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Report and Accounts 31 December 2021

318

Cincinnati Global
Syndicate 318

CINCINNATI
GLOBAL UNDERWRITING
AGENCY LTD.

Cincinnati Global Syndicate 318 has traded at Lloyd's for over forty years. In that time the Syndicate has grown and evolved to meet the changing demands of its clients and is well positioned to take advantage of the opportunities seen in today's increasingly volatile marketplace. Over time, the Syndicate has built up longstanding relationships with, and offered continuity to, its brokers, clients and capital providers alike. The combination of its experienced team of underwriting, claims and support personnel, and the ability to make the best use of increasingly sophisticated statistical techniques in support of its decisions, maximises the offering it presents to each of its counterparties.

2021 Annual accounts

2019 Underwriting year of account

CINCINNATI
GLOBAL UNDERWRITING
AGENCY LTD.

2021 calendar year

£179.2m (2020: £179.2m)
gross premiums written

(£0.13m) (2020: £2.4m)
annual investment return

£23.0m (2020: (£17.2m) loss for the year)
profit for year

£232m (2020: £233m)
2021 capacity

83.4% (2020: 113.6%)
Combined ratio including Managing Agency fee and profit commission

Note:

- The combined ratio is net claims incurred (inclusive of IBNR) and net operating expenses (excluding profit/loss on exchange) expressed as a percentage of net earned premium.

Directors and administration

MANAGING AGENCY:
DIRECTORS AND ADMINISTRATION

Cincinnati Global Underwriting Agency Limited is the Lloyd's Managing Agent for Cincinnati Global Syndicate 318 and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Directors:

T.C. Cracas	*(non-executive)*
D.C. Eales	
A. Hoffmann	
M.A. Langston	
R.J. Martin	*(non-executive)*
P.M. Murray	*(non-executive)*
R.A. Pexton	*(non-executive chairman)*
G.M. Tuck	

Company secretary

A. Hoffmann	*(resigned 1 January 2022)*
S. Kaur	*(appointed 1 January 2022)*

The registered office of Cincinnati Global Underwriting Agency Limited is One Minster Court, Mincing Lane, London EC3R 7AA. The registered number of Cincinnati Global Underwriting Agency Limited is 4039137.

Syndicate
Active underwriter
N.M. Chalk

Bankers
Citibank, N.A.
Royal Bank of Canada
Lloyds Banking Group Plc

Investment manager
Amundi (UK) Ltd

Actuary
Lane Clark & Peacock LLP

Independent auditor
Deloitte LLP
1 New Street Square
London, EC4A 3HQ
United Kingdom

Introduction

The directors of the Managing Agent present their Managing Agent's report for the year ended 31 December 2021.

This annual report is prepared using the annual basis of accounting as required by Statutory Instrument No 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. However, since the Syndicate benefits from a capital base that includes traditional names, as well as corporate members, where possible and appropriate, we have endeavoured to explain the events of the calendar year in the context of the applicable underlying years of account.

Managing Agents are also required to prepare a Managing Agent's report, financial statements and related notes, and supporting disclosure for members participating on the 2019 underwriting year of account, which closed at 31 December 2021. These are incorporated into this document on pages 63 to 91.

Result for the 2021 Calendar Year

For the year ended 31 December 2021, Syndicate 318 has generated an overall profit of £23.0m compared to a loss of £17.2m in 2020, and a combined ratio of 83.4% (2020: 113.6%).

An analysis of the contribution to the overall result made by the individual underwriting years of account is as follows:

	2019 and Prior Years of Account £000	2020 Year of Account £000	2021 Year of Account £000	2021 Calendar Year Combined £000	2020 Calendar Year Combined £000
Gross Earned Premium	1,441	72,036	96,137	169,614	171,304
Reinsurer's Share	110	(5,033)	(24,720)	(29,643)	(27,985)
Net Earned Premium	1,551	67,003	71,417	139,971	143,319
Gross Claims Paid	(40,625)	(47,112)	(11,187)	(98,924)	(115,970)
Reinsurer's Share	5,114	1,448	419	6,981	11,730
Net Claims Paid	(35,511)	(45,664)	(10,768)	(91,943)	(104,240)
Change in provision for gross claims	63,413	(12,170)	(54,365)	(3,122)	(12,238)
Change in provision for reinsurer's share	(6,260)	20,632	10,399	24,771	(2,453)
Change in provision for net claims	57,153	8,462	(43,966)	21,649	(14,690)
Other technical income, net of reinsurance	–	–	–	–	–
Net Operating Expenses	(2,531)	(18,831)	(25,019)	(46,381)	(43,836)
Balance on Technical Account	20,662	10,970	(8,336)	23,296	(19,447)
Net Investment Income	22	(60)	(92)	(130)	2,400
(Loss)/profit on exchange	(196)	(34)	55	(175)	(188)
Profit/(loss) for the financial year	20,488	10,876	(8,373)	22,991	(17,235)
Other comprehensive income – currency translation	237	10	(186)	61	2,158
Total comprehensive income	20,725	10,886	(8,559)	23,052	(15,077)

Principal Activity

The principal activity of Syndicate 318 is the transaction of general insurance and reinsurance business written in the United Kingdom at Lloyd's. The Syndicate has a core Property account which is complimented by several speciality lines of business. These are expected to continue to make up an increasing proportion of the overall book. The Property account covers worldwide risks with a concentration of insureds' domiciled in the US. This account is subdivided into risks accepted under direct and facultative policies, and business written under binding authorities. The Syndicate's speciality lines are Contingency, Credit and Political Risk, Political Violence, and Specie.

The Contingency account commenced underwriting in 2021 and has a focus on event cancellation and the Entertainment sector.

Business review – financial

The business review provides a commentary on the financial and non-financial performance of the Syndicate in 2021. The review discusses the business written and earned, as well as the rating environment. We have also provided an overview of the Syndicate's claims experience, including the performance and adequacy of technical provisions. The effect of non-underwriting transactions including operating expenses, rate of exchange movements, and returns from cash and investments are also detailed. Where appropriate, we have detailed the contribution to the result of each individual underwriting year. The Syndicate's key performance indicators are summarised in the table below:

KPI	2021	2020
Gross premiums written	£179.2m	£179.2m
Reinsurance ceded	£32.6m	£28.6m
Profit/(loss) for the year	£23.0m	(£17.2m)
Gross loss ratio	60.2%	74.8%
Net loss ratio	50.2%	83.0%
Operating expense ratio	33.1%	30.6%
Combined ratio	83.4%	113.6%
Annual investment return	(£0.13m)	£2.4m
Syndicate capacity	£232m	£233m

Note:

- Gross loss ratio expresses gross incurred claims (including IBNR) as a percentage of gross earned premiums.
- Net loss ratio expresses net incurred claims (including IBNR) as a percentage of net earned premiums.
- Operating expense ratio expresses net operating expenses as a percentage of net earned premiums.

Underwriting and reinsurance

The rating environment for the Syndicate was generally strong throughout 2021. The Property account has seen a continuation of rate increases on direct and facultative policies, whilst risks written through binding authorities have continued to build upwards momentum in the year. The Property income was lower than planned expectations as we endeavoured to reduce catastrophe exposure in the book.

Although, we have limited historical data for Contingency, Credit and Political Risk, and Specie classes of business, the general view of our underwriters is that the rating environment is positive, and they have seen rate increases from previous years. The rating environment for Political Violence risks has remained flatter, owing to an absence of market losses. Premiums written for the newer classes of business has been in line with our expectations. Overall, the level of gross written premiums has remained level at £179.2m, although this is largely owing to change in the average exchange rate of Sterling against the US dollar. In original currency they have increased by the equivalent of around £11.5m.

The effect of foreign exchange in the change of the amount of premium written in the year, compared the comparative period is shown in the table below. The average rate of exchange for US dollars, used to retranslate the profit and loss account, for the year ended 31 December 2021 is 1.38 compared to 1.28 in the comparative period. The impact of the change in the average rate of Canadian dollars has been relatively small.

The table below details the movement in gross written premiums between 2020 and 2021 year ends.

	£000s
Gross premiums written 2020	179,210
Decrease in premium income from rate of exchange	(11,458)
Increase in premiums in the year	11,454
Gross premiums written in 2021	179,206

Gross earned premiums for the year are £169.6m, which is marginally lower than £171.3m earned in 2020. This is primarily owing to the reduction in premium income attaching to binding authorities which are written and earned over a longer period than risks accepted on open market business.

The composition of the account has remained relatively consistent in the year, although we have seen growth in the Credit and Political Risk, and Specie lines of business. The Contingency account is new to the Syndicate this year. The table below illustrates the split of gross written premium between classes of business written and incepted in the year.

Gross written premiums	2021 %	2020 %
Aviation	(0.1)	(0.3)
Property – Direct and Facultative	63.0	67.0
Property – Binding Authorities	22.9	27.9
Credit and Political Risk	3.6	1.5
Political Violence	2.3	2.5
Specie	3.8	1.4
Contingency	4.5	0.0
	100%	100%

The reinsurance premiums ceded in the year have increased to £32.6m from £28.6m in 2020. The Syndicate has purchased additional reinsurance coverage in the year to protect against the Contingency, and Specie accounts in the year. These classes also have benefit from proportional quota share reinsurance programmes, which has also increased the reinsurance spend.

The reinsurance premium earned in the year of £29.6m (£28m 2020) is marginally below the reinsurance written, as the proportional element is deferred to future periods, whilst the main programme is purchased to cover losses occurring during the year, with earnings patterns weighted towards the windstorm season.

Technical Result

The calendar year technical result before investment return comprises profits and losses on the open and closing years of account. It has been a good year for the Syndicate, and we are reporting a strong profit for the year. The year has benefited from healthy prior year releases, as well as lower than average attritional loss activity for the Property account. The other lines of business have also performed well, with only a small number of risk losses in the year. It has been a moderately active windstorm season, with Hurricane Ida representing the largest loss to the Syndicate in the year. There was also a significant loss from Storm Uri in the early part of the year from adverse weather. This is the largest loss of its kind to the Syndicate but has been heavily mitigated by the reinsurance programme. Overall, the level of catastrophe losses has been higher than expectations. The reserves set for our COVID-19 have remained relatively stable over the year.

Contribution of 2021 year of account to the calendar year result

The 2021 year of account has contributed a loss for the calendar year, before investment income, and currency exchange of £8.4m. The Syndicate has benefitted from a strong rating environment, although there has been a fair amount of catastrophe losses in the year. A deficit position at this stage of progression is fairly common, owing to the large proportion of reinsurance premiums earned in the first twelve months of a year of account.

Major losses (including IBNR) in the calendar year, affecting the 2021 year of account are summarised in the table below.

	Gross £m	Net £m
Hurricane Ida	24.9	15.6
Tornados Kentucky	2.8	2.8
US Winter Storm Uri	1.2	0.3
Pacific Northwest floods	0.6	0.6
Canadian Wildfires	1.3	1.3
	30.8	20.6

The Syndicate continues to earn its acquisition costs in line with gross earned premium, whilst administrative expenses, and Names expenses are earned as they are incurred. Managing agent's profit commissions are earned in line with cumulative profits to a year of account, after allowances for the potential impact of deficit clauses within the Agency Agreement.

Net operating expenses are £25m, which is an increase from the £24.4m charged to the 2020 underwriting year at the same stage. Overall, the expenses are relatively consistent to last year. There has been no profit commission accrued as the 2021 underwriting year is currently in a loss position.

The investment return for the year was a negative result of £0.1m, as investment charges were greater than returns.

Profit on exchange, and currency retranslation losses in the year stands at an overall loss of £0.1m for the 2021 underwriting year.

Members' balances stand at an overall deficit of £8.6m.

Contribution of 2020 year of account to the calendar year result

The 2020 year of account has contributed a profit for the calendar year, before investment income and currency exchange of £11m. The year has benefited from prior accident year releases, as well as a low level of attrtional losses from premiums earned in the calendar year. The Speciality lines have also experienced an exceptionally low incidence of losses during the year. The Property account has suffered higher than expected catastrophe losses, which have largely arisen from Storm Uri, and Hurricane Ida.

Major losses in the calendar year, affecting the 2020 year of account are summarised in the table below:

Loss	Gross £m	Net £m
US Winter Storm Uri	22.7	6
Hurricane Ida	14.9	8.8
Pacific Northwest floods	2.5	2.5
Canadian Wildfires	0.8	0.8
	40.9	18.1

Net operating expenses are £18.8m, against a comparative figure of £18.2m in calendar year 2020. The expenses classifications have remained relatively consistent.

There is a negative investment return for the calendar year attributable to the 2020 underwriting year of account of £0.1m.

Profit on exchange, and currency retranslation gains in the year are negligible.

Members' balances currently stand at an overall deficit of £4.8m, after standard personal expenses. We are forecasting a result in the range of 0.66% – (4.34%) upon closure of the 2020 year of account.

Contribution of 2019 year of account to the calendar year result

The 2019 year of account has contributed a profit for the calendar year, before investment income, and currency exchange of £20.7m. In 2021 there has been an improvement of £12.3m on closed year reserves, which makes up a significant portion of the result.

The reserves set on the 2019 pure year of account at the end of last year have also proved robust, and we have experienced positive claims development.

Net operating expenses are £2.5m. Most of this movement is generated from brokerage on binders earned in the year and managing agent's profit commissions accrued.

The investment return for the year is £22,417.

Loss on exchange, and currency retranslation losses in the year stands at an overall gain of £0.04m for the 2019 underwriting year.

The 2019 year of account has closed at a profit of £6m, and a result to a traditional name of 2.6% of Capacity.

Operating Expenses

	2019 and Prior Years of Account £000	2020 Year of Account £000	2021 Year of Account £000	2021 Calendar Year Combined £000	2020 Calendar Year Combined £000
Acquisition Costs (Brokerage)	(584)	(16,698)	(13,612)	(30,894)	(31,392)
Acquisition Costs (Other)	(482)	(1,642)	(6,570)	(8,694)	(8,506)
Administrative Expenses	(111)	(331)	(1,766)	(2,208)	(1,787)
Standard Personal Expenses	–	(160)	(3,071)	(3,231)	(2,792)
Managing Agents Profit Commission	(1,354)	–	–	(1,354)	641
Net Operating Expenses	(2,531)	(18,831)	(25,019)	(46,381)	(43,836)

As in previous years, acquisition costs (brokerage) represent the largest single expense item in 2021. Other operating expenses under the control of the Managing Agency have stayed relatively consistent in the calendar year. Acquisition costs have risen following the arrival of new underwriting teams in the Syndicate, but the restructuring costs following the cessation of the Aviation account were not repeated in 2021.

