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SYNDICATE 3002

ANNUAL REPORT AND ACCOUNTS

YEAR ENDED 31 DECEMBER 2021

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SYNDICATE INFORMATION

MANAGING AGENT:

Managing agent AXA XL Underwriting Agencies Limited ("AXUAL")
formerly Catlin Underwriting Agencies Limited ("CUAL")

Managing agent's company number 01815126

Directors

M Cummings
S McGovern
L Prato Jaen
C Ighodaro (Non-Executive)
B Joseph (Non-Executive)
B Poupart-Lafarge (Non-Executive)
J Weatherstone (Non-Executive)

Company secretary A M Bond

Registered office 20 Gracechurch Street
London
EC3V 0BG

SYNDICATE:

Active underwriter S Hearn

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

FINANCIAL HIGHLIGHTS

Key Performance Indicators (KPI's)	2021	2020
Syndicate capacity (£'m)	32	45
Gross premiums written (£'m)	26	30
Net premiums written (£'m)	25	26
Net Premiums earned (£'m)	25	27
Underwriting result (£'m)	9	(10)
Profit/(Loss) for the financial year (£'m)	9	(11)
Claims ratio (%)	30	101
Expense ratio (%)	33	36
Combined ratio (%)	63	137

Claim ratio is the percentage of net incurred claims in relation to the net earned premiums.

Expense ratio is the percentage of net operating expenses in relation to the net earned premiums.

The combined ratio is the sum of the ratios of net operating expenses and net incurred claims to net earned premiums. A combined ratio of less than 100% represents an underwriting profit.

STRATEGIC REPORT OF THE MANAGING AGENT FOR THE YEAR ENDED 31 DECEMBER 2021

Catlin Underwriting Agencies Limited has been renamed as AXA XL Underwriting Agencies Limited (AXUAL), with effect from 1 February 2022. The name change aligns the company more closely to AXA and is consistent with the AXA XL brand.

The Directors of AXA XL Underwriting Agencies Limited ("AXUAL"), the managing agent, present their strategic report and audited financial statements for the year ended 31 December 2021.

Principal activities

The principal activity of Syndicate 3002 ("the Syndicate") is to underwrite term life insurance business within the Lloyd's of London market. The Syndicate trades through the Lloyd's worldwide licenses, rating and brand. Lloyd's has an A (Excellent) rating through A.M. Best, A+ (Strong) rating from S&P and AA- rating from Fitch. AXA which backs the Syndicate has an AA- rating from S&P, Aa3 rating from Moody's and AA- rating from Fitch.

The Syndicate's strategy is to focus on developing UK and International life insurance and reinsurance solutions, both on a standalone basis and in conjunction with the Accident and Health policies offered by Syndicate 2003.

Results and performance

The Syndicate reported a strong performance with a profit for the year is £9.6m (2020: loss of £10.6m), as set out on pages 12 and 13. The overall investment return for the year is £32k (2020: £61k).

The underwriting result (net earned premiums minus net claims incurred and net operating expenses) for 2021 is a profit of £9.4m (2020: £9.8m loss).

During the year, the Syndicate wrote £26m in gross premiums, a 12% decrease compared to the previous year (2020: £30m). This decrease is largely driven by the reduction of International Binder Business for the 2020 Year of Account. The Syndicate's combined ratio has improved from 136.5% to 63.1%.

The 2019 year of account will be closed at the end of 2021 with a profit of £4.3m which is equivalent to a return equal to 10.3% of capacity. This year of account benefited from a positive prior year claims development of £1.3m occurring during 2021.

The 2020 year of account wrote less premium than was than previous years, as a result of business remediation reducing the volume of less profitable business written. The 2020 year of account is currently anticipated to close with a small loss at the end of 2022.

Our Purpose, Strategy and consideration of the consequence of decisions for the Long Term

Our annual strategic planning cycle is designed to consider the most appropriate actions the Syndicate should take over the longer-term, which will contribute to the Syndicates success. Performance against key strategic metrics are monitored and assessed for appropriateness by the Board, at regular intervals. The Syndicate holds an annual strategy day in June at which the AXUAL Board reviews and considers the strategic priorities, purpose, and parameters of the Syndicate.

AXUAL's strategy is to leverage the inherent strengths of the Lloyd's market to write a portfolio of business that provides a better return than the market over the underwriting cycle. We aim to differentiate ourselves through offering underwriting excellence in specialised areas of insurance and reinsurance. Our objective to support our underwriters with a flexible underwriting environment, superior analytics, efficient claims handling and a robust Enterprise Risk Management framework continues.

The Syndicate's focus is to continue sustainable and disciplined growth across the business it writes. An enhanced focus is being placed on portfolio analysis and optimization actions to exit or re-underwrite poor performers and grow better performing lines. The Syndicate is an important part of the AXA business model transformation to anticipate the evolving needs of the customer and match this through its preferred segments. The Syndicate continues to provide AXA with a diversified and scalable operation to service international based risks and clients.

**STRATEGIC REPORT OF THE MANAGING AGENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Our Purpose, Strategy and consideration of the consequence of decisions for the Long Term (continued)

The Syndicate will continue to transact term life insurance business. Disciplined development of the business will continue to be encouraged and supported by the Board.

For the 2022 underwriting year, the Syndicate will continue to purchase intra group reinsurance with XL Bermuda Ltd.

Covid-19

The disruption resulting from the global outbreak of the Covid-19 has reduced throughout 2021 as the world learned to live with Covid-19 as global lockdowns and restrictions were reduced. The pandemic has not had a significant adverse impact on the Syndicate's turnover in the period. During the year favourable prior year releases were made in relation to pandemic affected businesses.

Sustainability, Communities and People

The Syndicate adopts the AXA Purpose "Act for human progress by protecting what matters", delivering through our values to put the customer first, act with integrity, have the courage to speak our mind and act as "One AXA" to make things happen. As part of the AXA XL Division, we also have a mission "To be your trusted expert and global partner in complex risk, protecting what matters to our customers, our colleagues and society".

Sustainability

As part of the AXA Group, the Syndicate contributes to the AXA for Progress Index, a tool to measure progress and reinforce the impact of the AXA Sustainability strategy built around climate and inclusive protection with seven measurable commitments:

- Achieve Carbon Neutrality by 2025
- Make employees leaders of the transformation by training our teams in Climate issues by 2025
- Increasing our share of green insurance products
- Promote inclusive insurance for vulnerable populations
- Reach €25Bn in green investments by 2023
- Decrease the carbon footprint of AXA's general account assets by 20% by 2025
- Maintain AXA's position in the Dow Jones Sustainability Index

The Syndicate is contributing to the commitment to have an increased share of green insurance products which will encompass a framework for measuring green insurance products and setting growth targets for these.

The UK & Lloyd's Business Unit undertook a review of the Financial Risks of Climate Change impact for each of its products, covering all products written by the Syndicate. This has educated our teams from both a risk and impact perspective of how our clients' needs may change as we globally tackle the climate crisis through the energy transition and how these changes may impact the Syndicate.

