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Syndicate 2014

Annual Report

Year ended
31 December 2020

CONTENTS

SYNDICATE 2014
DIRECTORS AND ADVISERS

Managing Agent

Hamilton Managing Agency Limited

Registered Office

Level 3
8 Fenchurch Place
London
EC3M 4AJ

Registered Number

05832065

Directors

P. J. Barrett	Non-Executive
M. J. Beacham	Independent Non-Executive
M. J. Beane	Independent Non-Executive
C. D. Brown (resigned 30 June 2020)	Executive
T. A. B. H. Glover (resigned 20 November 2020)	Executive
P. C. F. Haynes	Independent Non-Executive, Chairman
J. F. Reiss (resigned 30 June 2020)	Non-Executive
P. Skerlj (resigned 8 September 2020)	Non-Executive
A. Ursano Jr (resigned 8 September 2020)	Non-Executive
R. S. Vetch	Executive
D. N. White (resigned 11 November 2020)	Executive

Company Secretary

D.V.T. Ford

Syndicate

Run-off Manager

B. Taylor

Bankers

Barclays
Citibank N.A.
HSBC
Royal Bank of Canada

Investment Manager

Conning Asset Management Limited

Auditor

Ernst & Young LLP
25 Churchill Place
London E14 5EY

The Directors of Hamilton Managing Agency Limited ("HMA") present the Managing Agent's Report for Syndicate 2014 (the "Syndicate") for the year ended 31 December 2020.

Principal Activity

The principal activity of the Syndicate was the underwriting of general insurance and reinsurance business at Lloyd's until 19 November 2019 at which point it was placed into run-off.

Management of the Syndicate

The Syndicate is managed by HMA. On 20 August 2019, HMA was acquired by Hamilton UK Holdings Limited (the company's ultimate parent company is Hamilton Insurance Group, Ltd (collectively with its subsidiaries, "the Hamilton Group"). The Hamilton Group acquired HMA from Pembroke JV Limited (the ultimate parent company of Pembroke JV Limited was Liberty Mutual Holding Company Inc., collectively with its subsidiaries, "the Liberty Mutual Group").

For the 2018 and 2019 years of account, Liberty Corporate Capital (Two) Limited, which is ultimately owned by Liberty Mutual Holding Company Inc., has a participation on the Syndicate.

Business of the Syndicate

The Syndicate was a provider of specialist commercial insurance and reinsurance products at Lloyd's. Further details of the product areas are provided below.

<u>Property Treaty</u>

The majority of the Syndicate's Property Treaty book of business was written on an excess of loss basis and relates to catastrophe, per risk and aggregate risks in North America. The Syndicate also underwrote a small proportional book.

<u>Casualty Treaty</u>

The Casualty Treaty account was predicated on cedants whose clients are domiciled in the United States of America ("USA"), Canada and Bermuda. Products written by the Syndicate included workers' compensation, general liability, professional lines, per-person exposed and catastrophe excess of loss and medical malpractice.

<u>Liability</u>

The Liability account underwrote the following lines of business: Professional Indemnity, General Liability, Directors' & Officers' Liability and Mergers and Acquisitions. The majority of the account was written through facilities and has a broad geographic segmentation of exposures, all outside the USA.

<u>Marine</u>

The Syndicate underwrote Marine Liability, War & Terrorism and Cargo. The Marine Liability line of business underwrote two sub-classes, namely Marine Liability and Energy Liability. The geographical segmentation of exposures is diverse, with business placed with the Syndicate through a variety of methods. The Cargo line of business was ceased in 2018.

<u>Property Binders</u>

The division was placed into run-off in 2018; it covered general property, including commercial and personal lines, and transportation business written within the US and Canada.

<u>Political Risks</u>

The Political Risks account provided cover for events or administrative decisions that lead to economic, commercial, or financial losses for clients that export to, invest in, or import from foreign countries. Products written by the Syndicate included trade credit, contract frustration, confiscation, expropriation, nationalisation, deprivation and export credit agencies.

<u>Accident & Health</u>

The Accident & Health account had a number of lines of business, including General Personal Accident, Sports Personal Accident, Treaty Excess of Loss and Medical Expenses. The majority of business was accepted through delegated authorities from a follow position.

Review of Financial Performance

The Syndicate's key financial indicators are as follows:

	2020 £000	2019 £000
Syndicate capacity	-	138,000
Gross written premium	20,893	177,130
Loss for the financial year	(18,894)	(1,920)
Combined ratio	140.6%	107.3%
Investments, cash and deposits	182,205	204,379

The Syndicate reported a loss for the financial year of £18.9m (2019: £1.9m loss).

Gross Written Premiums

Gross written premiums for the financial year were £20.9m (2019: £177.1m), reflecting the move to a run-off status. There were no new premiums bound in 2020 with the exception of risks written under binder contracts prior to November 2019.

Claims Incurred

Net claims incurred during the year have resulted in a net claims ratio of 102% (2019: 67%). This reflects loss activity during the year and a reassessment of certain ceded reinsurance recovery rates. Additional reserves have been recognised in relation to potential COVID-19 losses, adding 8.0 percentage points to the net claims ratio.

The Syndicate purchased a 2020 reinsurance programme to protect the existing 2019 Property Treaty earthquake exposure. It has also purchased loss-occurring-during reinsurance programmes for the existing Marine, Casualty and Accident & Health accounts.

Investment Return

Investment return in 2020 was £7.8m (2019: £8.1m).

At 31 December 2020, the trust fund details were as follows:

Fund	Value	Calendar year yield	Benchmark yield
US CRTF	US $144.0m	4.69%	4.96%
Canadian LCTF	CAD $47.0m	5.42%	5.56%

At 31 December 2019, the trust fund details were as follows:

Fund	Value	Calendar year yield	Benchmark yield
US CRTF	US $177.8m	5.36%	5.82%
Canadian LCTF	CAD $52.4m	2.87%	3.32%

Net Operating Expenses

Net operating expenses (note 5) in 2020 were £24.3m (2019: £64.0m), reflecting the move to run-off status.

Balance Sheet

Assets have decreased to £265.6m (2019: £354.2m) reflecting the move to run-off status and the settling of positions on the older years of account. The Syndicate's liabilities have decreased to £314.2m (2019: £404.3m) also reflecting run-off of the Syndicate consistent with the reduction in assets.

Part VII Transfer

Following the UK's departure from the European Union, the Syndicate transferred its European non-life insurance policies written between 2014 and 2020 to Lloyd's Insurance Company S.A. (LIC) on the 30 December 2020 in order to continue to access business located in Europe. On the same day, LIC subsequently reinsured the same liabilities back to the Syndicate. There was no gain or loss in this transaction and both the Syndicate and LIC were left in the same economic position prior to the transaction. Note 3 of the financial statements contains more details of the transfer and the accounting policies have been updated to reflect the accounting treatment followed.

Outlook

Following the Syndicate being placed into run-off, 2019 was the last year of account. This means that although the 2018 year can close into 2019, an external solution is then required. HMA, in conjunction with the Run-Off Manager, is continuing to explore options for the continued orderly and efficient run-off of the Syndicate. Advisors have been contracted to assist with the selection of a potential reinsurance to close ("RITC") solution for the Syndicate.

The strategy of the Syndicate is to actively manage claims reserves and expenses, to continue to be pro-active in advising reinsurers of potential losses to speed up the recovery process and to seek investment return, whilst maintaining liquidity and remaining within investment risk appetite. Investment returns in 2021 are expected to be reduced given reduction in investible assets and the recent fall in government bond yields and contraction in credit spreads.

Research and Development

The Syndicate has not participated in any research and development activity during the period.

Staff Matters

HMA recognises that its staff members are key resources and seeks to provide a good working environment for its staff that is safe and complies with appropriate employee legislation. During the year there have been no significant injuries to staff in the workplace or any significant actions taken by any regulatory bodies with regard to staff matters.

Human resources' key performance indicators are reviewed periodically by committees of the Board, and all such indicators are in line with the expectations of the Directors.