The Syndicate has accrued profit commission on the 2019 year of account in the calendar year.

Profit and loss on exchange and currency translation differences

The aggregate loss on exchange for the year is £0.1m, compared to a profit of £2m in 2020. This has largely arisen from currency translation differences from conversion of the opening balances and calendar year result from average to closing rates of exchange. The gain from retranslating to/from a US functional currency to a Sterling presentational currency is detailed in currency translation differences. The Syndicate has also realised profits and losses on exchange from transactions in the year, as well as having open currency positions at the year end. The table below provides a breakdown of the profit and loss on exchange during the year.

Profit and loss on exchange and currency translation	2019 and Prior Years of Account £000	2020 Year of Account £000	2021 Year of Account £000	Total £000
(Loss)/profit on currency translation of opening balances and calendar year profits	(102)	3	133	34
(Loss) on other transactions in the year	(94)	(37)	(78)	(209)
Other comprehensive income – currency translation	237	10	(186)	61
Profit/(loss) on exchange and currency translation	41	(24)	(131)	(114)

Investment Performance

		2021 '000	%	2020 '000	%
Average Amount of Syndicate Funds		£157,756		£152,961	
Investment Return (excluding investment manager's fees)		£2	0.00%	£2,515	1.64%
By Currency:					
Sterling:*	Average Funds	£15,950		£15,816	
	Investment Return	(£202)	(1.27%)	£178	1.12%
US Dollar:	Average Funds	US$177,668		US$161,707	
	Investment Return	US$88	0.05%	US$2,684	1.66%
Canadian Dollar:	Average Funds	Can$22,464		Can$18,597	
	Investment Return	Can$14	0.06%	Can$215	1.16%

*Includes investment manager's fees of £131,894 (2020: £115,300).

Average amount of Syndicate Funds converted at average rates of exchange.

Investment Policy

The Investment objective is to invest the Premiums Trust Funds in a manner calculated to maximise return within agreed restraints and in line with policies approved by the Managing Agency Board. In consideration of this policy, portfolios are predominantly invested in short-term, high quality fixed income securities. The investment manager has been instructed to achieve a return above the agreed benchmark, whilst maintaining agreed levels of liquidity and security. They also have discretion to invest in private sector securities for a limited proportion of the portfolio and within diversity limits for individual credits. Limiting the target duration of the overall portfolio controls the exposure of the investments to adverse price conditions. An Investment Committee and formal procedures for monitoring investments exist in line with the guidance from Lloyd's.

Review of Calendar Year 2021

2021 was the second full year of the COVID crisis, starting in the middle of a spike in cases due to the Delta variant. Economies were in much better shape to weather ongoing COVID waves, as witnessed in lower drops in activity in subsequent lockdowns. A huge global vaccination drive was rolled out following the rapid approval of a number of vaccines in Q4 2020 which brought cases and deaths to materially lower levels from late spring onwards. Significant fiscal stimulus was deployed in Q1 with the $1.9 trillion coronavirus relief package including direct payments of up to $1,400 to most Americans. A further, reduced, infrastructure bill of $1.2 trillion was finally agreed and signed in November. The Federal Reserve kept the Funds target range at 0-0.25% throughout the year, but turned progressively more hawkish through Q3 and Q4 as inflation proved less "transitory" than expected. Underlying economic momentum was strong: unemployment ended the year at 4%, GDP saw a rapid rebound both above pre-crisis levels and pre-crisis trend, and CPI inflation finished the year at 7% (a level not seen since the early 80s). As a result, in November the pace of Quantitative Easing purchases was trimmed by $15bn/month but this was accelerated to $30bn/month in December, on a trajectory that implied the end of asset purchases by March 2021. US government bond yields rose sharply from October as the market began to price future rate hikes. Over the course of the year the 2 year Treasury yield rose from 0.12% to 0.77% causing losses to fixed income indices. New uncertainties arose around the Omicron variant in Q4 but this was short lived, however we saw some limited widening of short dated corporate bond spreads, back to pre-crisis levels which were already tight on any historical basis.

Portfolios were positioned with a relative short duration to benchmarks to provide protection from rising yields. Corporate bond holdings were close to portfolio limits with a consistent strategy throughout the year and activity focussed on optimising carry within each rating and sector buckets. Portfolios beat the benchmark in every quarter, and saw negative returns in Q4 as yields turned sharply higher. Overall for the year, returns were a small positive and well above the negatively returning benchmark. The low level of return was consistent with the low starting point for yields, low credit spreads and despite rising interest rates. Performance in the regulated CRTF and SLTF accounts trailed the more flexible LDTF portfolio due meagre spreads/yield in high quality US domestic issues required for these trust funds. The portfolio remains concentrated in high quality liquid issues to meet regular flows, both between accounts and for claims and reinsurance activity.

Outlook for 2022

Inflation will be the key theme as central banks normalise the extraordinary stimulus put in place to fight the COVID crisis. This will be a challenging backdrop for risk assets (for example, technology equities, crypto currencies) which have seen a strong rally since mid-2020. Corporate bond balance sheets are in good shape and earnings, on the whole, are robust. Consumers are facing a squeeze from higher prices but unemployment is low, wages are rising, and savings remain high. Barring risk of a more deadly COVID variant outbreak, broadening of the Ukraine crisis, or another significant geopolitical event, we expect yields to trend higher and credit spreads to widen but in a controlled manner. Although, the Ukraine crisis has caused yields to fall and credit spreads to widen amid risk aversion.

Business review – non-financial

In reviewing the performance of the business in the year, we have also assessed non-financial metrics for underwriting, claims, human resources, and Solvency II. We have identified the following criteria as important measures of performance for these areas. These are detailed in the table below.

Underwriting non-financial indicators

The Syndicate views the proportion of the business that it leads and renews as important non-financial measurements of its performance. The amount of business that the Syndicate is the lead underwriter on provides a useful measure of market position in relation to its peers. The level of renewal business by the Syndicate is a good indicator of the continuity of the respective book of business, as well as retention of clients. These are detailed for 2021 in the table below:

	Aviation	Property – Direct and Facultative	Property – Binding Authorities	CPRI	Political violence	Specie	Contingency
Proportion of business written where the Syndicate is the lead underwriter	–	61%	36%	17%	2%	40%	67%
Proportion of business written which is a renewal to the Syndicate	–	83%	98%	–	46%	15%	–

The Board values experience in its underwriters. The table below details the experience of the Syndicate's senior underwriters in terms of the numbers of years they have worked at the Syndicate and the number of years they have been active in the Lloyd's market.

Name	Position	Years at Syndicate	Years in the Insurance Market
Nick Chalk	*Active Underwriter*	22	26
Steve Anderson	*Head of Delegated Underwriting*	13	33
Simon Pope	*Head of Property Underwriting – Direct and Facultative*	19	21
Francis Hernandez	*Head of Contingency*	2	34
James Steele-Perkins	*Senior Underwriter – Credit & Political Risk*	2	24
Ian Seakens	*Head of Specie*	2	36
Tom Gardner	*Senior Underwriter – War, Terrorism and Political Violence*	2	9

Note – Years of service have been rounded up to the nearest full year.

Claims handling non-financial indicators

As part of the evaluation of the Syndicate's claims handling performance, various measurements are monitored on a quarterly basis. Management view responding to claims notifications, adjusting and settling them on a timely basis as key to the Syndicate's servicing of claims. It also places great importance on the accuracy of its case reserving within a prescribed range. The table below illustrates some of the KPIs used by the Board.

Claims Measurement	Average score in 2021
Percentage of claims responded to within target response time	99.25%
Percentage of claims meeting internal reserving accuracy target	99.50%
Percentage of claims meeting adjustment and settlement targets	99.85%

The overall performance against the agreed targets has been very good in 2021, with generally high average scores against the metrics set.

Human resources non-financial indicators

The Board view retention of staff, and vocational training as key to the long term success of the Syndicate. The staff turnover for the Syndicate has been historically low, and the average length of service for employees tends to be longer than market sector average. Cincinnati Global Underwriting Agency Limited (CGUAL) also remains committed to staff training, with a number of employees studying for professional qualifications in disciplines including accountancy, actuarial, insurance and law.

The COVID-19 pandemic has placed additional pressures on our operational and working environment. The Managing Agency has been able to adapt its practices to maintain a business as usual approach. The employees of the business have been able to work from home and have continued to perform their duties. The use of electronic placements has allowed the Syndicate to continue underwriting business relatively seamlessly.

The health, safety, and welfare of our employees, and the people they have contact with, is of paramount importance to us. Over the course of the pandemic, the Managing Agency has sought to stay in contact with its employees, and has used online surveys to assess their welfare, as well as encouraging staff to stay in contact with each other. The People and Culture Working Group has been set up to ensure the continual wellbeing of our employees.

Brexit

As a consequence of the UK's exit from the European Union ("Brexit") on 31 January 2020, EEA passporting ceased at the end of the transition period on 31 December 2020. On 25 November 2020, the High Court of England and Wales approved insurance business transfer scheme under Part VII of the Financial Services and Markets Act 2000 by The Society of Lloyd's to Lloyd's Insurance Company S.A "Lloyd's Brussels". Under the scheme, Lloyd's, on behalf of the Members, transferred certain policies from the Members to Lloyd's Brussels. Unless specifically excluded, the policies (or parts of policies) transferred under the proposed transfer were those where all or part of the risk underwritten at Lloyd's are located in an EEA state or where the policyholder is resident in the EEA, such that the policy (or part of the policy) could not be managed post-Brexit from the UK without breaching legal or regulatory requirements. The effective date of the transfer was the 30 December 2020.

From the Effective Date, all transferring EEA Policies caught by the Scheme and related assets and liabilities have been transferred to Lloyd's Brussels. Any claims or proceedings against the Members, in connection with these EEA Policies, shall be continued by or against Lloyd's Brussels.

Lloyd's Insurance Company S.A is an insurance company incorporated and regulated in Belgium and is a wholly-owned subsidiary of Lloyd's.

Principle Risks and Uncertainties

The Syndicate is exposed to a variety of risks when undertaking the activities associated with the running of the business. The Board has policies and procedures in place to identify and manage the risks to the Syndicate. The key risks to the Syndicate are: Insurance risk, Finance risk, Credit risk, Liquidity risk, Market risk and Operational risk.

The board will continue to monitor the current crisis in Ukraine and it's potential implications for the Syndicate.

Definitions of these risks and further explanation on how they affect the Syndicate are detailed in Note 4 on page 35.

Corporate Governance and Risk Management

Reporting to the Board are a number of sub-committees each with written terms of reference which consider, monitor and report on aspects of the Managing Agency's business. The Board retains overall responsibility for the Syndicate's business.

The Managing Agency maintains a risk framework for the identification, assessment, management and monitoring of the risks to which it is exposed across all aspects of its day-to-day business operations, and it maintains a risk register based on the output of this framework. The risk framework encompasses all core risk areas including insurance, credit, investment, liquidity, market, concentration and operational risk. Various controls operate in respect of these risk areas, and their performance and continued suitability are monitored via the Risk Function and are overseen by the relevant sub-committee, or the board and through the use of key risk and control indicators.

Audit and Risk Committee

The Audit Committee has the delegated authority of the Board to consider all aspects and matters pertaining to the internal and external audit of the Managing Agency and the managed Syndicate. This includes an assessment of the performance, effectiveness and suitability of these functions. All members of this committee are independent non-executive directors.

Risk Committee

The Risk Committee has the delegated authority of the Board to consider all aspects and matters pertaining to the identification, assessment, monitoring and mitigation of risk within the Managing Agency and the managed Syndicate. This includes an assessment of the performance, effectiveness and suitability of the risk management function and the risk framework. The Risk Committee is responsible for the consideration of operational risk issues and maintains the Managing Agency's risk register. Economic, social and governance issues are also reviewed by the Committee.

General Business Committee

The General Business Committee has the delegated authority of the Board to consider matters defined by the Board or any matters that do not require consideration by the full Board. In general, the committee considers the more day-to-day administrative and operational issues relating to the Managing Agency and the managed Syndicate.

Investment Committee

The Investment Committee has the delegated authority of the Board to recommend, monitor and oversee the appropriateness of the investment policy, investment guidelines and performance measures for the managed Syndicate; for assessing the performance, effectiveness and continued suitability of the investment managers; and for ensuring compliance with relevant rules and regulations. The Investment Committee has specific responsibility for the consideration of the market, liquidity and concentration risk relating to the investment of the managed Syndicate's assets.

The Committee also assesses the suitability of the portfolio from a prudent principle, and an economic, social, and governance perspective.

Claims Committee

The Claims Committee has responsibility for reviewing and monitoring all aspects of the managed Syndicate's claims performance and claims service delivery.

Reserving Committee

The Reserving Committee assists the Board in reviewing and approving the quarterly reserves of the Syndicate for UK GAAP and Solvency II.

Underwriting Committee

The Underwriting Committee has the delegated authority of the Board to consider, monitor and review all aspects of the underwriting strategy, management and performance of the managed Syndicate. This includes economic, social, and governance considerations, particularly around policies with exposure to fossil fuels. The Underwriting Committee considers insurance and reinsurance risks.

To assist it in fulfilling its obligations, the Underwriting Committee has constituted a sub-committee which addresses specific areas of the managed Syndicate's reinsurance operations in more detail.

Reinsurance Operations Group

The Reinsurance Operations Group is a sub-committee of the Underwriting Committee and has responsibility for reviewing and monitoring all aspects of the managed Syndicate's reinsurance operations and to promote effective communication between the underwriting, claims and reinsurance areas.

Remuneration Committee

The Remuneration Committee has the delegated authority of the Board to support and assist the Agency in its objective to determine and oversee the appropriateness of the policy and framework which can attract and retain the right talents. As such, the Remuneration Committee oversees the determination of the remuneration, benefits and bonus arrangements of the senior executives and officers of the Managing Agency and the managed Syndicate, for the review and approval of the general level of remuneration and benefits for other staff and for ensuring that remuneration arrangements are consistent with principles of sound risk management and corporate governance.

