

Accounts disclaimer

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Syndicate 1897

2021 Annual Report

Syndicate 1897

Annual Report

For the year ended 31st December 2021

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Syndicate 1897

Directors and Administration

For the year ended 31st December 2021

Managing Agent

RiverStone Managing Agency Limited
Park Gate
161 – 163 Preston Road
Brighton
East Sussex
United Kingdom
BN1 6AU

Directors of Managing Agent

T. A. Riddell – Independent Non-Executive Director
K. Shah – Independent Non-Executive Chairman
N. Smith – Independent Non-Executive Director
T. Ambridge – Independent Non-Executive Director
M. J. Bannister
A. R. Creed
I. Hewitt (resigned 31st March 2021)
L. R. Tanzer
C. K. Pritchard (appointed 6th April 2021)
P. Prebensen (appointed 1st September 2021)
N. S. Taylor (appointed 30th November 2021)

Independent Auditors

Deloitte LLP
Hill House
1 Little New Street
London
EC4A 3TR

Website

<https://www.rsml.co.uk>

Syndicate 1897

Managing Agent's Report

For the year ended 31st December 2021

Managing Agent's report

The Directors of the managing agent, RiverStone Managing Agency Limited ("RiverStone Managing Agency"), present their report and the audited financial statements for the year ended 31st December 2021.

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

These Syndicate Annual financial statements are prepared using the annual basis of accounting as required by Statutory Instrument 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations").

Results

The total recognised result for calendar year 2021 is a loss of £636,463 (2020: loss of £5,597,285). Profits and losses will be distributed and collected by reference to the results of individual underwriting years. Effective 1st January 2021 the 2019 year of account was reinsured by a 100% whole account loss portfolio transfer into Syndicate 3500 and Syndicate 3500 also accepted the reinsurance to close of the 2018 year of account.

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

During 2020, the Skuld Corporate members I and II were sold to RiverStone Holdings Limited ("RiverStone Holdings"). As of 1st January 2021, the Managing Agency contract for Syndicate 1897 was novated to RiverStone Managing Agency. The only remaining open year of account, 2019, was closed into Syndicate 3500 as of 1st January 2022.

On 23rd August 2021 CVC Capital Partners ("CVC") completed the acquisition of RiverStone Europe from Fairfax Financial Holdings Limited ("Fairfax") and the Ontario Municipal Employees Retirement Scheme ("OMERS"). The RiverStone Europe Group will now operate under the name RiverStone International. Pursuant to this transaction, Gatland Bidco Limited ("BidCo"), a wholly-owned subsidiary of Gatland Holdings Jersey Limited ("Gatland"), completed the acquisition of all the outstanding shares of RiverStone Barbados Limited ("RBL"). RiverStone Managing Agency and its immediate parent company RiverStone Holdings were wholly owned subsidiaries of RBL.

RiverStone Managing Agency is the managing agent for Syndicate 1897 and its overall strategic objective in administering the run-off of the portfolios under its management remains the payment of all valid claims in a timely manner within the Lloyd's structure and to collect as soon as possible amounts due from all reinsurers.

RiverStone Managing Agency delegates most of its day-to-day management functions under an outsource agreement with RiverStone Management Limited ("RiverStone Management"), a fellow subsidiary of RiverStone Holdings. Provision of services under this agreement is monitored by regular reporting to the board of directors of RiverStone Managing Agency ("the Board"), which includes analysis of performance against key performance indicators.

Principal activity and review of the business

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

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

Syndicate 1897

Managing Agent's Report

For the year ended 31st December 2021

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

	2021	2020
	£'000	£'000
Gross technical provisions	9,929	73,097
Total comprehensive loss	(636)	(5,597)

Principal Risks and Uncertainties

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to approval by the Board and ongoing review by the Board, executive committees, risk management and internal audit. Compliance with regulatory, legal and ethical standards is a high priority for Syndicate 1897 and RiverStone Managing Agency. The compliance, legal and finance departments of RiverStone Management take on an important oversight role in this regard. The Board is responsible for ensuring that a proper internal control framework exists to manage financial risks and that controls operate effectively; it is assisted in discharging these responsibilities by the RiverStone Holdings UK Risk Committee.

The risks that Syndicate 1897 is exposed to and their impact on economic capital have been assessed. This process is risk based and uses Solvency II based principles to manage capital requirements and to ensure that there is sufficient financial strength and capital adequacy to support the obligations to policyholders, regulators and other stakeholders.

The principal risks faced by Syndicate 1897 arise from fluctuations in the severity of claims compared with expectations, late reporting of claims, inadequate reserving and inadequate reinsurance protection (including the credit worthiness of major reinsurers). Whilst the Syndicate has a whole account reinsurance into Syndicate 3500, gross balances remain exposed to these risks.

Much like 2020, 2021 has been dominated by the impact on society of the novel coronavirus, COVID-19. This disease has forced numerous economies to impose significant restrictions on free movement, with the UK requiring large numbers of workers to remain at home at various points throughout the year. Syndicate 1897, RiverStone Managing Agency and RiverStone Management have continued to perform business as usual activities efficiently and effectively despite these restrictions and will continue to remain fully operational while these conditions remain in force. Syndicate 1897 does not have material insurance exposure to COVID-19 related claims and its 2021 financial results have not been meaningfully impacted by this pandemic, this is consistent with the 2020 financial results.

Future developments

The only remaining open year of account, 2019, was closed into Syndicate 3500 as of 1st January 2022.