As of 1 December 2019, all HMA UK staff were transferred to Hamilton UK Service Company Limited and HMA entered into a service agreement with this entity for the provision of services in relation to its role as managing agent, including for Syndicate 2014. HMA and Hamilton UK Service Company Limited are both fully owned subsidiaries of Hamilton UK Holdings Limited.

The Board ensures that the interests of its staff members are appropriately considered when taking decisions. In 2020 this was demonstrated by:

- Regular Employee Town Halls where senior management facilitated discussion on key business developments in an open forum.
- A periodic staff engagement survey with appropriate follow up action taken.
- The establishment of the Black Lives Matter working group as an extension to the Diversity & Inclusion Forum.
- Regular training for staff members on various matters from unconscious bias to mindfulness.
- The launch of a new long-term incentive compensation plan.

HMA is committed to supporting the health and wellbeing of its staff members and has partnered with a leading online workplace mental health platform as part of its Employee Assistance Programme. Hamilton is committed to creating an inclusive workspace where all employees thrive. HMA embraces all backgrounds, perspectives, experiences and talents – without discrimination. The Company actively monitored the evolving situation with the global Coronavirus (COVID-19) pandemic to ensure the well-being of staff members, as well as uninterrupted service and responsiveness to clients.

Environmental Matters

HMA is dedicated to being a responsible business and taking care of its community and the environment. HMA's approach is to use its position of strength to create a positive change for the people and communities with which the Company interacts. HMA seeks to leverage its expertise and enable employees to support the communities around us.

Business Relationships

HMA is committed to being a conscientious business and doing the right thing for its customers and business partners. The Board recognises that relationships with stakeholders are key to the delivery of the strategy. As such, HMA looks to conduct business with like-minded firms by undertaking the appropriate due diligence to ensure they have good prospects for future and longevity in the market. HMA ensures compliance with all applicable laws and a raft of internal policies, processes and procedures cover all aspects of the business to ensure outcomes of business practice achieve consistently high business and ethical standards. These policies, procedures and processes are renewed regularly.

Business Conduct

The Board recognises that a commitment to a high standard of business conduct is critical to the delivery of the strategy and aspires to complete honesty and transparency in all activity. Among key documents reviewed and approved by the Board annually are the Conduct Management Framework, Whistleblowing Policy, Financial Crime Prevention Policy, and the Code of Conduct & Ethics. The Board further monitors conduct management at each meeting and is committed to maintaining high ethical standards.

Regulators

HMA has transparent communication with its key regulators which is facilitated through the compliance team. Any significant regulatory engagements are reported to the Board of HMA.

Principal Risks and Uncertainties

The Board sets risk appetite annually as part of the Syndicate's business planning and capacity setting process. HMA has established an Underwriting and Risk Committee ("URC") which meets at least quarterly to review and update the risk register and to monitor performance against risk appetite using a series of key risk indicators. An Own Risk and Solvency Assessment ("ORSA") report is completed annually and reviewed on a quarterly basis. The ORSA is used to monitor changes in the risk profile of HMA and to ensure that HMA meets its current and future capital requirements. The principal risks and uncertainties facing the Syndicate are set out in note 2 to the Annual Report.

Directors and Officers Serving During the Year

The Directors who served during the year ended 31 December 2020 and up to the date of this report (and the current Company Secretary) are detailed on page 3.

Annual General Meeting

The Directors do not propose to hold an annual general meeting for the Syndicate. If any members' agent or direct corporate supporter of the Syndicate wishes to meet with them, the Directors will be happy to do so.

Auditor

Ernst & Young LLP has signified its willingness to continue in office as auditor.

Disclosure of Information to the Auditor

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

Board Approval

Approved by order of the Board of Hamilton Managing Agency Limited.

R. S. Vetch
Chief Financial Officer
9 March 2021

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The managing agent is responsible for preparing the Syndicate Annual Report and Annual Accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (the 2008 Regulations) require the managing agent to prepare Syndicate Annual Accounts at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Annual Accounts are required by law to give a true and fair view of the state of affairs of the Syndicate as at that date and of its profit or loss for that year.

In preparing the Syndicate Annual Accounts, the managing agent is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the annual accounts; and
- assess the Syndicate's ability to continue to write new business, disclosing as applicable, matters related to its ability to continue to operate and use the going concern basis of accounting, unless the managing agent intends to cease to operate the Syndicate or has no realistic alternative but to do so.

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate Annual Accounts comply with the 2008 Regulations. 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 managing agent is responsible for the maintenance and integrity of the corporate and financial information included on the business's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 2014

Opinion

We have audited the syndicate annual accounts of Syndicate 2014 ('the syndicate') for the year ended 31 December 2020 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Members' Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

- give a true and fair view of the syndicate's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

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 accounts section of our report below. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the 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.

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 to adopt the going concern basis of accounting for a period of at least twelve months from when the syndicate annual accounts are authorised for issue.

Our responsibilities and the responsibilities of the managing agent with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the syndicate's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report set out on pages 4 to 7, other than the syndicate annual accounts and our auditor's report thereon. The directors of the managing agent are responsible for the other information. Our opinion on the syndicate annual accounts does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

Matters on which we are required to report by exception

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 material misstatements in the managing agent's report.

We have nothing to report in respect of the following matters where The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires us to report to you, if in our opinion:

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual accounts are not in agreement with the accounting records; or
- certain disclosures of the managing agents' emoluments specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the directors of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 8, the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate 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 in operation, disclosing as applicable, matters related to its ability to continue in operation and using the going concern basis of accounting unless the managing agent either intends to cease to operate the syndicate, or has no realistic alternative but to do so.

Auditor's 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 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 accounts.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the managing agent and management.

Our approach was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the syndicate and determined that the most significant are direct laws and regulations, related to elements of Lloyd's Byelaws and Regulations, and the financial reporting framework (UK GAAP), and requirements referred to by Lloyd's in the instructions. Our considerations of other laws and regulations that may have a material effect on the syndicate annual accounts included permissions and supervisory requirements of the Lloyd's of London, Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- We obtained a general understanding of how the syndicate is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the syndicate. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the syndicate, Lloyd's of London and other UK regulatory bodies; reviewed minutes of the Board, Audit, Nomination, Investment and Risk Management Committee of the managing agent; and gained an understanding of the managing agent's approach to governance.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

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

- For both direct and other laws and regulations, our procedures involved: making enquiries of the directors of the managing agent and senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the managing agent's methods of enforcing and monitoring compliance with such policies, inspecting significant correspondence with Lloyd's, the FCA and the PRA.
- The syndicate operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.
- We assessed the susceptibility of the Syndicate's annual accounts to material misstatement, including how fraud might occur by considering the controls that the managing agent has established to address risks identified by the managing agent, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. The fraud risk was considered to be higher in respect of inadequate reserving for gross claims liabilities and improper revenue recognition in relation to insurance premiums. These procedures included testing manual journals and were designed to provide reasonable assurance that the syndicate annual accounts were free from fraud or error.

Our audit procedures included:

- Reviewing accounting estimates for evidence of management bias. Supported by our Actuaries we assessed if there were any indicators of management bias in the valuation of insurance liabilities.
- Evaluating the business rationale for significant and/or unusual transactions.
- Testing the appropriateness of journal entries recorded in the general ledger, particularly in respect of judgemental areas including insurance liabilities and insurance premiums.

In addition, we considered the impact of COVID-19 on the syndicate, including an assessment of the consistency of operations and controls in place as they transitioned to operating remotely for a significant proportion of 2020, and making enquiries with management via use of video conferencing. We performed analytical review procedures to assess for unusual movements throughout the year. Our audit procedures also incorporate unpredictability into the nature, timing and extent of our testing.

