

### **Important information about Syndicate Reports and Accounts**

Access to this document is restricted to persons who have given the certification set forth below. If this document has been forwarded to you and you have not been asked to give the certification, please be aware that you are only permitted to access it if you are able to give the certification.

The syndicate reports and accounts set forth in this section of the Lloyd's website, which have been filed with Lloyd's in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005), are being provided for informational purposes only. The syndicate reports and accounts have not been prepared by Lloyd's, and Lloyd's has no responsibility for their accuracy or content. Access to the syndicate reports and accounts is not being provided for the purposes of soliciting membership in Lloyd's or membership on any syndicate of Lloyd's, and no offer to join Lloyd's or any syndicate is being made hereby. Members of Lloyd's are reminded that past performance of a syndicate in any syndicate year is not predictive of the related syndicate's performance in any subsequent syndicate year.

You acknowledge and agree to the foregoing as a condition of your accessing the syndicate reports and accounts. You also agree that you will not provide any person with a copy of any syndicate report and accounts without also providing them with a copy of this acknowledgment and agreement, by which they will also be bound.

**Brit Syndicate 2988**  
2018 Underwriting Year Accounts



**BRIT**

writing the future

## Contents

Report of the Directors of the Managing Agent	2
Statement of Managing Agent's Responsibilities	5
Independent Auditors' Report to the Members of Syndicate 2988	6
Income Statement – Technical Account	9
Income Statement – Non-Technical Account	10
Statement of Comprehensive Income	10
Statement of Financial Position - Assets	11
Statement of Financial Position - Liabilities	12
Statement of Cash Flows	13
Notes to the Accounts	14
Directors of the Managing Agent	25

## Report of the Directors of the Managing Agent

The Directors of the Managing Agent, Brit Syndicates Limited (BSL) a company registered in England and Wales, present their report at 31 December 2020 for the 2018 year of account for Syndicate 2988 (the Syndicate).

The Syndicate underwriting year accounts have been prepared in compliance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and applicable Accounting Standards in the United Kingdom. Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) and Financial Reporting Standard 103 'Insurance Contracts' (FRS 103) have been applied. Separate annual accounts under UK GAAP on the calendar year results are also prepared and publicly available at [www.lloyds.com](http://www.lloyds.com).

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These accounts relate to the 2018 year of account which has been closed by way of reinsurance to close (RITC) at 31 December 2020; consequently, the balance sheet represents the assets and liabilities of the 2018 year of account and the profit and loss account reflect the transactions for that year of account during the 36 months period until closure.

### Underwriter's Report

#### 2018 Year of Account

The Syndicate participated on new and renewal business written by Brit's wholly aligned Syndicate 2987 in excess of Syndicate 2987's risk appetite. The strategy for the 2018 year of account was to continue to focus on business with a profitable track record and where there were opportunities to underwrite business that Brit leads or where Brit has a strong market presence. The capacity for the 2018 year of account increased to £98.5m from £55.0m for the 2017 year of account as the Syndicate sought to achieve market penetration across existing product lines and diversify into new products to achieve scale and broaden its portfolio.

The Syndicate's key performance indicators were as follows:

	<b>2018</b>
	<b>£'000</b>
Gross premiums written	110,688.6
Earned premiums, net of reinsurance	100,328.6
Net incurred claims, net of RITC payable and receivable	(82,375.2)
Net operating expenses	(37,902.9)
Investment return	1,646.8
<b>Result for the closed year of account</b>	<b>(18,746.1)</b>
Combined ratio	<b>119.9%</b>
Return on capacity	<b>18.8%</b>

The 2018 year of account closed with a loss of £18.5m representing a negative return on capacity of 18.8%. Underwriting loss before investment return was £19.9m and the combined ratio was 119.9%. Final utilisation of stamp capacity was 82.3% at constant rates of exchange.

#### Development of Closed Years (2017 pure year of account)

Favourable movements were experienced in both attritional and major losses. Attritional movements have been experienced across several classes, both favourable and adverse, with the net impact being a modest release. Exposure to the 2017 US windstorm events and California wildfires was limited by the Syndicate's catastrophe aggregate excess of loss cover. However, improvements have been seen in relation to the California wildfire events, some of which sits below the deductible on that cover.

The 2017 pure year of account also benefited from a small amount of favourable premium development in the year.



## **Report of the Directors of the Managing Agent (continued)**

### **Pure Year 2018**

Gross premiums written were ahead of expectations across almost all classes of business. The Syndicate planned and achieved growth in both its US and International property short-tail direct divisions, in line with the increase in overall syndicate capacity. The 2018 year of account also saw the introduction of Specie within the Marine division, and Long Tail Risk and Catastrophe Casualty Treaty business, gaining good traction with cedants, particularly on the Catastrophe side.

Brit also has a well-established and highly respected Cyber team and forms a core part of Brit's strategy and Syndicate 2988 continued to build its presence on this account.

The reinsurance strategy for 2018 was consistent with 2017, focussing on providing aggregate protection against catastrophe losses. The catastrophe aggregate excess of loss cover provided protection for the Syndicate's Property Direct and Reinsurance business, as well as contributing towards Marine losses.

With the continued expansion in Cyber, the Syndicate renewed its Cyber specific reinsurance protection for 2018. The protection combined both excess of loss and a stop loss, to reflect the potential for both large single risk losses as well as the accumulation of losses due to systemic events.

The 2018 pure year of account was adversely affected by a second consecutive year of heightened major losses. During the 2018 calendar year, the Syndicate incurred losses from US named hurricanes 'Michael' and 'Florence', Asian Typhoons 'Mangkhut' and 'Jebi' and California Wildfires, 'Camp' and 'Woolsey'. The scale and extent of losses incurred exceeded expectations, adversely impacting the Syndicate's result on the 2018 pure year of account.

Other major loss events occurring during 2019 and 2020 which fell back to the 2018 pure year were US named hurricane 'Dorian' and losses from the COVID-19 pandemic, which added to the underwriting loss on the 2018 pure year.