Syndicate 1897

Managing Director's Report

For the year ended 31st December 2021

Directors

The Directors of RiverStone Managing Agency holding office during the period from 1st January 2021 to the date of this report were as follows:

T. A. Riddell – Independent Non-Executive Director
K. Shah – Independent Non-Executive Chairman
N. Smith – Independent Non-Executive Director
T. Ambridge – Independent Non-Executive Director
M. J. Bannister
A. R. Creed
I. Hewitt (resigned 31st March 2021)
L. R. Tanzer
C. K. Pritchard (appointed 6th April 2021)
P. Prebensen (appointed 1st September 2021)
N. S. Taylor (appointed 30th November 2021)

Annual General Meeting

The Directors do not propose to hold an annual general meeting for Syndicate 1897. A meeting will be convened should the sole direct corporate member of Syndicate 1897 request one.

Independent Auditors

During 2021, Deloitte LLP (“Deloitte”) were appointed as the Syndicate’s registered auditor and expressed a willingness to continue.

Investment Policy and Management

All assets continue to be invested in a manner to maximize return within agreed investment policies established by RiverStone Managing Agency. These investments are managed within the risk constraints and credit guidelines agreed by the Board. The investment policy and performance of funds are reviewed regularly by the Board. Syndicate 1897 has not been involved in the lending of investments to the securities market.

Financial Instruments

As described in Note 5 to the financial statements, Syndicate 1897 is exposed to financial risk through its financial assets and liabilities, including its reinsurance assets and policyholder liabilities. In particular, a key financial risk is that the proceeds from financial and reinsurance assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity risk and currency risk), credit risk and liquidity risk.

Syndicate 1897 manages this risk within its overall risk management framework.

Syndicate 1897

Statement of Managing Agent's Responsibilities

For the year ended 31st December 2021

Statement of Managing Agent's Responsibilities

The 2008 Regulations require RiverStone Managing Agency to prepare Syndicate Annual Accounts at 31st December each year which give a true and fair view of the state of affairs of Syndicate 1897 and of its profit or loss for that year. In preparing those Syndicate Annual Accounts, RiverStone Managing Agency is required to:

- select suitable accounting policies, and then apply them consistently, subject to changes arising on the adoption of new accounting standards in the year;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Syndicate Annual Accounts; and
- prepare the Syndicate Annual Accounts on a going concern basis, unless it is inappropriate to do so.

RiverStone Managing Agency confirms that it has complied with the above requirements in preparing the financial statements.

RiverStone Managing Agency is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of Syndicate 1897 and enable it to ensure that the Syndicate Annual Accounts comply with the 2008 Regulations.

It is also responsible for safeguarding the assets of Syndicate 1897 and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

It is also responsible for the maintenance and integrity of the business' website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In the case of each person who is a director of RiverStone Managing Agency at the date this Managing Agent's Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By Order of the Board

Park Gate, 161 Preston Road
Brighton, East Sussex
United Kingdom, BN1 6AU

L. R. Tanzer
Chief Executive Officer
2nd March 2022

Syndicate 1897

Independent Auditors' report

For the year ended 31st December 2021

Independent auditor's report to the members of Syndicate 1897

Report on the audit of the syndicate annual financial statements

Opinion

In our opinion the syndicate annual financial statements of Syndicate 1897 (the 'syndicate'):

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2021 and of its loss 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 and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in members' balances;
- the cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 22.

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.

Emphasis of matter - Financial statements prepared other than on a going concern basis

We draw attention to note 3 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual report, other than the syndicate 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.

Syndicate 1897

Independent Auditors' report

For the year ended 31st December 2021

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 frameworks 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 Lloyd's byelaws, Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005); and;

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Independent Auditors' report

For the year ended 31st December 2021

- 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 include 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 in the following area, and our specific procedures performed to address it are described below:

- Valuation of technical provisions includes assumptions and methodology requiring significant management judgement and involves complex calculations, and therefore there is potential for management bias. There is also a risk of overriding controls by making late adjustments to the technical provisions. In response to these risks we involved our actuarial specialists to develop independent estimates of the technical provisions and we tested the late journal entries to technical provisions.

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, in-house legal counsel 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 the PRA and 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 strategic report and the managing agent's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the managing agent's report have 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 strategic report or 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:

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Independent Auditors' report

For the year ended 31st December 2021

- 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.

Adam Ely, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
2nd March 2022

Syndicate 1897
Profit and Loss Account
For the year ended 31st December 2021

	Notes	2021 £'000	2020 £'000
Technical account - General business			
Gross premiums written	6	259	2,433
Outward reinsurance premiums		(15,367)	(403)
Net written premiums		(15,108)	2,030
Change in the provision for unearned premiums			
Gross amount		542	10,335
Reinsurers' share		-	-
Change in the net provision for unearned premiums	7	542	10,335
Earned premiums, net of reinsurance		(14,566)	12,365
Allocated investment return transferred from the non-technical account		-	888
Claims paid			
Gross amount		(3,006)	(40,479)
Reinsurers' share		4,655	1,237
		1,649	(39,242)
Changes in claims outstanding			
Gross amount		2,346	29,213
Reinsurers' share		10,017	(567)
Change in the net provision for claims	7	12,363	28,646
Claims incurred, net of reinsurance		14,012	(10,596)
Net operating expenses	8	(146)	(8,599)
Balance on technical account – general business		£ (700)	£ (5,942)

Syndicate 1897
Profit and Loss Account
For the year ended 31st December 2021

		2021	2020
	Notes	£'000	£'000
Non-technical account - General business			
Investment income	9	-	625
Gains on the realisation of investments		-	234
Unrealised gains on investments		-	116
Losses on the realisation of investments		-	(22)
Unrealised losses on investments		-	(36)
Investment management charges		-	(29)
Allocated investment return transferred to the general business technical account		-	(888)
Exchange (losses)		-	(327)
Loss for the financial year	£	(700)	£ (6,269)

All the amounts above are in respect of continuing operations.

The notes on pages 18 to 38 form part of these financial statements.