The Syndicate has adopted AXA Group consistent restrictions and exclusions within its underwriting and investment portfolios and its statements of intent on appetite for carbon intensive industries, such as the 2021 AXA Oil and Gas Policy Statement. We are now working with clients and seeking to offer appropriate risk transfer and services to those that need support as they transition on their own Environmental, Social and Governance ('ESG') journeys. We are increasingly engaging with clients on these topics as the Syndicate considers the clients it wants to service, while clients consider their insurance companies as part of their supply chains and the ESG credentials of their partners.

**STRATEGIC REPORT OF THE MANAGING AGENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Communities and People

Striving to achieve a balance between economic, social, and environmental activity is in the long-term interests of the Syndicate, the wider AXA XL Division, and the communities in which we operate.

The following initiatives demonstrate our commitment to our local communities:

- Our annual “AXA Week for Good”, event brings colleagues across all AXA entities together to support social and environmental causes. In 2021, this included AXA XL’s Global Day of Giving, where colleagues are encouraged to donate time and skills in support of non-profit organisations in their communities and around the globe. In 2021, 308 UK colleagues took part in 30 Global Day of Giving projects.
- Our colleague-led “Hearts in Action” charity committees empowers our colleagues to manage charitable giving for their locations, including grant-giving, fundraising and awareness raising. Our UK Committee donated USD \$95,000 in 2021 to charities supporting young people with diverse needs as well as senior citizen care
- AXA XL’s Matching Gifts programme offers colleagues the opportunity to have their donations to non-profit organizations matched up to a total of USD \$800 per colleague per year.
- The Syndicate also has a Volunteering Leave Policy, designed to enable colleagues to donate time and skills to local communities at a time of their choosing. Colleagues are entitled to take time to volunteer in addition to annual participation in the company’s volunteering day (Global Day of Giving).

The Syndicate’s commitment to ethical conduct is set out in more detail in the AXA XL Division’s Code of Conduct and Code Supplement which the AXUAL Board of Directors reviews on an annual basis. Policies with respect to anti-corruption and anti-bribery are contained in the Code of Conduct and Code Supplement. Failure to comply with these policies is taken very seriously and may result in disciplinary action, including but not limited to dismissal.

The Syndicate complies with the requirements of the Modern Slavery Act 2015 and AXA XL publishes an annual Slavery and Human Trafficking Statement.

The AXUAL Board monitors people-related issues through regular reports to it and its Governance Committee on people strategy, succession planning, remuneration, inclusion and diversity, the results of quarterly employee engagement surveys and other items, such as annual Gender Pay Gap – and since 2021 the Ethnicity Pay Gap – reporting in the UK. Given the COVID-19 pandemic, a key focus area has been the mental and physical health of colleagues and the support mechanisms provided by AXA XL.

We have a robust inclusion and diversity strategy and roadmap in place in the UK, to ensure we are setting concrete goals and holding our leaders accountable for achieving them. We implemented the Diverse Slate Policy for all roles across all levels. We have also made commitments to several Charters and initiatives to support us in making progress in bringing more diversity into the organisation at all levels, including Women in Finance, Flexible Working Charter, a Race at Work Charter and Race Action Through Leadership. We launched our global Dignity at Work policy to protect against harassment and discrimination and ensure colleagues feel safe, valued, and respected. We also offer regular webinars and live sessions to help with inclusion and diversity education, and we are working on inclusive leadership and inclusive hiring manager training, among other activities.

Managed Syndicates

AXUAL, the managing agent of the Syndicate, is a company registered in England and Wales. AXUAL is a wholly-owned subsidiary of its ultimate parent AXA SA, a company registered in France. Copies of the financial statements of AXA SA (“AXA”) are available from 25 Avenue Matignon FR-75008 Paris France.

The Syndicate is wholly-aligned with capital provided by AXA XL, a division of AXA through a subsidiary.

**STRATEGIC REPORT OF THE MANAGING AGENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Stamp capacity of the Syndicate

The stamp capacity for the 2022 underwriting year has been reduced to £26m (2021 underwriting year: £32m). Catlin (One) Limited is the sole member of the Syndicate from the 2014 underwriting year onwards.

This report was approved by the Board and signed on its behalf by:

S McGovern

Director

03 March 2022

M Cummings

Director

03 March 2022

MANAGING AGENT'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors of the managing agent present their report together with the audited financial statements for the year ended 31 December 2021.

The annual accounts are prepared using the annual basis of accounting as required by Regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations"), as well as in compliance with United Kingdom Generally Accepted Accounting Principles (GAAP), including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and Financial Reporting Standard 103, "Insurance Contracts" ("FRS 103").

The managing agent has received, in writing, agreement from Catlin (One) Limited, the sole member of Syndicate 3002 that no underwriting year's accounts need to be prepared. . This is in accordance with Section 6, Paragraph 1b of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Regulations").

Future developments and strategy are discussed within the strategic report.

Member's balance

The member's balance as at 31 December 2021 is a surplus of £1.9m (2020: deficit of £9.5m).

Directors

The Directors of AXUAL who held office during the year and up to the date of signing the annual accounts were:

M Cummings

R Littlemore

(Resigned 9 February 2022)

S McGovern

L Prato Jaen

C Ighodaro (Non-Executive)

B Joseph (Non-Executive)

B Poupart-Lafarge (Non-Executive)

J Weatherstone (Non-Executive)

P Wilson (Non-Executive)

(Resigned 31 December 2021)

None of the Directors of the managing agent were underwriting participants on the Syndicate.

Financial instruments and risk management

Information on the use of financial instruments by the Syndicate and its management of financial risk and in particular its exposure to interest rate risk, equity price risk, currency risk, credit risk and liquidity risk is disclosed in note 2 to the financial statements.

Statement of managing agent's responsibilities

The directors of the managing agent are responsible for preparing the Syndicate annual accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Principles (GAAP), including Financial Reporting Standard 102 - "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103 - "Insurance Contracts" ("FRS 103"), both issued by the Financial Reporting Council.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Regulations") require the managing agent to prepare Syndicate annual accounts for the Syndicate at 31 December each year. The directors must not approve the financial statements 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.

**MANAGING AGENT'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Statement of managing agent's responsibilities (continued)

In preparing these Syndicate annual accounts, the directors of the managing agent are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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 financial statements; and
- prepare the financial statements on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume that there will be future years of account of the Syndicate.

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 it to ensure that the Syndicate's annual accounts comply with the Regulations and the relevant provisions of the Companies Act 2006. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

Statement of disclosure of information to the auditors

Each of the persons who are directors at the date of this report confirms that:

- so far as each director is aware, there is no relevant audit information for which the Syndicate's auditors are unaware; and
- each director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

Approved by the Board of AXA XL Underwriting Agencies Limited and signed on its behalf by:

S McGovern
Director
03 March 2022

M Cummings
Director
03 March 2022

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SYNDICATE 3002

Report on the audit of the syndicate annual accounts

Opinion

In our opinion, 3002's syndicate annual accounts:

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

We have audited the syndicate annual accounts included within the Annual Report and Accounts (the "Annual Report") which comprise: the Statement of Financial Position - Assets and the Statement of Financial Position - Capital and Liabilities as at 31 December 2021; the Statement of Profit or Loss, the Statement of Cash Flows, and the Statement of Changes in Member's Balances for the year then ended; and the notes to the syndicate annual accounts, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

We remained independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, which includes the FRC's Ethical Standard, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 6, we have provided no non-audit services to the syndicate in the period under audit.