Product Oversight and Governance Committee

The Product Oversight and Governance (POG) committee has the delegated authority of the Board to provide guidance and critical assessment of conduct risk issues thereby ensuring compliance with Lloyd's and the FCA's principles concerning conduct, and to assist the Board in this regard. As such, the POG supports the Board in establishing a positive corporate culture in respect of Conduct Risk which ensures that customers are treated fairly at all times.

People and Culture Working Group

The People and Culture Working Group reports directly to the Board. Its goal is to promote the development of our employees, and ensure their continued wellbeing.

Future Developments

We intend to continue to seek growth opportunities for the Syndicate over the coming years. The lines of business that have been added to the Syndicate over the last few years still have the potential to expand before they reach maturity. The "CSUPR" platform, which we have been working closely with our ultimate parent company, Cincinnati Financial Corporation, was launched in February 2022, and has begun introducing business sourced from its agency network into the Lloyd's Market. The Managing Agency remains open to hiring teams to undertake new lines of business, as well as considering consortia arrangements, and other distribution avenues.

Directors

The directors and officers of the Managing Agent who held office up to the date of the signing of the balance sheet were as follows:

Directors:

T.C. Cracas	*(non-executive)*
D.C. Eales	
A. Hoffmann	
M.A. Langston	
R.J. Martin	*(non-executive)*
P.M. Murray	*(non-executive)*
R.A. Pexton	*(non-executive chairman)*
G.M. Tuck	

Company secretary

A. Hoffmann	*(resigned 1 January 2022)*
S. Kaur	*(appointed 1 January 2022)*

Syndicate annual general meeting

The Managing Agent does not propose holding an annual general meeting for the Syndicate.

Auditors

Deloitte LLP were appointed on the 31 July 2019.

Pursuant to Section 14(2) of Schedule 1 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

Statement as to disclosure of information to auditors

The directors of the Managing Agent at the date of this report have individually taken all the necessary steps to make themselves aware, as directors, of any relevant audit information and to establish that the Syndicate auditors are aware of that information. As far as the directors are aware, there is no relevant audit information of which the Syndicate auditors are unaware.

G. M. Tuck
Chief Finance Officer

Cincinnati Global Underwriting Agency Limited
One Minster Court
London EC3R 7AA

Approved by the Board of Cincinnati Global Underwriting Agency Limited on 2 March 2022

Statement of managing agent's responsibilities for the year ended 31 December 2021

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 Lloyd'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 the Insurance Accounts Directive (Lloyd'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;
- 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 (Lloyd'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.

G. M. Tuck
Chief Finance Officer (on behalf of the board)

Cincinnati Global Underwriting Agency Limited
One Minster Court
London EC3R 7AA

Approved by the Board of Cincinnati Global Underwriting Agency Limited on 2 March 2022

Report on the audit of the syndicate annual financial statements

Opinion

In our opinion the syndicate annual financial statements of Syndicate 318 (the 'syndicate'):

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland, and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have audited the syndicate annual financial statements which comprise:

- the profit or loss account and total comprehensive income;
- the balance sheet;
- the statement of changes in members' balances;
- Statement of cash flows; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the syndicate annual financial statements section of our report.

We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the syndicate's ability to continue in operations for a period of at least twelve months from when the syndicate financial statements are authorised for issue.

Our responsibilities and the responsibilities of the managing agent with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the syndicate annual financial statements 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 annual financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual financial statements 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of managing agent

As explained more fully in the managing agent's responsibilities statement, the managing agent is responsible for the preparation of the syndicate annual financial statements and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of syndicate annual financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the syndicate annual financial statements

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

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

Extent to which 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the syndicate and its control environment, and reviewed the syndicate's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the syndicate operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005); and

- do not have a direct effect on the financial statements but compliance with which may be fundamental to the syndicate's ability to operate or to avoid a material penalty. These included the requirements of Solvency II.

We discussed among the audit engagement team including relevant internal specialists such as actuarial and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following area, and our specific procedures performed to address it are described below:

- Technical provisions are a key area of management judgement with inherent uncertainty and materiality. In particular there is a high level of judgement required in the projections of future claims on catrostropic events hence for the syndicate we have pinpointed the significant risk to the assumptions used for the Incurred but not reported (IBNR) in relation to catrostropic events.

Our response to this risk was:

- Evaluated the design and implementation of internal controls around the reserving cycle. We have tested the controls over data, model, assumptions, methodology and results as per ISA 540R;

- Utilised our actuarial specialists to carry out a benchmarking of the major catastrophe events across our Lloyd's and London market and challenge the general methodology and approach to assumptions including initial expected loss ratio benchmarking;

- Performed attribute testing on the data used in the actuarial calculations. We have selected a sample of items and trace selections to underlying Syndicate records to ensure the data is accurate and complete;

- Performed a 'stand back' assessment to consider all the evidence received from audit procedures performed and concluded if there is any evidence of overall management bias.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with Lloyd's, FCA and PRA.

Report on other legal and regulatory requirements

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

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

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

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

Matters on which we are required to report by exception

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 we are required to report in respect of the following matters if, in our opinion:

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with regulation 10 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Claire Clough ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
3 March 2022

Statement of profit or loss and total comprehensive income for the year ended 31 December 2021

Technical account – general business

	Note	2021 £000	2021 £000	2020 £000	2020 £000
Earned premiums, net of reinsurance					
Gross premiums written	5	179,206		179,210	
Outward reinsurance premiums		(32,592)		(28,637)	
Change in the provision for unearned premiums					
Gross amount		(9,592)		(7,906)	
Reinsurers' share		2,949		652	
	17		139,971		143,319
Allocated investment return transferred from the non-technical account	10		(130)		2,400
Other technical income, net of reinsurance			–		–
Claims incurred, net of reinsurance					
Claims paid					
Gross amount	5	(98,924)		(115,970)	
Reinsurers' share		6,981		11,730	
	17	(91,943)		(104,240)	
Change in the provision for claims					
Gross amount	5	(3,122)		(12,238)	
Reinsurers' share		24,771		(2,452)	
		21,649		(14,690)	
			(70,294)		(118,930)
Net operating expenses	7		(46,381)		(43,836)
Balance on the technical account – for general business			23,166		(17,047)

All items relate only to continuing operations.

The notes on pages 29 to 61 form part of these accounts.

Non-technical account

	Note	2021 £000	2020 £000
Balance on the general business technical account		23,166	(17,047)
Investment income	10	1,499	2,388
Realised gains on investments		5	460
Unrealised gains on investments		–	42
Realised losses on investments		(567)	(41)
Unrealised losses on investments		(935)	(334)
Investment expenses and charges		(132)	(115)
Allocated investment return transferred to general business technical account	10	130	(2,400)
(Loss) on foreign exchange		(175)	(188)
Profit/(loss) for the financial year		22,991	(17,235)
Other comprehensive income – currency translation		61	2,158
Total comprehensive income		23,052	(15,077)

The notes on pages 29 to 61 form part of these accounts.

Balance sheet as at 31 December 2021

	Note	2021 £000	2021 £000	2020 £000	2020 £000
Assets					
Investments					
Other financial investments	11		157,162		147,407
Deposits with ceding undertakings			581		–
Reinsurers' share of technical provisions	17				
Provision for unearned premiums		7,400		4,344	
Claims outstanding		40,789		15,258	
			48,189		19,602
			205,932		167,009
Debtors					
Debtors arising out of direct insurance operations	12	41,609		36,279	
Debtors arising out of reinsurance operations	13	3,180		5,550	
Other debtors		9,097		5,045	
			53,886		46,874
Other assets					
Cash at bank and in hand	19		13,315		7,644
Prepayments and accrued income					
Deferred acquisition costs	14	18,740		15,934	
Other prepayments and accrued income		791		171	
			19,531		16,105
Total assets			292,664		237,632

The notes on pages 29 to 61 form part of these accounts.

	Note	2021 £000	2021 £000	2020 £000	2020 £000
Liabilities					
Capital and reserves					
Members' balances			(7,719)		(46,015)
Technical provisions	17				
Provision for unearned premiums		79,402		68,756	
Claims outstanding		200,588		194,792	
			279,990		263,548
Creditors					
Creditors arising out of direct insurance operations	18	535		3,014	
Creditors arising out of reinsurance operations	18	10,254		6,174	
Other creditors including taxation and social security	18	8,250		10,901	
Accruals and deferred income		1,354		10	
			20,393		20,099
Total liabilities			292,664		237,632

The financial statements on pages 22 to 61 were approved by the Board of Cincinnati Global Underwriting Agency Limited on 2 March 2022 and were signed on its behalf by

D. C. Eales
Chief Executive Officer

G. M. Tuck
Chief Finance Officer

3 March 2022

The notes on pages 29 to 61 form part of these accounts.

Statement of changes in members' balances for the year ended 31 December 2021

	2021 £000	2020 £000
Members' balances brought forward at 1 January	(46,015)	(70,059)
Profit/(loss) for the year	22,991	(17,235)
Other comprehensive income – currency translation	61	2,158
Members' agents fees	(111)	(121)
Payments of losses from members' personal reserve fund	15,355	39,242
Open year cash calls made	–	–
Members' balances carried forward at 31 December	(7,719)	(46,015)

Members participate on Syndicates by reference to years of account (YoA) and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a particular year.

The notes on pages 29 to 61 form part of these accounts.

Statement of cash flows for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Cash flows from operating activities			
Profit/(loss) for the year		22,991	(17,235)
Adjustments:			
Net Unrealised (gains)/losses on other financial instruments including foreign exchange		(2,055)	4,089
Net interest and dividends receivable	10	(130)	2,400
Interest received		130	(2,400)
Other comprehensive income – currency translation		61	2,158
Movements in operating assets and liabilities:			
(Increase)/decrease in reinsurers share of technical provisions		(28,587)	2,404
(Increase) in deferred acquisition costs		(2,806)	(1,028)
(Increase) in debtors, subrogation and salvage and prepayments		(7,632)	(8,568)
Increase in technical provisions		16,442	11,017
(Decrease) in creditors		(1,049)	(1,262)
Increase/(decrease) in accruals and deferred income		1,343	(641)
Net cash (outflow) from operating activities		(1,292)	(9,066)
Cash flows from investing activities			
Acquisitions of other financial instruments		(128,982)	(106,134)
Proceeds from the sale of other financial instruments		120,701	81,560
Net cash (outflow) from investing activities		(8,281)	(24,574)

The notes on pages 29 to 61 form part of these accounts.

	Note	2021 £000	2021 £000	2020 £000	2020 £000
Cash flow from financing activities:					
Transfer from members in respect of underwriting participations		15,355		39,242	
Members' agents' fees paid on behalf of members		(111)		(121)	
Open year cash calls made		–		–	
Net cash inflow from financing activities			15,244		39,121
Net increase in cash and cash equivalents			5,671		5,480
Cash and cash equivalents at 1 January			7,644		2,164
Effect of foreign exchange rate change			–		–
Cash and cash equivalents at 31 December	19		13,315		7,644

The notes on pages 29 to 61 form part of these accounts.

1

(a) Basis of preparation

Syndicate 318 ("The Syndicate") comprises a group of members of the Society of Lloyd's that underwrites insurance business in the London Market. The address of the Syndicate's Managing Agent is Cincinnati Global Underwriting Agency Limited, Third Floor, One Minster Court, Mincing Lane, London, EC3R 7AA. Cincinnati Global Underwriting Agency Limited is registered in England and Wales.

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), and Financial Reporting Standard 103 Insurance Contracts ("FRS 103").

The Syndicate has financial resources available, based on the latest cash flow forecasts, for a period covering at least 12 months from the date of approval of these financial statements, taking into account its ability to call future losses from its capital providers to meet its liabilities as they fall due. As a consequence, taking this into account together with the Syndicate's ability to manage its business risks in the current economic climate, that it remains appropriate for these financial statements to have been prepared on a going concern basis.

(b) Going concern

The Board of CGUAL has a reasonable expectation that the Syndicate has adequate resources to continue underwriting for the foreseeable future. The Board has considered the impact of the COVID-19 pandemic, and of Brexit, in its assessment of going concern. The Board are satisfied that these issues will not impair the Syndicate's ability to continue being a going concern in the future.

2 Use of judgments and estimates

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.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

In the course of preparing the financial statements, no critical accounting judgements have been made in the process of applying the Syndicate's accounting policies, other than those involving estimations, that have had a significant effect on the amounts recognised in the financial statements.

Estimation of claims

The measurement of the provision for claims outstanding involves estimates and assumptions about the future that have the most significant effect on the amounts recognised in the financial statements.

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, professional expertise 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.

2 Use of judgments and estimates *continued*

Estimation of claims *continued*

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

In arriving at the level of claims provisions, a Board approved margin is applied over and above the actuarial best estimate.

Further information about the risk that the provision for claims outstanding could be materially different from the ultimate cost of claims settlement is included in note 4.

Estimation of premiums

The measurement of premiums written in the year involves estimates on the amounts of premiums written but not signed to the Syndicate until after the balance sheet date.

The estimation of unearned premiums, includes estimates made on the allocation of premiums between accounting periods based on judgements on the profile of the underlying risks associated with the written, and accordingly how the premium is recognised as earned.

3 Accounting policies

The financial statements have been prepared on an annual basis of accounting, whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

(a) Premiums written

Premiums written comprise premiums on contracts which incepted during the financial year. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due to the Syndicate not yet notified, as well as adjustments made in the year to premiums written in prior accounting periods.

(b) Unearned premiums

Written premium is earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate. For certain policies, the earnings of premiums are accelerated or delayed to reflect the seasonality of losses on the underlying exposures.

3 Accounting policies *continued*

(c) Reinsurance premium ceded

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

(d) Claims Incurred

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

(e) Claims provisions and related recoveries

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

The amount included in respect of IBNR is based on statistical techniques and professional expertise judgements applied by the Managing Agency's management and reviewed by 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. The provision for claims also 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 these estimates.

Accordingly, the most critical assumption in regards to claims provisions is that the past is a reasonable predictor of the likely level of claims development. The estimation of IBNR is considered to be a key area of uncertainty for the Syndicate.

It is considered that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available. However, ultimate liability will vary as a result of subsequent information and events, and this may result in significant adjustments to the amounts provided. Adjustments to the amount of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

(f) Unexpired risks provision

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

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

3 Accounting policies *continued*

(g) Acquisition costs

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

(h) Foreign currencies

Transactions in foreign currencies are translated into the functional currency using the exchange rates at the date of the transactions. The Syndicate's monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the balance sheet date. The Syndicate's functional currency is US dollars. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historic cost are translated to the functional currency using the exchange rate at the date of the transaction. For the purposes of foreign currency translation, unearned premiums and deferred acquisition costs are treated as if they are monetary items.