Statement of other comprehensive income
For the year ended 31st December 2021

		2021	2020
		£'000	£'000
Loss for the financial year		(700)	(6,269)
OCI – Currency translation differences		64	672
Total comprehensive loss for the year	£	(636)	£ (5,597)

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Balance Sheet
For the year ended 31st December 2021

	Notes	2021 £'000	2020 £'000
Assets			
Investments			
Financial investments	10	116	33,479
Deposits with ceding undertakings		82	-
Reinsurers' share of technical provisions			
Claims outstanding	7	<u>9,929</u>	<u>6,310</u>
Debtors			
Debtors arising out of direct insurance operations	11	1,784	980
Debtors arising out of reinsurance operations	12	-	696
Other debtors		365	60
		<u>2,149</u>	<u>1,736</u>
Cash and other assets			
Cash at bank and in hand	17	6,672	2,647
Overseas Deposits		180	3,386
		<u>6,852</u>	<u>6,033</u>
Prepayments and accrued income			
Deferred acquisition costs		-	147
Other prepayments and accrued income		2	51
		<u>2</u>	<u>198</u>
Total assets		19,130	47,756
Members' balances		(10,197)	(33,288)
Liabilities			
Technical provisions			
Provision for unearned premiums		-	548
Claims outstanding	7	<u>9,929</u>	<u>73,097</u>
		9,929	73,645
Deposits received from reinsurers	15	11,871	-
Creditors			
Creditors arising out of direct operations	13	1,191	427
Creditors arising out of reinsurance operations	14	-	863
Other creditors	16	<u>6,303</u>	<u>3,446</u>
		7,494	4,736
Accruals and deferred income		33	2,663
Total liabilities		29,327	81,044
Total members' balances and liabilities		£ <u>19,130</u>	£ <u>47,756</u>

The financial statements on pages 12 to 38 were approved by the Board of RiverStone Managing Agency Limited and signed on its behalf by the Directors on date:

L. R. Tanzer
Chief Executive Officer

A. R. Creed
Chief Financial Officer

Syndicate 1897
Statement of Changes in Member's Balances
For the year ended 31st December 2021

	2021	2020
	£'000	£'000
At 1 January	(33,288)	(44,268)
Total comprehensive loss for the year	(636)	(5,597)
Collection from members	-	-
Cash Call	-	-
Distribution loss	23,727	16,577
Exchange difference	-	-
At 31 December	£ (10,197)	£ (33,288)

Syndicate 1897
Statement of Cashflows
For the year ended 31st December 2021

	Notes	2021 £'000	2020 £'000
Cash flows from operating activities			
Loss on ordinary activities		(700)	(6,269)
(Decrease) in gross technical provisions		(63,716)	(61,001)
Decrease/(Increase) in reinsurers' share of gross technical provisions		(3,619)	19,135
Decrease in debtors		1,310	15,695
(Decrease)/Increase in creditors		2,786	(233)
Movement in other assets/liabilities		(3,416)	5,543
Other including RITC		30,123	1,669
Investment Return		-	(888)
Net cash (outflows) from operating activities		(37,232)	(26,349)
Cash from investing activities			
Purchase of equity and debt instruments		-	(40,542)
Sale of equity and debt instruments		-	51,034
Investment income received		-	808
Net cash inflows from investing activities		-	11,300
Cash from financing activities			
Collection of losses		23,728	16,577
Cash call		-	-
Exchange difference		-	-
Net cash inflows from financing activities		23,728	16,577
Net increase/(decrease) in cash and cash equivalents		(13,504)	1,528
Cash and cash equivalents at beginning of year		20,176	18,760
Exchange differences on opening cash		-	(113)
Cash and cash equivalents at end of year	17	£ 6,672	£ 20,175

Syndicate 1897

Notes to the Financial Statements

For the year ended 31st December 2021

1. General Information

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

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

Syndicate 1897 is managed by RiverStone Managing Agency Limited ("the Managing Agent"), whose registered office address is Park Gate, 161-163 Preston Road, Brighton, East Sussex, United Kingdom, BN1 6AU.

2. Statement of Compliance

The financial statements of Syndicate 1897 have been prepared in accordance with Regulation 5 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, and in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102") and Financial Reporting Standard 103, "Insurance Contracts" ("FRS103").

3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of Preparation

The preparation of financial statements in conformity with FRS102 and FRS103 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of Syndicate 1897. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements, are disclosed further below.

(b) Going Concern

These financial statements have been prepared on the basis that the Syndicate ceased to write new business 1st July 2019 and has reinsured to close its 2019 and prior years of account into Riverstone Syndicate 3500 from 1st January 2022 and therefore is prepared on a basis other than going concern.

The assets and liabilities at the balance sheet date have been recognised under the historical cost convention except for certain financial assets which are measured at fair value, using the annual basis of accounting in accordance with Regulation 5 the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts Regulations 2008), and in compliance with United Kingdom Accounting Standards including 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").

Syndicate 1897

Notes to the Financial Statements

For the year ended 31st December 2021

There are no other assets or liabilities recognisable as a consequence of not preparing these financial statements on a going concern basis. Therefore, no adjustments are necessary to the amounts at which the net assets are included in these financial statements. FRS 102 and 103 have been consistently applied to all years presented. There have been no material changes in accounting policies compared to the 2020 financial statements.

(c) Insurance Contracts

i) Premiums Written

Premiums written also relate to adjustments made in the year to estimates of premiums written in prior years. Premiums are shown gross of commission payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, including amounts due to Syndicate 1897 not yet notified.

Premiums are accreted to the income statement on a pro-rata basis over the term of the related policy, except for those contracts where the period of risk differs significantly from the contract period. In these cases, premiums are recognised over the period of risk in proportion to the amount of insurance protection provided.

Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the balance sheet date.

Acquisition costs, which represent commission and other related expenses, are allocated over the period in which the related premiums are earned.

ii) Claims Incurred and Reinsurers' Share

Claims incurred comprise claims and related claims handling expenses paid in the year and changes in provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years. Where applicable, reductions are made for salvage and other recoveries.

