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Beat Syndicate 4242

Financial Statements

For the 36 Months ended 31 December 2021

2019 Closing Year Report and Accounts

Contents

Directors and administration

Managing Agent

Asta Managing Agency Ltd

Directors

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

Non Executive Directors*

Company Secretary

N J Burdett

Managing Agent's Registered Office

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

Managing Agent's Registered Number

1918744

Active Underwriter

A J T Milligan

Bankers

Citibank N.A.
Barclays Bank PLC
RBC Dexia

Investment Managers

New England Asset Management (NEAM)

Registered Auditors

Ernst & Young LLP

Signing Actuary

Alex Lee, Ernst & Young LLP

Managing Agent's report for the 2019 closing year of account

For the 36 months ended 31 December 2021

The Directors of Asta Managing Agency Ltd ("Asta") present their report at 31 December 2021 for the 2019 closed year of account.

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

Underwriting year results

The Syndicate generated a loss of $42,478,089 after standard personal expenses on gross written premiums of $274,440,629 for the 2019 underwriting year.

Principal activities and review of the business

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

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

Boulder Claims LLC provides claims administration services to the Syndicate.

The Syndicate entered into a binding authority with ICAT to underwrite insurance business for the 2019 underwriting year. ICAT wrote this business in the underwriting regions of the U.S. below:

i. Eastern Seaboard

ii. Florida

iii. Gulf Coast

iv. Hawaii

v. Earthquake (California, Pacific Northwest, New Madrid, Intermountain West, Alaska, Hawaii, Mississippi, New Jersey, South Carolina, Massachusetts, and Maryland)

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

The Syndicate also provided proportional reinsurance to a U.S. insurance company (the Ceding Company) covering Hawaii personal lines risks (homeowners, renters, and condominium unit owners) against named hurricanes for the 2019 underwriting year. ICAT underwrote this coverage under a program manager agreement with the ceding company. Other reinsurance that the syndicate wrote related to Specialty Treaty Reinsurance covering property, property catastrophe and specialty insurers.

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

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

	2019 Underwriting Year $'000
Gross written premiums:	
Eastern Seaboard	18,111
Florida	48,233
Gulf Coast	23,464
Hawaii (includes direct and inward reinsurance premiums)	1,180
Earthquake (includes direct and inward reinsurance premiums)	46,694
Fire and other perils	69,824
Specialty Treaty Reinsurance	50,192
Cyber Tech E&O	16,743
Total gross written premiums	274,441
Loss for the closed year of account	42,478
Loss ratio	79.8%
Combined ratio (financial basis)	130.8%

Outward reinsurance arrangements

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

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

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

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 the directors were as follows:

S D Redmond	Appointed 20 April 2021

Disclosure of Information to the Auditor

So far as each person who was a director of the Managing Agent at the date of approving 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.

Auditor

The Managing Agent intends to reappoint Ernst & Young LLP as the Syndicate's auditors.

N J Burdett
Company Secretary
3 March 2022

Statement of Managing Agent's responsibilities

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

The Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 requires the directors of the managing agent to prepare their Syndicates annual accounts for each financial year. Under that law they have elected to prepare the annual accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 the directors of the managing agent must not approve the annual accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Syndicate and of the profit or loss of the Syndicate for that period. In preparing these financial statements, the directors of the managing agent are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the annual accounts; and
- assess the syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so.

The directors of the managing agent are responsible for keeping adequate accounting records that are sufficient to show and explain the Syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the Syndicate and enable them to ensure that the financial statements comply with the Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors of the managing agent are responsible for the maintenance and integrity of the Syndicate and financial information included on the Syndicate's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Syndicate 4242 2019 Closed Year of Account

Opinion

We have audited the syndicate underwriting year accounts for the 2019 year of account of syndicate 4242 ('the syndicate') for the three years ended 31 December 2021 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Members' Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 16, 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 underwriting year accounts:

- give a true and fair view of the profit/(loss) for the 2019 closed year of account;
- 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 and have been properly prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

Basis for opinion

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

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

Emphasis of matter – closure of the 2019 year of account

We draw attention to the Basis of preparation within Note 1 which explains that the 2019 year of account of syndicate 4242 has closed and all assets and liabilities transferred to the 2020 year of account by reinsurance to close at 31 December 2021.