Differences arising on translation of foreign currency amounts relating to insurance operations are included in the non-technical account.

Syndicate assets and liabilities are translated into Sterling at the rates of exchange at the balance sheet date. Differences arising on translation of functional currency amounts into Sterling presentational currency are included in other comprehensive income.

(i) 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).

Classification

The accounting classification of financial assets and liabilities determines how they are measured, and changes in those values are presented in the statement of profit or loss. Financial assets and liabilities are classified on their initial recognition. Subsequent reclassifications are permitted only in restricted circumstances.

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.

The Syndicate does not hold financial assets or financial liabilities for trading purposes, although derivatives (assets or liabilities) held by the Syndicate are categorised as held for trading.

Deposits with credit institutions, debtors, and accrued interest are classified as loans and receivables.

3 Accounting policies *continued*

Recognition

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 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.

Measurement

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, directly attributable transaction costs 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.

Identification and measurement of impairment

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.

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 the carrying amount of the impaired asset directly. 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.

3 Accounting policies *continued*

Off-setting

Financial assets and financial liabilities are set off and the net amount presented in the balance sheet when, and only when, the Syndicate currently has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(j) Investment return

Investment return comprises investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses and charges. Investment return arising in each calendar year on all the Syndicate's investments is allocated to open years of account in proportion to the average funds available for investment attributable to those years. Investment returns in respect of overseas deposits are allocated to the year of account which funded these deposits.

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

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

(k) Cash and cash equivalents

Cash and cash equivalents comprise of cash balances held in current accounts at year end, and are used by the Syndicate in the management of its short term commitments.

(l) 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.

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

3 Accounting policies *continued*

(m) Pension costs

The intermediate parent company of the Managing Agent operates a defined contribution pension scheme. Pension contributions relating to Syndicate staff are charged to the Syndicate and included within net operating expenses.

(n) Operating lease rentals

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 charge relates.

(o) Net operating expenses

Where expenses are incurred by the Managing Agent or on behalf of the Managing Agent on the administration of the Syndicate, the amounts in question are apportioned using varying methods depending on the expense type. Expenses which are incurred jointly for the Managing Agent and Syndicate are apportioned depending on the amount of work performed, resources used and the volume of business transacted. Net operating expenses are allocated to the year of account for which they are incurred.

4 Risk and capital management

Introduction and overview

This note presents information about the nature and extent of insurance and financial risks to which the Syndicate is exposed, the Managing Agent's objectives, policies and processes for measuring and managing insurance and financial risks, and for managing the Syndicate's capital.

Risk management framework

The Board of Directors of the Managing Agent has overall responsibility for the establishment and oversight of the Syndicate's risk management framework. The Board has established a Risk Committee to oversee the operation of the Syndicate's risk management framework and to review and monitor the management of the risks to which the Syndicate is exposed. The Risk Committee has delegated oversight of the management of aspects of financial risks to the Investment Committee, which is responsible for developing and monitoring financial risk management policies. The Underwriting Committee monitors the Syndicate's premium income, pricing, and terms and conditions.

The Risk Committee, Underwriting Committee, Reserving Committee and the Investment Committee report regularly to the Board of Directors on their activities.

The risk management policies are established to identify and analyse the risks faced by the Syndicate, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

4 Risk and capital management *continued*

Insurance Risk

Management of insurance risk

A key component of the management of underwriting risk for the Syndicate is a disciplined underwriting strategy that is focused on writing quality business and not writing for volume. Product pricing is designed to incorporate appropriate premiums for each type of assumed risk. The underwriting strategy includes underwriting limits on the Syndicate's total exposure to specific risks together with limits on geographical and industry exposures. The aim is to ensure a well diversified book is maintained with no excessive exposure in any one geographical region.

Contracts can contain a number of features which help to manage the underwriting risk, such as the use of deductibles, or capping the maximum permitted loss, or number of claims (subject to local regulatory and legislative requirements).

The Syndicate makes use of reinsurance to mitigate the risk of incurring significant losses linked to one event, including excess of loss and catastrophe reinsurance. Where an individual exposure is deemed surplus to the Syndicate's appetite, additional facultative reinsurance is also purchased. The Syndicate also purchases quota share reinsurance at selected sub account levels.

The Reserving Committee oversees the management of reserving risk. The use of proprietary and standardised modelling techniques, internal and external benchmarking, and the review of claims development are all instrumental in mitigating reserving risk.

The Managing Agent's in-house actuaries perform a reserving analysis on a quarterly basis liaising closely with underwriters, claims and reinsurance technicians. This exercise aims to produce a probability-weighted average of the expected future cash outflows arising from the settlement of incurred claims. These projections include an analysis of claims development compared to the previous 'best estimate' projections. The output of the reserving analysis is reviewed annually by external consulting actuaries.

The Reserving Committee performs a comprehensive review of the projections, both gross and net of reinsurance. Following this review, the Reserving Committee makes recommendations to the Managing Agent's Board of Directors of the claims provisions to be established.

4 Risk and capital management *continued*

Concentration of insurance risk

The Syndicate's exposure to insurance risk is fairly well diversified, although does have a concentration in the US. The following table provides an analysis of the geographical breakdown of its written premiums by class of business.

2021

	Motor £000	Marine, aviation and transport £000	Fire and other damage to property £000	Credit and political risk £000	Contingency £000	Total £000
UK	–	977	1,415	271	3,788	6,451
Other Europe	–	457	3,070	1,605	266	5,398
US	430	427	119,077	127	3,608	123,669
Canada	–	(156)	7,540	–	44	7,428
Rest of World	–	(450)	32,283	4,247	180	36,260
Total	430	1,255	163,385	6,250	7,886	179,206

2020

	Motor £000	Marine, aviation and transport £000	Fire and other damage to property £000	Credit and political risk £000	Total £000
UK	–	(408)	1,239	527	1,358
Other Europe	–	26	5,979	1,071	7,076
US	756	(1)	123,758	108	124,621
Canada	–	(144)	7,570	282	7,708
Rest of World	–	(27)	36,385	2,090	38,448
Total	756	(554)	174,931	4,078	179,211

Sensitivity to insurance risk

The liabilities established could be significantly lower or higher than the ultimate cost of settling the claims arising. This level of uncertainty varies between the classes of business and the nature of the risk being underwritten, and can arise from developments in case reserving for large losses and catastrophes, or from changes in estimates of claims incurred but not reported (IBNR). A five per cent increase or decrease in the ultimate cost of settling claims arising is considered to be not unreasonable at the reporting date.

4 Risk and capital management *continued*

A five percent increase or decrease in total claims liabilities would have the following effect on profit or loss and equity:

	2021 5 per cent increase £000	5 per cent decrease £000	2020 5 per cent increase £000	5 per cent decrease £000
Marine, aviation and transport	(305)	305	(422)	422
Fire and other damage to property	(7,411)	7,411	(9,005)	9,005
Motor	(7)	7	(10)	10
Credit and political risk	(16)	16	(45)	45
Contingency	(79)	79	–	–
Total	(7,818)	7,818	(9,482)	9,482

Financial risk

The focus of financial risk management for the Syndicate is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance contracts. The goal of the investment management process is to optimise the risk-adjusted investment income and risk-adjusted total return by investing in a diversified portfolio of securities, while ensuring that the assets and liabilities are managed on a cash flow and duration basis.

Credit risk

Credit risk is the risk of financial loss to the Syndicate if a counterparty fails to discharge a contractual obligation.

The Syndicate is exposed to credit risk in respect of the following:

- debt securities and derivative financial instruments;
- reinsurers' share of insurance liabilities;
- amounts due from intermediaries;
- amounts due from reinsurers in respect of settled claims;
- cash and cash equivalents; and
- other debtors and accrued interest.

The nature of the Syndicate's exposures to credit risk and its objectives, policies and processes for managing credit risk have not changed significantly from the prior year.

Management of credit risk

The Syndicate's credit risk in respect of debt securities is managed by placing limits on its exposure to a single counterparty, by reference to the credit rating of the counterparty. Financial assets are graded according to current credit ratings issued by rating agencies such as Standard and Poor's. The Syndicate has a policy of investing mainly in higher graded securities. The performance of these investments are reviewed regularly by the investment committee.

4 Risk and capital management *continued*

The Syndicate limits the amount of cash and cash equivalents that can be deposited with a single counterparty, and maintains an authorised list of acceptable cash counterparties.

The Syndicate's exposure to intermediaries and reinsurance counterparties is monitored by the individual business units as part of their credit control processes.

All intermediaries must meet minimum requirements established by the Syndicate. The credit ratings and payment histories of intermediaries are monitored regularly.

The Syndicate assesses the creditworthiness of all reinsurers by reviewing public rating information and by internal investigations. The impact of reinsurer default is regularly assessed and managed accordingly.

Exposure to credit risk

The carrying amount of financial assets and reinsurance assets represents the maximum credit risk exposure. The Syndicate does not hold any collateral as security or purchase any credit enhancements (such as guarantees, credit derivatives and netting arrangements that do not qualify for offset).

The following table analyses the credit rating by investment grade of financial investments, reinsurers' share of technical provisions, debtors arising out of direct insurance and reinsurance operations, cash at bank and in hand, and other debtors that are neither past due, nor impaired.

2021	AAA £000	AA £000	A £000	BBB £000	>BBB £000	Not rated £000	Total £000
Financial investments							
Debt securities	60,943	10,896	47,483	5,460	–	–	124,782
Shares and other variable yield securities and units in unit trusts	4,459	17,314	–	–	–	2,619	24,392
Deposits with credit institutions	2,907	502	1,337	478	720	2,044	7,988
Deposits with ceded undertakings	581	–	–	–	–	–	581
	68,890	28,712	48,820	5,938	720	4,663	157,743
Reinsurers' share of technical provisions	–	5,739	19,848	–	12	15,190	40,789
Direct insurance debtors	–	–	–	–	–	41,609	41,609
Debtors arising out of reinsurance operations	–	1,141	1,279	–	–	145	2,565
Other debtors	–	–	–	–	–	9,097	9,097
Cash at bank and in hand	–	–	13,315	–	–	–	13,315
Total	68,890	35,592	83,262	5,938	732	70,704	265,118

The debtors arising from reinsurance operations excludes accepted reinsurance debtors of £0.6m.

4 Risk and capital management *continued*

2020	AAA £000	AA £000	A £000	BBB £000	>BBB £000	Not rated £000	Total £000
Financial investments							
Debt securities	55,744	13,210	35,172	4,731	–	–	108,857
Shares and other variable yield securities and units in unit trusts	27,410	–	–	–	–	–	27,410
Deposits with credit institutions	4,703	883	1,763	631	1,557	1,603	11,140
	87,857	14,093	36,935	5,362	1,557	1,603	147,407
Reinsurers' share of technical provisions	–	4,902	7,284	–	(5)	3,077	15,258
Direct insurance debtors	–	–	–	–	–	36,279	36,279
Debtors arising out of reinsurance operations	–	1,682	2,393	–	57	–	4,132
Other debtors	–	–	–	–	–	5,045	5,045
Cash at bank and in hand	–	–	7,644	–	–	–	7,644
Total	87,857	20,678	54,256	5,362	1,609	46,004	215,766

The debtors arising from reinsurance operations excludes accepted reinsurance debtors of £1.4m.

Financial assets that are past due or impaired

The Syndicate has debtors arising from direct insurance and reinsurance operations that are past due but not impaired at the reporting date. The Syndicate does not consider these debtors to be impaired on the basis of stage of collection of amounts owed to the Syndicate.

An analysis of the carrying amounts of past due or impaired debtors is presented in the table below.

2021	Current £000	0-3 months £000	3-6 months £000	6-12 months £000	> 12 months £000	Impaired £000	Total £000
Receivables from direct insurance	38,317	489	612	743	1,448	–	41,609
Reinsurer' share of claims outstanding	40,789	–	–	–	–	–	40,789
Receivables from reinsurance	2,565	–	–	–	–	–	2,565
Other debtors	9,097	–	–	–	–	–	9,097

The debtors arising from reinsurance operations excludes accepted reinsurance debtors of £0.6m.

2020	Current £000	0-3 months £000	3-6 months £000	6-12 months £000	> 12 months £000	Impaired £000	Total £000
Receivables from direct insurance	34,469	542	370	360	538	–	36,279
Reinsurer' share of claims outstanding	15,258	–	–	–	–	–	15,258
Receivables from reinsurance	4,132	–	–	–	–	–	4,132
Other debtors	5,045	–	–	–	–	–	5,045

The debtors arising from reinsurance operations excludes accepted reinsurance debtors of £1.5m.

4 Risk and capital management *continued*

Liquidity risk

Liquidity risk is the risk that the Syndicate will encounter difficulty in meeting obligations arising from its insurance contracts and financial liabilities. The Syndicate is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts.

The nature of the Syndicate's exposures to liquidity risk and its objectives, policies and processes for managing liquidity risk have not changed significantly from the prior year.

Management of liquidity risk

The Syndicate's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Syndicate's reputation.

The Syndicate's approach to managing its liquidity risk is as follows:

- Forecasts are prepared and revised regularly to predict cash outflows from insurance contracts over the short, medium and long term;
- The Syndicate purchases assets with durations not greater than its estimated insurance contract outflows;
- Assets purchased by the Syndicate are required to satisfy specified marketability requirements;
- The Syndicate maintains cash and liquid assets to meet daily calls on its insurance contracts;
- The Syndicate holds significant committed borrowing facilities from a range of highly rated banks to enable cash to be raised in a relatively short time-span; and
- The Syndicate regularly updates its contingency funding plans to ensure that adequate liquid financial resources are in place to meet obligations as they fall due in the event of reasonably foreseeable abnormal circumstances.

4 Risk and capital management *continued*

The maturity analysis presented in the table below shows the remaining contractual maturities for the Syndicate's insurance contracts and financial instruments. For insurance contracts, the contractual maturity date is the estimated date when the gross undiscounted contractually required cash flows will occur. For financial assets and liabilities, it is the earliest date on which the gross undiscounted cash flows (including contractual interest payments) could be paid assuming conditions are consistent with those at the reporting date.