Provisions for outstanding claims and related reinsurance recoveries are established based on estimates of the ultimate net cost of settlement along with actuarial and statistical projections. Claims provisions are determined based upon previous claims experience, knowledge of events and the terms and conditions of the relevant policies and on interpretation of circumstances. Particularly relevant is experience with similar cases and historical claims payment trends. The approach also includes the consideration of the development of loss payment trends, levels of unpaid claims, judicial decisions and economic conditions.

Provisions for unexpired risks are established based on estimates of the cost of all claims and expenses in connection with insurance contracts in force after the end of the financial year where these costs are estimated to be in excess of the related unearned premiums and any premiums receivable on those contracts.

Whilst the board of directors of the Managing Agent ("the Board") believes that the provisions for outstanding claims and related reinsurance recoveries including bad debt provisions are fairly stated, these estimates inevitably contain inherent uncertainties because significant periods of time may elapse between the occurrence of an incurred loss, the reporting of that loss to Syndicate 1897, Syndicate 1897's payment of the loss and the receipt of reinsurance recoveries. These uncertainties are inherent in much of the business previously underwritten and assumed by

Syndicate 1897

Notes to the Financial Statements

For the year ended 31st December 2021

Syndicate 1897. The estimates made are based upon current facts available to Syndicate 1897 and the prevailing legal environment and are subjected to continual review, with any resulting adjustments reported in current earnings. Anticipated reinsurance recoveries are disclosed separately as assets on the balance sheet.

(d) Syndicate Operating Expenses

All costs relating to the administration and handling of claims are shown as part of gross claims paid. All other administrative costs of Syndicate 1897, including acquisition costs and any members' expenses, are shown as net operating expenses.

(e) Distribution of Profits and Collection of Losses

Lloyd's operates a detailed set of regulations regarding solvency and the distribution of profits and payment of losses between Syndicates and their members. Lloyd's continues to require membership of Syndicates to be on an underwriting year of account basis and profits and losses accrue to members according to their membership of a year of account. Normally profits and losses are settled between Syndicate 1897 and members after results for a year of account are finalised after 36 months. This period may be extended if a year of account goes into run-off. Syndicate 1897 may make earlier on account distributions or cash calls according to the cash flow of a particular year of account and subject to Lloyd's requirements.

(f) Translation of Foreign Currencies

The financial statements are presented in Pounds Sterling (GBP) and, unless otherwise stated, are rounded to thousands. Items included in Syndicate 1897's financial statements are measured using the currency of the primary economic environment in which it operates. Syndicate 1897's functional currency is USD.

Foreign currency transactions are translated into the functional currency using the average rate of exchange during the year. At each year end foreign currency monetary items are translated using the year end rate of exchange. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account for the year. All exchange differences arising from the translation from functional currency to presentation currency are recognised through the Statement of Comprehensive Income as a separate component of equity.

(g) Tax

No amount has been provided in these financial statements for tax on trading income. 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. Any payments on account made by Syndicate 1897 during the year have been included in the balance sheet under the heading 'other debtors'.

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

Syndicate 1897

Notes to the Financial Statements

For the year ended 31st December 2021

(h) Investment Return

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

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 year.

(i) Other Financial Investments

Syndicate 1897 has chosen to apply the recognition and measurement provisions of IAS 39 (as adopted for use in the EU) and the disclosure requirements of FRS 102 in respect of the financial statements.

Syndicate 1897 classifies all of its investments as financial assets at fair value through profit and loss. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

A financial asset is classified as fair value through profit and loss at inception if it is acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management to minimise any measurement or recognition inconsistency with the associated liabilities. All derivatives are classified as at fair value through profit and loss.

Financial assets designated as at fair value through profit and loss at inception are those that are managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to Syndicate 1897's key management personnel.

The fair values of listed investments are based on current bid prices on the balance sheet date. Unlisted investments for which a market exists are also stated at the current bid price on the balance sheet date or the last trading day before that date.

Net gains or losses arising from changes in the fair value of financial assets at fair value through profit and loss are presented in the Profit and Loss Account within 'Unrealised gains on investments' or 'Unrealised losses on investments' in the year in which they arise.

Syndicate 1897 discloses its investments in accordance with a fair value hierarchy with the following levels:

- i) Level 1 – the unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date;
- ii) Level 2 – inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly
- iii) Level 3 – inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability

(j) Related Party Transactions

Syndicate 1897

Notes to the Financial Statements

For the year ended 31st December 2021

Syndicate 1897 discloses transactions with related parties which are not wholly owned within the same group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the financial statements.

4. Critical Accounting Judgements and Estimation Uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Syndicate 1897 makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimation of the ultimate liability arising from claims made under insurance contracts is Syndicate 1897's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that Syndicate 1897 will ultimately pay for such claims. Some of these claims are not expected to be settled for several years and there is uncertainty as to the amounts at which they will be settled. The level of provision has been set on the basis of the information that is currently available, including potential outstanding loss advices, experience of development of similar claims and case law.

The most significant assumptions made relate to the level of future claims, the level of future claims settlements and the legal interpretation of insurance policies. Whilst the directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in adjustments to the amount provided. Adjustments to the amounts of provision are reflected in the financial statements for the year in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

5. Management of Insurance and Financial Risk

Financial Risk Management Objectives

Syndicate 1897 is exposed to insurance risk through the insurance contracts that it has written and to financial risk through its financial assets, reinsurance assets and policyholder liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk.

Syndicate 1897 has established an overall risk management policy which focuses on the main risks to which it is exposed, paying particular attention to key risks which impact on the overall operation of the business. A risk register is maintained which is updated at least quarterly. All risks on the register are reviewed with key management personnel and the Board reviews the key risks on a quarterly basis.