The Syndicate's attritional loss experience on the 2018 pure year of account was also adverse to expectations predominantly driven by higher than expected loss frequency and severity on the Property and Engineering & CPE accounts.

Expenses incurred include a managing agents fee, fixed as a percentage of stamp capacity, as well as Lloyd's fees and levies. Expenses also include financing costs which the 2018 year of account has incurred on borrowing facilities to assist in meeting its claims payments.

The Syndicate investment portfolio diversified over the period as its premium based increased, moving from collective investment schemes to short-term US Treasury bills to achieve a better rate of return. The portfolio managed its way through a volatile period and generated a modest return of £1.6m.

The Managing Agent has conducted an assessment of the 2018 year of account reserves, in order to close the year of account by way of reinsurance to close (RITC). It was concluded that the reserves were deemed appropriate and the Board approved the reinsurance to close of the 2018 year of account of the Syndicate into the 2019 underwriting year.

### **United Kingdom's exit from the EU (Brexit)**

Work continued to minimise the impact of Brexit on Brit and its clients. While direct European business is not material to the Syndicate, the managing Agent continues to monitor and evaluate the associated risks.

Brit notes the Trade and Cooperation Agreement (TCA) between the UK and the EU, which governs the UK and EU's economic and trading relationship from 1 January 2021. Brit also notes the areas on which further agreement still needs to be reached, including financial services and data adequacy.

The main risk to The Syndicate relevant to the closed year of account was the ability to service historical policies with European Economic Area (EEA) claims. However, the successful completion in December 2020 of the transfer to Lloyd's Insurance Company S.A. (LIC) of the syndicate's European liabilities in accordance with Part VII of the Financial Services and Markets Act 2000, provided a mechanism to address this risk. This transfer was sanctioned by the High Court on 25 November 2020 and took effect on 30 December 2020, whereupon all relevant policies (and related liabilities) underwritten by the syndicates were transferred to LIC. On the same date, a 100% Quota Share Reinsurance Agreement was entered into, whereby LIC reinsured all risks on the same policies back to the relevant years of

## **Report of the Directors of the Managing Agent (continued)**

account of the syndicate that wrote the transferring policies and/or inherited liabilities on transferring policies through Reinsurance to Close of earlier years of account. The combined effect of the two transactions has no economic impact to Syndicate 2988.

### **Future developments**

Following a review of the financial performance and position of the Syndicate the Directors have a reasonable expectation that the Syndicate has adequate resources to continue in operational existence for the foreseeable future.

### **Directors**

The names of the current Directors of the Managing Agent and those who have served during the year are shown on page 25

### **Independent Auditors**

PricewaterhouseCoopers LLP remain in office as the Syndicate's Auditors.

### **Statement of disclosure of information to the Auditors**

Each person who is a Director of the Managing Agent at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information, being information needed by the Syndicate's auditors in connection with its report, of which the Syndicate's auditors are unaware; and
- he or she has taken all the steps that he or she is obliged to take as a director in order to make himself or herself aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

### **Syndicate Annual General Meeting**

In accordance with the Syndicate Meetings (Amendment No. 1) Byelaw (No. 18 of 2000) the Managing Agent does not propose holding a Syndicate Annual General Meeting of members of Syndicate 2988. Objections to this proposal or the intention to reappoint the auditors for a further 12 months can be made by Syndicate members to the Compliance Officer at the Managing Agent's registered address by 19 April 2021.

On behalf of the Board,

### **Matthew Wilson**

Chief Executive Officer  
01 March 2021

## Statement of Managing Agent's Responsibilities

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the Managing Agent to prepare Syndicate underwriting year accounts at 31 December in respect of any underwriting year which is being closed by reinsurance to close which give a true and fair view of the result of the underwriting year at closure. Detailed requirements in respect of the underwriting year account are set out in the Lloyd's Syndicate Accounting Byelaw (No 8 of 2005).

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

1. select suitable accounting policies and then apply them consistently and, where there are items which affect more than one year of account, ensure a treatment which is equitable as between the members of the syndicate affected. In particular, the amount charged by way of premium in respect of the reinsurance to close shall, where the reinsuring members and reinsured members are members of the same syndicate for different years of account, be equitable as between them, having regard to the nature and amount of the liabilities reinsured;
2. take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;
3. make judgements and estimates that are reasonable and prudent; and
4. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the notes to these accounts.

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 underwriting year accounts comply with the Lloyd's Regulations and Syndicate Accounting Byelaw. 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 directors of the Managing Agent confirm that they have complied with the above requirement in preparing the Syndicate underwriting year accounts.

## **Independent auditor's report to the members of Syndicate 2988 – 2018 closed year of account**

### **Report on the audit of the syndicate underwriting year financial statements**

#### **Opinion**

In our opinion, Syndicate 2988's syndicate underwriting year financial statements for the 2018 year of account for the three years ended 31 December 2020 (the "underwriting year financial statements"):

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2020 and of its loss for the 2018 closed year of account;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

We have audited the underwriting year financial statements included within the 2018 underwriting year accounts which comprise: the statement of financial position for the 2018 closed year of account as at 31 December 2020, the income statement, the statement of comprehensive income and the statement of cash flows for the three years then ended, and the notes to the syndicate annual accounts, which include a description of the significant accounting policies and other explanatory information.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800, and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and other applicable law. Our responsibilities under ISAs (UK) are further described in the *Auditors' responsibilities for the audit of the underwriting year financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We remained independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the underwriting year financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### **Emphasis of matter – Basis of preparation**

Without modifying our opinion, we draw attention to note 1 of the underwriting year financial statements, which describes the basis of preparation. In particular, as these underwriting year financial statements relate to a closed underwriting year of account, matters relating to going concern are not relevant to these underwriting year financial statements. The underwriting year financial statements are prepared in accordance with a special purpose framework for the specific purpose as described in the *Use of this report* paragraph below. As a result, the underwriting year financial statements may not be suitable for another purpose.