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

Use of our report

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

Robert Bruce (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
9 March 2021

SYNDICATE 2014
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £000	2019 £000
TECHNICAL ACCOUNT – GENERAL BUSINESS			
Earned premiums, net of reinsurance			
Gross premiums written	3	20,893	177,130
Outward reinsurance premiums		(3,798)	(36,539)
Net premiums written		17,095	140,591
Change in the provision for unearned premiums			
Gross amount		50,995	22,413
Reinsurers' share		(5,888)	(6,145)
Change in the net provision for unearned premiums		45,107	16,268
Earned premiums, net of reinsurance		62,202	156,859
Allocated investment return transferred from the non-technical account		7,807	8,110
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(86,981)	(93,589)
Reinsurers' share		26,560	28,515
Net claims paid		(60,421)	(65,074)
Change in the provision for claims			
Gross amount		12,531	(49,987)
Reinsurers' share		(15,328)	10,759
Change in the net provision for claims		(2,797)	(39,228)
Claims incurred, net of reinsurance		(63,218)	(104,302)
Net operating expenses	5	(24,268)	(63,955)
Balance on the technical account for general business		(17,477)	(3,288)
NON-TECHNICAL ACCOUNT			
Investment income	9	3,831	4,675
Realised gains/(losses) on investments	9	2,043	460
Unrealised gains/(losses) on investments	9	2,117	3,167
Investment expenses and charges	9	(184)	(192)
Allocated investment return transferred to the technical account		(7,807)	(8,110)
Exchange gains and losses		(1,417)	1,368
Loss for the financial year		(18,894)	(1,920)

All the amounts above are in respect of continuing operations.

There was no other comprehensive income.

SYNDICATE 2014
STATEMENT OF CHANGES IN MEMBERS' BALANCES
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £000	**2019 £000**
Balance due from members at 1 January	(50,089)	(63,605)
Loss for the financial year	(18,894)	(1,920)
Payments from members' personal reserve funds	21,063	15,755
Non-standard personal expenses paid on behalf of members	386	524
Other	(997)	(843)
Balance due from members at 31 December	(48,531)	(50,089)

SYNDICATE 2014
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 £000	2019 £000
ASSETS			
Investments			
Financial investments	10	160,844	186,204
Reinsurers' share of technical provisions			
Provision for unearned premiums	14	709	6,462
Claims outstanding	14	45,760	61,079
		46,469	67,541
Debtors due within one year			
Debtors arising out of direct insurance operations – intermediaries	11	15,853	23,793
Debtors arising out of reinsurance operations	12	15,656	38,198
Other debtors		-	604
		31,509	62,595
Debtors due after one year			
Debtors arising out of direct insurance operations		-	-
Debtors arising out of reinsurance operations		-	3
		-	3
Other assets			
Cash at bank and in hand		7,125	1,710
Other assets	10	14,236	16,465
		21,361	18,175
Prepayments and accrued income			
Deferred acquisition costs	13	1,474	15,476
Other prepayments & accrued income		3,977	4,205
		5,451	19,681
TOTAL ASSETS		265,634	354,199
MEMBERS' BALANCES AND LIABILITIES			
Members' balances		(48,531)	(50,089)
Technical provisions			
Provision for unearned premiums	14	5,615	55,500
Claims outstanding	14	294,307	310,819
		299,922	366,319
Creditors due within one year			
Creditors arising out of insurance operations		2,011	85
Creditors arising out of reinsurance operations		11,357	18,057
Other creditors	15	329	19,193
		13,697	37,335
Accruals and deferred income		546	634
TOTAL MEMBERS' BALANCES AND LIABILITIES		265,634	354,199

The Syndicate Annual Accounts on pages 12 to 33 were approved by the Board of Hamilton Managing Agency Limited on 9 March 2021 and were signed on its behalf by:

R. S. Vetch
Chief Financial Officer

SYNDICATE 2014

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £000	2019 £000
Cash flow from operating activities		
Operating result	(18,894)	(1,920)
Adjustments:		
(Decrease)/increase in technical provisions	(63,526)	27,573
Decrease in reinsurers' share of technical provisions	35,453	2,057
Decrease in debtors	31,284	4,378
Decrease in creditors	(23,684)	(16,809)
Movement in other assets/liabilities	2,350	(1,644)
Investment return	(7,807)	(8,110)
Other	231	(1,156)
Net cash inflow from operating activities	(44,593)	4,369
Cash flows from investing activities		
Purchase of equity and debt instruments	(59,029)	(83,600)
Sale of equity and debt instruments	81,889	59,898
Investment income received	5,690	4,943
Net cash inflow/(outflow) from investing activities	28,550	(18,759)
Cash flows from financing activities		
Payments from members' personal reserve funds	21,063	15,755
Other	328	(1,537)
Net cash inflow from financing activities	21,391	14,218
Net increase/(decrease) in cash and cash equivalents	5,348	(172)
Cash and cash equivalents at 1 January	1,710	1,929
Foreign exchange on cash and cash equivalents	67	(47)
Cash and cash equivalents at 31 December	7,125	1,710

1. Statement of Accounting Policies

General Information

Underwriting capacity is provided through a combination of Names and Trade Capital that are members of the Society of Lloyd's that underwrite insurance business in the London market.

Compliance with Accounting Standards

These Financial Statements have been prepared in accordance with United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", FRS 103 "Insurance Contracts" and the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. There were no material departures from those standards.

Basis of Preparation

The financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss that are measured at fair value.

The financial statements are presented in pounds sterling, which is the Syndicate's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Going Concern Basis

Having assessed the principal risks, the directors considered it appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements. Whilst as disclosed in the Managing Agent's report, Syndicate 2014 ceased underwriting in November 2019, it has continued to run-off the existing 2019 and prior liabilities in accordance with a plan approved by the directors. Furthermore, the directors have assessed that the COVID-19 pandemic has no impact on the Syndicate's ability to continue as a going concern.

The Directors have a reasonable expectation that the Syndicate has adequate resources including the Funds at Lloyd's of the members supporting the Syndicate to continue in operational existence for the foreseeable future. Potential reinsurance to close ("RITC") solutions for the Syndicate are being explored.

Use of Judgements and Estimates

In preparing these financial statements, the Directors of the managing agent have made judgements, estimates and assumptions that affect the application of the Syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses.

Management have assessed the impact of the current COVID-19 pandemic. The degree of judgement (and uncertainty) in the booked reserves is somewhat higher because of COVID-19, otherwise, management do not consider that there are any impacts on accounting judgements for the Syndicate given that it is expected to maintain an appropriate level of liquidity and that its operational effectiveness has been maintained.

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

Provision for Claims Outstanding

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

The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgement is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported ("IBNR") to the Syndicate. The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate managing agent's actuaries and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time in view of the likely ultimate claims to be experienced and for more recent underwriting, having regard to variations in business accepted and the underlying terms and conditions.

1. Statement of Accounting Policies (continued)

Use of Judgements and Estimates (continued)

The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of business accepted and assessments of underwriting conditions.

Further information about the risk that the provision for claims outstanding could be materially different from the ultimate cost of claims settlement is included in note 2.

Estimated Premium Income

For certain insurance contracts, premium is initially recognised based on an estimate. These estimates are judgemental and could result in prospective revisions in future accounting periods. The use of expert judgements and historical development patterns are the principle means by which the potential for revisions are minimised.

Basis of Accounting

The underwriting results are determined on an annual basis of accounting. Under the annual basis of accounting, the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance. The significant accounting policies are detailed below.

Premiums Written

Premiums written comprise direct and inwards reinsurance premiums on contracts incepted during the financial year. Premiums are shown gross of brokerage payable to intermediaries and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due to the Syndicate not yet notified.

Unearned Premiums

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

Reinsurance Premiums Ceded

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

Claims Provisions and Related Recoveries

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs.

The provision for claims outstanding is assessed on an individual case by case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated IBNR at the balance sheet date based on statistical methods.

These methods generally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

1. Statement of Accounting Policies (continued)

Basis of Accounting (continued)

The reinsurers' share of provisions for claims is based on the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. A number of statistical methods are used to assist in making these estimates.

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

The Directors 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, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. The methods used, and the estimates made, are reviewed regularly.

Unexpired Risks Provision

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

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

Foreign Currencies

The Syndicate's functional and presentation currency is pounds sterling. Transactions in US dollars, Canadian dollars, Australian dollars and euros are translated at the average rates of exchange for the period. Transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisitions costs) denominated in foreign currencies are translated at the rate of exchange at the balance sheet date.

Exchange differences arising on the retranslation of opening balance sheet items at the closing balance sheet rate and the retranslation of the statement of comprehensive income for the year are recorded in the non-technical account.