As a result, the syndicate underwriting year accounts for the 2019 year of account of syndicate 4242 have been prepared under basis other than going concern. .

Our opinion is not modified in respect of this matter.

Other information

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

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) requires us to report to you, if in our opinion:

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate underwriting year accounts are not in agreement with the accounting records.

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 5, the managing agent is responsible for the preparation of the syndicate underwriting year accounts in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and The Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the syndicate underwriting year accounts

Our objectives are to obtain reasonable assurance about whether the syndicate underwriting year 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 underwriting year 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 (UKGAAP) and requirements referred to by Lloyd's in the Instructions. Our considerations of other laws and regulations that may have a material effect on the syndicate underwriting year accounts included permissions and supervisory requirements of Lloyd's of London, the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').

- We obtained a general understanding of how the syndicate is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the syndicate. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the syndicate, Lloyd's of London and other UK regulatory bodies; reviewed minutes of the Board and Risk Committee of the managing agent; and gained an understanding of the managing agent's approach to governance. We also performed procedures to understand the culture of compliance and governance including the obtainment and review of the code of conduct, employee handbook and whistleblowing policy. Furthermore in order to assess the internal views of risks and their likelihoods, we have reviewed the risk register and risk event summary for the syndicate.

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

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

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

- We assessed the susceptibility of the syndicate's underwriting year accounts to material misstatement, including how fraud might occur by considering the controls that the managing agent has established to address risks identified by the managing agent, or that otherwise seek to prevent, deter, or detect fraud. We also considered areas of significant judgement, complex transactions, performance targets, economic or external pressures and the impact these have on the control environment. Where this risk was considered to be higher, on the valuation of claims outstanding and estimated premium income, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the syndicate underwriting year accounts were free from fraud or error.

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

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with The Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) and 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.

Robert Bruce (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
3 March 2022

Profit and loss account: Technical account – General business

For the 36 months ended 31 December 2021

	Notes	$'000	$'000
Earned premiums, net of reinsurance			
Gross premiums written	4	274,441	
Outward reinsurance premiums		(140,060)	
			134,381
Reinsurance to close premiums received, net of reinsurance			7,357
Allocated investment return transferred from the non-technical account			1,020
Claims incurred, net of reinsurance			
Claims paid - Gross amount		(131,151)	
- Reinsurers' share		60,442	
Net claims paid		(70,709)	
Reinsurance to close premium payable net of reinsurance	6	(42,417)	
			(113,126)
Net operating expenses	7		(72,282)
Balance on the technical account – general business			(42,650)

The underwriting year closed and therefore all items relate to discontinued operations.

The notes on pages 15 to 25 form part of these financial statements.

Profit and loss account: Non-technical account

For the 36 months ended 31 December 2021

	Notes	$'000
Balance on the technical account – general business	5	(42,650)
Investment Income	8	686
Realised gains on investments		243
Realised losses on investments		(5)
Unrealised gains on investments		141
Unrealised losses on investments		(4)
Investment expenses and charges		(41)
Allocated investment return transferred to general business technical account		(1,020)
Exchange gains		172
Loss for the closed year of account		(42,478)

The underwriting year closed and therefore all items relate to discontinued operations.

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

The notes on pages 15 to 25 form part of these financial statements.

Balance sheet

As at 31 December 2021

	Notes	$'000	$'000
ASSETS			
Investments	9		16,177
Debtors			
Debtors arising out of direct insurance operations		1,777	
Debtors arising out of reinsurance operations	12	12,626	
Other debtors, prepayments and accrued income		10,523	
			24,926
Reinsurance recoveries anticipated on gross reinsurance premiums payable to close the account			84,263
Other Assets			
Cash at bank and in hand			4,463
Prepayments and accrued income			
Other prepayments and accrued income			3,149
TOTAL ASSETS			132,978
LIABILITIES			
Amounts due to members			(588)
Reinsurance to close premiums payable to close the Account – gross amount			126,729
Creditors			
Creditors arising out of direct insurance operations		34	
Creditors arising out of reinsurance operations	13	4,377	
Other Creditors, accruals and deferred income		2,426	
			6,837
TOTAL LIABILITIES			132,978

The notes on pages 15 to 25 form part of these financial statements.