#### **Reporting on other information**

The other information comprises all of the information in the Underwriting Year Accounts other than the underwriting year financial statements and our auditors' report thereon. The Managing Agent is responsible for the other information. Our opinion on the underwriting year financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the underwriting year financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the underwriting year financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the underwriting year 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 based on these responsibilities.



## **Independent auditor's report to the members of Syndicate 2988 – 2018 closed year of account (continued)**

With respect to the Report of the Directors of the Managing Agent, we also considered whether the disclosures required by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) have been included.

Based on our work undertaken in the course of the audit, The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires us also to report certain opinions and matters as described below.

### *Managing Agent's Report*

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 year ended 31 December 2020 is consistent with the underwriting year financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we did not identify any material misstatements in the Managing Agent's Report.

## **Responsibilities for the underwriting year financial statements and the audit**

### **Responsibilities of the Managing Agent for the underwriting year financial statements**

As explained more fully in the Statement of Managing Agent's Responsibilities, the Managing Agent is responsible for the preparation of the underwriting year financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view of the result for the 2018 closed year of account. The Managing Agent is also responsible for such internal control as they determine is necessary to enable the preparation of underwriting year financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' responsibilities for the audit of the underwriting year financial statements**

Our objectives are to obtain reasonable assurance about whether the underwriting year financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 underwriting year financial statements.

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.

Based on our understanding of the syndicate and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK and European regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and those regulations set by the Council of Lloyd's, and we considered the extent to which non-compliance might have a material effect on the underwriting year financial statements. We also considered those laws and regulations that have a direct impact on the underwriting year financial statements such as The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. We evaluated management's incentives and opportunities for fraudulent manipulation of the underwriting year financial statements (including the risk of override of controls), and determined that the principal risks were related to ), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue and management bias in accounting estimates such as valuation of the IBNR component of insurance contract liabilities, accrued pipeline premium and investments with valuations modelled using unobservable inputs.

## **Independent auditor's report to the members of Syndicate 2988 – 2018 closed year of account (continued)**

Audit procedures performed included:

- Discussions with the audit committee, management, internal audit and the director of legal and compliance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.
- Evaluation and testing of the operating effectiveness of management's controls designed to prevent and detect irregularities.
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations/narrative in journal description or posted by or on behalf of senior management.
- Assessment of matters reported on the Managing Agent's whistleblowing helpline and the results of management's investigation of such matters.
- Reading key correspondence with regulatory authorities which included, the Council of Lloyd's, the Financial Conduct Authority and the Prudential Regulation Authority ("PRA") in relation to compliance with laws and regulations (including meeting with the PRA).
- Reviewing relevant meeting minutes including those of the Risk Committee and the Reserving Committee.
- Reviewing the Managing Agent's list of litigation and claims, internal audit reports, compliance reports in so far as they related to non-compliance with laws and regulations and fraud.
- Procedures relating to valuation of the IBNR component of insurance contract liabilities, accrued pipeline premium and investments with valuations modelled using unobservable inputs.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the underwriting year financial statements. Also, 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.

A further description of our responsibilities for the audit of the underwriting year financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### **Use of this report**

This report, including the opinions, has been prepared for and only for 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 and Part C of the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Other required reporting**

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005), we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Managing Agent in respect of the syndicate; or
- the underwriting year financial statements are not in agreement with the accounting records.

Mark Bolton (Senior statutory auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
2 March 2021

## Income Statement

Technical Account – General Business

2018 Closed Year of Account for the three years ended 31 December 2020

	Note	2018 £'000
Gross premiums written	3	110,688.6
Outward reinsurance premiums		(10,360.0)
Earned premiums, net of reinsurance		<b>100,328.6</b>
Reinsurance to close premiums received, net of reinsurance	4	<b>21,340.2</b>
Allocated investment return transferred from the non-technical account		1,646.8
Total technical income		<b>123,315.6</b>
Claims Paid		
Gross amount		(61,372.0)
Reinsurers' share		4,329.5
Net claims paid		<b>(57,042.5)</b>
Reinsurance to close premium payable, net of reinsurance	5	(46,672.9)
Claims incurred, net of reinsurance and RITC payable		<b>(103,715.4)</b>
Net operating expenses	6	(37,902.9)
Total technical charges		<b>(141,618.3)</b>
<b>Balance on the technical account for general business</b>		<b>(18,302.7)</b>

The accompanying notes are an integral part of these accounts.

**Income Statement:**

Non-Technical Account

2018 Closed Year of Account for the three years ended 31 December 2020

		<b>2018</b>
	Note	<b>£'000</b>
<b>Balance on the technical account for general business</b>		<b>(18,302.7)</b>
Investment income		1,214.2
Realised gains on investments		422.2
Unrealised gains on investments		13.6
Investment management charges		(3.2)
Net investment return	8	<b>1,646.8</b>
Allocated investment return transferred to general business technical account	8	(1,646.8)
Loss on exchange		(443.4)
<b>Result for the closed year of account</b>		<b>(18,746.1)</b>

**Statement of Comprehensive Income:**

2018 Closed Year of Account for the three years ended 31 December 2020

		<b>2018</b>
	Note	<b>£'000</b>
<b>Result for the closed year of account</b>		<b>(18,746.1)</b>
Currency translation differences		235.7
<b>Total comprehensive income for the closed year of account</b>		<b>(18,510.4)</b>

The accompanying notes are an integral part of these accounts.

## Statement of Financial Position

Assets

2018 Closed Year of Account as at 31 December 2020

	Note	2018 £'000
<b>Assets</b>		
<b>Investments:</b>		
Financial investments	9	39,266.7
		<b>39,266.7</b>
<b>Reinsurers' share of technical provisions:</b>		
Reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account	5	8,170.8
		<b>8,170.8</b>
<b>Debtors:</b>		
<b>Debtors due within one year:</b>		
Debtors arising out of direct insurance operations		6,177.0
Debtors arising out of reinsurance operations		1,055.4
Other debtors	12	901.2
		<b>8,133.6</b>
<b>Other assets:</b>		
Cash at bank and in hand	10	2,714.6
Other	11	5,053.0
		<b>7,767.6</b>
Prepayments and accrued income		42.1
<b>Total assets</b>		<b>63,380.8</b>

The accompanying notes are an integral part of these accounts.