Conclusions relating to going concern

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

In auditing the syndicate annual accounts, we have concluded that the Managing Agent's use of the going concern basis of accounting in the preparation of the syndicate annual accounts is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the syndicate's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the syndicate annual accounts and our auditors' report thereon. The Managing Agent is responsible for the other information. Our opinion on the syndicate annual accounts does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SYNDICATE 3002 (continued)**Reporting on other information (continued)**

In connection with our audit of the syndicate annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the syndicate annual accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Managing Agent's Report, we also considered whether the disclosures required by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 have been included.

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

Managing Agent's Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Managing Agent's Report for the year ended 31 December 2021 is consistent with the syndicate annual accounts and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the syndicate annual accounts and the audit**Responsibilities of the Managing Agent for the syndicate annual accounts**

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

In preparing the syndicate annual accounts, the Managing Agent is responsible for assessing the syndicate's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless it is intended for the syndicate to cease operations, or it has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the syndicate annual accounts

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

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SYNDICATE 3002 (continued)**Auditors' responsibilities for the audit of the syndicate annual accounts (continued)**

Based on our understanding of the syndicate and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK and European regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and those regulations set by the Council of Lloyd's, and we considered the extent to which non-compliance might have a material effect on the syndicate annual accounts. We also considered those laws and regulations that have a direct impact on the syndicate annual accounts such as The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. We evaluated management's incentives and opportunities for fraudulent manipulation of the syndicate annual accounts (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure or to manipulate member's balances. We also considered management bias in accounting estimates and judgemental areas of the Annual Report such as the valuation of the long term business provision and estimated premium income. Audit procedures performed by the engagement team included:

- Discussions with management and internal audit, including considerations of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reading key correspondence with Lloyd's in relation to compliance with relevant regulations;
- Reviewing relevant meeting minutes;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations;
- Testing methodologies and assumptions applied by management in the valuation of the long term business provision; and
- Performing risk-based targeted substantive testing over premium estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the syndicate annual accounts. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the syndicate's member in accordance with part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Managing Agent in respect of the syndicate; or
- certain disclosures of Managing Agent remuneration specified by law are not made; or
- the syndicate annual accounts are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Andrew Box (Senior statutory auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
3 March 2022

**STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021**

		2021	2020
	Note	£000's	£000's
TECHNICAL ACCOUNT - LONG TERM BUSINESS			
Gross premiums written	4	25,973	29,557
Outward reinsurance premiums		<u>(475)</u>	<u>(3,510)</u>
Net premiums written		25,498	26,047
Change in the gross provision for unearned premiums	9	1,432	4,914
Change in the provision for unearned premiums, reinsurers' share	9	<u>(1,480)</u>	<u>(4,210)</u>
Change in the net provision for unearned premiums		(48)	704
Earned premiums, net of reinsurance		25,450	26,751
Allocated investment return transferred from the non-technical account	8	<u>32</u>	<u>61</u>
Total technical income		<u>25,482</u>	<u>26,812</u>
Claims paid			
Gross amount		(13,559)	(29,217)
Reinsurers' share		<u>3,888</u>	<u>9,703</u>
		(9,671)	(19,514)
Change in the provision for claims			
Gross amount	9	(186)	(401)
Reinsurers' share		<u>—</u>	<u>—</u>
		(186)	(401)
Claims incurred, net of reinsurance		(9,857)	(19,915)
Change in the long term business provisions			
Gross amount	9	6,864	223
Reinsurers' share	9	<u>(4,690)</u>	<u>(7,238)</u>
		2,174	(7,015)
Net operating expenses	6	(8,370)	(9,592)
Balance on the long term business technical account		<u>9,429</u>	<u>(9,710)</u>

**STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021	2020
	£000's	£000's
NON-TECHNICAL ACCOUNT		
Balance on the long term business technical account	9,429	(9,710)
Investment income	8 32	61
	<u>9,461</u>	<u>(9,649)</u>
Allocated investment income transferred to the general business technical account	8 (32)	(61)
Foreign exchange gains/(losses)	183	(913)
Profit/(Loss) for the financial year	<u><u>9,612</u></u>	<u><u>(10,623)</u></u>

**STATEMENT OF CHANGES IN MEMBER'S BALANCES
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021	2020
	£000's	£000's
Opening member's balance 1 January	(9,505)	2,725
Profit/(Loss) for the year	9,612	(10,623)
Cash call/(distribution) - 2018 Year of Account / 2017 Year of Account	1,780	(1,607)
	<u>11,392</u>	<u>(12,230)</u>
Closing member's balances	<u><u>1,887</u></u>	<u><u>(9,505)</u></u>

STATEMENT OF FINANCIAL POSITION - ASSETS
AS AT 31 DECEMBER 2021

	2021	2020
Note	£000's	£000's
Financial Investments		
Shares and other variable yield securities and unit trusts	<u>789</u>	<u>789</u>
Reinsurers' share of technical provisions		
Provision for unearned premiums	9 306	1,808
Long term business provision	9 6,507	11,240
	<u>6,813</u>	<u>13,048</u>
Debtors - amounts falling due within one year		
Debtors arising out of direct insurance operations	11 24,239	22,210
Debtors arising out of reinsurance operations	1,594	4,646
Other debtors	12 35	2,354
	<u>25,868</u>	<u>29,210</u>
Other assets		
Cash at bank and in hand	22,732	15,737
Overseas deposits	14 36	64
	<u>22,768</u>	<u>15,801</u>
Prepayments and accrued income		
Deferred acquisition costs	13 2,247	2,644
TOTAL ASSETS	<u><u>58,485</u></u>	<u><u>61,492</u></u>

**STATEMENT OF FINANCIAL POSITION - CAPITAL AND LIABILITIES
AS AT 31 DECEMBER 2021**

	2021	2020
Note	£000's	£000's
Capital and reserves		
Member's balances	<u>1,887</u>	<u>(9,505)</u>
Technical provisions		
Provision for unearned premiums	9 12,049	13,410
Long term business provision	9 <u>26,214</u>	<u>32,968</u>
	38,263	46,378
Creditors - amounts falling due within one year		
Creditors arising out of direct insurance operations	41	42
Creditors arising out of reinsurance operations	13,136	18,091
Other creditors	15 1,336	3,055
Amounts owed to credit institutions	<u>3,788</u>	<u>3,222</u>
	18,301	24,410
Accruals and deferred income	34	209
TOTAL CAPITAL AND LIABILITIES	<u><u>58,485</u></u>	<u><u>61,492</u></u>

The notes on pages 17 to 39 form part of these financial statements.