The rates of exchange used to translate foreign currency monetary balances at year end to pounds sterling are as follows:

	31 December 2020	***31 December 2019***
US dollar	1.37	1.32
Canadian dollar	1.74	1.72
Euros	1.12	1.18
Australian dollar	1.77	1.88

Financial Investments

As permitted by FRS 102, the Syndicate has elected to apply the recognition and measurement provisions of IAS 39 – Financial Instruments (as adopted for use in the EU) to account for all of its financial instruments.

The Syndicate classifies its financial investments as either financial assets at fair value through profit or loss ("FVPL") or available for sale ("AFS"), depending on the purpose for which the investments were acquired or originated. Where the intention is to only dispose of investment assets if required for liquidity purposes, the Syndicate classifies these assets as AFS. The Syndicate determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value plus, in the case of instruments not at FVPL, directly attributable transaction costs.

1. Statement of Accounting policies (continued)

Basis of Accounting (continued)

FVPL assets comprise two sub categories: financial assets held for trading and those designated as FVPL at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated as FVPL, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or
- The assets and liabilities are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value at each reporting date. Fair value adjustments and realised gains and losses are recognised in the income statement.

AFS financial assets are non-derivative financial assets that are designated as AFS. These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value at each reporting date. Fair value gains and losses are reported in Other Comprehensive Income as a separate component of members' balances until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative fair value gains and losses previously reported through the statement of Other Comprehensive Income is transferred to the income statement.

Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, where applicable net of outstanding bank overdrafts.

Investment Return

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

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments are held to support underwriting liabilities.

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

Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agent is gross of tax.

No provision has been made for Overseas Income Tax payable on underwriting results. Any payments on account made by the Syndicate during the year are included in the balance sheet under the heading Members' balances.

Pension Costs

The Hamilton Group operates a defined contribution scheme for its UK staff. Pension contributions relating to syndicate staff are charged to the Syndicate and included within net operating expenses.

1. Statement of Accounting policies (continued)

Basis of accounting (continued)

Profit Commission

Profit commission due from the Syndicate to the managing agent is not payable until after the appropriate year of account closes – typically at 36 months. An accrual is calculated and recognised in the financial statements based on the cumulative earned underwriting results of each year of account.

Profit commission payable to Lloyd’s coverholders or producing brokers has been provided for on all years of account and recognised within acquisition costs.

Insurance Receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement. Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

Insurance Payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Insurance liabilities are derecognised when the obligation under the liability is settled, cancelled or expired.

Derecognition of Financial Assets

A financial asset or, when applicable, a part of a financial asset is derecognised when:

- The rights to the cash flows from the asset have expired; or
- The Syndicate retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass through’ arrangement and either (a) the Syndicate has transferred substantially all the risks and rewards of the asset; or (b) the Syndicate has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Syndicate has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards nor transferred control of the asset, the asset is recognised to the extent of the Syndicate’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Syndicate could be required to repay. In that case, the Syndicate also recognises an associated liability.

2. Risk Management

Risk Framework

The primary objective of the Syndicate’s Risk Management Framework is to protect the Syndicate’s members from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. The Board recognises the critical importance of having efficient and effective risk management systems in place.

HMA has an established risk management function for the Syndicate with a clear remit from the Board. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the Board. The Risk Management Framework sets out the risk profiles for the Syndicate, risk management, control and business conduct standards for the Syndicate’s operations. It is reviewed annually and any changes are approved by the Board.

The Underwriting & Risk Committee (“URC”) and the Board approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. Significant emphasis is placed on the assessment and documentation of existing and emerging risks and controls, including the articulation of risk appetite.

2. Risk management (continued)

Insurance Risk - Underwriting

Insurance Risk is a core aspect of the Syndicate's business model and it is recognised that uncertainty associated with the frequency and severity of claims is inherent to general insurance. The Syndicate accepts a measured amount of this risk in exchange for underwriting profit, relying on the skills and experience of our underwriters and a robust control framework to reduce the likelihood and impact of this risk as far as is practicable and without unreasonable expense.

HMA's Board approves the risk appetite limit, considering the relativity between willingness to lose and potential forecast profitability for each year of account. The risk appetite will therefore reflect the view of forecast profitability, utilising the Syndicate's latest business plan assumptions.

Principal Risks

The principal risk the Syndicate faces under insurance contracts is that the actual claims and payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, and the development of long term claims liabilities. The objective of the Syndicate is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical segments. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. With the move to run-off status, the nature of underwriting risk will change over time and HMA will amend its approach accordingly.

Reinsurance

Reinsurance allows the Syndicate to manage capital exposure to both frequency and severity of claims. This includes the management of any systemic issues impacting a particular area of the account, as well as catastrophic losses across all business areas.

Diversification

Risks usually cover twelve month durations. Risks deliberately emanate from a diverse range of sources. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geographical segmentation.

Claims Management

To reduce the risk exposure of the Syndicate, HMA has put in place strict claim review policies to assess all new and ongoing claims. HMA performs regular detailed reviews of claims handling procedures and conducts frequent investigations of possible fraudulent claims.

The following table gives an indication of the likely quantum and scale of the largest (on a gross basis) Realistic Disaster Scenarios estimated for 2020 (highest gross event loss for year ended 31 December 2019 was California Earthquake – Los Angeles at £80.9m).

Realistic Disaster Scenarios	**Gross event loss £000**	**Net event loss £000**
US / Caribbean Clash Windstorm	42,126	7,576
Toronto Terrorism	42,874	6,890
California Earthquake - San Francisco	39,800	11,300

The Syndicate monitors exposures through a combination of deterministic modelling as part of the Realistic Disaster Scenarios Framework and stochastic modelling as part of Lloyd's catastrophe model reporting requirements.

2. Risk Management (continued)

Insurance Risk – Reserving

Principal Risk

HMA's reserving policy seeks to ensure appropriate allowance for reserving risk and consistency in reserving from year to year. Booked reserves represent the level of reserves booked at syndicate level and provide the basis for syndicate results and forecasts.

Actuarial best estimate reserves are intended to be true best estimates, i.e. estimates of expected value claims reserves. These are the basis for internal reporting and the derivation of expected loss ratios for business planning.

The following table illustrates the sensitivity of the financial year results (before managing agent's profit commission) to changes in the net loss ratio (negative movements reflect a decrease in results / members' balances).

Impact on result and members' balances (change in net reserves)	**2020 £000**	**2019 £000**
Net loss ratio - increase of 5%	(3,110)	(7,843)
Net loss ratio - increase of 10%	(6,220)	(15,686)

When a Syndicate goes into run-off and underwriting ceases, ULAE costs are reassessed and additional provisions added to amounts previously held for indirect claims handling costs. Additional amounts relate to factors such as non-claims staffing costs necessary to manage an orderly run-off of both the live exposures and claims liabilities. These provisions are assessed for sufficiency on an ongoing basis.

Mitigation

Reserving risk is controlled by the robust application of actuarial methodologies, stepped sign-off procedures, quarterly tracking of projected ultimate loss ratios, reassessment of methodologies where appropriate, regular dialogue between actuaries and practitioners, and access to historical loss data. The use of independent external reserve assessments by professional services firms provides additional risk mitigation.

Regulatory Risk

HMA is required to comply with the requirements of the Prudential Regulation Authority, the Financial Conduct Authority and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. HMA has a Compliance Officer, who monitors regulatory developments and assesses the impact on HMA policy. HMA also carries out a compliance-monitoring programme as documented in the Compliance Framework.

Capital Framework at 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. Lloyd's is subject to the capital regime determined by the PRA which is based upon the Solvency II capital regime. Within the supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II capital requirements, and beyond that to meet its own financial strength, licence and ratings objectives.

Although Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II capital requirements applies at Lloyd's aggregate level, and not syndicate level. Accordingly, the capital requirement in respect of the Syndicate is not disclosed in these financial statements.

Provision of Capital by Members

Each member may provide capital to meet its Economic Capital Assessment ('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.

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

2. Risk Management (continued)

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The key aspect of credit risk is the risk of default by a reinsurer, insurance intermediary or debtholder. The table below provides information regarding the credit risk exposure of the Syndicate by classifying assets according to Standard & Poor's credit ratings of the counterparties for assets not yet due. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB and below are classified as speculative grade and have not been rated.