2021		Undiscounted net cash flows				
	Carrying amount £000	Total cash flows £000	Less than 1 year £000	1-2 years £000	2-5 years £000	More than 5 years £000
Financial investments:						
Shares and other variable yield securities and units in unit trusts	24,392	24,392	24,392	–	–	–
Debt securities	124,782	120,552	46,275	50,488	23,789	–
Deposits with credit institutions	7,988	7,988	7,988	–	–	–
Reinsurers share of technical provisions	48,189	40,789	14,592	20,436	4,881	880
Debtors	53,886	53,886	53,886	–	–	–
Cash at bank and in hand	13,315	13,315	13,315	–	–	–
Deposits with ceded undertakings	581	581	581	–	–	–
Total assets	273,133	261,503	161,029	70,924	28,670	880
Technical provisions	279,990	279,990	88,152	145,005	35,759	11,073
Creditors	19,039	19,039	19,039	–	–	–
Total liabilities	299,029	299,029	107,191	145,005	35,759	11,073

4 Risk and capital management *continued*

2020	Carrying amount £000	Total cash flows £000	Undiscounted net cash flows Less than 1 year £000	1-2 years £000	2-5 years £000	More than 5 years £000
Financial investments:						
Shares and other variable yield securities and units in unit trusts	27,410	27,410	27,410	–	–	–
Debt securities	108,857	106,567	33,259	50,134	22,796	378
Deposits with credit institutions	11,140	11,140	11,140	–	–	–
Reinsurers share of technical provisions	19,602	19,602	7,972	9,276	2,058	296
Debtors	46,874	46,874	46,874	–	–	–
Cash at bank and in hand	7,644	7,644	7,644	–	–	–
Total assets	221,527	219,237	134,299	59,410	24,854	674
Technical provisions	263,548	263,548	87,232	133,554	32,166	10,596
Creditors	20,089	20,089	20,089	–	–	–
Total liabilities	283,637	283,637	107,321	133,554	32,166	10,596

Total cash flows detailed in the tables above for investments are the sum of all future interest receipts and repayment of principal at maturity of the underlying securities. The carrying amount is the current market value for the securities and includes accrued interest at the balance sheet date.

Cash can be realised through the sale of the Syndicate's investments in debt securities, the majority of which are actively traded. The disclosure does not take account of premiums received from new business written which can be used to pay claims arising.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The nature of the Syndicate exposures to market risk and its objectives, policies and processes for managing market risk have not changed significantly from the prior year.

Management of market risks

For each of the major components of market risk, the Syndicate has policies and procedures in place which detail how each risk should be managed and monitored. The management of each of these major components of market risk and the exposure of the Syndicate at the reporting date to each major risk is addressed as follows:

4 Risk and capital management *continued*

Interest rate risk

Interest rate risk arises primarily from the Syndicate's financial investments, cash and overseas deposits. The risk of changes in the fair value of these assets is managed by primarily investing in short-duration financial investments and cash and cash equivalents. The Investment Committee monitors the duration of these assets on a regular basis.

Currency risk

The Syndicate writes business primarily in Sterling, US dollar and Canadian dollar and is therefore exposed to currency risk arising from fluctuations in the exchange rates of Sterling against these currencies.

The foreign exchange policy is to maintain assets in the currency in which the cash flows from liabilities are to be settled in order to hedge the currency risk inherent in these contracts. In addition, the Syndicate will from time to time enter into currency forward contracts which materially hedge the long position on US dollars. At 31 December 2021, there were no forward contracts in place (31 December 2020 £Nil).

The table below summarises the carrying value of the Syndicate's assets and liabilities, at the reporting date.

2021	Sterling £000	US dollar £000	Canadian dollar £000	Other £000	Total £000
Financial investments					
Shares and other variable yield securities and units in unit trusts	2,619	8,982	12,791	–	24,392
Debt securities and other fixed income securities	–	124,782	–	–	124,782
Deposits with credit institutions	–	1,619	1,516	4,853	7,988
Deposits with ceded undertakings	574	7	–	–	581
	3,193	135,390	14,307	4,853	157,743
Reinsurers' share of technical provisions	2,623	45,393	173	–	48,189
Debtors	6,457	43,859	3,570	–	53,886
Other assets	13,315	–	–	–	13,315
Prepayments and accrued income	5,448	13,192	891	–	19,531
Total assets	31,037	237,833	18,941	4,853	292,664
Technical provisions	29,710	234,835	15,445	–	279,990
Creditors	9,966	8,951	122	–	19,039
Accruals and deferred income	1,354	–	–	–	1,354
Total liabilities	41,030	243,786	15,567	–	300,383
Net assets	(9,993)	(5,953)	3,374	4,853	(7,719)

4 Risk and capital management *continued*

2020	Sterling £000	US dollar £000	Canadian dollar £000	Other £000	Total £000
Financial investments					
Shares and other variable yield securities and units in unit trusts	2,715	15,899	8,796	–	27,410
Debt securities and other fixed income securities	–	108,857	–	–	108,857
Deposits with credit institutions	–	1,677	1,564	7,899	11,140
	2,715	126,433	10,360	7,899	147,407
Reinsurers' share of technical provisions	2,365	17,043	194	–	19,602
Debtors	6,246	36,784	3,844	–	46,874
Other assets	7,644	–	–	–	7,644
Prepayments and accrued income	4,051	11,245	809	–	16,105
Total assets	23,021	191,505	15,207	7,899	237,632
Technical provisions	34,675	218,755	10,118	–	263,548
Creditors	11,502	8,393	194	–	20,089
Accruals and deferred income	10	–	–	–	10
Total liabilities	46,187	227,148	10,312	–	283,646
Net assets	(23,166)	(35,643)	4,895	7,899	(46,015)

Equity price risk

The Syndicate does not hold any equities which are subject to equity price risk.

Sensitivity analysis to market risks for financial instruments

An analysis of the Syndicate's sensitivity to interest rate, currency and other price risk is presented in the table overleaf. The table shows the effect on profit or loss of reasonably possible changes in the relevant risk variable, assuming that all other variables remain constant, if that change had occurred at the end of the reporting period and had been applied to the risk exposures at that date.

4 Risk and capital management *continued*

	2021 Profit or loss for the year £000	2020 Profit or loss for the year £000
Interest rate risk		
+ 50 basis points shift in yield curves	(657)	(711)
– 50 basis points shift in yield curves	657	711
Currency risk		
10 percent increase in GBP/US dollar exchange rate	595	3,564
10 percent decrease in GBP/US dollar exchange rate	(595)	(3,564)

The impact of the reasonably possible changes in the risk variables on Members' balances would be the same, since the Syndicate recognises all changes in recognised assets and liabilities in profit or loss.

A 10% increase (or decrease) in exchange rates and a 50 basis point increase (or decrease) in yield curves have been selected, on the basis that these are not considered to be unreasonable changes in the risk variables over the following year.

The sensitivity analysis demonstrates the effect of a change in a key variable while other assumptions remain unchanged. However, the occurrence of a change in a single market factor may lead to changes in other market factors as a result of correlations.

The sensitivity analysis does not take into consideration that the Syndicate's financial investments are actively managed. Additionally, the sensitivity analysis is based on the Syndicate's financial position at the reporting date and may vary at the time that any actual market movement occurs. As investment markets move past pre-determined trigger points, action would be taken which would alter the Syndicate's position.

Whilst the actual currency movements in the year have been in excess of the thresholds above, we still consider a 10% currency risk variable to be reasonable in a normal year.

Capital management

Capital framework at Lloyd's

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

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

4 Risk and capital management *continued*

Although, as described below, Lloyd's capital setting processes use capital obligations set at Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply only at overall and member level respectively, not at Syndicate level. Accordingly, the capital requirement in respect of Syndicate 318 is not disclosed in these financial statements.

Lloyd's capital setting process

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

A Syndicate comprises one or more underwriting members of Lloyd's. Each member is liable for its share of underwriting liabilities on the Syndicates on which it is participating but not other members' shares. Accordingly, the capital requirements that Lloyd's sets for each member operate on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate's SCR 'to ultimate'. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's and not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2022 was maintained at 35% of the member's SCR 'to ultimate'.

Provision of capital by members

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

Accordingly, all of the assets less liabilities of the Syndicate, as represented in the members' balances reported on the balance sheet on page 25, represent resources available to meet members' and Lloyd's capital requirements.

5 Analysis of underwriting result

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

2021	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Net operating expenses* £000	Reinsurance balance £000	Total £000
Direct insurance:						
Motor (other classes)	430	474	(260)	(142)	(6)	66
Marine aviation and transport	1,526	1,102	(334)	(597)	(478)	(307)
Fire and other damage to property	117,831	116,774	(75,825)	(28,550)	8,626	21,025
Credit and political risk	6,252	3,138	519	(4,616)	(466)	(1,425)
Contingency	7,885	4,142	(2,479)	(1,467)	(1,144)	(948)
	133,924	125,630	(78,379)	(35,372)	6,532	18,411
Reinsurance acceptances	45,282	43,984	(23,667)	(11,009)	(4,423)	4,885
Total	179,206	169,614	(102,046)	(46,381)	2,109	23,296

*Includes commissions on direct business of (£24,335,627).

2020	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Net operating expenses* £000	Reinsurance balance £000	Total £000
Direct insurance:						
Motor (other classes)	756	748	(123)	(344)	(15)	266
Marine aviation and transport	(698)	2,008	(36)	72	(786)	1,258
Fire and other damage to property	129,853	122,540	(106,753)	(31,652)	(13,198)	(29,063)
Credit and political risk	4,077	1,218	(893)	(465)	(258)	(398)
	133,988	126,514	(107,805)	(32,389)	(14,257)	(27,937)
Reinsurance acceptances	45,222	44,790	(20,403)	(11,447)	(4,450)	8,490
Total	179,210	171,304	(128,208)	(48,836)	(18,707)	(19,447)

*Includes commissions on direct business of (£23,501,608).

All premiums were written in the UK. All net assets and profits are derived from UK business.

Geographical analysis by risk location

	2021 Gross premiums written £000	2020 Gross premiums written £000
UK	10,303	7,818
US	123,965	128,119
Other	44,938	43,273
Total	179,206	179,210

6 Claims

Favourable movements of £30.4m, (2020: £23.2m), in the past year's provision for claims outstanding and IBNR, net of expected reinsurance recoveries, are included in claims incurred, net of reinsurance.

7 Net operating expenses

	2021 £000	2020 £000
Acquisition costs:		
Brokerage and commissions	33,491	32,877
Other acquisition costs	8,694	8,506
	42,185	41,383
Change in deferred acquisition costs	(2,597)	(1,484)
Administrative expenses	2,208	1,786
Members' standard personal expenses	4,585	2,151
Net operating expenses	46,381	43,836

Administrative expenses include:

	2021 £000	2020 £000
Auditors' remuneration:		
– fees payable to the Syndicate auditor for the audit of the Syndicate annual accounts	196	159
– audit related assurance services	82	86
– fees payable to the Syndicate auditor for the audit of the managing agent	20	20
	298	265

8 Key management personnel compensation

The directors of Cincinnati Global Underwriting Agency Limited received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2021 £000	2020 £000
Directors' emoluments	858	830
Pension contributions	12	23
	870	853

The active underwriter received the following aggregate remuneration charged to the Syndicate and is not included within directors' emoluments above. Pension contributions detailed above are in respect of four directors of CGUAL.

	2021 £000	2020 £000
Emoluments	351	325
Pension contributions	4	4
	355	329

9 Staff numbers and costs

All staff are employed by the intermediate parent company of the Managing Agency. The following amounts were recharged to the Syndicate in respect of salary costs:

	2021 £000	2020 £000
Wages and salaries	6,953	6,372
Social security costs	900	814
Other pension costs	555	427
	8,408	7,613

The average number of employees employed by the intermediate parent company of the Managing Agency but working for the Syndicate during the year was as follows:

	2021 No	2020 No
Administration and finance	25	20
Underwriting	21	14
Claims	10	11
	56	45

10 Investment return

The investment return transferred from the non-technical account to the technical account comprises the following:

	2021 £000	2020 £000
Investment income:		
Interest and dividend income	1,499	2,388
Realised gains	5	460
Unrealised gains on investments	–	42
Investment expenses and charges:		
Investment management expenses	(132)	(115)
Losses on the realisation of investments	(567)	(41)
Unrealised losses on investments	(935)	(334)
Total investment return	(130)	2,400

The total income, expenses, net gains or losses, including changes in fair value, recognised on all financial assets and financial liabilities comprises the following:

	2021 £000	2020 £000
Financial assets at fair value through profit or loss	2	2,514
Investment management expenses, excluding interest	(132)	(114)
Total investment return	(130)	2,400

The table below presents the average amounts of funds in the year per currency and analyses by major currency the average investment yields in the year.

	2021 £000	2020 £000
Average amount of Syndicate funds available for investment during the year		
Sterling	15,951	15,816
US dollar	128,745	118,034
Canadian dollar	13,060	10,688
Total funds available for investment, in sterling	157,756	144,538
Total investment return	(130)	2,400
Annual investment yield		
Sterling	(1.27%)	1.12%
US dollar	0.05%	1.66%
Canadian dollar	0.06%	1.16%
Total annual investment yield, in sterling	0.00%	1.64%

11 Financial investments

	Carrying value 2021 £000	Carrying value 2020 £000	Cost 2021 £000	Cost 2020 £000
Shares and other variable yield securities and units in unit trusts	24,392	27,410	24,392	27,410
Debt securities and other fixed income securities	124,782	108,857	125,208	108,327
Government and supranational securities	*59,130*	*56,278*	*59,329*	*56,205*
Asset backed securities	*–*	*–*	*–*	*–*
Mortgage backed instruments	*656*	*605*	*655*	*627*
Corporate bonds	*64,996*	*51,981*	*65,224*	*51,495*
Deposits with credit institutions	7,988	11,140	7,988	11,140
Total financial investments	157,162	147,407	157,586	146,877

The amount ascribable to listed investments is £124.8m (2020: £108.9m). All financial assets are measured at fair value through profit or loss.

The Syndicate classifies its financial instruments held at fair value in its balance sheet using a fair value hierarchy, as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Prices based on recent transactions in identical assets (either unadjusted or adjusted)
- Level 3 – Prices determined using a valuation technique. These are loans provided by Syndicate 318 to the Central Fund at Lloyd's in respect of the 2020 and 2021 underwriting years. These instruments are not tradeable and are valued using discounted cash flow models, designed to appropriately reflect the credit and illiquidity risk of the instruments. The Syndicate loans have been classified as Level 3 investments because the valuation approach includes significant unobservable inputs and an element of subjectivity in determining appropriate credit and illiquidity spreads within the discount rates used in the discounted cash flow model. There is no market in which the instruments can be traded.