The Syndicate financial statements were approved by the Board of Directors of AXA XL Underwriting Agencies Limited and were signed on its behalf by:

M Cummings
Director
03 March 2022

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021	2020
	£000's	£000's
Reconciliation of Profit/(Loss) to net cash flow from operating activities		
Profit/(Loss) for the financial year	9,612	(10,623)
(Increase)/Decrease in net technical provisions	(1,880)	7,067
Decrease in debtors	3,740	20,185
Decrease in creditors	(6,850)	(9,465)
Investment return	(32)	(61)
Decrease/(Increase) in overseas deposits	28	(52)
Net cash inflow from operating activities	<u>4,618</u>	<u>7,051</u>
Cash flow from investing activities		
Investment income received	32	61
Other	—	(631)
Cash flow from financing activities		
Cash call/(Distribution)	<u>1,780</u>	<u>(1,607)</u>
Net increase in cash and cash equivalents	6,428	4,874
Cash and cash equivalents at the beginning of the year	12,515	7,641
Foreign exchange result on cash and cash equivalents	—	—
Cash and cash equivalents at end of the year	<u><u>18,943</u></u>	<u><u>12,515</u></u>
Cash at bank and in hand	22,732	15,737
Overdrafts	(3,789)	(3,222)
Cash and cash equivalents at end of the year	<u><u>18,943</u></u>	<u><u>12,515</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1 ACCOUNTING POLICIES

A Basis of preparation

The Syndicate accounts have been prepared 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" ("FRS 102"), Financial Reporting Standard 103, "Insurance Contracts" ("FRS 103") and the Companies Act 2006. The Syndicate accounts have been prepared under regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("IAD"), and reflect the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI2008/410) as modified by the IAD.

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 previous years presented, unless otherwise stated. The Syndicate has adopted FRS 102 and FRS 103 in these financial statements.

The functional and presentational currency of the Syndicate is Sterling. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The preparation of these financial statements required the management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in this statement of accounting policies and specifically in the following notes:

Note 5: movement in prior year's provision for claims outstanding; and

Note 9: insurance liabilities and reinsurance assets (estimates for losses incurred but not reported),

Capital supporting the business of the Syndicate, referred to as Funds at Lloyd's ("FAL") is, in part, held in separate trust funds administered by Lloyd's in addition to amounts held within the Syndicate Premium Trust Funds. The amounts held by the Corporate Member outside the Syndicate Premium Trust Funds are available to meet the underwriting obligations of the Syndicate, if required. However, these funds are not included in the Syndicate's balance sheet because they are not owned by the Syndicate. The Lloyd's central fund arrangements are available in the event that an individual member's funds are exhausted.

Separate underwriting year accounts have not been prepared, as the Syndicate has taken advantage of the exemption under paragraph 6 of the Regulations.

B Basis of accounting

The financial statements have been prepared on a going concern basis, under the accrual basis 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 are shown gross of brokerage payable and exclude taxes and duties levied on them.

For contracts with duration of greater than one year and payable in annual instalments, generally, only the initial annual instalment is included as premiums written at policy inception due to the ability of the (re)insured to commute or cancel coverage during the term of the policy. The remaining annual instalments are included as premiums written at each successive anniversary date within the term.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

1 ACCOUNTING POLICIES (continued)

B Basis of accounting (continued)

(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 the unexpired terms of the policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

(c) Acquisition costs

Acquisition costs, comprise commission and other internal and external costs related to the acquisition of new business and renewing existing contracts. The proportion of acquisition costs in respect of unearned premiums is deferred at the reporting date and recognised in periods when the related premiums are earned.

(d) Ceded Reinsurance

These are contracts entered into by the Syndicate with reinsurers under which the Syndicate is compensated for losses on contracts issued by the Syndicate and that meet the definition of an insurance contract. Insurance contracts entered into by the Syndicate under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts

Any benefits to which the Syndicate is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers and include reinsurers' share of provisions for claims. These balances are 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 period and the current security rating of the reinsurer involved. The Syndicate assesses its reinsurance assets for impairment. If there is objective evidence of impairment, then the carrying amount is reduced to its recoverable amount and the impairment loss is recognised in the profit or loss account.

Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

(e) 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. Claims incurred are reduced by anticipated salvage and other recoveries.

(f) Claims provisions and related recoveries

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

1 ACCOUNTING POLICIES (continued)

B Basis of accounting (continued)

(f) Claims provisions and related recoveries (continued)

Notified claims are estimated on a case by case basis. In estimating the cost of these the Syndicate has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in a previous period. Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortion of the development and incidence of these large claims.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate's actuaries. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility.

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

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

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

Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in Syndicate processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous periods;
- changes in the legal environment;
- the effects of inflation;
- changes in the mix of business;
- the impact of large losses; and
- movements in industry benchmarks.

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

The amount of any salvage and subrogation recoveries is separately identified and where material, reported as an asset.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

1 ACCOUNTING POLICIES (continued)

B Basis of accounting (continued)

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the Balance Sheet date, including the cost of claims incurred but not yet reported to the Syndicate. The estimated cost of claims includes expenses to be incurred in settling claims. The Syndicate 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. Any differences between provisions and subsequent settlements are dealt with in the general business technical account of later years.

(g) Unexpired risks provision

A provision for unexpired risks is made where claims and related expenses, likely to arise after the end of the financial year in respect of contracts concluded before that date, are expected to exceed the unearned premiums after the deduction of any acquisition costs deferred. The expected claims relate to policies in force at the year-end, having regard to events that occur prior to the balance sheet date.

Unexpired risk surpluses and deficits are offset when business risk classes are managed together and a provision is made only when an aggregate deficit arises.

(h) Reinsurance to close (RITC)

Each Lloyd's Syndicate underwriting account is normally closed at the end of the third year by means of reinsurance into the following year, which reinsures all future liabilities for the closed year and all previous years in return for a premium which is approved by the managing agent. The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring Syndicate was unable to meet its obligations, and other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle the outstanding claims.

The directors consider that the likelihood of such a failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close has been deemed to settle liabilities outstanding at the closure of an underwriting account.

C Investment return

Investment return consisting solely of bank interest is credited to the technical account. No transfer is made to the non-technical account as all investment assets relate to the technical account.

D Foreign currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Syndicate operates, which is sterling. The Syndicate's financial statements are presented in thousands of pounds sterling.

With the adoption of FRS 102 and FRS 103, all assets and liabilities arising from insurance contracts should be treated as monetary items. At each period end foreign currency monetary items are re-translated into pounds sterling at the rate of exchange at the balance sheet date. For this purpose all assets and liabilities arising from insurance contracts (including unearned premiums, deferred acquisition costs and unexpired risks provisions) are monetary items. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the non-technical account.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

1 ACCOUNTING POLICIES (continued)

E Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct income tax from trading income. 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 the Syndicate during the year have been included in the Statement of Financial Position under the heading "other debtors".

F Investments and Overseas Deposits

Investments and overseas deposits are stated at current value at the balance sheet date. For this purpose listed investments are stated at bid value and deposits with credit institutions are stated at cost. All other financial instruments are designated as at fair value through profit and loss. In line with normal Lloyd's market practice, the Syndicate writes business in certain jurisdictions that require the deposit of cash and investments in locally held trust funds therefore preventing the free transfer of cash between currencies and locations.