As at 31 December 2020	AAA	AA	A	BBB and below	Not rated	Total
	£000	£000	£000	£000	£000	£000
Variable yield securities	18,061	-	-	12,419	545	31,025
Debt securities	20,476	36,018	64,906	8,419	-	129,819
Overseas deposits	6,687	1,411	3,286	1,261	1,591	14,236
Reinsurers' share of outstanding claims	2	7,416	29,171	-	9,171	45,760
Reinsurance debtors not yet past due	-	416	1,834	-	4,268	6,518
Cash at bank and in hand	-	-	7,108	17	-	7,125
Total	45,226	45,261	106,305	22,116	15,575	234,483

As at 31 December 2019	AAA	AA	A	BBB and below	Not rated	Total
	£000	£000	£000	£000	£000	£000
Variable yield securities	14,569	-	8,677	-	545	23,791
Debt securities	45,485	39,762	72,195	4,971	-	162,413
Overseas deposits	9,205	1,885	1,768	1,160	2,447	16,465
Reinsurers' share of outstanding claims	68	10,785	37,931	-	12,295	61,079
Reinsurance debtors not yet past due	-	(1,285)	(1,275)	-	8,922	6,362
Cash at bank and in hand	-	-	1,710	-	-	1,710
Total	69,327	51,147	121,006	6,131	24,209	271,820

A HMA Reinsurance Working Group reviews all reinsurer counterparties with whom the Syndicate wishes to conduct business and sets credit limits for the recoveries due from individual reinsurers. The review includes an analysis of the financial strength of the reinsurer, its payment performance record and standing in the market. Thereafter, with the assistance of outside expertise, management of reinsurer credit risk follows active and regular review of credit ratings and financial exposure to all approved reinsurers.

Investment credit risk is managed through investment management guidelines and quarterly compliance reports.

2. Risk Management (continued)

Credit Risk (continued)

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 any mitigation arrangements.

As at 31 December 2020	Not yet due £000	Past due by three months £000	Past due three to six months £000	Past due over six months £000	Greater than one year £000	Total £000
Variable yield securities	31,025	-	-	-	-	31,025
Debt securities	129,819	-	-	-	-	129,819
Overseas deposits	14,236	-	-	-	-	14,236
Reinsurers' share of outstanding claims	45,760	-	-	-	-	45,760
Reinsurance debtors	6,518	-	-	603	479	7,600
Cash at bank and in hand	7,125	-	-	-	-	7,125
Insurance debtors	10,093	737	2,150	2,873	-	15,853
Other debtors	11,288	375	1,093	1,460	-	14,216
Total	255,864	1,112	3,243	4,936	479	265,634

As at 31 December 2019	Not yet due £000	Past due by three months £000	Past due three to six months £000	Past due over six months £000	Greater than one year £000	Total £000
Variable yield securities	23,791	-	-	-	-	23,791
Debt securities	162,413	-	-	-	-	162,413
Overseas deposits	16,465	-	-	-	-	16,465
Reinsurers' share of outstanding claims	61,079	-	-	-	-	61,079
Reinsurance debtors	6,362	-	438	422	480	7,702
Cash at bank and in hand	1,710	-	-	-	-	1,710
Insurance debtors	14,747	2,597	3,193	3,445	(189)	23,793
Other debtors	45,650	3,329	4,093	4,323	(149)	57,246
Total	332,217	5,926	7,724	8,190	142	354,199

As at the balance sheet date, all financial assets of the Syndicate are unimpaired (2019: all unimpaired).

Liquidity Risk

Liquidity Risk is the risk that the Syndicate, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due or can secure such resources only at excessive cost. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

The Syndicate is subject to calls on cash resources, mainly in respect of claims on insurance business, on a daily basis. HMA operates and maintains procedures designed to ensure that cash is available to settle liabilities and other obligations when due without excessive cost to the business. The procedures set limits for cash required to meet expected cash flows. Contingency arrangements exist to meet liquidity requirements in extreme circumstances.

2. Risk management (continued)

Liquidity Risk (continued)

The table below summarises the maturity profile of the Syndicate's financial liabilities based on remaining undiscounted contractual obligations, including interest payable, and outstanding claim liabilities based on the estimated timing of claim payments resulting from recognised insurance liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately.

As at 31 December 2020	**Up to one year £000**	**One to three years £000**	**Three to five years £000**	**Greater than five years £000**	**Total £000**
Claims outstanding	178,015	97,405	16,730	2,157	294,307
Creditors	13,697	-	-	-	13,697
Total	191,712	97,405	16,730	2,157	308,004

As at 31 December 2019	**Up to one year £000**	**One to three years £000**	**Three to five years £000**	**Greater than five years £000**	**Total £000**
Claims outstanding	185,437	105,867	15,975	3,540	310,819
Creditors	37,335	-	-	-	37,335
Total	222,772	105,867	15,975	3,540	348,154

Market Risk

Investment Risk

The syndicate's investments are exposed to two key risks: interest rate risk and credit risk. Interest rate risk is driven by changes in the value or future cash flows of a financial instrument due to changes in market interest rates. Credit risk is driven by the change in the value of an instrument due to either a change in the market's view of its credit worthiness or alternatively due to a default - the risk of a default on instrument is described in the credit risk section above. Since the syndicate holds investments in government and corporate bonds, it is exposed to these risks.

The below sets out the impact of a 50 basis point movement in interest rates. Note insurance liabilities are not discounted in these accounts and therefore are not exposed to interest rate risk, although they are under the Solvency II regime used under the Lloyd's capital framework.

Interest rate risk	**2020 £000**	**2019 £000**
Impact of 50 basis point increase on result	(1,791)	(2,181)
Impact of 50 basis point decrease on result	1,791	2,181
Impact of 50 basis point increase net assets	(1,791)	(2,181)
Impact of 50 basis point decrease net assets	1,791	2,181

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 writes a significant proportion of insurance business in currencies other than pounds sterling, which creates exposure to currency risk. The Syndicate seeks to manage this exposure by matching foreign currency assets and liabilities. The table below summarises the exposure of financial assets and liabilities to foreign currency exchange risk at the balance sheet date.

2. Risk Management (continued)

Market Risk (continued)

Currency Risk (continued)

As at 31 December 2020	GBP £000	USD £000	EUR £000	CAD £000	AUD £000	Total £000
Financial investments	545	129,574	-	30,725	-	160,844
Overseas deposits	1,685	1,623	-	5,277	5,651	14,236
Reinsurers' share of technical provisions	7,628	22,575	4,894	7,570	3,802	46,469
Insurance assets	4,669	25,204	2,087	408	(859)	31,509
Cash at bank and in hand	6,070	17	360	-	678	7,125
Other debtors, prepayments, accrued income	504	1,251	3,158	410	128	5,451
Total assets	21,101	180,244	10,499	44,390	9,400	265,634
Technical provisions	(36,015)	(181,630)	(35,864)	(30,507)	(15,906)	(299,922)
Insurance liabilities	39	(6,597)	(3,124)	(4,458)	772	(13,368)
Other creditors, accruals, deferred income	(289)	(34)	(6)	(546)	-	(875)
Total liabilities	(36,265)	(188,261)	(38,994)	(35,511)	(15,134)	(314,165)
Currency surplus / (deficiency)	(15,164)	(8,017)	(28,495)	8,879	(5,734)	(48,531)

As at 31 December 2019	GBP £000	USD £000	EUR £000	CAD £000	AUD £000	Total £000
Financial investments	545	155,260	-	30,399	-	186,204
Overseas deposits	2,591	1,682	-	5,581	6,611	16,465
Reinsurers' share of technical provisions	8,538	43,729	4,629	8,782	1,863	67,541
Insurance assets	10,341	48,831	2,028	1,302	(508)	61,994
Cash at bank and in hand	823	38	632	-	217	1,710
Other debtors, prepayments, accrued income	5,817	8,737	3,728	1,335	668	20,285
Total assets	28,655	258,277	11,017	47,399	8,851	354,199
Technical provisions	(49,458)	(233,246)	(39,160)	(30,894)	(13,561)	(366,319)
Insurance liabilities	(2,500)	(6,954)	(2,857)	(6,551)	720	(18,142)
Other creditors, accruals, deferred income	(9,106)	(7,334)	(3)	(2,309)	(1,075)	(19,827)
Total liabilities	(61,064)	(247,534)	(42,020)	(39,754)	(13,916)	(404,288)
Currency surplus / (deficiency)	(32,409)	10,743	(31,003)	7,645	(5,065)	(50,089)

The table below gives an indication of the impact on the result of a percentage change in the relative strength of pounds sterling against the value of the US dollar, Canadian dollar, Australian dollar and euro simultaneously.