## Statement of Financial Position

### Liabilities

2018 Closed Year of Account as at 31 December 2020

	Note	2018 £'000
<b>Members' balances and liabilities</b>		
Members' balances		(18,510.4)
		<b>(18,510.4)</b>
<b>Technical provisions:</b>		
Reinsurance to close premiums payable to close the account - gross amount	5	54,843.7
		<b>54,843.7</b>
<b>Creditors:</b>		
Creditors arising out of direct insurance operations		93.5
Creditors arising out of reinsurance operations		486.3
Inter - year loans	13	26,467.7
		<b>27,047.5</b>
Accruals and deferred income		-
<b>Total liabilities</b>		<b>81,891.2</b>
<b>Total members' balances and liabilities</b>		<b>63,380.8</b>

The financial statements on page 9 to 24 were approved by the Board of Brit Syndicates Limited on the 01 March 2021 and signed on its behalf by:

**Matthew Wilson**  
Chief Executive Officer

**Mark Allan**  
Chief Financial Officer

## Statement of Cash Flows

2018 Closed Year of Account for the three years ended 31 December 2020

	Note	2018 £'000
<b>Cash flows from operating activities</b>		
Result for the 2018 year of account		(18,746.1)
Adjustments for:		
Movement in gross technical provisions		54,843.7
Movement in reinsurers' share of technical provisions		(8,170.8)
Increase in debtors		(9,452.6)
Increase in creditors		28,822.2
Movement in other assets/liabilities		(5,147.2)
Foreign exchange on operating activities		4,716.4
Investment return		(1,646.8)
<b>Net cash flows from operating activities</b>		<b>45,218.8</b>
<b>Cash flows from investing activities</b>		
Purchase of equity and debt instruments		(139,978.7)
Sale of equity and debt instruments		99,662.1
Investment income received		1,633.2
<b>Net cash flows used in investing activities</b>		<b>(38,683.4)</b>
<b>Net increase in cash and cash equivalents</b>		<b>6,535.4</b>
Cash and cash equivalents at the beginning of three years		-
<b>Cash and cash equivalents at the end of three years</b>	10	<b>6,535.4</b>

## Notes to the Accounts

2018 Closed Year of Account for the three years ended 31 December 2020

### 1 Accounting policies, statement of compliance and basis of preparation

#### 1.1 Statement of compliance and basis of preparation

These accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and applicable Accounting Standards in the United Kingdom, comprising Financial Reporting Standard 102 'The Financial Reporting Standard' applicable in the United Kingdom and the Republic of Ireland (FRS 102) and Financial Reporting Standard 103 'Insurance Contracts' (FRS 103).

The Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) requires the aggregation of movements in each of the three calendar years for any Underwriting Year of account. For 2018's Underwriting Year Account each calendar year result is aggregated using the relevant years average rates of exchange for each item in the income statements. The reinsurance to close received by 2018 from 2017 is presented as both a premium and as part of the reinsurance to close payable at the same rates, which are the rates at 31 December 2019. Any changes made to the opening reinsurance to close are accounted for at the rates prevailing at the end of calendar year 2020.

The financial statements are prepared under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These accounts relate to the 2018 year of account which has been closed by reinsurance to close at 31 December 2020; consequently, the statement of financial position represents the assets and liabilities of the 2018 year of account and the income statement and the statement of cash flows reflect the transactions for that year of account during the three year period until closure.

The functional currency of the Syndicate is the United States dollar (US\$). The financial statements are reported in Sterling, which is the presentational currency of the Syndicate, and rounded to the nearest £'000, unless otherwise stated.

##### 1.1.1 Reinsurance to close

A Reinsurance to Close (RITC) is a reinsurance which closes a year of account and transfers the responsibility for discharging all the liabilities that attach to that year of account (and any year of account closed into that year) plus the right to any income due to the closing year of account into an open year of account of the same or a different syndicate in return for a premium. The reinsurance to close premium is determined by reference to the outstanding technical provisions relating to the closed year.

Effective at each year-end 31 December, the RITC process means that all assets and liabilities have been transferred to a reinsuring year of account. To this extent, the risks that the syndicate is exposed to in respect of the reported financial position and financial performance are significantly less than those relating to the open years of account as disclosed in the syndicate Annual Accounts. Accordingly, these underwriting year accounts do not include the associated risk disclosures required by section 34 of FRS 102 and section 4 of FRS 103. Full disclosures relating to these risks are provided in the main Annual Accounts of the Syndicate. In addition, certain other disclosure requirements under FRS 102 and FRS 103, such as the disclosure of a Statement of Changes in Members' Balances, have not been provided as it is believed that they are not required for a proper understanding of the underwriting year accounts.

The underwriting accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of the three-year period, outstanding liabilities can normally be determined with sufficient accuracy to permit the year of account to be closed by payment of a reinsurance to close premium to the successor year of account.

The following accounting policies have been applied consistently from when the year of account was opened in dealing with items which are considered material in relation to the syndicate underwriting year accounts.

## Notes to the Accounts

2018 Closed Year of Account for the three years ended 31 December 2020

### 1 Accounting policies, statement of compliance and basis of preparation (continued)

#### 1.2 Product classification

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when an insurer agrees to compensate a policyholder if a specified uncertain future event adversely affects the policyholder. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect to the policyholder. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

#### 1.3 Significant accounting policies

##### 1.3.1 Insurance Contracts

The results for all classes of business have been determined on an annual basis, whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premium written, net of reinsurance, as follows. These annual results have then been aggregated for the purposes of the underwriting accounts.