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

R P Barke
Director
3 March 2022

Statement of members' balances

For the 36 months ended 31 December 2021

	$'000
Loss for the closed year of account	(42,478)
Members' agents' fees	(392)
Non-standard personal expenses	(1)
Cash calls	42,283
Members' balances at 31 December 2021	(588)

The notes on pages 15 to 25 form part of these financial statements.

Statement of cash flows

	Notes	$'000
Cash flows from operating activities		
Loss for the year of account		(42,478)
Net unrealised losses and foreign exchange		-
(Increase) in debtors		(28,027)
Increase in creditors		6,838
Non cash consideration received as part of RITC received	10	-
RITC premium payable, net of reinsurance		42,417
Net cash (outflow) from operating activities		(21,250)
Cash flows from investing activities		
Net purchase of portfolio investments		(16,177)
Net cash (outflow) from investing activities		(16,177)
Cash flows from financing activities		
Member's agents fees and non-standard personal expenses		(393)
Cash calls		42,283
Net cash inflow from financing activities		41,890
Net increase in cash and cash equivalents		4,463
Cash and cash equivalent at 1 January 2019		-
Cash and cash equivalent at end of the year of account		4,463

The notes on pages 15 to 25 form part of these financial statements.

Notes to the financial statements

For the 36 months ended 31 December 2021

1. Basis of preparation

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

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

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

Members participate on a Syndicate by reference to a year of account and each Syndicate year of account is a separate annual venture. These accounts relate to the 2019 year of account which has been closed by reinsurance to close at 31 December 2021. Consequently the balance sheet represents the assets and liabilities of the 2019 year of account at the date of closure and the profit and loss account reflects the transactions for that year of account during the 36 months period until closure.

2. Accounting policies

Significant accounting estimates and judgements

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

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

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

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

Accounting policies continued

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

Underwriting transactions

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

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

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

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

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

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

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

Notified claims are estimated on a case by case basis with regard to the circumstances as reported, any information available from loss adjusters and previous experience of the cost of settling claims with similar characteristics. The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate's external consulting actuaries. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

The provision for claims includes amounts in respect of internal and external claims handling costs.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved.

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

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

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

Financial assets and liabilities

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

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

Financial instruments are recognised when the Syndicate becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Syndicate's contractual rights to the cash flows from the financial assets expire or if the Syndicate transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. A financial liability is derecognised when its contractual obligations are discharged, cancelled, or expire.

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

Accounting policies continued

A financial asset or financial liability is measured initially at fair value plus, for a financial asset or financial liability not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue.

Financial assets at fair value through profit or loss are measured at fair value with fair value changes recognised immediately in profit or loss. Net gains or net losses on financial assets measured at fair value through profit or loss includes foreign exchange gains/losses arising on their translation to the functional currency, but excludes interest and dividend income.

At each reporting date the Syndicate assesses whether there is objective evidence that financial assets not at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of an asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Syndicate about any significant financial difficulty of the issuer, or significant changes in the technological, market, economic or legal environment in which the issuer operates.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss recognised reduces directly the carrying amount of the impaired asset. All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

Investment return

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

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

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

Unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price. Movements in unrealised investment gains and losses comprise the increase/decrease in the reporting period in the value of the investments held at the reporting date and the reversal of unrealised investment gains and

Accounting policies continued

losses recognised in earlier reporting periods in respect of investment disposals of the current period, or the valuation at the beginning of the year; as well as the reversal of previously recognised unrealised gains and losses in respect of investment disposed of in the current period.

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

Syndicate operating expenses & profit commission

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

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

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

- Accommodation Costs
  According to number of personnel.

- Other Costs
  As appropriate in each case.

- Profit Commission
  Profit commission is charged by the Managing Agent at a rate of 12.5% of profit subject to the operation of a deficit clause. Such commission does not become payable until after the appropriate year of account closes, normally at 36 months. Profit commission on naturally open years is accrued on the basis of earned profit to date.