	2020 £000	2019 £000
Sterling weakens		
10% against other currencies	(5,392)	(5,565)
20% against other currencies	(12,133)	(12,522)
Sterling strengthens		
10% against other currencies	4,412	4,554
20% against other currencies	8,089	8,348

Operational Risk

The Syndicate is potentially exposed to direct or indirect losses resulting from inadequate or failed internal processes, systems, or people, or from external events. HMA seeks to manage this risk with detailed procedure manuals and a structured programme of testing of processes and systems by internal audit.

3. Segmental Analysis

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

2020	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000
Direct insurance:						
Accident & health	415	1,060	(1,109)	(414)	155	(308)
Marine aviation and transport	2,557	5,128	(7,031)	(1,923)	(944)	(4,770)
Fire and other damage to property	1,511	3,918	2,815	(1,582)	11	5,162
Third party liability	7,419	26,315	(29,747)	(10,299)	(686)	(14,417)
Miscellaneous	1,371	4,963	(7,167)	(1,580)	1,908	(1,876)
	13,273	41,384	(42,239)	(15,798)	444	(16,209)
Reinsurance	7,620	30,504	(32,211)	(8,507)	1,139	(9,075)
Total	20,893	71,888	(74,450)	(24,305)	1,583	(25,284)

2019	Gross Premiums Written £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000
Direct insurance:						
Accident & health	1,236	1,108	(580)	(457)	(165)	(94)
Marine aviation and transport	360	2,548	(2,397)	(543)	(1,037)	(1,429)
Fire and other damage to property	10,384	14,092	(13,814)	(4,966)	559	(4,129)
Third party liability	68,497	80,866	(50,911)	(31,181)	(3,976)	(5,202)
Miscellaneous	11,778	14,926	(7,163)	(4,401)	(1,843)	1,519
	92,255	113,540	(74,865)	(41,548)	(6,462)	(9,335)
Reinsurance	84,875	86,003	(68,711)	(22,856)	3,501	(2,063)
Total	177,130	199,543	(143,576)	(64,404)	(2,961)	(11,398)

Commissions on direct insurance gross premiums during 2020 were £2.4m (2019: £17.5m).

The reinsurance balance is the aggregate total of all those items in the technical account which relate to outwards reinsurance transactions including items recorded as reinsurance commission and profit participations.

All premiums were concluded in the UK.

On 30 December 2020, the Syndicate transferred its EEA non-life insurance policies written between 2014 and 2020 to Lloyd's Insurance Company S.A. ('Lloyd's Brussels') pursuant to Part VII of the Financial Services and Markets Act 2000. The value of the net liabilities transferred was $32.7m. The Syndicate transferred cash of the same amount to Lloyd's Brussels. Lloyd's Brussels subsequently reinsured the same liabilities back to the Syndicate on the same day. The reinsurance premium received was of the same amount of $32.7m. There was no gain or loss arising on either transaction.

Both the cash transferred for the Part VII transfer and the premium subsequently received back from Lloyd's Brussels have been included in gross written premiums within the income statement. This treatment best reflects the connection between economic substance of both the Part VII transfer and the associated reinsurance arrangement, and the resulting economic substance of the combined transaction.

Current year underwriting results for the transferred policies have been reported in the same classes of business as in prior years, as the effective date of the transfer was 30 December 2020, and in line with Society of Lloyd's guidance no movements were processed on these policies on 31 December 2020. In future years, results relating to these risks will be reported under the Inwards Reinsurance class of business, reflecting the new contractual arrangement with Lloyd's Brussels. The transaction has no impact on equity.

3. Segmental Analysis (continued)

The geographical analysis of gross premiums written by destination:

	2020 £000	2019 £000
UK, Channel Islands and Isle of Man	6,486	41,414
Rest of Europe	5,073	19,354
US	5,393	89,955
Other	3,941	26,407
Total	20,893	177,130

4. Claims Incurred, Net of Reinsurance

In setting claims provisions, the Syndicate gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an underwriting year is greatest when the underwriting year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherent in the estimation process, the actual overall claim provision may not always be in surplus.

Claims incurred, net of reinsurance, represent adverse prior year development of £20.9m (2019: favourable development of less than £0.1m). There is an unexpired risk provision of £1.0m contained within the gross claims provisions as at 31 December 2020 (31 December 2019: £nil).

	2020 £000	2019 £000
Accident & health	(347)	(107)
Marine, aviation and transport	(2,401)	(736)
Fire and other damage to property	3,341	(1,731)
Third party liability	(12,352)	(807)
Miscellaneous	442	1,727
Reinsurance	(9,614)	1,677
(Adverse)/favourable development	(20,931)	22

Gross claims development

Pure underwriting year	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	Total £000
Estimate of cumulative claims incurred							
At the end of the underwriting year	28,438	37,703	62,517	81,511	63,844	44,011	
One year later	36,801	70,977	111,566	140,558	122,326	**85,286**	
Two years later	39,011	75,491	128,333	172,228	**140,829**		
Three years later	38,467	76,266	131,703	**176,745**			
Four years later	38,468	73,688	**135,752**				
Five years later	40,688	**76,991**					
Six years later	**40,008**						
Less: cumulative payments to date	(34,027)	(54,308)	(89,880)	(108,740)	(55,004)	(19,345)	
Gross claims outstanding provision	5,981	22,683	45,872	68,005	85,825	65,941	294,307

4. Claims Incurred, Net of Reinsurance (continued)

Net claims development

Pure underwriting year	**2014 £000**	**2015 £000**	**2016 £000**	**2017 £000**	**2018 £000**	**2019 £000**	**Total £000**
Estimate of net claims							
At the end of the underwriting year	26,012	33,689	49,855	54,458	48,770	39,720	
One year later	33,527	55,993	92,878	95,938	86,812	**75,641**	
Two years later	35,208	60,345	109,173	115,262	**103,357**		
Three years later	34,889	62,975	111,802	**118,650**			
Four years later	34,624	60,486	**115,515**				
Five years later	37,318	**61,111**					
Six years later	**37,209**						
Less: cumulative payments to date	(30,743)	(44,627)	(74,656)	(64,465)	(35,708)	(12,737)	
Net claims reserves	6,466	16,484	40,859	54,185	67,649	62,904	248,547

5. Net Operating Expenses

	2020 £000	**2019 £000**
Acquisition costs	5,219	42,899
Change in deferred acquisition costs	14,239	6,921
Administrative expenses	4,847	14,584
Gross operating expenses	24,305	64,404
Reinsurers' commissions	(37)	(449)
Net operating expenses	24,268	63,955

6. Auditor's Remuneration

	2020 £000	**2019 £000**
Fees payable to the Syndicate's Auditors for:		
Audit of the Syndicate Annual Accounts	47	43
Other services pursuant to regulations and Lloyd's byelaws	71	66
Other non-audit services	49	51
	167	160

Auditor's remuneration is included as part of administrative expenses in note 5.

7. Staff Numbers and Costs

All staff were employed by Hamilton Managing Agency Limited until 1 December 2019, at which point they were transferred to Hamilton UK Services Limited. The following amounts were recharged to the Syndicate in respect of salary costs:

	2020 £000	**2019 £000**
Wages and salaries	809	7,761
Social security costs	208	759
Other pension costs	119	295
Other	39	392
	1,175	9,207

7. Staff Numbers and Costs (continued)

The average number of employees employed by the managing agent or UK service company but working for the Syndicate during the year was as follows:

	2020 Number	2019 Number
Administration and finance	16	13
Underwriting	5	36
Claims	22	19
Compliance	15	14
Other	6	3
	64	85

8. Emoluments of the Directors of Hamilton Managing Agency Limited

The Directors of Hamilton Managing Agency Limited received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2020 £000	2019 £000
Emoluments	193	357
Pension contributions	-	1
	193	358

This excludes a number of deferred awards which vested during the year, which would have been partially charged to the Syndicate (in this and prior years).