##### a. Premiums written

Premiums written relate to business incepted during the period and include estimates of premiums due but not yet received or notified, less an allowance for cancellations. Premiums are accreted to the technical account on a pro rata basis over the term of the related policy, except for those contracts where the period of the risk differs significantly from the contract period. In these circumstances, premiums are recognised over the period of risk in proportion to the amount of insurance protection provided. Reinstatement premiums are accreted to the technical account on a pro rata basis over the term of the original policy to which it relates. Premiums are stated gross of commissions but net of premium taxes and other duties levied on premiums.

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

##### b. Acquisitions costs

Commission and other acquisition costs incurred during the financial period that are related to securing new insurance contracts and/or renewing existing insurance contracts, but which relate to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. Deferred acquisition costs are capitalised and amortised over the life of the policy to which they relate on a basis consistent with the earnings pattern of that policy.

##### c. Claims

Gross claims paid include internal and external claims settlement expenses and, together with reinsurance recoveries less amounts provided for in respect of doubtful reinsurers, are attributed to the same year of account as the original premium for the underlying policy. Reinstatement premiums payable in the event of a claim being made are charged to the same year of account as that to which the recovery is credited.

The reinsurance to close premium is determined by reference to the outstanding technical provisions (including those for outstanding claims and unearned premiums, net of deferred acquisition costs and unexpired risk) relating to the closed year. Although this estimate of net outstanding technical provisions is considered to be fair and reasonable, it is implicit in the estimation procedure that the ultimate liabilities will be at variance from the premium so determined. The reinsurance to close premium transfers the liability in respect of all claims, reinsurance premiums, return premiums and other payments in respect of the closing year to the members of the successor year of account and gives them the benefit of refunds, recoveries, premiums due and other income in respect of those years in so far as they have not been credited in these accounts.

## Notes to the Accounts

2018 Closed Year of Account for the three years ended 31 December 2020

### 1 Accounting policies, statement of compliance and basis of preparation (continued)

Claims incurred comprise claims and claims handling costs paid during the period and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported (IBNR) and related expenses. Claims handling costs are mainly external costs related to the negotiation and settlement of claims.

Outstanding claims represent the estimated ultimate cost of settling all claims (including direct and indirect claims settlement costs) arising from events which have occurred up to the date of the statement of financial position, including IBNR, less any amounts paid in respect of those claims.

While the Directors consider that the estimate of claims outstanding is fairly calculated on the basis of the information currently available to them, there is inherent uncertainty in relation to the ultimate liability which will vary as a result of subsequent information and events.

#### d. Reinsurance to close premium payable

The RITC premium is determined on the basis of estimated outstanding liabilities and related claims settlement costs (including claims IBNR), net of estimated collectible reinsurance recoveries, relating to the closed year of account and all previous years of account reinsured therein. The estimate of claims outstanding is assessed on an individual case and class basis, as appropriate, and is based on the estimated ultimate cost of all claims notified but not settled by the statement of financial position date, together with the provision for related claims handling costs. It also includes the estimated cost of claims IBNR at the statement of financial position date based on statistical methods.

#### e. Expenses and other income receivable

The Managing Agent has charged the Syndicate a fixed fee and has borne all the management expenses of the Syndicate, other than those related to the direct cost of underwriting. Any internal or external claims adjustment or settlement costs are included within gross claims paid.

The Managing Agent also charges the Syndicate profit commission equal to a fixed percentage of profit for each year of account, subject to a deficit clause. An accrual is recognised as and when the year of account becomes profitable, with payment crystallising on closure of the year of account after three years. Given the loss position of the 2018 year of account after 36 months, no profit commission was accrued for or charged.

#### f. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred and subsequently stated at amortised cost. Fair value is normally determined by reference to the fair value of the proceeds received. Any difference between the initial carrying amount and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest rate method.

### 1.3.2 Investments

#### a. Financial investments

The Syndicate has designated on initial recognition its financial assets held for investment purposes (investments) at fair value through profit or loss (FVTPL). This is in accordance with the Syndicate's documented investment strategy and consistent with investment risk being assessed on a portfolio basis. Information relating to investments is provided internally to the Directors of the Managing Agent and management personnel on a fair value basis.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (which are the principal markets or the most advantageous markets that maximise the amount that would be received to sell the asset or minimises the amount that would be paid to transfer the liability) are based on quoted market bid and ask price for both financial assets and financial liabilities respectively. The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques which include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and others commonly used by market participants and which make the maximum use of observable inputs.



## Notes to the Accounts

2018 Closed Year of Account for the three years ended 31 December 2020

### 1 Accounting policies, statement of compliance and basis of preparation (continued)

Gains and losses on investments designated as FVTPL are recognised through the income statement. Interest income from investments in short-term investments is recognised at the effective interest rate.

#### b. Overseas deposits

Overseas deposits lodged as a condition of conducting underwriting business in certain countries in compliance with Lloyd's licences are stated at the market value, based on a bid price, ruling at the statement of financial position date.

#### c. Investment return

Investment return comprises all investment income, interest receivable, realised and unrealised investment gains and losses, dividend income and overseas deposit income. Interest income is recognised using the effective interest rate method.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price and are recognised when the sale transaction occurs. Unrealised gains and losses on investments represent the difference between the valuation at the date of the statement of financial position and their purchase price.

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. All investment return is considered to arise on such funds.

Investment return and associated investment management charges are apportioned to years of account open during the calendar year in proportion to the average funds available for investment on each year of account.

#### 1.3.3 Measurement of other financial assets and financial liabilities

Other financial assets and financial liabilities are initially recognised at transaction price and subsequently measured at amortised cost using the effective interest rate method.

#### 1.3.4 Recognition and derecognition of financial assets and financial liabilities

Financial assets and financial liabilities are recognised when the Syndicate becomes a party to the contractual provisions of the contract. A financial asset is derecognised when either the contractual rights to the asset's cash flows expire, or the asset is transferred, and the transfer qualifies for derecognition under a combination of risks and rewards and control tests.

A financial liability is derecognised when it is extinguished which is when the obligation in the contract is discharged, cancelled or expired.