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

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

Accounting policies continued

Offsetting

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

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

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

(iii) it intends to set off, and

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

Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic income tax deducted from Syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax. It is the responsibility of members to agree and settle their individual tax liabilities with HM Revenue & Customs.

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

Foreign currencies

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

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

Exchange differences are recorded in the non-technical account.

3. Risk management

Effective from 31 December 2021, the RITC process means that Insurance, Financial, Credit, Liquidity, Market and Capital risks are transferred to the accepting 2020 Year of Account of the Syndicate. Accordingly, these Underwriting Year accounts do not have any associated disclosures as required by section 34 of FRS 102 and FRS 103. Full disclosures relating to these risks are provided in the main Annual accounts of the Syndicate.

4. Particulars of business written

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

	Gross Premiums Written and Earned $'000	Gross Claims Incurred $'000	Net Operating Expenses $'000	Reinsurance Balance $'000	Total $'000
Fire and other damage to property	183,623	(157,693)	(47,573)	(7,760)	(29,404)
Third party liability	17,198	(20,167)	(5,236)	7,514	(691)
Credit and suretyship	0	0	(16)	(5)	(20)
Reinsurance accepted	73,620	(36,158)	(19,456)	(31,562)	(13,556)
Total	274,441	(214,018)	(72,281)	(31,813)	(43,671)

Included in the reinsurance balance are reinsurance commissions of $16.6m.

5. Analysis of result by year of account

	2018 Pure year $'000	2019 Pure year $'000	2019 Total combined $'000
Technical account balance before allocated investment return and net operating expenses	5,642	22,970	28,612
Brokerage and commission on gross premium	(1)	(77,133)	(77,134)
	5,641	(54,163)	(48,522)
Net other expenses	-	4,852	4,852
Investment income	-	1,020	1,020
Balance on technical account	5,641	(48,291)	(42,650)

6. Reinsurance to close premium payable net of reinsurance

	Reported $'000	IBNR $'000	Total $'000
Gross outstanding losses	(34,905)	(91,780)	(126,685)
Reinsurance recoveries anticipated	16,046	68,222	84,268
Net outstanding losses	(18,859)	(23,558)	(42,417)

7. Net operating expenses

	$'000
Acquisition costs	(77,134)
Administration expenses	(11,758)
Reinsurance commissions and profit participations	16,610
	(72,282)

	$'000
The closed year profit is stated after charging the following Auditor's remuneration:	
Audit of the financial statements	(518)
Other services pursuant to Regulations and Lloyd's Byelaws	0
Other services relating to actuarial review	(77)
	(595)

8. Investment income

	$'000
Income from investments	686
Unrealised gains on investments	243
Unrealised losses on investments	(5)
	924
Investment management expenses	(41)
Realised gains on investments	141
Realised losses on investments	(4)
	96
Net investment return	1,020

9. Investments

	Fair Value $'000	Cost $'000
Holdings in collective investment schemes	2,247	2,247
Debt securities and other fixed income securities	12,086	12,089
Overseas deposits as investments	1,844	1,844
	16,177	16,180

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.

Investments continued

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 2021				
Holdings in collective investment schemes	1,204	0	1,043	2,247
Debt securities and other fixed income securities	5,463	6,623	-	12,086
Overseas deposits as investments	262	1,582	-	1,844
Total	6,929	8,205	1,043	16,177

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

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

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

10. Non cash consideration received as part of RITC received

	$'000
Portfolio investments	-
Debtors	-
Creditors	-
Non cash consideration received	-

11. Movement in cash and portfolio investments net of financing

	At 1 January 2019	Received within RITC Premium	Cash flow	Unrealised losses & foreign exchange	At 31 December 2021
	$'000	$'000	$'000	$'000	$'000
Cash	-	-	4,463	-	4,463
Investments	-	-	16,181	(4)	16,177
	-	-	20,644	(4)	20,640

12. Debtors arising out of reinsurance operations

	$'000
Due within one year	12,626
Due after one year	-
	12,626

13. Creditors arising out of reinsurance operations

	$'000
Due within one year	(4,377)
Due after one year	-
	(4,377)

14. Disclosure of interests

Managing Agent's interest

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

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

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

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

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

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

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

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

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

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

15. Related parties

Asta provides services and support to Syndicate 4242 in its capacity as Managing Agent. The 2019 year of account was charged managing agency fees of $1.6 million Asta also recharged $4.8 million worth of service charges to the 2019 year of account. As at 31 December 2021, nothing was owed to Asta in respect of this service.