No other Director related compensation or amounts considered to represent key management personnel compensation were charged to the Syndicate.

The remuneration in relation to the Run-off Manager charged as a syndicate expense during the year comprised emoluments of £18,000. During 2019, the remuneration of the Active Underwriter charged as a syndicate expense comprised emoluments of £329,000.

9. Investment Return

	2020 £000	2019 £000
Interest from financial instruments designated as at fair value through profit or loss	3,721	4,227
Other interest and similar income	110	448
Investment income	3,831	4,675
Other income from investments designated as at fair value through profit or loss:		
Realised gains/(losses)	2,043	460
Unrealised gains/(losses)	2,117	3,167
	4,160	3,627
Investment management charges	(184)	(192)
Total investment return transferred to the technical account	7,807	8,110

10. Financial Investments

	2020 Market Value £000	2020 Cost £000	2019 Market Value £000	2019 Cost £000
Shares and other variable yield securities	31,025	31,025	23,791	23,791
Debt securities and other fixed income securities	129,819	125,684	162,413	160,202
	160,844	156,709	186,204	183,993

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

Level 1 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.

Level 2 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 Included in the level 3 category are financial assets measured using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Therefore, observable inputs reflect the Syndicate's own assumptions about the assumptions that market participants would use in pricing the asset. These inputs are developed based on the best information available, which might include the Syndicate's own data.

2020	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Shares and other variable yield securities	6,381	24,098	546	31,025
Debt securities and other fixed income securities	-	129,819	-	129,819
Other assets: overseas deposits	2,296	11,940	-	14,236
Total	8,677	165,857	546	175,080

2019	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Shares and other variable yield securities	4,619	18,627	545	23,792
Debt securities and other fixed income securities	-	162,413	-	162,413
Other assets: overseas deposits	3,143	13,322	-	16,465
Total	7,762	194,362	545	202,669

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

11. Debtors Arising Out of Direct Insurance Operations

Included within amounts due from intermediaries at 31 December 2020 are £4.5m in relation to payments to loss funds (2019: £4.6m).

12. Debtors Arising Out of Reinsurance Operations

	2020 £000	2019 £000
Due from ceding insurers and intermediaries under reinsurance business	8,056	30,495
Due from reinsurers and intermediaries under reinsurance contracts ceded	7,600	7,703
	15,656	38,198

13. Deferred Acquisition Costs

	2020 £000	2019 £000
Balance at 1 January	15,476	22,833
Change in deferred acquisition costs	(14,238)	(6,672)
Effect of exchange rates	236	(685)
	1,474	15,476

14. Technical Provisions

	2020			2019		
	Gross £000	RI £000	Net £000	Gross £000	RI £000	Net £000
Incurred claims outstanding:						
Claims notified	96,099	(26,332)	69,767	82,365	(16,293)	66,072
Claims incurred but not reported	214,720	(34,747)	179,973	187,556	(35,639)	151,917
Balance at 1 January	310,819	(61,079)	249,740	269,921	(51,932)	217,989
Change in prior year provisions	74,450	(11,232)	63,218	(21)	43	22
Expected cost of current year claims	-	-	-	143,597	(36,094)	107,503
Claims paid during the year	(86,981)	26,560	(60,421)	(93,589)	28,515	(65,074)
Effect of exchange rates	(3,981)	(9)	(3,990)	(9,089)	(1,611)	(10,700)
Balance at 31 December	294,307	(45,760)	248,547	310,819	(61,079)	249,740
Claims notified	91,201	15,085	76,116	96,099	(26,332)	69,767
Claims incurred but not reported*	203,106	30,675	172,431	214,720	(34,747)	179,973
Balance at 31 December	294,307	45,760	248,547	310,819	(61,079)	249,740
Unearned premiums:						
Balance at 1 January	55,500	(6,462)	49,038	79,722	(12,816)	66,906
Premiums written during the year	20,893	(3,799)	17,094	177,130	(36,539)	140,591
Premiums earned during the year	(71,888)	9,687	(62,201)	(199,543)	42,684	(156,859)
Effect of exchange rates	1,110	(135)	975	(1,809)	209	(1,600)
Balance at 31 December	5,615	(709)	4,906	55,500	(6,462)	49,038

*Included within the claims incurred but not reported balance as at 31 December 2020 is an amount of £1.0m for an unexpired risk provision (2019: nil).

15. Other Creditors

	2020 £000	2019 £000
Inter-syndicate loans	-	13,653
Amounts due to managing agent and its service company	329	5,540
	329	19,193

16. Related Parties

Capital

Underwriting capacity is provided through a combination of Names and Trade Capital. Underwriting capacity is not provided by any entity in the Hamilton Group.

Managing Agent

The Syndicate is managed by HMA, a company that from 20 August 2019 is a subsidiary within the Hamilton Group. During the financial year the Syndicate incurred no managing agent fees (2019: £1.0m). In addition to the fee for managing the Syndicate, HMA and its related service company (Hamilton UK Services Limited) recharge costs incurred on behalf of HMA's managed syndicates. During the financial year, total expenses recharged to the Syndicate amounted to £4.4m (2019: £13.6m). At the end of the year, £0.3m remains outstanding (2019: £5.5m).

There was no profit commission charged by the managing agent relating to the 2018 closed year of account result of the Syndicate during 2020 (2019: none on 2017 year of account result).

Inter-syndicate Loans

The Directors of HMA have made a working capital facility available to the Syndicate in the form of an inter-syndicate loan from Syndicate 4000. The balance of the loan as at 31 December 2020 was nil (2019: £13.7m, included in other creditors). Interest on amounts outstanding charged to the Syndicate in the financial year totalled £0.3m (2019: £0.8m).

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") and these funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the managing agent, no amount has been shown in these accounts by way of such capital resources. However, the managing agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses.

18. Off Balance Sheet Items

The Syndicate has not been a party to any arrangements which are not reflected in its Statement of Financial Position, where material risks and benefits arise to the Syndicate.

SYNDICATE 2014

MANAGING AGENT'S REPORT
2018 CLOSED YEAR OF ACCOUNT

The Directors of Hamilton Managing Agency Limited ("HMA") present the Managing Agent's Report for the 2018 closed year of account as at 31 December 2020.

Basis of Preparation

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

Principal Activities

The principal activity of the Syndicate is the underwriting of general insurance and reinsurance business at Lloyd's. The Syndicate's allocated capacity for the 2018 year of account is £150.0m. Capital to support underwriting of the Syndicate was organised through a combination of members' agencies and direct corporate participants.

Business of the 2018 Underwriting Year of Account

<u>Property Treaty</u>

The majority of the Property Treaty account is written on an excess of loss basis and relates to catastrophe, per risk and aggregate exposures in North America. The Syndicate also underwrites a small proportional book of business.

<u>Casualty Treaty</u>

The Casualty Treaty account is predicated on cedants whose clients are domiciled in the United States, Canada and Bermuda. Products written by the Syndicate include workers' compensation, general liability, professional lines, per-person exposed and catastrophe excess of loss and medical malpractice.

<u>Liability</u>

The Liability account consists of General Liability, Professional Lines, D&O, Crime and M&A. A large proportion of the division is written via binding authorities and focuses on non-US, SME business.

<u>Marine</u>

The Syndicate underwrites Cargo, Marine Liability and War & Terrorism. The Cargo line of business was ceased in 2018, it includes Throughput, General Cargo, Consequential Loss and Cargo Liability. The majority of the Syndicate's exposures are in Europe and North America, with business being accepted through a range of placement methods.