(a) Insurance Risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty over the amount of the resulting ultimate claim. By the very nature of an insurance contract, this risk is unpredictable at the outset.

Syndicate 1897

Notes to the Financial Statements

For the year ended 31st December 2021

The principal risk that Syndicate 1897 faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. The actual number and amount of claims and benefits arising from insurance contracts will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be materially affected by a change in any subset of the portfolio. Syndicate 1897 has a diversified portfolio of insurance risks.

Syndicate 1897 mitigates insurance risk through the use of reinsurance, both in the form of third party reinsurance associated with the business originally written and reinsurance with affiliated reinsurers.

i) Process for Assessment of Technical Provisions

Syndicate 1897 adopts a consistent process to the calculation of an appropriate provision for the exposures arising from the business it has written. A full reserving analysis is conducted at least annually and the technical provisions recorded on the balance sheet are in line with the Board's view of the best estimate value of the underlying liabilities.

The technical provisions recorded at the reporting date comprise the estimated ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses, less amounts already paid. This is estimated based on known facts at the balance sheet date. The provision is revised as part of a regular ongoing process as claims experience develops, certain claims are settled and further claims are reported.

Syndicate 1897 uses assumptions based on a mixture of internal and market data to measure its claims liabilities. This information is used to project the ultimate number and value of claims, by major class of business, using recognised statistical estimation techniques.

Assumptions are reviewed and tested regularly in the light of actual claims development and general market movements and trends.

ii) Sources of Uncertainty in the Estimation of Future Claim Payments

The sources of estimation uncertainty in establishing the ultimate liability arising from claims made under insurance contracts is discussed in Note 5.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. Syndicate 1897 takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The liability for insurance contracts comprises a provision for claims incurred but not yet reported and a provision for reported claims not yet paid. The estimation of claims incurred but not reported is generally subject to a greater degree of uncertainty than the estimates of claims that have already been notified, for which there is more information available.

iii) Key Assumptions and Sensitivities

Syndicate 1897

Notes to the Financial Statements

For the year ended 31st December 2021

The assumptions that have the greatest impact on gross and net technical provisions are those that affect the expected level of claims in the marine hull class. The largest sensitivities on these classes are in respect of uncertainties around future numbers and amounts of claims. The reserves for these classes will be paid out over several years.

Syndicate 1897 is judged not to have material insurance exposure to COVID-19 related claims and has experienced limited claims notifications in this regard during 2020 and 2021. The 31st December 2021 technical provisions make allowance for potential claims arising in relation to this pandemic based on the detailed knowledge of business written and the expert judgements of actuarial and claims subject matter experts. While the final outcome of any potential claims is subject to uncertainty and is unlikely to be known for some time, the current provisions are deemed sufficient.

iv) Claims development table

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

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

Underwriting year	2019
	£'000
Estimate of cumulative gross claims incurred:	
At end of underwriting year	17,668
One years later	23,202
Two years later	23,453
Three years later	-
Four years later	-
Five years later	-
Six years later	-
Seven years later	-
Eight years later	-
Nine years later	-
Less cumulative gross paid	<u>(13,524)</u>
Total gross outstanding claims all years	<u>9,929</u>

Syndicate 1897
Notes to the Financial Statements
For the year ended 31st December 2021

Underwriting year	2019
	£'000
Estimate of cumulative net claims incurred:	
At end of underwriting year	17,344
One years later	23,001
Two years later	-
Three years later	-
Four years later	-
Five years later	-
Six years later	-
Seven years later	-
Eight years later	-
Nine years later	-
Less cumulative gross paid	-
	-
Total net outstanding claims all years	-

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

(b) Market Risk

i) Interest Rate Risk

Interest rate risk arises primarily from investments in fixed interest securities. In addition, to the extent that claims inflation is correlated to interest rates, liabilities to policyholders are exposed to interest rate risk. Syndicate 1897 works closely with its investment manager to review the duration of the investment portfolio in relation to the estimated mean duration of the liabilities.

Given the short-term nature of the cash and investments of Syndicate 1897, it is not exposed to significant interest rate risk since maturing short term investments are repriced at market interest rates on an ongoing basis.

	2021	2020
	(Loss)/Profit	(Loss)/Profit
	£'000	£'000
Interest Rate Risk		
Impact of 50 basis point increase on result	-	(116)
Impact of 50 basis point decrease on result	-	87
Impact of 50 basis point increase on net assets	-	(116)
Impact of 50 basis point decrease on net assets	-	87

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

Syndicate 1897

Notes to the Financial Statements

For the year ended 31st December 2021

ii) Currency Risk

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

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

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

2021

	GBP	USD	EUR	CAD	Total
Total Assets	338	13,512	4,677	602	19,129
Total Liabilities	(1,554)	(19,041)	(7,159)	(1,571)	(29,326)
Net Assets	(1,216)	(5,529)	(2,482)	(969)	(10,197)

2020

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

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

Sensitivity to changes in foreign exchange rates

The table below gives an indication of the impact on profit of a percentage change in the relative strength of Sterling against the value of the US dollar, Canadian dollar and Euro simultaneously. The analysis is based on the information as at 31st December 2021.

	Impact on profit and member's balance (Loss)/Profit	
	2021	2020
	£'000	£'000
Sterling weakens		
10% against other currencies	-	(2,381)
20% against other currencies	-	(4,762)
Sterling strengthens		
10% against other currencies	-	2,381
20% against other currencies	-	4,762

Syndicate 1897

Notes to the Financial Statements

For the year ended 31st December 2021

(c) Credit Risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where Syndicate 1897 is exposed to credit risk are:

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance intermediaries;
- amounts due from corporate bond issuers;
- counterparty risk with respect to derivative transactions; and
- cash at bank and in hand.