G Long term business provision

The long term business provision is determined in accordance with the requirements of the EU Third Life Directive 92/96/EEC, under which certain contingency and other reserves required by insurance company regulations are excluded from the long term business provision.

The basis of the calculation is as follows:

Provision is made at year end for the cost of claims incurred but not yet reported to the Syndicate. The estimated cost of claims includes expenses to be incurred in settling plus a provision for future administrative expenses relating to existing business. The Syndicate 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.

H Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Syndicate has designated at fair value through the statement of profit or loss. Loans and receivables are carried at amortised cost less any impairment losses.

Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables. This basis of valuation is viewed by the directors as having prudent regard to the likely realisable value.

I Cash and cash equivalents

Cash and cash equivalents consist of cash held at bank, cash in hand, deposits held at call with banks, cash held in Lloyd's trust accounts and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These investments have less than three months maturity from the date of acquisition. Cash and cash equivalents are measured at fair value through the statement of profit or loss. Bank overdrafts, where applicable, are held within the current liabilities as amounts due to credit institutions.

J Financial liabilities

Creditors are recognised initially at fair value, net of directly attributable transaction costs. Creditors are subsequently stated at amortised cost determined according to the effective interest rate method.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

1 ACCOUNTING POLICIES (continued)

K Pension costs

Staff working on the Syndicate are employed by a divisional service company, XL Catlin Services SE ("XLCSSSE"), an approved Central Bank of Ireland regulated intermediary. The pension contributions relating to staff working on the affairs of the Syndicate are charged to the Syndicate as part of the AXA XL expense recharging model across the international network, which includes the Syndicate and the amount is captured within the net operating expenses on the Statement of Profit or Loss.

L Member's balances

Distributions and cash calls are made with the member in the year following the year a reporting year of account closes, which is generally three years after the inception of the reporting year of account.

M Going concern

Having assessed the principal risks, the Directors consider it appropriate to adopt a going concern basis of accounting in the preparation of these report and accounts.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

2 RISK MANAGEMENT

Financial risk management objectives

The Syndicate is exposed to a range of financial risks through its financial assets, insurance liabilities and reinsurance assets. 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 insurance risk (including reinsurance risk), market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Syndicate primarily faces due to the nature of its investments and liabilities are interest rate, equity price risk and currency risk.

The Syndicate's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Syndicate's financial performance. It manages these positions within a risk management framework ("the framework") that has been developed to ensure that investment proceeds and returns are in excess of obligations under insurance contracts. The Syndicate produces regular reports that are circulated to the management of the Managing Agency. The principal technique of the Syndicate's framework is to match assets and liabilities from insurance contracts by reference to the type of benefits payable to contract holders. The Syndicate's framework is also integrated with the management of the financial risks associated with the syndicate's other financial assets and liabilities not directly associated with insurance liabilities.

The notes that follow explain how financial risks are managed using the categories utilised in the Syndicate's framework.

(a) Insurance risk

Insurance risk arises from the Syndicate's general insurance business and refers to the risk of loss or of adverse change in the value of insurance liabilities due to inadequate pricing and reserving assumptions. Examples of such risks include unexpected losses arising from fluctuations in the timing, frequency and severity of claims compared to expectations and inadequate reinsurance protection. The Syndicate's underwriting and reinsurance strategies are set within the context of the overall Group strategies, approved by the AXUAL Board and communicated clearly throughout the business through policy statements and guidelines.

Capital resource sensitivities

The capital position is sensitive to market conditions due to changes in the value of the assets, and to assumptions and experience in respect of the value of the liabilities. The most significant risks to the Syndicate are as follows:

Event risk

The risk that individual risk losses or catastrophes lead to claims that are higher than anticipated in plans and pricing.

Pricing risk

The risk that the level of expected loss is understated in the pricing process.

Reinsurance risk

Reinsurance risk to the Syndicate occurs where reinsurance contracts put in place to reduce gross insurance risk do not perform as anticipated, prove inadequate in terms of the vertical or horizontal limits purchased or result in coverage disputes.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

2 RISK MANAGEMENT (continued)

Cycle risk

The risk that business is written in a soft market without full knowledge as to the adequacy of rates, terms and conditions.

Expense risk

The risk that the allowance for expenses and inflation in pricing is inadequate.

(a) Insurance risk (continued)

Underwriting risks are continually monitored through, for example, the established peer review process, underwriting authority limits imposed, round table review and audits, as well as via exception reporting. Formal price monitoring procedures form part of the standard monthly management information. These contribute to the quarterly actuarial review whereby the loss outcome of the underwriting activity is continually re-assessed and considered by the Reserving actuaries.

The Syndicate's management also recognises that insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

Loss development tables providing information about historical claims development are included in note 10.

(b) Market risk

Market risk is the impact arising from the uncertainty of asset prices, interest rates, foreign exchange rates, and other factors related to financial markets and investment asset management.

AXA XL places restrictions on the external investment managers' investment strategies. Strict limits, by trust fund, are set for types of assets held, concentration limits and average investment grade ratings. Investments are typically investment grade bonds and investment grade asset backed securities. Guidelines and benchmarks are set annually and approved by the board.

The performance of the investment managers is monitored constantly by AXA XL investment specialists and reported monthly to AXUAL management and reviewed quarterly by the AXUAL Board of directors. The Syndicate aims to manage exchange rate exposure in US dollar terms and asset and liabilities are duration matched.

Market risk includes:

(i) Interest rate risk

The Syndicate holds no investments, only cash and a loan to Lloyd's, which are not materially sensitive to changes in interest rates. As such, Syndicate 3002 is not considered to be materially subject to interest rate risk.

(ii) Equity price risk

As the Syndicate holds no equities, it is not subject to equity price risk.

(iii) Currency risk

The Syndicate manages its foreign exchange risk against its functional currency. Foreign exchange arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Syndicate's functional currency.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

2 RISK MANAGEMENT (continued)**(b) Market risk (continued)****(iii) Currency risk**

The Syndicate is primarily exposed to currency risk in respect of liabilities under policies of insurance denominated in currencies other than Pound Sterling. The most significant currencies to which the Syndicate is exposed are US Dollar and Euro. The Syndicate seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