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

If the carrying value of an asset is impaired, it is reduced to the recoverable amount by an immediate charge in the income statement. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

#### 1.3.5 Taxation

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

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings.

## Notes to the Accounts

2018 Closed Year of Account for the three years ended 31 December 2020

### 1 Accounting policies, statement of compliance and basis of preparation (continued)

No provision has been made for any overseas tax payable by members on underwriting results. It is the responsibility of members to agree and settle their individual tax liabilities with HM Revenue and Customs. Members resident overseas for tax purposes are responsible for agreeing and settling any tax liabilities with the taxation authorities of their country of residence.

#### 1.3.6 Pension costs

Brit Group Services Limited operates a defined contribution pension scheme on behalf of the Managing Agent. Contributions are charged to the Syndicate within the fixed fee.

#### 1.3.7 Foreign currencies

In accordance with FRS102, the functional currency is the currency of the primary economic environment in which the Syndicate operates. The functional currency for Syndicate 2988 is the US dollar. The underwriting year's accounts are presented in Sterling. Foreign exchange resulting from translating balances from the functional currency to the presentational currency is reported in other comprehensive income.

Unless otherwise stated, transactions in Sterling, Canadian dollars and Euros are translated into the functional currency at average rates of exchange. Transactions in foreign currencies other than Sterling, US dollars, Canadian dollars and Euros are translated at the rate of exchange ruling at the date the transaction is processed.

Monetary assets and liabilities in currencies other than the functional currency are translated at the rate of exchange ruling at 31 December of each year. Exchange profits or losses arising on the translation of foreign currency amounts relating to the Syndicate insurance operations are included within the non-technical account as prescribed by FRS 103.

#### 1.3.8 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

### 2 Critical accounting judgements and key sources of estimation uncertainty

Various assumptions are made that affect the reported amounts of assets and liabilities. Estimates and judgements are regularly re-evaluated and are based on a combination of historical experience and other factors, including exposure analysis, expectations of future experience and expert judgement.

#### 2.1 Insurance contract technical provisions (reinsurance to close premium payable)

The estimation of the ultimate liability arising from claims made under insurance contracts is the Syndicate's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the amounts that the Syndicate will ultimately pay to settle such claims. Significant areas requiring estimation and judgement include:

- Estimates of the amount of any liability in respect of claims notified but not settled and incurred but not reported claims (IBNR) to be included within provisions for inwards insurance and reinsurance contracts;
- The corresponding estimate of the amount of outwards reinsurance recoveries which will become due as a result of the estimated claims on inwards business;
- The recoverability of amounts due from reinsurers; and
- Estimates of the proportion of exposure which has expired in the period as represented by the earned proportion of premiums written.

## Notes to the Accounts

2018 Closed Year of Account for the three years ended 31 December 2020

### 2 Critical accounting judgements and key sources of estimation uncertainty (continued)

The assumptions used and the manner in which these estimates and judgements are made are set out below, including the reserving process for the estimation of gross, and net of reinsurance, ultimate premiums and claims:

- Quarterly statistical data is produced in respect of gross and net premiums and claims (paid and incurred);
- Projections of ultimate premiums, reinstatement premiums and claims are produced by the actuarial department using standard actuarial projection techniques (e.g. Basic Chain Ladder, Bornhuetter-Ferguson, Initial Expected Loss Ratio). Given the early stage of development for the Syndicate, these methods have typically relied on benchmark information e.g. from similar business written by BSL into Syndicate 2987;
- In the event of catastrophe losses, claims provision estimates are compiled using a combination of detailed reviews of contracts exposed to the event in question, benchmarking to industry loss estimates and standard actuarial techniques.

The estimates and judgements are applied in line with the overall reserving philosophy and seek to state the claims provisions on a best estimate, undiscounted basis. A \$50k reserve risk margin has been applied to the closing year of account to allow for the uncertainty on this closing year of account from long-tailed liabilities and risk of reinsurance bad debt. The inclusion of this reserve risk margin is consistent with a fair value transfer approach ensuring equity between the names either side of the RITC transaction.

In addition to claims provisions, the reserve for future loss adjustment expenses is also subject to estimation with consideration being given to the level of internal and third party loss adjustment expenses incurred annually. The estimated loss adjustment expenses are expressed as a percentage of gross claims reserves and the reasonableness of the estimate is assessed through benchmarking. Further judgements are made as to the recoverability of amounts due from reinsurers. Provisions for bad debts are made specifically, based on the solvency of reinsurers, internal and external ratings, payment experience with them and any disputes of which the Syndicate is aware.

#### 2.2 Fair value of financial assets determined using valuation techniques

Financial investments are carried in the statement of financial position at fair value. Where fair values cannot be derived from active markets, determining the fair value of certain investments requires estimation techniques, using designated methodologies, estimations and assumptions.

These valuation techniques include valuations from independent pricing vendors who use discounted cash flow models supplemented with market and credit research to gather information, other market observable inputs such as broker-dealer quotes, reported trades, issuer spreads and available bids. Other market observable inputs include benchmark yields and reported trades.

Changes in assumptions about these factors could affect the reported fair value of financial investments. US and non-US corporate debt securities are investment grade and the information collected during pricing of these instruments includes credit data as well as other observations from the market and the particular sector. Prices for all these securities are based on a limited number of transactions (over-the-counter (OTC) prices/broker-dealer quotes) so they are derived indirectly using inputs that can be corroborated by observable market data. These also include certain private placement corporate debt securities which are valued with the use of discounted cash flow models.

Specialised investment funds contain credit opportunities funds that are valued based on the underlying assets in the fund on a security by security basis. A number of direct and indirect inputs such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates and anticipated timing of principal repayments are considered during their valuation.

Management exercise a higher degree of judgement for all instruments for which a fair value cannot be wholly directly determined by reference to an active market.

