)	(112)
Impact of 50 basis point decrease on result	87	113
Impact of 50 basis point increase on net assets	(116)	(112)
Impact of 50 basis point decrease on net assets	87	113

The method used for deriving sensitivity information and significant variables did not change from the previous period.

23. Part VII Transfer

On 30 December 2020, the Syndicate transferred its EEA non-life insurance policies written between 1993 and 2020 to Lloyd's Insurance Company S.A. ('Lloyd's Brussels') pursuant to Part VII of the Financial Services and Markets Act 2000. The value of the net liabilities transferred was $12.8m. The Syndicate transferred cash of the same amount to Lloyd's Brussels. Lloyd's Brussels subsequently reinsured the same liabilities back to the Syndicate on the same day. The reinsurance premium received was of the same amount of $12.8m. There was no gain or loss arising on either transaction.

Both the cash transferred for the Part VII transfer and the premium subsequently received back from Lloyd's Brussels have been included in the 'gross written premiums' line of the income statement. This is the appropriate treatment that best reflects the connection between economic substance of both the Part VII transfer and the associated reinsurance arrangement, and the resulting economic substance of the combined transaction.

On the balance sheet, certain policy-level balances impacted by the transfer that were previously reflected as amounts arising from direct insurance operations, have been reclassified to amounts arising from inwards reinsurance business.

The transaction has no impact on equity.

24. Post balance sheet events

The 2018 year of account has reinsured to close into RSMA Syndicate 3500. The associated result collection of £23.7m will be settled in June 2021. The 2019 year of account is now under the management of RSMA and has been transferred via a loss portfolio transfer into S3500.