2021	GBP	USD	EUR	TOTAL
	£000's	£000's	£000's	£000's
Financial investments (excluding overseas deposits)	789	—	—	789
Overseas deposits	35	1	—	36
Reinsurers' share of technical provisions	535	6,422	(144)	6,813
Insurance and Reinsurance receivables	6,791	18,957	85	25,833
Cash at bank and in hand	7,114	13,443	2,175	22,732
Other assets	992	1,265	24	2,281
Total assets	16,256	40,088	2,140	58,484
Technical provisions	(16,817)	(17,749)	(3,697)	(38,263)
Insurance and reinsurance payables	(4,613)	(8,299)	(265)	(13,177)
Other creditors	(1,965)	(3,130)	(62)	(5,157)
Total Liabilities	(23,395)	(29,178)	(4,024)	(56,597)
2020	GBP	USD	EUR	TOTAL
	£000's	£000's	£000's	£000's
<i>Financial investments (excluding overseas deposits)</i>	789	—	—	789
<i>Overseas deposits</i>	63	1	—	64
<i>Reinsurers' share of technical provisions</i>	949	12,132	(33)	13,048
<i>Insurance and Reinsurance receivables</i>	8,518	18,051	287	26,856
<i>Cash at bank and in hand</i>	2,100	11,473	2,164	15,737
<i>Other assets</i>	1,609	3,370	19	4,998
Total assets	14,028	45,027	2,437	61,492
<i>Technical provisions</i>	(19,696)	(23,096)	(3,586)	(46,378)
<i>Insurance and reinsurance payables</i>	(6,073)	(10,973)	(1,087)	(18,133)
<i>Other creditors</i>	(3,184)	(2,889)	(413)	(6,486)
Total Liabilities	(28,953)	(36,958)	(5,086)	(70,997)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

2 RISK MANAGEMENT (continued)

(b) Market risk (continued)

(iii) Currency risk (continued)

Sensitivity analysis

Fluctuations in the Syndicate's trading currencies against the sterling would result in a change to the result and net assets value.

The table below gives an indication of the impact on the result after tax and net assets of a percentage change in the relative strength of the Pound sterling against the value of the Euro, the Canadian dollar and the US dollar, simultaneously. The analysis is based on current information.

	Impact on result		Impact on net assets	
	2021	2020	2021	2020
	£000's	£000's	£000's	£000's
GBP weakens 5% against other currencies	(458)	506	430	258
GBP weakens 10% against other currencies	(874)	966	821	493
GBP strengthens 5% against other currencies	506	(559)	(475)	(285)
GBP strengthens 10% against other currencies	1,068	(1,180)	(1,003)	(602)

(c) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Syndicate 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 contract holders; and
- amounts due from insurance intermediaries;

The Syndicate manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and monitoring its exposure to regions, countries and industries. Such risks are subject to regular review.

Changes to the limits on the level of credit risk by category and territory are approved annually by the managing agency Board of Directors. Reinsurance is used to manage insurance risk. This does not, however, discharge the Syndicate's liability as primary insurer. If a reinsurer fails to pay a claim, the Syndicate remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an ongoing basis by reviewing their financial strength prior to finalisation of any contract. In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy. In certain circumstances, deposits from reinsurers are also held as collateral.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

2 RISK MANAGEMENT (continued)

(c) Credit risk (continued)

The table below provides information on the credit quality of financial assets of the Syndicate that are neither past due nor impaired:

2021	AAA	AA	A	BBB or less	Not rated	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Shares and other variable yield securities and unit trusts	—	—	789	—	—	789
Overseas deposits	—	—	—	—	36	36
Reinsurers' share of claims outstanding	2,444	—	4,063	—	—	6,507
Reinsurance debtors	293	—	341	—	—	634
Cash at bank and in hand	—	—	9,837	12,895	—	22,732
Total	2,737	—	15,030	12,895	36	30,698
2020	AAA	AA	A	BBB or less	Not rated	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Shares and other variable yield securities and unit trusts	—	—	789	—	—	789
Overseas deposits	—	—	—	—	64	64
Reinsurers' share of claims outstanding	51	—	10,771	418	—	11,240
Reinsurance Debtors	460	—	2,858	1	—	3,319
Cash at bank and in hand	—	—	11,473	4,264	—	15,737
Total	511	—	25,891	4,683	64	31,149

The Syndicate has no reinsurance debtors that are past due but not considered to be impaired.

The Syndicate does not currently hold any impaired assets (2020: no impaired assets held).

2021	Neither past due nor impaired	Up to three months	Three to six months	Six months to one year	Greater than one year	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Shares and other variable yield securities and unit trusts	789	—	—	—	—	789
Overseas deposits	36	—	—	—	—	36
Reinsurers' share of claims outstanding	6,507	—	—	—	—	6,507
Reinsurance debtors	634	—	—	—	—	634
Cash at bank and in hand	22,732	—	—	—	—	22,732
Insurance debtors	23,393	465	—	380	—	24,238
Other debtors	3,548	—	—	—	—	3,548
Total credit risk	57,639	465	—	380	—	58,484

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

2 RISK MANAGEMENT (continued)

(c) Credit risk (continued)

2020	<i>Neither past due nor impaired</i> £000's	<i>Up to three months</i> £000's	<i>Three to six months</i> £000's	<i>Six months to one year</i> £000's	<i>Greater than one year</i> £000's	<i>Total</i> £000's
<i>Shares and other variable yield securities and unit trusts</i>	789	—	—	—	—	789
<i>Overseas deposits</i>	64	—	—	—	—	64
<i>Reinsurers' share of claims outstanding</i>	11,240	—	—	—	—	11,240
<i>Reinsurance debtors</i>	3,319	—	—	—	—	3,319
<i>Cash at bank and in hand</i>	15,737	—	—	—	—	15,737
<i>Insurance debtors</i>	21,583	183	—	444	—	22,210
<i>Other debtors</i>	8,133	—	—	—	—	8,133
<i>Total credit risk</i>	<u>60,865</u>	<u>183</u>	<u>—</u>	<u>444</u>	<u>—</u>	<u>61,492</u>

In 2021, the Syndicate has no insurance and reinsurance debtors that are past due but not considered to be impaired (2020: nil).

(d) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of the Syndicate is the obligation to pay claims as they fall due. The projected settlement of these liabilities is modelled, on a regular basis, using actuarial techniques. The Syndicate manages this risk by maintaining sufficient liquid assets to meet expected cash flow requirements.

The following tables analyse financial liabilities by maturity date:

2021	No Stated maturity £000's	0-1 year £000's	1-3 years £000's	3-5 years £000's	>5 years £000's	Total £000's
Creditors	—	18,301	—	—	—	18,301
Claims outstanding	—	17,636	7,015	1,022	542	26,215
Financial liabilities	<u>—</u>	<u>35,937</u>	<u>7,015</u>	<u>1,022</u>	<u>542</u>	<u>44,516</u>
2020	<i>No Stated maturity</i> £000's	<i>0-1 year</i> £000's	<i>1-3 years</i> £000's	<i>3-5 years</i> £000's	<i>>5 years</i> £000's	<i>Total</i> £000's
Creditors	—	24,411	—	—	—	24,411
Claims outstanding	—	25,456	6,839	475	198	32,968
Financial liabilities	<u>—</u>	<u>49,867</u>	<u>6,839</u>	<u>475</u>	<u>198</u>	<u>57,379</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

2 RISK MANAGEMENT continued)

(e) Fair value estimation

The fair values of cash and cash equivalents, premiums and other receivables, and accounts payable approximate their carrying value due to the immediate or short term maturity of these financial instruments.

The categorising of these assets is defined as follows:

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

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.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Other assets and liabilities

The fair values of cash and cash equivalents, premiums and other receivables, and accounts payable approximate their carrying value due to the immediate or short term maturity of these financial instruments.