As Syndicate 1897 is in runoff its exposures to other reinsurers and insurance intermediaries are determined by contracts previously written. Syndicate 1897 manages the levels of credit risk from reinsurers and insurance intermediaries by quarterly review of receivable balances by counterparty. Management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. It is Syndicate 1897's policy to provide for reinsurer bad debts in situations where it does not expect to collect the full amount outstanding due to the financial position of the reinsurer or due to disputes over coverage. In certain circumstances, collateral is held in the form of either deposits or letters of credit from reinsurers.

Syndicate 1897 reduces its exposure to credit risk in relation to investments by entering into transactions with counterparties that are reputable and by settling trades through recognised exchanges. Syndicate 1897 maintains strict control limits on the maximum notional amount of derivative positions. The assets bearing credit risk are summarized below, together with an analysis by credit rating (AM Best or equivalent).

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

2021	Neither past due or impaired £'000	Past due £'000	Impaired £'000	Total £'000
Shares and other variable yield securities	116	-	-	116
Debt Securities and other fixed income securities	-	-	-	-
Overseas Deposits	180	-	-	180
Deposits with ceding undertakings	82	-	-	82
Reinsurers share of claims outstanding	9,929	-	-	9,929
Debtors arising out of direct insurance operations	1,785	-	-	1,785
Debtors arising out of reinsurance insurance operations	-	-	-	-
Other debtors	365	-	-	365
Cash and cash equivalents	6,672	-	-	6,672
Total	19,129	-	-	19,129

Syndicate 1897
Notes to the Financial Statements
For the year ended 31st December 2021

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

The table below provides information regarding the credit risk exposure of the Syndicate at 31st December 2021 by classifying assets according to independent credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade and have not been rated.

2021	AAA £'000	AA £'000	A £'000	BBB £'000	BBB or less £'000	Not Rated £'000	Total £'000
Shares and other variable yield securities	-	-	116	-	-	-	116
Debt Securities and other fixed income securities	-	-	-	-	-	-	-
Overseas Deposits	18	2	8	4	20	127	180
Reinsurers share of claims outstanding	-	-	9,929	-	-	-	9,929
Deposits with ceding undertakings	-	-	82	-	-	-	82
Cash and cash equivalents	-	-	6,672	-	-	-	6,672
Total	18	2	16,807	4	20	127	16,979

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

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Maximum credit exposure

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

During the year, no credit exposure limits were exceeded.

(d) Liquidity Risk

The primary liquidity risk is the obligation to pay claims to policy holders as they fall due. The projected settlement of these liabilities is modelled, on a regular basis, using a combination of operational cash flow forecasting and actuarial techniques. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover anticipated liabilities and unexpected levels of demand. The table below analyses the maturity of Syndicate 1897's financial liabilities and outstanding claims. All liabilities are presented on a contractual cash flow basis except for the insurance liabilities, which are presented in their expected cash flows.

2021	No stated maturity £'000	0-1 Year £'000	1-3 Years £'000	3-5 Years £'000	More than 5 years £'000	Total £'000
Creditors	-	7,494	-	-	-	7,494
Deposits rec'd from reinsurers	-	11,871	-	-	-	11,871
Claims outstanding	-	9,929	-	-	-	9,929
Total	-	26,294	-	-	-	29,294
2020	No stated maturity £'000	0-1 Year £'000	1-3 Years £'000	3-5 Years £'000	More than 5 years £'000	Total £'000
Creditors	-	3,084	1,119	377	156	4,736
Claims outstanding	-	25,339	21,639	10,332	15,787	73,097
Total	-	28,423	22,758	10,709	15,943	77,833

(e) Capital Management

Syndicate 1897 maintains an efficient capital structure comprising only its members' balances, consistent with its risk profile and the regulatory and market requirements of its business. Syndicate 1897's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business
- to satisfy the requirements of its policyholders and regulators
- to retain financial flexibility by maintaining adequate liquidity

Syndicate 1897 is regulated by the Prudential Regulation Authority, the Financial Conduct Authority and Lloyd's and is subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held in addition to the insurance liabilities. Syndicate 1897 manages capital

Syndicate 1897

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in accordance with these rules and performs the necessary tests to ensure continuous and full compliance with such regulations. Syndicate 1897 has complied with all of its capital requirements throughout the year. The minimum capital required to support Syndicate 1897 is required to be provided by the corporate member, either by assets held in trust by Lloyd's specifically for that member ("Funds at Lloyd's"), held within, and managed within, a syndicate (Funds in Syndicate) or as the member's share of the members' balances on each syndicate on which it participates. Accordingly, all of the assets less liabilities of the Syndicate, as represented in the member balances reported on the Balance Sheet, represent resources available to meet member and Lloyd's capital requirements.

6. Segmental analysis

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

	Gross premiums written 2021 £'000	Gross premiums earned 2021 £'000	Gross claims incurred 2021 £'000	Gross operating expenses 2021 £'000	Re- insurance balance 2021 £'000
Direct Insurance					
Marine aviation and transport	211	678	(282)	(83)	(709)
Fire and other damage to property	9	1	(250)	(18)	181
Third-party liability	-	-	-	-	-
Pecuniary loss	-	-	-	-	-
Other Including motor	-	-	-	-	-
	<u>220</u>	<u>679</u>	<u>(532)</u>	<u>(101)</u>	<u>(528)</u>
Reinsurance acceptances	<u>39</u>	<u>122</u>	<u>(128)</u>	<u>(45)</u>	<u>(167)</u>
Total	£ <u>259</u>	£ <u>801</u>	£ <u>(660)</u>	£ <u>(146)</u>	£ <u>(695)</u>
	Gross premiums written 2020 £'000	Gross premiums earned 2020 £'000	Gross claims incurred 2020 £'000	Gross operating expenses 2020 £'000	Re- insurance balance 2020 £'000
Direct Insurance					
Marine aviation and transport	540	7,116	(4,962)	(5,550)	(442)
Fire and other damage to property	(268)	(74)	90	(266)	15
Third-party liability	503	503	(1,583)	(13)	651
Pecuniary loss	-	-	-	-	-
Other Including motor	-	-	-	-	-
	<u>775</u>	<u>7,545</u>	<u>(6,455)</u>	<u>(5,829)</u>	<u>224</u>
Reinsurance acceptances	<u>1,658</u>	<u>5,223</u>	<u>(4,811)</u>	<u>(2,770)</u>	<u>42</u>
Total	£ <u>2,433</u>	£ <u>12,768</u>	£ <u>(11,266)</u>	£ <u>(8,599)</u>	£ <u>266</u>

All premiums were concluded in the UK.