11 Financial investments *continued*

2021	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Shares and other variable yield securities and units in unit trusts	3,922	17,851	2,619	24,392
Debt securities and other fixed income securities	39,819	84,963	–	124,782
Deposits with credit institutions	2,108	5,880	–	7,988
Total	45,849	108,694	2,619	157,162

2020	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Shares and other variable yield securities and units in unit trusts	–	24,695	2,715	27,410
Debt securities and other fixed income securities	38,293	70,564	–	108,857
Deposits with credit institutions	2,378	8,762	–	11,140
Total	40,671	104,021	2,715	147,407

Information on the methods and assumptions used to determine fair values for each major category of financial instrument measured at fair value is provided below.

Shares and other variable securities and units in unit trusts are generally categorised as level 2 in the fair value hierarchy as generally they are actively traded and measured on prices of recent transactions in the same instrument. The syndicate has no exposure to hedge funds.

Debt securities and derivative financial assets are generally valued using prices provided by external pricing vendors. Pricing vendors will often determine prices by consolidating prices of recent trades for identical or similar securities obtained from a panel of market makers into a composite price. The pricing service may make adjustments for the elapsed time from trade date to the valuation date to take into account available market information. Lacking recently reported trades, pricing vendors will use modelling techniques to determine a security price.

Some government and supranational securities are listed on recognised exchanges and are generally classified as level 1 in the fair value hierarchy. Those that are not listed on a recognised exchange are generally based on composite prices of recent trades in the same instrument and are generally classified as level 2 in the fair value hierarchy.

Corporate bonds, including asset backed securities, that are not listed on a recognised exchange or are traded in an established over-the-counter market are also mainly valued using composite prices. Where prices are based on multiple quotes and those quotes are based on actual recent transactions in the same instrument the securities are classified as level 2, otherwise they are classified as level 3 in the fair value hierarchy.

11 Financial investments *continued*

Level 3 comprises Syndicate Loans provided by the Syndicate to the Central Fund at Lloyd's in respect of the 2019 and 2020 underwriting years. These instruments are not tradeable and are valued using discounted cash flow models, designed to appropriately reflect the credit and illiquidity risk of the instruments.

The movement in the fair value of level 3 assets of (£0.1m) is entirely due to the change in the internal valuation of the Syndicate loans, with the movement being recognised through profit and loss. There were no purchases, sales, issues, settlements or transfers into or out of the Syndicate loans during the year.

12 Debtors arising out of direct insurance operations

	2021 £000	2020 £000
Amounts due from intermediaries:		
Due within one year	41,609	36,279
	41,609	36,279

13 Debtors arising out of reinsurance operations

	2021 £000	2020 £000
Amounts due within one year	3,180	5,550
	3,180	5,550

14 Deferred acquisition costs

The table below shows changes in deferred acquisition costs assets from the beginning of the period to the end of the period.

	2021 £000	2020 £000
Balance at 1 January	15,934	14,906
Incurred costs deferred	18,459	16,729
Amortisation	(15,862)	(15,245)
Effect of movements in exchange rates	209	(456)
Balance at 31 December	18,740	15,934

15 Year of account development

Year of Account	2016 £000	2017 £000	2018 £000	2019 £000	2020 £000	2021 £000	Profit/(loss) before members' agents fees £000
2016	(24,025)	(19,059)	18,713				(24,371)
2017		(62,335)	(30,649)	11,007			(81,977)
2018			(43,635)	10,234	18,184		(15,217)
2019				2,852	(17,555)	20,725	6,022
2020					(15,706)	10,886	
2021						(8,559)	
Calendar year result			(55,571)	24,093	(15,077)	23,052	

A payment of US$7.95m to members will be paid in relation to the 2019 year of account (2020: £8.5m and US$9.4m final cash call in relation to the 2018 year of account).

16 Claims development

Claims development on cumulative premium earned is shown in the tables below, both gross and net of reinsurance ceded, on an underwriting year basis. Balances have been translated at exchange rates prevailing at 31 December 2021 in all cases.

Pure underwriting year	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	Total £m
Estimate of ultimate gross claims at end of underwriting year	70.3	52.8	51.7	44.6	65.9	178.7	95.5	40.5	67.1	66.8	
one year later	105.9	82.6	88.2	84.2	145.5	258.5	146.9	110.4	127.6		
two years later	100.1	73.1	80.2	79.6	141.3	260.0	141.4	101.9			
three years later	97.5	70.7	75.4	75.2	139.6	255.9	138.1				
four years later	97.4	70.0	74.0	75.0	139.7	250.4					
five years later	95.7	69.1	72.9	73.4	138.9						
six years later	93.6	68.5	72.0	72.7							
seven years later	92.6	67.9	71.6								
eight years later	92.2	66.8									
nine years later	91.9										
Less gross claims paid	90.9	65.7	68.9	70.6	131.6	237.3	121.0	72.7	63.0	11.4	
Gross ultimate claims reserve	1.0	1.1	2.7	2.1	7.3	13.1	17.1	29.2	64.6	55.4	193.6
Gross ultimate claims reserve for 2010 and prior years											7.1
Gross claims reserves											200.7

16 Claims development *continued*

Pure underwriting year	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	Total £m
Estimate of ultimate net claims at end of underwriting year	68.7	50.6	49.6	43.9	64.8	104.2	90.1	39.4	64.6	55.8	
one year later	101.3	79.1	86.3	81.3	129.5	177.5	133.7	104.9	102.5		
two years later	94.5	69.6	78.2	76.5	124.0	175.7	126.7	95.6			
three years later	91.6	67.2	73.5	72.6	122.2	170.6	125.5				
four years later	90.2	66.3	72.1	72.4	122.1	164.3					
five years later	88.7	65.5	71.0	71.2	121.5						
six years later	86.7	64.7	70.1	70.7							
seven years later	85.6	64.3	69.7								
eight years later	85.3	63.5									
nine years later	84.9										
Less net claims paid	84.0	62.4	67.0	68.6	114.3	153.6	109.5	68.8	61.0	11.0	
Net ultimate claims reserve	0.9	1.1	2.7	2.1	7.2	10.7	16.0	26.8	41.5	44.8	153.8
Net ultimate claims reserve for 2010 and prior years											6.0
Net claims reserves											159.8

17 Technical provisions

The table below shows changes in the insurance contract liabilities and assets from the beginning of the period to the end of the period.

	2021 Gross provisions £000	2021 Reinsurance assets £000	2021 Net £000	2020 Gross provisions £000	2020 Reinsurance assets £000	2020 Net £000
Incurred claims outstanding:						
Claims notified	119,268	(12,288)	106,980	130,355	(17,021)	113,334
Claims incurred but not reported	75,524	(2,970)	72,554	58,991	(1,121)	57,870
Balance at 1 January	194,792	(15,258)	179,534	189,346	(18,142)	171,204
Change in prior year provisions	(91,981)	3,993	(87,988)	(91,394)	6,585	(84,809)
Expected cost of current year claims	194,028	(35,746)	158,282	219,602	(15,863)	203,739
Claims paid during the year	(98,924)	6,981	(91,943)	(115,970)	11,730	(104,240)
Effect of movements in exchange rates	2,673	(759)	1,914	(6,792)	432	(6,360)
Balance at 31 December	200,588	(40,789)	159,799	194,792	(15,258)	179,534
Claims notified	122,947	(26,416)	96,531	119,268	(12,288)	106,980
Claims incurred but not reported	77,641	(14,373)	63,268	75,524	(2,970)	72,554
Balance at 31 December	200,588	(40,789)	159,799	194,792	(15,258)	179,534
Unearned premiums						
Balance at 1 January	68,756	(4,344)	64,412	63,185	(3,865)	59,320
Premiums written during the year	179,206	(32,592)	146,614	179,210	(28,637)	150,573
Premiums earned during the year	(169,614)	29,643	(139,971)	(171,304)	27,985	(143,319)
Effect of movements in exchange rate	1,053	(107)	947	(2,335)	173	(2,162)
Balance at 31 December	79,402	(7,400)	72,002	68,756	(4,344)	64,412

18 Financial liabilities at amortised cost

	2021 £000	2020 £000
Creditors arising out of direct insurance operations	535	3,014
Creditors arising out of reinsurance operations	10,254	6,174
Other creditors	8,250	10,901
Total financial liabilities at amortised cost	19,039	20,089

Other creditors include £8.2m (2020: £10.9m) due to related undertakings.

19 Cash and cash equivalents

	2021 £000	2020 £000
Cash at bank and in hand	13,315	7,644
Total cash and cash equivalents	13,315	7,644

20 Related parties

Cincinnati Global Underwriting Agency Limited – Ultimate holding company

At 31 December 2021, the ultimate parent company of Cincinnati Global Underwriting Agency Limited ("CGUAL") is Cincinnati Financial Corporation ("CFC"). CFC is incorporated in the United States of America, and acquired the entire issued share capital of Cincinnati Global Underwriting Limited ("CGUL"), and its subsidiaries on 20 February 2019. CGUL is the intermediate holding company of CGUAL, and Cincinnati Global Dedicated No 2 Limited.

Group accounts for CFC are available from the Company Secretary of CGUAL, One Minster Court, London EC3R 7AA, or at https://cincinnatifinancialcorporation.gcs-web.com selecting investors.

For the 2020, 2021 and 2022 years of account, the CFC participation on Syndicate 318 is as follows as at 31 December 2021:

Year of account	Participation £000	% of capacity
2020	214,357	92.2
2021	214,357	92.5
2022	214,357	92.5

Cincinnati Financial Corporation ("CFC")

Amounts recharged to the Syndicate from CFC for the use of catastrophe modelling software were £195,578 in the year.

20 Related parties *continued*

Cincinnati Global Underwriting Services Limited (formerly Beaufort Underwriting Services Limited)

Cincinnati Global Underwriting Services Limited ("CGUSL") acted solely as a service company for the introduction of UK/Eire commercial, homeowners' property and liability and aviation risks to Syndicate 318. CGUSL is an appointed representative of CGUAL under the requirements of the Financial Conduct Authority. During the year, there were no cash transactions between CGUSL and the Syndicate, or any amounts due to or from the Syndicate at 31 December 2021 in respect of CGUSL.

The Syndicate ceased accepting new or renewal business via CGUSL on 31 December 2009.

Cincinnati Global Underwriting Agency Limited

Amounts payable to CGUAL at 31 December 2021 totalled £8,202,858 (2020: £10,896,747). These amounts are included in "Other creditors".

In aggregate, total fees payable to CGUAL in respect of services provided to the Syndicate for the three open years amounted to £4,535,635 (2020: £4,551,237). Profit commission of £1,353,919 is due in respect of the 2019 year of account (2018: £Nil). Profit commission of £Nil has been accrued on the 2020 year of account (2019: £Nil). Profit commission of £Nil has been accrued on the 2021 year of account (2020: £Nil). The 2020 year of account will normally close at 31 December 2022 and the 2021 year of account at 31 December 2023.

Expenses totalling £12,566,341 (2020: £11,190,150) were recharged to the Syndicate by CGUAL. Where expenses were incurred jointly by the Managing Agent and the Syndicate, they were apportioned as follows:

Salaries and related costs	– according to the time individuals spent on Syndicate matters
Accommodation costs	– according to the number of personnel
Other costs	– as appropriate

The reinsurance premium paid to close the 2019 year of account at 31 December 2021 was agreed by the Board of the Managing Agency on the 7 February 2022. Consequently, the technical provisions at 31 December 2021 have been presented in the balance sheet under the headings "reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account" and "reinsurance to close premiums payable to close the account – gross amount" in accordance with the format prescribed by the Syndicate Accounting Byelaw.

Cincinnati Insurance Company

Cincinnati Insurance Company ("CIC") is a fellow subsidiary and related party to Cincinnati Financial Corporation. CIC is an insurance company, and is incorporated in the United States of America. CIC provided claims handling services to the Syndicate in the year, on several delegated authorities in the US. The total fees paid to CIC by Syndicate 318 in the year ended 31 December 2021 amounted to US$121,885.

21 Post balance sheet events

A total of US$7.95m will be transferred to members' personal reserve funds on 11 April 2022 in respect of the profit on the 2019 year of account.

22 Foreign exchange rates

	2021		2020	
	Year-end rate	Average rate	Year-end rate	Average rate
US dollar	1.35	1.38	1.37	1.28
Canadian dollar	1.71	1.72	1.74	1.72

23 Funds at Lloyd's

In case Syndicate assets prove insufficient to meet members' underwriting liabilities, every member is required to hold additional capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL).

The Syndicate takes into account a variety of risks when calculating its Solvency Capital Requirement to arrive at its capital for the forthcoming year, in accordance with the Solvency II guidelines. This is reviewed and approved by Lloyd's.

The level of required FAL each member has to maintain is determined by Lloyd's according to the nature and the amount of risk to be underwritten. FAL is not hypothecated to any specific Syndicate participation by a member. Therefore, there are no specific funds available to a Syndicate which can be precisely identified as its capital.

2019 Underwriting Year of Account

Financial highlights

318

2019 underwriting account

£234m
Syndicate capacity

£154.6m
gross premium written (including brokerage)

£6.0m
profit for closed year (before non-standard personal expenses)

96.5%
combined ratio

3.9%
profit as a percentage of gross premium

2.6%
profit as a percentage of capacity

Note:

- The combined ratio is net claims incurred (inclusive of IBNR) and net operating expenses (excluding profit/loss on exchange) expressed as a percentage of net earned premium.

2019 Underwriting Year of Account

Managing agent's report

The Managing Agent presents its report on the 2019 Year of Account (YoA) of Syndicate 318 closed at 31 December 2021 together with an overview of the 2020 YoA to be closed 31 December 2022 and the 2021 YoA to be closed at 31 December 2023.

This report is prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (no.8 of 2005). It accompanies the annual accounts prepared on an annual accounting basis as required by Statutory Instruments (No. 1950 of 2008), the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) regulations.

Detailed underwriting account descriptions as well as future trading prospects are covered in the Report of the directors of the Managing Agent.

Directors

The following individuals served on the board at various periods up to the point of closure of the 2019 year of account.