The following tables present the Syndicate's holdings of assets measured at fair value:

2021	Level 1 £000's	Level 2 £000's	Level 3 £000's	Total £000's
Shares and other variable yield securities and units in unit trusts	—	—	789	789
Overseas deposits	27	9	—	36
Total	27	9	789	825
<i>2020</i>	<i>Level 1</i> <i>£000's</i>	<i>Level 2</i> <i>£000's</i>	<i>Level 3</i> <i>£000's</i>	<i>Total</i> <i>£000's</i>
<i>Shares and other variable yield securities and units in unit trusts</i>	—	—	789	789
<i>Overseas deposits</i>	51	13	—	64
<i>Total</i>	<i>51</i>	<i>13</i>	<i>789</i>	<i>853</i>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

3 MANAGEMENT OF CAPITAL

(a) Capital Framework at Lloyd's

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

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

Although, as described below, Lloyd's capital setting processes use a capital requirement set at Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements applies at overall and member level respectively, not at Syndicate level. Accordingly the capital requirement in respect of Syndicate 3002 is not disclosed in these financial statements. See note 17 for details of the Syndicate's FAL requirement.

(b) Lloyd's Capital Setting Process

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

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

(c) Provision of capital by members

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

The level of FAL/FIS that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. The capital requirement is based on a number of factors including the nature and amount of risks to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten.

Resources available to meet members' and Lloyd's capital requirements are separately identified in the Statement of Changes in Member's Balances.

Lloyd's also retains the right to request a callable contribution equal to 3% of capacity from the Syndicate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

4 SEGMENTAL ANALYSIS

In the opinion of the directors, the Syndicate operates in a single business segment, being that of long-term insurance business.

2021	Gross premiums written £000's	Gross premiums earned £000's	Gross claims incurred £000's	Gross operating expenses £000's	Reinsurance balance £000's	Total £000's
Total	<u>25,973</u>	<u>27,405</u>	<u>(6,881)</u>	<u>(8,376)</u>	<u>(2,750)</u>	<u>9,398</u>
2020	<i>Gross premiums written £000's</i>	<i>Gross premiums earned £000's</i>	<i>Gross claims incurred £000's</i>	<i>Gross operating expenses £000's</i>	<i>Reinsurance balance £000's</i>	<i>Total £000's</i>
Total	<u>29,557</u>	<u>34,471</u>	<u>(29,395)</u>	<u>(10,531)</u>	<u>(4,316)</u>	<u>(9,771)</u>

All business written is considered to be single premium business and renewable on an annual basis.

The Lloyd's insurance market has been treated as one geographical segment. All business is signed and concluded in the UK.

The geographical analysis of gross premiums written by risk location is as follows:

	2021 £000's	<i>2020 £000's</i>
United Kingdom	11,130	<i>16,090</i>
EU countries	1,020	<i>680</i>
US	960	<i>1,590</i>
Latin America	10,550	<i>9,300</i>
Other Worldwide	2,313	<i>1,897</i>
	<u>25,973</u>	<u><i>29,557</i></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

5 MOVEMENT IN PRIOR YEAR'S PROVISION FOR CLAIMS OUTSTANDING

A favourable run off deviation (prior accident year release) of £4.1m (2020: £2.2m strengthening) was experienced during the year.

6 NET OPERATING EXPENSES

	2021	<i>2020</i>
	£000's	<i>£000's</i>
Acquisition costs	7,700	<i>7,770</i>
Change in deferred acquisition costs	412	<i>1,229</i>
Administration expenses	264	<i>1,532</i>
Reinsurers' commission	(6)	<i>(939)</i>
	<u>8,370</u>	<i><u>9,592</u></i>

Included within acquisition costs are amounts relating to commissions on direct insurance business of £5.1m (2020: £5.3m).

Administrative expenses include:

	2021	<i>2020</i>
	£000's	<i>£000's</i>
Auditors' remuneration		
Audit services:		
Fees payable to the Syndicate's auditors for the audit of the Syndicate annual accounts	111	<i>114</i>
Other services		
Fees payable to the Syndicate's auditors and its associates for other services:		
Other services pursuant to legislation are audit and review services relating to regulatory reporting to Lloyd's	47	<i>41</i>

The auditors' remuneration for the year has been recharged to the Syndicate by an AXA XL division company, XL Catlin Services SE ("XLCSSSE").

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

7 EMPLOYEES & DIRECTORS

The Syndicate has no direct employees. Staff working on the affairs of the Syndicate are employed by a group service company, XL Catlin Services SE ("XLCSSSE"), an approved CBI regulated intermediary. The recharge of the expenses from the service company to the Syndicate is through a recharge model across the international network, including UK domiciled entities and the recharge of the costs are dependent on the nature of the service performed for the Syndicate. Other than support costs which are considered as administration expenses to the Syndicate, all other charges are captured as acquisition costs and are subject to deferral. It is, however, not possible to ascertain separately the element of the expense recharge that relates directly to staff costs or staff numbers.

Directors' emoluments for the year are as follows:

	2021	<i>2020</i>
	£000's	<i>£000's</i>
Aggregate emoluments and other benefits	26	<i>17</i>
Pension contributions	1	<i>1</i>
	<u>27</u>	<i><u>18</u></i>

Emoluments of the highest paid director are:

	2021	<i>2020</i>
	£000's	<i>£000's</i>
Aggregate emoluments and other benefits	12	<i>3</i>
Pension contributions	1	<i>—</i>
	<u>13</u>	<i><u>3</u></i>

Emoluments of the active underwriter are:

	2021	<i>2020</i>
	£000's	<i>£000's</i>
Aggregate emoluments and other benefits	44	<i>391</i>
Pension contributions	2	<i>40</i>
	<u>46</u>	<i><u>431</u></i>

Directors' emoluments are the share of the total emoluments charged to the Syndicate for services provided to the Syndicate. Directors' emoluments are paid by other group companies and recharged by way of a management fee based on a best estimate of the time spent on the Syndicate's activities.

8 INVESTMENT INCOME

	2021	<i>2020</i>
	£000's	<i>£000's</i>
Investment income		
Income from investments	<u>32</u>	<i><u>61</u></i>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

9 INSURANCE LIABILITIES AND REINSURANCE ASSETS

2021	Provision for unearned premium	Claims Outstanding
	£000's	£000's
Gross Technical Provisions		
As at 1 January 2021	13,410	32,968
Movement in the provision	(1,432)	(6,678)
Foreign exchange movements	71	(76)
As at 31 December 2021	12,049	26,214
Reinsurers' share of technical provisions		
As at 1 January 2021	1,808	11,240
Movement in the provision	(1,480)	(4,690)
Foreign exchange movements	(22)	(43)
As at 31 December 2021	306	6,507
Net technical provisions		
As at 31 December 2020	11,602	21,728
As at 31 December 2021	11,743	19,707
2020	<i>Provision for unearned premium</i>	<i>Claims Outstanding</i>
	<i>£000's</i>	<i>£000's</i>
<i>Gross Technical Provisions</i>		
<i>As at 1 January 2020</i>	18,412	32,848
<i>Movement in the provision</i>	(4,914)	178
<i>Foreign exchange movements</i>	(88)	(58)
<i>As at 31 December 2020</i>	<i>13,410</i>	<i>32,968</i>
<i>Reinsurers' share of technical provisions</i>		
<i>As at 1 January 2020</i>	6,176	18,821
<i>Movement in the provision</i>	(4,210)	(7,238)
<i>Foreign exchange movements</i>	(158)	(343)
<i>As at 31 December 2020</i>	<i>1,808</i>	<i>11,240</i>
<i>Net technical provisions</i>		
<i>As at 31 December 2019</i>	12,236	14,027
<i>As at 31 December 2020</i>	<i>11,602</i>	<i>21,728</i>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

10 CLAIMS DEVELOPMENT TRIANGLES

The loss development tables below provide information about historical claims development by pure underwriting year.