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

Gross operating expenses are the same as net operating expenses shown in the income statement, as no commissions in respect of outward reinsurance were received and set off in arriving at the net operating expenses for 2021.

Syndicate 1897

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7. Technical provisions

The change in the provisions for claims outstanding during the year was as follows:

	2021			2020		
	Gross £'000	Reinsurers' Share £'000	Net £'000	Gross £'000	Reinsurers' Share £'000	Net £'000
Claims outstanding at 1 January	73,097	(6,310)	66,787	123,873	(25,445)	98,428
Change in outstanding claims	(2,346)	(10,017)	(12,363)	(29,213)	567	(28,646)
FX and other incl RITC to 3500	(60,822)	6,398	(54,424)	(21,563)	18,568	(2,995)
Claims outstanding at 31 December	£ 9,929	£ (9,929)	£ -	£ 73,097	£ (6,310)	£ 66,787

Included within reinsurers' share of technical provisions – claims outstanding are amounts recoverable from affiliated companies of £9,929 (2020: £Nil)

The change in the provisions for unearned premium during the year was as follows:

	2021			2020		
	Gross £'000	Reinsurers' Share £'000	Net £'000	Gross £'000	Reinsurers' Share £'000	Net £'000
Unearned premium at 1 January	548	-	548	10,773	-	10,773
Change in unearned premiums	(542)	-	(542)	(10,335)	-	(10,335)
Foreign exchange	(6)	-	(6)	110	-	110
Unearned premium at 31 December	£ -	£ -	£ -	£ 548	£ -	£ 548

The change in the provisions for deferred acquisition costs during the year was as follows:

	2021			2020		
	Gross £'000	Reinsurers' Share £'000	Net £'000	Gross £'000	Reinsurers' Share £'000	Net £'000
Deferred acquisition costs at 1 January	147	-	147	2,747	-	2,747
Change in deferred acquisition costs	(146)	-	(146)	(2,627)	-	(2,627)
Foreign exchange	(1)	-	(1)	27	-	27
Deferred acquisition costs at 31 December	£ -	£ -	£ -	£ 147	£ -	£ 147

8. Net operating expenses

2021 2020

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	£'000	£'000
Acquisition costs	-	(289)
Change in deferred acquisition costs	(146)	(2,627)
Administration expenses	(248)	(5,683)
Transfer to Syndicate 3500 under the LPT	248	-
Net operating expenses	£ (146)	£ (8,599)

The management and administration of RiverStone Managing Agency is carried out by RiverStone Management, a fellow subsidiary, which also provides these services to other group companies. RiverStone Management recharges these costs to RiverStone Managing Agency, which in turn recharges them to Syndicate 1897. All costs are recovered by Syndicate 1897 under the reinsurance protection agreement it has entered into with an affiliate reinsurer. Operating costs charged to Syndicate 1897 by RiverStone Managing Agency during the year were £248,250 (2020: £Nil).

The Directors, Run-off Manager and other key management personnel of Syndicate 1897 receive no emoluments from RiverStone Managing Agency. The contracts of employment of the U.K. executive Directors and employees are with RiverStone Management which makes charges for the services described above. Emoluments paid by RiverStone Management to the key management personnel of Syndicate 1897 in respect of their services in relation to Syndicate 1897 are summarised below. These amounts represent emoluments based on an apportionment of time. In the prior year directors emoluments were not recharged to the syndicate, upon the novation of the managing agency contract to RiverStone Managing Agency Amounts on 1 January 2021 emoluments for directors and the run off manager are now recharged.

	2021 £'000	2020 £'000
Total emoluments: Directors, run off manager and key management personnel	£ 95	£ -
Run-off Manager	£ 21	£ -

Further information in respect of the directors of RiverStone Managing Agency is provided in that company's financial statements.

Auditors Remuneration

Fees payable for the audit of the annual accounts of RiverStone Managing Agency Limited are £12,125 (2020: £7,913). Fees payable for audit-related assurance services provided to the managing agent are £nil (2020: nil). There were no other fees payable for the provision of other non-audit services.

	2021 £'000	2020 £'000
Audit of these financial statements	13	28
Audit related assurance services	12	113
Non-audit related other assurance services	25	70
	£ 50	£ 211

Syndicate 1897
Notes to the Financial Statements
For the year ended 31st December 2021

9. Investment return

	2021	2020
	£'000	£'000
Income from other financial investments	-	625
Gains on realisation of investments		
Fair value through profit or loss designated upon initial recognition	-	234
Total investment income	£ -	£ 859
Losses on realisation of investments		
Fair value through profit or loss designated upon initial recognition	-	(22)
Investment expenses and charges	-	(29)
	-	(51)
Net unrealised gains/(losses) on investments		
Financial instruments at fair value through profit and loss	-	80
Total investment return	£ -	£ 888