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

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

Paraline Group, a company registered in Bermuda, facilitates 9.1% of the Syndicate's 2019 underwriting year insurance capacity through its owned corporate members. Paraline Reinsurance, Ltd (Paraline Re), an indirectly owned Bermudian reinsurance company of Paraline Group supports the Paraline corporate member's participation on the Syndicate. An affiliate of Paraline Group, Elliott CCM Limited, provided another 1.2% of capacity.

Asta Capital Ltd owns Asta Corporate Member (2) Ltd, which also participates on the Syndicate. An unrelated foreign reinsurer fully support this corporate member's participation.

Asta Corporate Member (2) Ltd was previously named Beat CCM 6 Ltd, and was sold by Beat Capital Partners Ltd (Beat) to Asta Capital Ltd during 2021. Beat is the corporate sponsor of the Syndicate.

The table below details the Syndicate capacity provided by related party members for the 2019 underwriting year.

	Share of 2019 Underwriting Capacity
Paraline CCM Ltd	9.1%
Elliott CCM Ltd	1.5%

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

16. Post balance sheet event

The 2019 underwriting year result, less members' agents' fees and cash calls paid to date, sums to $588k loss.

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

Summary of Closed Year Results - unaudited

as at 31 December 2021

Year of Account	**2012**	**2013**	**2014**	**2015**	**2016**	**2018**	**2019**
Syndicate allocated capacity (£'000)	**80,000**	**80,000**	**80,000**	**80,000**	**95,000**	**110,000**	**165,000**
Syndicate allocated capacity ($'000)	**125,600**	**124,000**	**124,272**	**99,200**	**120,650**	**150,700**	**222,750**
Number of Underwriting members	10	12	10	10	11	15	15
Aggregate net premiums ($'000)	36,900	43,635	50,534	53,565	53,676	46,029	57,247
Results for an illustrative share of £10,000							
	$	**$**	**$**	**$**	**$**	**$**	**$**
Gross premiums	13,409	14,805	15,628	16,915	19,608	19,209	16,633
Net premiums	4,613	5,454	6,354	6,696	5,650	4,184	3,469
Reinsurance to close from an earlier account	104	94	318	294	284	-	446
Net claims	(1,627)	(2,669)	(1,403)	(1,571)	(4,726)	(8,792)	(4,285)
Reinsurance to close	(94)	(318)	(294)	(240)	(561)	(529)	(2,571)
Profit/ (Loss) on exchange	4	(5)	(6)	(4)	(11)	-	11
Syndicate operating expenses	(146)	(327)	(38)	(467)	(343)	233	494
Balance on technical account	2,854	2,230	4,931	4,708	293	(4,904)	(2,436)
Investment income less investment expenses and charges and investment gains less losses	5	1	6	5	52	69	62
Profit/ (Loss) on ordinary activities	2,859	2,231	4,937	4,713	345	(4,835)	(2,374)
Illustrative personal expenses							
Profit commission	(289)	(242)	(519)	(553)	(6)	-	-
Personal expenses	(547)	(474)	(785)	(306)	(315)	(261)	(224)
Profit/ (Loss) after illustrative profit commission and personal expenses	2,023	1,515	3,633	3,854	24	(5,096)	(2,598)
	£	**£**	**£**	**£**	**£**	**£**	**£**
Profit/ (Loss) after illustrative profit commission and personal expenses	1,219	975	2,454	3,108	19	(3,719)	(1,925)

Notes

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

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

3. As regards the 2019 year of account, an illustrative share of £10,000 represents 0.00606% of the respective allocated capacity.