## Notes to the Accounts

2018 Closed Year of Account for the three years ended 31 December 2020

### 3 Analysis of underwriting result

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

	Gross premiums Written £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000
<b>For 3 years ended 31 December 2020</b>					
Accident and health	1,897.5	(1,296.0)	(766.0)	-	(164.5)
Marine aviation and transport	19,033.7	(13,410.6)	(6,842.9)	(61.0)	(1,280.8)
Fire and other damage to property	32,826.5	(26,927.2)	(12,362.2)	(3,716.8)	(10,179.7)
Third party liability	16,550.0	(12,967.7)	(5,598.4)	342.3	(1,673.8)
Credit and suretyship	2,058.5	(3,313.6)	(682.0)	(20.0)	(1,957.1)
Legal Expenses	230.9	(150.1)	(94.4)	-	(13.6)
<b>Total Direct Insurance</b>	<b>72,597.1</b>	<b>(58,065.2)</b>	<b>(26,345.9)</b>	<b>(3,455.5)</b>	<b>(15,269.5)</b>
<b>Reinsurance</b>	<b>38,091.5</b>	<b>(26,839.0)</b>	<b>(11,557.0)</b>	<b>(4,671.1)</b>	<b>(4,975.6)</b>
FX to Balance Sheet Rates Adjustment	-	472.0	-	(176.4)	295.6
<b>Total</b>	<b>110,688.6</b>	<b>(84,432.2)</b>	<b>(37,902.9)</b>	<b>(8,303.0)</b>	<b>(19,949.5)</b>

- Gross premiums earned are identical to gross premiums written.
- Gross claims incurred comprise gross claims paid and movement in gross technical provisions.
- All premiums are concluded in the UK.
- All 2017 year of account movements during 2020 are reflected in the above figures.
- The business class split is a statutory reporting requirement, however the business is managed by its own business classes and hence an element of allocation is used.

On 25 November 2020 the High Court sanctioned the transfer to Lloyd's Insurance Company S.A. (LIC) of syndicates' European liabilities in accordance with Part VII of the Financial Services and Markets Act 2000. The scheme took effect on 30 December 2020, whereupon all relevant policies (and related liabilities) underwritten by the Syndicate for the 2017 and 2018 years of account were transferred to LIC. On the same date, a 100% Quota Share Reinsurance Agreement was entered into whereby LIC reinsured all risks on the same policies back to the relevant years of account of the syndicates that wrote the transferring policies and/or inherited liabilities on transferring policies through Reinsurance to Close of earlier years of account.

The combined effect of the two transactions had no economic impact to the Syndicate, and accordingly there is no impact on the income statement or statement of financial position. Underwriting results for the transferred policies have been reported in the same classes of business as in prior years, as the effective date of the transfer was 30 December 2020, and in line with Society of Lloyd's guidance no movements were processed on these policies on 31 December 2020. In future years, results relating to these risks will be reported under the Reinsurance Accepted class of business, reflecting the new contractual arrangement with LIC.

Subsequent to the year-end, on 4 January 2021, under the 100% Quota Share Reinsurance Agreement between the Syndicate and LIC, the Syndicate was required to set up advanced funds in segregated Part VII settlement accounts managed by the Managing Agent on behalf of LIC from which claims with respect to transferred liabilities will be settled. As this transaction took place after the end of the reporting period, there is no impact on the Syndicate statement of financial position or income statement as at 31 December 2020 and will be reflected in the RITC accepting year of account in 2021.

## Notes to the Accounts

2018 Closed Year of Account for the three years ended 31 December 2020

### 4 Reinsurance to close premium receivable

	2018
	£'000
Gross reinsurance to close premium receivable	31,783.5
Reinsurance recoveries anticipated	(10,443.3)
Reinsurance to close premium receivable, net of reinsurance	<b>21,340.2</b>

### 5 Reinsurance to close premium payable

	2018
	£'000
Gross outstanding claims	(28,476.3)
Reinsurance recoveries anticipated	5,147.8
Net outstanding claims	<b>(23,328.5)</b>
Provision for gross claims incurred but not reported	(25,780.6)
Reinsurance recoveries anticipated	3,023.0
Provision for net claims incurred but not reported	<b>(22,757.6)</b>
Claims handling expenses provision	(586.8)
<b>Net premium for reinsurance to close</b>	<b>(46,672.9)</b>

### 6 Net operating expenses

The cumulative Syndicate expenses charged to the 2018 closed year of account comprise the following:

	2018
	£'000
Acquisition costs	25,660.3
Change in deferred acquisition costs	340.8
Administrative expenses	11,901.8
<b>Total</b>	<b>37,902.9</b>

The auditor's remuneration and audit services charged to the Syndicate within the fixed fee charged by the Managing Agent are as follows:

	2018
	£'000
Audit of the Syndicate 2018 underwriting year accounts	60.0
Other services pursuant to Regulations and Lloyd's Byelaws	64.6
<b>Total</b>	<b>124.6</b>

### 7 Staff numbers and costs

All staff in the UK are employed by the Brit Group service company, Brit Group Services Limited, and the full staff cost disclosures are included in the notes to those accounts. Amounts are recharged to the Syndicate as part of the fixed fee charged by the Managing Agent.



## Notes to the Accounts

2018 Closed Year of Account for the three years ended 31 December 2020

### 8 Investment return

	<b>2018</b>
	<b>£'000</b>
Income from investments	1,214.2
Gains on investments	505.3
Losses on investments	(69.5)
Investment management charges	(3.2)
	<b>1,646.8</b>
Allocated investment return transferred to the general business technical account	(1,646.8)
Net investment return included in the non-technical account	-
<b>Total net investment return</b>	<b>1,646.8</b>

### 9 Financial investments

	<b>Market Value</b>	<b>Cost</b>
<b>2018 year of account</b>	<b>£'000</b>	<b>£'000</b>
Shares and other variable yield securities and units in unit trusts	3,820.8	4,071.2
Debt Securities	35,445.9	35,400.3
<b>Total</b>	<b>39,266.7</b>	<b>39,471.5</b>

Shares and other variable yield securities and unit trusts comprise of short-term deposits that are highly liquid cash equivalents, all of which are not listed.