10. Financial investments

2021	Carrying value	Purchase price	Listed
	£'000	£'000	£'000
Shares and other variable yield securities and units in unit trusts			
Designated at fair value through profit or loss	116	116	116
Debt securities and other fixed income securities			
Designated at fair value through profit or loss	-	-	-
	£ 116	£ 116	£ 116
2020	Carrying value	Purchase price	Listed
	£'000	£'000	£'000
Shares and other variable yield securities and units in unit trusts			
Designated at fair value through profit or loss	17,644	17,644	17,644
Debt securities and other fixed income securities			
Designated at fair value through profit or loss	15,835	15,754	15,553
	£ 33,479	£ 33,398	£ 33,197

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

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

Syndicate 1897

Notes to the Financial Statements

For the year ended 31st December 2021

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31 December 2021				
Shares and other variable yield securities and units in unit trusts	-	-	116	116
Debt securities and other fixed income securities	-	-	-	-
Total	-	-	116	116
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31 December 2020				
Shares and other variable yield securities and units in unit trusts	14,110	3,418	116	17,644
Debt securities and other fixed income securities	739	15,096	-	15,835
Total	14,849	18,514	116	33,479

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

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

Level 3 valuation techniques are used by the Syndicate's investment manager's independent pricing service providers and third party broker-dealers and include comparisons with similar instruments where observable market prices exist, discounted cash flow analysis, option pricing models, and other valuation techniques commonly used by market participants. Syndicate 1897's investment manager assesses the reasonableness of pricing received from these third party sources by comparing the fair values received to recent transaction prices for similar assets, where available, to industry accepted discounted cash flow models (that incorporate estimates of the amount and timing of future cash flows and market observable inputs such as credit spreads and discount rates) and to option pricing models (that incorporate market observable inputs including the quoted price, volatility and dividend yield of the underlying security and the risk free rate).

Collateralised Cash and Investments

Syndicate 1897 maintains Lloyd's trust funds and overseas deposits in respect of its contractual obligations under which Syndicate 1897 is obliged to collateralise its liabilities. The total amount of collateral provided at 31st December 2021 was £0.6 million.

Syndicate 1897
Notes to the Financial Statements
For the year ended 31st December 2021

11. Debtors arising out of direct insurance operations

	2021	2020
	£'000	£'000
Due from intermediaries within one year	1,785	975
Due from intermediaries after one year	<u>-</u>	<u>5</u>
	£ 1,785	£ 980

12. Debtors arising out of reinsurance operations

	2021	2020
	£'000	£'000
Due from intermediaries within one year	-	641
Due from intermediaries after one year	<u>-</u>	<u>55</u>
	£ -	£ 696

13. Creditors arising out of direct insurance operations

	2021	2020
	£'000	£'000
Due from intermediaries within one year	1,191	426
Due from intermediaries after one year	<u>-</u>	<u>1</u>
	£ 1,191	£ 427

14. Creditors arising out of reinsurance operations

	2021	2020
	£'000	£'000
Due from intermediaries within one year	-	836
Due from intermediaries after one year	<u>-</u>	<u>27</u>
	£ -	£ 863

Syndicate 1897
Notes to the Financial Statements
For the year ended 31st December 2021

15. Deposits received from reinsurers

	2021	2020
	£'000	£'000
Amounts owed to Syndicate 3500 in respect of LPT	£ <u>11,871</u>	£ <u>-</u>

16. Other creditors

	2021	2020
	£'000	£'000
Amounts owed to group undertakings	6,303	-
Other creditors	<u>-</u>	<u>3,446</u>
	£ <u>6,303</u>	£ <u>3,446</u>

17. Cash and cash equivalents

	2021	2020
	£'000	£'000
Cash at bank and in hand	£ <u>6,672</u>	£ <u>2,647</u>

18. Disclosure of interests

Managing Agent's interest

During 2021 RiverStone Managing Agency was the Managing Agent for Syndicate 3500, Syndicate 2468 and Syndicate 1897.

19. Funds at Lloyd's

Every member of Lloyd's is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). These funds are required primarily in case syndicate assets prove insufficient to meet members' underwriting liabilities. The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's according to the nature and the amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of that business. FAL is not hypothecated to any specific syndicate participation by a member, therefore there are no specific funds available to a Syndicate which can be precisely identified as its capital. Consequently, no amount has been shown in these financial statements by way of capital reserves. In addition to the FAL and any additional funds a member may introduce to meet losses, there is a Central Guarantee Fund controlled by Lloyd's which they may utilise to meet any syndicate liabilities that are not met by a member.

Syndicate 1897

Notes to the Financial Statements

For the year ended 31st December 2021

20. Commitments and Contingent Liabilities

As at 31st December 2021, there were no outstanding commitments or contingent liabilities (2020: nil).

21. Post balance sheet events

The only open year of account, 2019, was closed into Syndicate 3500 as of 1st January 2022.

22. Related Parties

The managing agent of the syndicate, RiverStone Managing Agency, and the corporate member that provides capital to the syndicate, are wholly owned subsidiaries of RiverStone Holdings Limited which is registered in England and Wales. The ultimate parent company and controlling party is Gatland Holdings Jersey Limited which is registered in Jersey.

The nature of the transactions with the related parties below were primarily the provision of services and insurance transactions. All transactions are entered into on an arms length basis.

The following amounts reflected in the profit and loss were transacted with related parties:

	<u>2021</u>	<u>2020</u>
	<u>£'000</u>	<u>£'000</u>
Asta Managing Agency Limited	-	(1,800)
Riverstone Managing Agency Limited	(248)	-
Other RSMA managed Syndicates	(700)	-
Total	£ (948)	£ (1,800)

The following balance sheet amounts were outstanding at the year end

	<u>2021</u>	<u>2020</u>
	<u>£'000</u>	<u>£'000</u>
Asta Managing Agency Limited	-	(300)
Riverstone Managing Agency Limited	(174)	-
Other RSMA managed Syndicates	(17,801)	-
Gatland subsidiaries (Other)	(10)	-
Total	£ (17,985)	£ (300)