Directors:

R.J. Betzler (non-executive) (appointed 7 February 2018, resigned 28 February 2019)
T. Cracas (non-executive) (appointed 28 February 2019)
C.J.W. Czapiewski (non-executive) (retired by rotation 20 February 2020)
D.C. Eales
A. Hoffmann
M.A. Langston
R.J. Martin (non-executive)
P.M. Murray (non-executive) (appointed 14 October 2019)
R.A. Pexton (non-executive Chairman)
G.M. Tuck

Company Secretary:

A. Hoffmann (appointed 16 July 2019, resigned 1 January 2022)
P.S.O'Neill (resigned 16 July 2019)
S. Kaur (appointed 1 January 2022)

2019 Year of Account

We are pleased to report that the 2019 year of account has closed on a three year accounting basis with a profit after personal expenses of £6m, which equates to 2.6% expressed as a percentage of capacity for a traditional name. The results on an annual accounting basis are shown in the main body of the report and accounts; this commentary is applicable to the closing and open years on a conventional year of account basis only.

The Syndicate's capacity for the 2019 year of account was £233.6m, which was small decrease as some third party names dropped their capacity. The Syndicate continued to underwrite International and US Property business. Property risks are accepted on a direct and facultative basis, and via binding authorities. The Syndicate also wrote a small Aviation account which specialised in non-first tier airlines. Gross Premiums including brokerage at closing rates of exchange are £154.6m. On a pure year basis, gross premiums as adjusted for rates of exchange, decreased by around 12.6% from the previous underwriting year.

The Syndicate reduced catastrophe exposure on the Property account, most notably on binding authorities, where the Syndicate had experienced a high severity of losses, and the rating had been slower to improve, following the market losses in 2017.

The cost of reinsurance consequently decreased on the 2019 year of account and was £24.3m.

It was also a relatively active year in terms of catastrophe losses, although there was an improvement in reserves in the final year. In aggregate, pure year gross losses incurred were £99.3m, although this is reduced to £93m on a net basis after the benefits of reinsurance. The major losses of note to the 2019 year of account are listed below:

Loss	Gross £m	Net £m
Hurricane Laura	10.40	8.50
COVID 19	7.60	7.60
Tornadoes Tennessee	3.80	3.80
Hurricane Sally	3.10	2.80
Hurricane Zeta	2.00	1.80
Hurricane Delta	1.70	1.50
Protests on racial injustice	1.30	1.30
Severe weather – State of South Carolina	0.80	0.80
	30.70	28.10

Prior year surplus

The reserves established at last year end in respect of 2018 year of account and prior years have developed favourably during 2021. This has resulted in a release of £12.4m which has improved the overall result.

2020 Year of Account

The Syndicate marginally reduced its capacity for the 2020 year of account to £232.5m, after a small proportion of traditional names elected not to continue underwriting on the Syndicate. The current estimate of gross premium income for the year is £171.8m. The Syndicate ceased underwriting Aviation business in 2020, but expanded into Speciality Lines. The 2020 year of account has experienced significant catastrophe losses in both the 2020 and 2021 calendar years. However, the rating environment was positive in the year, and the Speciality lines have performed well to date.

Members’ balances currently stand at an overall deficit of £4.8m, after standard personal expenses. We are forecasting a loss in the range of 0.66% – (4.34%) upon closure of the 2020 year of account.

2021 Year of Account

The Syndicate reduced its capacity for the 2021 year of account to £231.7m, after small proportion of traditional names elected not to continue underwriting on the Syndicate. The current estimate of gross premium income for the year is £194.5m. As discussed in the commentary on the calendar year GAAP result, we have increased the level of premiums written by expanding into new lines of business. The 2021 year of account has experienced catastrophe losses in the year, but we remain positive about its ultimate outcome.

Members' balances stand at an overall deficit of £8.6m.

Statement as to disclosure of information to auditors

The Directors who held office at the date of approval of this Managing Agent's report confirm that, so far as they are each aware, there is no relevant audit information of which the Syndicate's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

G. M. Tuck
Chief Finance Officer

Cincinnati Global Underwriting Agency Limited
Third Floor
One Minster Court
London EC3R 7AA

3 March 2022

Statement of managing agent's responsibilities

The directors of the managing agent are responsible for preparing the Syndicate underwriting year accounts in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw. They have elected to prepare the accounts in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 the directors of the managing agent must not approve the underwriting year accounts unless they are satisfied that they give a true and fair view of the result of the underwriting year at closure. In preparing these accounts, the directors of the managing agent are required to:

- 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 between the members of the Syndicate affected is used;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts;
- Assess the Syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so. As explained in note 1 the directors of the managing agent do not believe that it is appropriate to prepare the underwriting year accounts on a going concern basis.

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

On behalf of the board

G. M. Tuck
Chief Finance Officer

3 March 2022

Independent auditor's report to the Members of Syndicate 318 – 2019 closed year of account

Report on the audit of the syndicate underwriting year accounts for the 2019 closed year of account for the three years ended 31 December 2021

Opinion

In our opinion the syndicate underwriting year accounts of Syndicate 318 (the 'syndicate'):

- 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 including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

We have audited the syndicate underwriting year accounts which comprise:

- the statement of profit or loss account;
- the balance sheet;
- the statement of changes in members' balances;
- the statement of cash flows; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "the Financial Reporting Standard applicable in the UK and Republic of Ireland", the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and 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 Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The other information comprises the information included in the annual report1, 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 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of managing agent

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

In preparing the syndicate underwriting 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.

A further description of our responsibilities for the audit of the syndicate underwriting year accounts is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the syndicate and its control environment, and reviewed the syndicate's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the syndicate operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements2. These included the Insurance Accounts Directive (Lloyd's

Independent auditor's report to the Members of Syndicate 318 – 2019 closed year of account *continued*

Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005)]; and

- do not have a direct effect on the financial statements but compliance with which may be fundamental to the syndicate's ability to operate or to avoid a material penalty3. These included the requirements of Solvency II.

We discussed among the audit engagement team including relevant internal specialists such as actuarial and IT, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the underwriting year accounts.

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following area, and our specific procedures performed to address it are described below:

- Technical provisions are a key area of management judgement with inherent uncertainty and materiality. In particular there is a high level of judgement required in the projections of future claims on catrostropic events hence for the syndicate we have pinpointed the significant risk to the assumptions used for the Incurred but not reported (IBNR) in relation to catrostropic events.
- Evaluated the design and implementation of internal controls around the reserving cycle. We have tested the controls over data, model, assumptions, methodology and results as per ISA 540R;
- Utilising our actuarial specialists to carry out an Benchmarking of the major catastrophe events across our Lloyd's and London market and challenge the general methodology and approach to assumptions including initial expected loss ratio benchmarking;
- Performed attribute testing on the data used in the actuarial calculations. We have selected a sample of items and trace selections to underlying Syndicate records to ensure the data is accurate and complete;
- Performed a 'stand back' assessment to consider all the evidence received from audit procedures performed and concluded if there is any evidence of overall management bias.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing underwriting year accounts disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the underwriting year accounts;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and

- reading minutes of meetings of those charged with governance, reviewing internal audit reports, and reviewing correspondence with Lloyd's.

Report on other legal and regulatory requirements

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

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

- the information given in the managing agent's report for the financial year for which the syndicate underwriting year accounts are prepared is consistent with the syndicate underwriting year accounts; and

- the managing agent's report has been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

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

Matters on which we are required to report by exception

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

- the managing agent in respect of the syndicate has not kept adequate or proper accounting records; or

- the syndicate underwriting year accounts are not in agreement with the accounting records or

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

- the syndicate underwriting year accounts are not in compliance with the requirements of paragraph 5 of Schedule 1 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with regulation 6 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Claire Clough ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
3 March 2022

2019 Underwriting Year of Account

Statement of profit or loss: Technical account – general business for the 2019 closed year of account for the three years ended 31 December 2021

Technical account – general business

	Note	£000	£000
Earned premiums, net of reinsurance			
Gross premiums written	4	154,604	
Outward reinsurance premiums		(24,319)	
			130,285
Reinsurance to close premiums received, net of reinsurance	4/15		73,123
Allocated investment return transferred from the non-technical account			1,433
Other technical income, net of reinsurance			135
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(90,306)	
Reinsurers' share		7,948	
		(82,358)	
Reinsurance to close premium payable, net of reinsurance	5	(73,461)	
			(155,819)
Net operating expenses	7		(43,193)
Balance on the technical account – for general business			5,964

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

The notes on pages 78 to 91 form part of these accounts.

Non-technical account

	£000
Balance on the general business technical account	5,964
Income from investments	2,179
Realised losses on investments	(153)
Unrealised losses on investments	(498)
Investment expenses and charges	(94)
Allocated investment return transferred to general business technical account	(1,433)
Profit on exchange	57
Profit for the closed year of account	6,022

There are no recognised gains or losses in the accounting period other than those dealt with in the technical and non-technical accounts, therefore no statement of total recognised gains and losses are presented.

The notes on pages 78 to 91 form part of these accounts.

2019 Underwriting Year of Account

Balance sheet as at 31 December 2021

	Note	£000	£000
Assets			
Investments			
Other financial investments	8/16		67,057
Deposits with ceded undertakings	8/16		577
			67,634
Debtors			
Debtors arising out of direct insurance operations	9	16	
Debtors arising out of reinsurance operations	10	1,311	
Other debtors		101	
			1,428
Reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account	5		7,087
Other assets			
Cash at bank and in hand	16		13,315
Total assets			89,464

The notes on pages 78 to 91 form part of these accounts.

	Note	£000	£000
Liabilities			
Capital and reserves			
Amounts due to members			5,892
Reinsurance to close premiums payable to close the account – gross amount	5		80,549
Creditors			
Creditors arising out of direct insurance operations	11	244	
Creditors arising out of reinsurance operations	12	448	
Other creditors including taxation and social security		977	
			1,669
Accruals and deferred income			1,354
Total liabilities			89,464

The financial statements on pages 72 to 91 were approved by the Board of Cincinnati Global Underwriting Agency Limited on 2 March 2022 and were signed on its behalf by

D. C. Eales
Chief Executive Officer

G. M. Tuck
Chief Finance Officer

3 March 2022

The notes on pages 78 to 91 form part of these accounts.

2019 Underwriting Year of Account

Statement of members' balances for the 36 months ended 31 December 2021

	£000
Members' balances brought forward at 1 January	–
Profit for closed year of account	6,022
Open year cash calls made	–
Members' agents fees	(130)
Members' balances carried forward at 31 December 2021	5,892

The notes on pages 78 to 91 form part of these accounts.

Statement of cash flows for the 36 months ended 31 December 2021

	Note	£000
Closed year cash flow		
Cash flows from operating activities		
Profit for the year		6,022
Unrealised gains on investments		498
Net realised foreign exchange gains		(903)
Non cash consideration received as part of RITC received	15	(49,278)
RITC premium payable net of reinsurance	5	73,461
Decrease in debtors, subrogation and salvage and prepayments		1,349
Decrease in creditors		(396)
Net cash inflow from operating activities		30,753
Cash flows from investing activities:		
Acquisitions of other financial instruments		(101,474)
Proceeds from sale of other financial instruments		84,166
Net cash outflow from investing activities		(17,308)
Cash flow from financing activities:		
Members' agents' fees paid on behalf of members		(130)
Net cash outflow from financing activities		(130)
Net increase in cash and cash equivalents		13,315
Cash and cash equivalents at 1 January		–
Cash and cash equivalents at 31 December	16	13,315

The notes on pages 78 to 91 form part of these accounts.

Notes to the accounts for the 36 months ended 31 December 2021

1

(a) Basis of preparation

The Syndicate underwriting year accounts have been prepared under the Insurance Accounts Directive ("Lloyd's Syndicates and Aggregate Accounts") Regulations 2008 ("the Lloyd's Regulations") the Syndicate Accounting Byelaw, and Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), and Financial Reporting Standard 103 Insurance Contracts ("FRS 103").

Whilst the directors of the managing agent have a reasonable expectation that the Syndicate has adequate resources to continue in operational existence for the foreseeable future, these financial statements represent the participation of members in the 2019 year of account, which closed on 31 December 2021. The accumulated profit of the 2019 year of account will be distributed shortly after publication of these accounts. Therefore the 2019 year of account is not continuing to trade and, accordingly the directors have not adopted the going concern basis in the preparation of these accounts. This has no effect on the amounts reported in the accounts as the 2019 year of account will be closed by payment of a reinsurance to close premium, as outlined in note 5 below, which is consistent with the normal course of business for a Lloyd's Syndicate and with the approach we have applied to earlier underwriting years.

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. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Refer to note 2 in the annual accounts for the treatment of estimates.

As each Syndicate year of account is a separate annual venture, there are no comparative figures.

(b) Going concern

The Board of CGUAL has a reasonable expectation that the Syndicate has adequate resources to continue underwriting for the foreseeable future. The Board has considered the impact of the COVID-19 pandemic, and of Brexit, in its assessment of going concern. The Board are satisfied that these issues will not impair the Syndicate's ability to continue being a going concern in the future.

2 Accounting policies

(a) 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 the three years, 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.

2 Accounting policies *continued*

(b) Reinsurance to close premium received

The reinsurance to close premium received was closed into the 2019 year of account at 31 December 2020.

The reinsurance to close premium is determined by reference to the outstanding technical provisions (including those for outstanding claims, unearned premiums, net of deferred acquisition costs, and unexpired risks) relating to the closed year and 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 provision for claims comprises amounts set aside for claims notified and claims incurred but not yet reported ("IBNR").

The amount included in respect of IBNR is based on statistical techniques and underwriting judgements applied by the Managing Agent's management and reviewed by 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 years, having regard to variations in the business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs.

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 these estimates.

Accordingly, the most critical assumption as regards claims provisions is that the past is a reasonable predictor of the likely level of claims development.

It is considered that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available. However, ultimate liability will vary as a result of subsequent information and events, and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

2 Accounting policies *continued*

(c) Premiums written and earned

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.

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

(d) Claims paid

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.

(e) Reinsurance to close premium payable

The reinsurance to close premium paid was closed into the 2020 year of account at 31 December 2021.

The reinsurance to close premium is determined by reference to the outstanding technical provisions (including those for outstanding claims, 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 provision for claims comprises amounts set aside for claims notified and claims IBNR.