### 10 Cash and cash equivalents

	<b>2018</b>
	<b>£'000</b>
Cash at bank and in hand	2,714.6
Short-term deposits	3,820.8
<b>Total</b>	<b>6,535.4</b>

Short term deposits are presented within financial investments on the Statement of Financial Position.

### 11 Other assets

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

### 12 Other Debtors and Creditors

Included within other debtors is an amount due from other Brit entities amounting to £860.9k.

## Notes to the Accounts

2018 Closed Year of Account for the three years ended 31 December 2020

### 13 Borrowings

The Syndicate has access to a revolving credit facility. During the 2020 financial year, the facility was rearranged such that the total amount available was reduced from US\$50.0m to US\$30.0m, (or £36.6m to £21.9m at the 31 December 2020 balance sheet rate). The Syndicate also repaid its utilisation of the facility in full.

The facility incurs an interest rate of 1.5% + LIBOR at the time of the drawn down amount, and a 0.525% non-utilisation fee for the undrawn amount.

Additionally, an inter-year loan between the 2018 year of account and other open years of account of the Syndicate has been drawn upon, amounting to £26.5m. The interest has been charged at a rate appropriate to an arm's length transaction. All interest charges are reported within net operating expenses.

### 14 Seven-year summary of closed years of account

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Syndicate allocated capacity	98,500.0	55,000.0
Number of Underwriting members	587.0	719.0
Aggregate net premiums	100,328.6	69,200.6
<b>Results for illustrative share of £10,000</b>	<b>%</b>	<b>%</b>
Gross premiums written (%age of illustrative share)	112.4%	135.1%
Net premium written (%age of illustrative share)	101.9%	125.8%
Result (%age of gross premiums)	(16.7%)	(35.1%)
<b>Results for illustrative share of £10,000</b>	<b>£</b>	<b>£</b>
Gross premiums	a 11,237	13,511
Net premiums	10,186	12,582
Reinsurance to close from an earlier year of account	b 2,167	-
Net claims	(5,792)	(9,010)
Reinsurance to close	(4,738)	(3,880)
<b>Underwriting result</b>	<b>1,823</b>	<b>(308)</b>
Acquisition costs	a (2,640)	(3,126)
Other syndicate operating expenses, excluding personal expenses	(1,065)	(1,281)
Exchange movement on foreign currency translation	(21)	(30)
Net investment income	167	163
Illustrative personal expenses:		
Managing agent's fee	(100)	(100)
Other personal expenses	c (43)	(61)
<b>Result after illustrative personal expenses and illustrative profit commission</b>	<b>(1,879)</b>	<b>(4,743)</b>

- a. Gross premiums and syndicate operating expenses have been grossed up for brokerage costs.
- b. Reinsurance to close is stated at relevant average rates applicable or when reserves were first set for the year of account.
- c. Other personal expenses include Lloyd's subscriptions and central fund contributions.

## Notes to the Accounts

2018 Closed Year of Account for the three years ended 31 December 2020

### 15 Related parties

#### a. Brit Syndicates Limited (BSL or the Managing Agent)

The Managing Agent is a wholly-owned subsidiary of Brit Insurance Holdings Limited, which in turn is a subsidiary of Brit Limited. During the period, the 2018 Year of Account paid £8,372.5k to BSL in respect of management fees and a further £985.0k in managing agency fees. As at 31 December 2020, there were no amounts outstanding. The Syndicate also participates on various Lloyd's consortia managed by BSL. During the period, the Syndicate paid no management fee and no technical advisor fees or profit commission to Brit Syndicates Limited in respect of the consortia agreements.

#### b. Brit Insurance Services USA, Inc.

During the period, the Syndicate paid commissions to Brit Insurance Services USA, Inc., a service company within the Brit Limited group. The amounts in the Income Statement relating to trading with Brit Insurance Services USA, Inc. for the period included commission for introducing insurance business of £3,007.2 k. As at 31 December 2020, no amounts of commission were outstanding. As at 31 December 2020, Brit Insurance Services USA, Inc. owed £37.4k of premiums to the Syndicate.

#### c. Syndicate 2987

BSL also manages Syndicate 2987, a wholly-aligned syndicate of the Brit Limited group. No commissions or fees are paid or payable between the two syndicate entities.

#### d. Brit UW Limited

Brit UW Limited, a subsidiary of the Group and the sole corporate member of Syndicate 2987, provided £18.2m of capacity in respect of the 2018 year of account of Syndicate 2988.

#### e. Directors of Brit Syndicates Limited

There are no related party director disclosures to note for the 36 months period ended 31 December 2020.

#### f. Ambridge Partners LLC

On 19 April 2019 Ambridge Partners LLC (Ambridge) became a 100% subsidiary of the Brit Group. Ambridge is a managing general underwriter of transactional insurance products, writing business on behalf of a range of insurers including entities within the Brit Limited group.

Trading with Ambridge is undertaken on an arm's-length basis and is settled in cash. The amounts in the Income Statement relating to trading with Ambridge for the period included commission for introducing insurance business of £680.3k. As at 31 December 2020, no amounts of commission were outstanding. As at 31 December 2020, Ambridge Partners LLC owed no premiums to the Syndicate.

## **Directors of the Managing Agent**

### **Executive**

Mark Andrew Allan  
Matthew Dominic Wilson  
Christiern Robert James Dart  
Michael David Jeremy Gould (resigned 13 March 2020)

### **Non-Executive**

Simon Philip Guy Lee  
Anthony John Medniuk  
Caroline Frances Ramsay  
Andrea Caroline Natascha Welsch  
Pinar Yetgin

### **Secretary**

Tim James Harmer

### **Active Underwriter**

Simon Bird

### **Registered Office**

The Leadenhall Building  
122 Leadenhall Street  
London  
EC3V 4AB

### **Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
7 More London, Riverside  
London  
SE1 2RT



**Brit Syndicates Limited**

The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AB, UK

[www.britinsurance.com](http://www.britinsurance.com)



**BRIT**

writing the future