Some business is not off risk after the first 12 months. Therefore we would anticipate cumulative claims to increase in the second year as this business is earned.

Gross claims development

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
12 months	1,913	3,334	1,579	13,843	8,484	10,148	12,121	11,514	10,505	8,981	
24 months	4,024	5,871	5,392	12,754	15,853	25,061	33,653	30,708	17,998		
36 months	4,373	5,139	4,831	13,300	16,937	29,521	32,003	18,670			
48 months	4,055	4,930	4,913	14,010	17,465	30,355	31,544				
60 months	4,047	5,059	4,781	14,199	17,242	33,734					
72 months	4,042	5,044	4,986	14,431	17,454						
84 months	4,038	4,826	5,134	14,081							
96 months	3,905	4,827	4,927								
108 months	3,895	4,805									
120 months	3,902										
Estimated total losses	3,902	4,805	4,927	14,081	17,454	33,734	31,544	18,670	17,998	8,981	156,096
Paid claims	(3,906)	(4,809)	(4,946)	(13,948)	(16,783)	(30,066)	(27,107)	(15,741)	(12,003)	(663)	(129,972)
Gross reserves	(4)	(4)	(19)	133	671	3,668	4,437	2,929	5,995	8,318	26,124

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

10 CLAIMS DEVELOPMENT TRIANGLES (continued)**Net claims**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
12 months	1,913	3,329	1,555	5,932	6,173	5,610	7,198	6,242	8,741	8,592	
24 months	4,024	5,811	5,350	9,056	9,634	13,460	17,314	22,964	16,580		
36 months	4,373	5,125	4,844	9,968	8,468	15,340	16,221	12,862			
48 months	4,055	4,930	4,934	9,589	8,733	16,776	16,880				
60 months	4,047	5,062	4,803	9,521	9,211	18,609					
72 months	4,042	5,047	5,033	10,089	8,837						
84 months	4,038	4,826	5,141	9,740							
96 months	3,905	4,828	4,941								
108 months	3,895	4,807									
120 months	3,900										
Estimated total losses	3,900	4,807	4,941	9,740	8,837	18,609	16,880	12,862	16,580	8,592	105,748
Paid claims	(3,906)	(4,809)	(4,959)	(9,606)	(8,904)	(16,845)	(13,084)	(11,755)	(11,602)	(663)	(86,133)
Net reserves	(6)	(2)	(18)	134	(67)	1,764	3,796	1,107	4,978	7,929	19,615

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

11 DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2021	2020
	£000's	£000's
Due within one year	<u>24,239</u>	<u>22,210</u>

12 OTHER DEBTORS

	2021	2020
	£000's	£000's
Amounts owed from group undertakings	12	1,928
Other debtors	23	426
	<u>35</u>	<u>2,354</u>

13 DEFERRED ACQUISITION COSTS

	2021	2020
	£000's	£000's
As at 1 January	2,644	3,864
Change in deferred acquisition costs	(412)	(1,229)
Foreign exchange movements	15	9
As at 31 December	<u>2,247</u>	<u>2,644</u>

14 OVERSEAS DEPOSITS

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries and are managed by Lloyd's centrally or by investment managers on their behalf. Overseas deposits have not been included on the statement of financial position within investments or cash at bank or in hand as they are not under direct control of the Syndicate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

15 OTHER CREDITORS

Amounts falling due within one year	2021	<i>2020</i>
	£000's	<i>£000's</i>
Amounts owed to group undertakings	1,310	<i>3,041</i>
Other creditors	26	<i>14</i>
	<u>1,336</u>	<i><u>3,055</u></i>

16 LONG TERM BUSINESS PROVISION

The following methodology has been used in valuing the long term business provision:

- i) A development pattern based on historic reported claims has been used to determine the incurred but not reported claim provision. Reinsurance recoveries are separately recognised.
- ii) An explicit provision to cover future expenses of £0.1m (2020: £0.1m) has been set. This has been calculated by analysing the costs that are likely to be incurred in running off the current book of business.

17 FUNDS AT LLOYD'S

Every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). As at 31 December 2021, the value of assets supporting FAL for the 2022 underwriting year is £39.5m (2021 underwriting year at 31 December 2020: £28m). The FAL is held by Catlin (One) Limited, the corporate members of the Syndicate, on its behalf. These funds are intended primarily to cover circumstances where Syndicate assets prove insufficient to meet participating member's underwriting liabilities.

Since FAL is not under the management of the managing agent, no amount has been shown in these financial statements by way of such capital resources. However, the managing agent is able to make a call on the member's FAL to meet liquidity requirements or to settle losses.

18 RELATED PARTY TRANSACTIONS

AXA XL Underwriting Agencies Limited ("AXUAL") is the managing agent for Syndicate 3002. Under the standard managing agent's agreement, AXUAL receives an annual fee of £0.035m (2020: £0.035m).

Recharge of the expenses from the service company, XL Catlin Services SE ("XLCSSSE"), an approved CBI regulated intermediary, is made on a monthly basis to the Syndicate through a Service Level Agreement. Quarterly full settlement is repaid in relation to the provision of services and other support costs provided by XLCSSSE.

The Syndicate has an intra-group reinsurance contract with XL Bermuda Ltd. The effect of this contract on the Statement of Profit or Loss in 2021 is a charge of £1.5m (2020: a charge of £1.7m). Amounts relating to these contracts of £5.1m (2020: £5m) were payable as at the year-end date.

Catlin Syndicate Limited is the corporate member for the 2013 and prior underwriting years, whilst Catlin (One) Limited is the corporate member for the 2014 and subsequent underwriting years.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

19 ULTIMATE PARENT UNDERTAKING

For the 2014 and subsequent underwriting years, Catlin (One) Limited will be the sole member of the Syndicate.

Catlin (One) Limited is a wholly owned subsidiary of Catlin (North American) Holdings Ltd, a company registered in England and Wales.

The ultimate parent undertaking and controlling party is AXA SA, a company registered in France, which is the parent undertaking of the largest group to consolidate the financial statements of Catlin (One) Limited.

Copies of the financial statements of AXA SA ("AXA") are available from 25 Avenue Matignon FR-75008 Paris France.