2 Accounting policies *continued*

(e) Reinsurance to close premium payable *continued*

The amount included in respect of IBNR is based on statistical techniques and underwriting judgements applied by the Managing Agent's management and reviewed by 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 years, having regard to variations in the business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs.

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 these estimates.

Accordingly the most critical assumption as regards claims provisions is that the past is a reasonable predictor of the likely level of claims development.

It is considered that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available. However, ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

(f) Acquisition costs

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 unearned at the balance sheet date.

(g) 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).

2 Accounting policies *continued*

(g) Financial assets and liabilities *continued*

Classification

The accounting classification of financial assets and liabilities determines how they are measured and changes in those values are presented in the statement of profit or loss and other comprehensive Income. Financial assets and liabilities are classified on their initial recognition. Subsequent reclassifications are permitted only in restricted circumstances.

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.

The Syndicate does not hold financial assets or financial liabilities for trading purposes, although derivatives (assets or liabilities) held by the Syndicate are categorised as held for trading.

Deposits with credit institutions, debtors, and accrued interest are classified as loans and receivables.

Recognition

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.

Measurement

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.

2 Accounting policies *continued*

Identification and measurement of impairment

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.

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 the carrying amount of the impaired asset directly. 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.

Off-setting

Financial assets and financial liabilities are set off and the net amount presented in the balance sheet when, and only when, the Syndicate currently has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(h) Investment return

Investment return comprises investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses and charges. Investment return arising in each calendar year on all the Syndicate's investments is allocated to open years of account in proportion to the average funds available for investment attributable to those years. Investment returns in respect of overseas deposits are allocated to the year of account which funded these deposits.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between their valuation at the balance sheet date and their

2 Accounting policies *continued*

(h) Investment return *continued*

purchase price or, if they have been previously valued, their valuation at the end of the previous calendar year, together with the reversal of unrealised gains and losses recognised in earlier calendar years in respect of investment disposals in the current period.

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

(i) Net operating expenses

Where expenses are incurred by the Managing Agent or on behalf of the Managing Agent in relation to the administration of the Syndicate, the amounts in question are apportioned using varying methods depending on the expense type. Expenses which are incurred jointly for the Managing Agent and Syndicate are apportioned depending on the amount of work performed, resources used and the volume of business transacted. Net operating expenses are allocated to the year of account for which they are incurred.

The parent company of the Managing Agent operates a defined contribution pension scheme. It recharges salaries and related costs to the Syndicate which includes an element for pension costs. These pension costs are recognised 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.

(j) Cash and cash equivalents

Cash and cash equivalents comprise of cash balances held in the current accounts at the year end, and are used by the Syndicate in the management of its short term commitments.

(k) 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 tax liabilities with HM Revenue & Customs.

2 Accounting policies *continued*

(k) Taxation *continued*

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

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

(l) Basis of currency translation

Transactions in US dollars and Canadian dollars are translated at the rate of exchange at the balance sheet date. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

Assets and liabilities are re-translated into Sterling at the rate of exchange at the balance sheet date.

Differences arising on the re-translation of foreign currency amounts are included in the non-technical account.

3 Risk and capital management

The board of directors of the Managing Agent has overall responsibility for the establishment and oversight of the Syndicate's risk and capital management. An overview of the Managing Agent's risk management structure is detailed on page 14, and more detailed definitions of the key risks and further explanation on how they affect the Syndicate are detailed in notes on page 35.

Effective from 1 January 2021, the RITC process means that the 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.

Full disclosures relating to these risks are provided in the main Annual Accounts of the Syndicate.

4 Analysis of underwriting result

	Gross premiums written and earned £000	Gross claims incurred £000	Net operating expenses £000	Reinsurance balance £000	Total £000
Direct insurance:					
Marine aviation and transport	3,699	(1,808)	(934)	(208)	749
Fire and other damage to property	108,123	(66,350)	(31,483)	(12,486)	(2,196)
Motor (other classes)	731	(288)	(269)	(30)	144
Third party liability	–	(64)	–	–	(64)
Reinsurance acceptances	125,955	(102,344)	(10,507)	(7,341)	5,763
Total	238,508	(170,854)	(43,193)	(20,065)	4,396

All premiums were written in the UK. All net assets and profit are derived from UK business.

Total gross premium written and earned arise from gross premiums written on the underwriting year of account, and the reinsurance to close premium accepted from the 2018 and prior years of account. The gross premiums written include £83,903,665 of reinsurance acceptances from the 2018 and prior years reinsurance to close premium. Reinsurance balances include £10,780,557 of reinsurance recoverable from the 2018 and prior years reinsurance to close premium.

Geographical analysis by destination

	Gross premiums written £000
UK	90,311
US	106,076
Other	42,121
Total	238,508

5 Reinsurance to close premium payable net of reinsurance

	Reported £000	IBNR £000	Total £000
Gross outstandings	53,810	26,738	80,548
Reinsurance recoveries anticipated	(6,593)	(494)	(7,087)
Net	47,217	26,244	73,461

6 Analysis of result by year of account

	2018 & prior years of account £000	2019 pure year of account £000	Total £000
Technical account balance before allocated investment return and net operating expenses	12,394	35,194	47,588
Brokerage and commission on gross premium	–	(29,834)	(29,834)
Acquisition costs – other	–	(7,306)	(7,306)
	12,394	(1,946)	10,488

7 Net operating expenses

	£000
Acquisition costs – brokerage	29,834
Acquisition costs – other	7,306
Administrative expenses	6,053
	43,193

The closed year profit is stated after charging:

	£000
Auditor remuneration	
Audit – Deloitte LLP	171
Audit related assurance services – Deloitte LLP	71
Fees payable to the Syndicate auditor for the audit of the managing agent	17
	259

8 Financial investments

	Market value £000	Cost £000
Holdings in collective investment schemes	11,649	11,649
Debt securities and other fixed income securities	51,242	51,416
Overseas deposits as investments	4,166	4,166
Deposits with ceded undertakings	577	577
Total investments	67,634	67,808

9 Debtors arising out of direct insurance operations

	£000
Due within one year	16
	16

10 Debtors arising out of reinsurance operations

	£000
Due within one year	1,311
	1,311

11 Creditors arising out of direct insurance operations

	£000
Due within one year	244
	244

12 Creditors arising out of reinsurance operations

	£000
Due within one year	448
	448

13 Post balance sheet events

The reinsurance premium paid to close the 2019 year of account at 31 December 2021 was agreed by the Board of the Managing Agency on the 7 February 2022. Consequently the technical provisions at 31 December 2021 have been presented in the balance sheet under the headings "reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account" and "reinsurance to close premiums payable to close the account – gross amount" in accordance with the format prescribed by the Syndicate Accounting Byelaw.

A total of $7.95m will be transferred to members' personal reserve funds on 11 April 2022 in respect of the 2019 year of account.

14 Related parties

Cincinnati Global Underwriting Agency Limited – Ultimate holding company

At 31 December 2021, the ultimate parent company of Cincinnati Global Underwriting Agency Limited ("CGUAL") is Cincinnati Financial Corporation ("CFC"). CFC is incorporated in the United States of America, and acquired the entire issued share capital of Cincinnati Global Underwriting Limited ("CGUL"), and its subsidiaries on 20 February 2019. CGUL is the intermediate holding company of CGUAL, and Cincinnati Global Dedicated No 2 Limited.

Group accounts for CFC are available from the Company Secretary of CGUAL, One Minster Court, London EC3R 7AA, or at https://cincinnatifinancialcorporation.gcs-web.com selecting investors.

For the 2020, 2021 and 2022 years of account, the CFC participation on Syndicate 318 is as follows:

Year of account	Participation £000	% of capacity
2020	214,357	92.2
2021	214,357	92.5
2022	214,357	92.5

Bell and Clements Limited

Bell and Clements Limited ("BCL") a subsidiary and related party of Munich Re is an intermediary authorised and regulated by the Financial Conduct Authority and is a Lloyd's broker. Munich Re previously owned the entire share capital of Cincinnati Global Underwriting Limited (formerly MSP Underwriting Limited) and all its subsidiaries. Syndicate 318 has underwritten a number of contracts of insurance and reinsurance and binding authorities placed by BCL. For the 2019 year of account, Gross Written Premiums under these contracts amounted to £Nil. Brokerage paid to BCL amounted to £1,582,316.

Munich Re Syndicate Limited

Munich Re Syndicate Limited ("MRSL") is a Lloyd's Managing Agency which manages Munich Re Syndicate 457, underwriting predominately marine and energy business and is a wholly owned subsidiary of Munich Re Holding Company (UK) Limited. Its ultimate parent company is also Munich Re. None of the Directors of Munich Re Syndicate Limited participates directly as an underwriting member of Syndicate 318.

14 Related parties *continued*

Münchener Rückversicherungs-Gesellschaft (“Munich Reinsurance Company”)

The Syndicate purchases reinsurance protection from Munich Re. Total premiums ceded in respect of these contracts was £144,804 for the 2019 year. Actual and anticipated recoveries under these arrangements amount to £Nil as at 31 December 2021.

All contracts are written on normal market terms at arm’s length.

Great Lakes Reinsurance (UK) SE (“GLUK”)

For the 2019 year of account, CGUAL had an agreement with GLUK whereby the Syndicate would underwrite certain Airline business on behalf of GLUK, a wholly owned subsidiary of Munich Re. The agreement was conditional on a number of factors including that, for new and renewal business, the Syndicate would underwrite for its own account in accordance with its line structure in the first instance, and only those risks where the Syndicate participates would be accepted on GLUK’s behalf.

On the 2019 year of account, CGUAL has an agreement with GLUK to underwrite and manage a specific facility for general Aviation business on GLUK’s behalf.

An over-rider is payable by GLUK to the Syndicate equivalent to 4% of gross premiums (after brokerage) on the 2019 year of account. These amounts are disclosed in the profit and loss account as other technical income.

In respect of the 2019 year of account, the Syndicate received £270,000.

Cincinnati Global Underwriting Services Limited (formerly Beaufort Underwriting Services Limited)

Cincinnati Global Underwriting Services Limited (“CGUSL”) acted solely as a service company for the introduction of UK/Eire commercial, homeowners’ property and liability and aviation risks to Syndicate 318. CGUSL is an appointed representative of CGUAL. During the year, there were no cash transactions between CGUSL and the Syndicate, or any amounts due to or from the Syndicate at 31 December 2021 in respect of CGUSL.

The Syndicate ceased accepting new or renewal business via CGUSL on 31 December 2009.

14 Related parties *continued*

Cincinnati Global Underwriting Agency Limited

Total fees payable to CGUAL in respect of services provided to the Syndicate and chargeable to the 2019 year of account amounted to £1,518,093.

Profit commission of £1,353,919 has been accrued in respect of the 2019 year of account. Expenses totalling £9,892,138 were recharged to the Syndicate in 2019 year of account by CGUAL.

Where expenses were incurred jointly by the Managing Agent and the Syndicate, they were 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

15 Consideration for RITC received

	£000
Non cash consideration received for the net RITC comprises:	
Portfolio investments	49,920
Debtors	2,777
Creditors	(3,419)
Non cash consideration received	49,278
Cash	7,644
Total cash and non cash consideration for RITC received	56,922
Amounts payable to members' on closure of the 2018 year of account	15,355
Reinsurance to close premiums received, net of reinsurance received at 1 January 2021	72,277
Profit on foreign exchange	846
Reinsurance to close premiums received, net of reinsurance	73,123

16 Movement in opening and closing portfolio investments net of financing

	At 1 January 2019 £000	Received within RITC premium £000	Cash flow £000	Change in fair value and foreign exchange £000	At 31 December 2021 £000
Cash	–	7,644	5,671	–	13,315
Portfolio investments	–	49,920	17,308	406	67,634
Total portfolio investments	–	57,564	22,979	406	80,949

Seven year summary of results for a traditional Name (unaudited)

An unaudited seven year summary prepared from the results of the Syndicate for a traditional Name with a £10,000 share is shown below.

This has not been prepared in accordance with UK financial reporting standards, or the accounting policies disclosed. Gross premiums, and net operating expenses are stated net of brokerage, and overrider commissions receivable.

Personal expenses have been stated at the amount which would be incurred pro rata by individual members 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.

	2013	2014	2015	2016	2017	2018	**2019**
Syndicate allocated capacity	£234.83m	£235.04m	£234.85m	£235.04	£234.77	£234.14	**£233.55**
Capacity utilised	54.6%	59.6%	53.0%	52.5%	54.0%	59.0%	**53.4%**

Results for an illustrative share of £10,000

	£	£	£	£	£	£	£
Gross premiums (net of brokerage)	5,463	5,960	5,298	5,253	5,401	5,901	**5,342**
Net premiums	4,413	4,947	4,463	4,298	4,258	4,659	**4,301**
Reinsurance to close from an earlier account	2,589	2,538	2,315	2,286	2,731	3,465	**3,131**
Net claims	(2,435)	(3,163)	(2,924)	(4,489)	(6,573)	(5,314)	**(3,526)**
Reinsurance to close	(2,227)	(2,463)	(2,188)	(2,804)	(3,552)	(3,087)	**(3,145)**
Profit/(loss) on exchange	27	34	19	23	(12)	1	**2**
Net operating expenses	(341)	(303)	(330)	(319)	(330)	(372)	**(394)**
Balance on technical account	2,026	1,590	1,355	(1,005)	(3,488)	(648)	**369**
Investment income and gains less losses, less expenses and charges	39	77	93	83	104	120	**61**
Profit/(loss) before personal expenses	2,065	1,667	1,448	(922)	(3,374)	(528)	**430**
Illustrative personal expenses for a traditional Name							
Managing agent's salary	(65)	(65)	(65)	(65)	(65)	(65)	**(65)**
Central Fund contributions	(26)	(23)	(24)	(22)	(25)	(28)	**(24)**
Profit commission	(389)	(311)	(267)	–	–	–	**(58)**
Lloyd's subscription	(26)	(23)	(24)	(28)	(28)	(29)	**(25)**
	(506)	(422)	(380)	(115)	(118)	(122)	**(172)**
Profit/(loss) after illustrative profit commission and illustrative personal expenses	1,559	1,245	1,068	(1,037)	(3,492)	(650)	**258**

For the 2019 year of account, an illustrative share of £10,000 represents 0.00428% of allocated capacity. 2019 year of account had 326 members.

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Cincinnati Global Underwriting Agency Limited is the Lloyd's Managing Agent for Cincinnati Global Syndicate 318 and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

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