The Marine Liability line of business underwrites the following sub-classes: General Marine Liability, Energy Liability and Ports & Terminals. The geographical segmentation of exposures is diverse, with business placed with the Syndicate through a variety of methods. The War & Terrorism line of business is underwritten on a worldwide basis, with the current focus being the development of the Political Violence sub-class.

<u>Property Binders</u>

The division consists of binding authorities written to Lloyd's coverholders, covering general property including commercial and personal lines (including catastrophe), and transportation business written within the US and Canada. It was placed into run-off in 2018.

<u>Political Risks</u>

The Political Risks account provides cover for events or administrative decisions that lead to economic, commercial, or financial losses for clients that export to, invest in, or import from foreign countries. Products written by the Syndicate include trade credit, contract frustration, confiscation, expropriation, nationalisation and deprivation.

<u>Accident & Health</u>

The Accident & Health account has a number of lines of business, including General Personal Accident, Sports Personal Accident, Treaty Excess of Loss and Medical Expenses. The majority of business is accepted through delegated authorities from a follow position.

2018 Closed Year of Account Result

The Directors of HMA announce that the Syndicate has closed the 2018 year of account with a total loss of £24.6m at 31 December 2020.

This result represents a deficit on allocated capacity for capital providers of 16.38%.

Reinsurance to Close

The 2018 underwriting year of account was closed by way of reinsurance to close (“RITC”) into the 2019 underwriting year of account. The RITC payable to close the underwriting year of account was £185.6m.

The RITC of the 2018 underwriting year of account was approved by the Directors of HMA on 1 March 2021.

Directors

The Directors of HMA that served during the financial year ended 31 December 2020 are disclosed on shown on page 3 in the Annual Report.

Disclosure of information to the auditors

The Directors who held office at the date of the approval of this Managing Agent’s Report confirm that, so far as they are individually aware, there is no relevant audit information of which the Syndicate’s auditors are unaware and each Director has taken all the steps that he/she ought to have taken as Director to make himself/herself aware of any relevant audit information and to establish that the Syndicate’s auditors are aware of that information.

Board Approval

Approved by order of the Board of Hamilton Managing Agency Limited.

R. S. Vetch
Chief Financial Officer
9 March 2021

SYNDICATE 2014

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The managing agent is responsible for preparing the Managing Agent's Report and Syndicate Underwriting Year Accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (the 2008 Regulations) require the managing agent to prepare Syndicate Underwriting Year Accounts at 31 December in respect of any underwriting year which is being closed by reinsurance to close which give a true and fair view of the result of the underwriting year at closure.

In preparing the Syndicate Underwriting Year Accounts, the managing agent is required to:

- select suitable accounting policies which are applied consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable as between the members of the syndicate affected. In particular, the amount charged by way of premium in respect of the reinsurance to close shall, where the reinsuring members and reinsured members are members of the same syndicate for different years of account, be equitable as between them, having regard to the nature and amount of the liabilities reinsured;
- take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;
- 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 underwriting year accounts.
- assess the Syndicate's ability to realise its assets and discharge its liabilities in the normal course of business, disclosing, as applicable, any matters that impact its ability to do so.

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate Underwriting Year Accounts comply with the 2008 Regulations. 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 managing agent is responsible for the maintenance and integrity of the corporate and financial information included on the business' website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

SYNDICATE 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 2014 FOR THE 2018 CLOSED UNDERWRITING YEAR OF ACCOUNT

Opinion

We have audited the syndicate underwriting year accounts for the 2018 year of account of Syndicate 2014 ('the syndicate') for the three years ended 31 December 2020 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Members' Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 12, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate underwriting year accounts:

- give a true and fair view of the (loss) for the 2018 closed year of account;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and have been properly prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

Basis for opinion

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

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

Emphasis of matter – closure of the 2018 year of account

We draw attention to the basis of preparation (note 1) which explains that the 2018 year of account of syndicate 2014 has closed and all assets and liabilities transferred to the 2019 year of account by reinsurance to close at 31 December 2020.

As a result, the 2018 year of account of syndicate 2014 is no longer a going concern. The reinsurance to close occurs in the normal course of business for a syndicate year of account at the 36 months stage of development and the syndicate underwriting year accounts have been prepared on the basis that the recorded assets and liabilities will be realised and discharged in the normal course of business.

Our opinion is not modified in respect of this matter.

Other information

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

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

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 2014 FOR THE 2018 CLOSED UNDERWRITING YEAR OF ACCOUNT (continued)

Matters on which we are required to report by exception

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

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

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 36, the managing agent is responsible for the preparation of the syndicate underwriting year accounts in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and The Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error.

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

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.
The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the managing agent and management.

Our approach was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the syndicate and determined that the most significant are direct laws and regulations, related to elements of Lloyd's Byelaws and Regulations, and the financial reporting framework (UKGAAP) and requirements referred to by Lloyd's in the Instructions. Our considerations of other laws and regulations that may have a material effect on the syndicate underwriting year accounts included permissions and supervisory requirements of the Lloyd's of London, Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- We obtained a general understanding of how the syndicate is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the syndicate. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the syndicate, Lloyd's of London and other UK regulatory bodies; reviewed minutes of the Board and Risk Committee of the managing agent; and gained an understanding of the managing agent's approach to governance.
- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related syndicate underwriting year accounts' items.
- For both direct and other laws and regulations, our procedures involved: making enquiry of the directors of the managing agent and senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the managing agent's methods of enforcing and monitoring compliance with such policies, inspecting significant correspondence with Lloyd's, the FCA and the PRA.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 2014 FOR THE 2018 CLOSED UNDERWRITING YEAR OF ACCOUNT (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- The syndicate operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.
- We assessed the susceptibility of the Syndicate's underwriting year accounts to material misstatement, including how fraud might occur by considering the controls that the managing agent has established to address risks identified by the managing agent, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, including complex transactions, performance targets, economic or external pressures and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. The fraud risk was considered to be higher in respect of inadequate reserving for gross claims liabilities and improper revenue recognition in relation to insurance premiums.

Our audit procedures included:

- Reviewing accounting estimates for evidence of management bias. Supported by our Actuaries we assessed if there were any indicators of management bias in the valuation of insurance liabilities.
- Evaluating the business rationale for significant and/or unusual transactions.
- Testing the appropriateness of journal entries recorded in the general ledger, particularly in respect of judgemental areas including insurance liabilities and insurance premiums.

In addition, we considered the impact of Covid-19 on the syndicate, including an assessment of the consistency of operations and controls in place as they transitioned to operating remotely for a significant proportion of 2020, and making enquiries with management via use of video conferencing. We performed analytical review procedures to assess for unusual movements throughout the year. Our audit procedures also incorporate unpredictability into the nature, timing and extent of our testing.

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

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with The Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate and the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Robert Bruce (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
9 March 2021

SYNDICATE 2014

STATEMENT OF COMPREHENSIVE INCOME
2018 CLOSED YEAR OF ACCOUNT
FOR THE THREE YEARS ENDED 31 DECEMBER 2020

	Note	**£000**
Syndicate allotted capacity		150,000
TECHNICAL ACCOUNT – GENERAL BUSINESS		
Premium income, net of reinsurance		
Gross premiums written	3	184,116
Outward reinsurance premiums		(41,013)
Earned premiums, net of reinsurance		143,103
Reinsurance to close premiums received, net of reinsurance	4	146,336
Allocated investment return transferred from the non-technical account		8,834
Claims incurred, net of reinsurance		
Claims paid		
Gross amount		(105,932)
Reinsurers' share		33,020
Net claims paid		(72,912)
Reinsurance to close premium payable, net of reinsurance	5	(185,644)
Claims incurred, net of reinsurance		(258,556)
Net operating expenses	6	(59,966)
Balance on the technical account for general business		(20,249)
NON-TECHNICAL ACCOUNT		
Income from investments	8	4,799
Gains on the realisation of investments	8	2,132
Losses on the realisation of investments	8	(386)
Unrealised gains on investments	8	2,523
Unrealised losses on investments	8	(28)
Investment management charges	8	(206)
Allocated investment return transferred to the general business technical account		(8,834)
Loss on exchange		(4,314)
Loss for the 2018 closed year of account		(24,563)

As the 2018 Year of Account following a reinsurance to close is no longer trading, all operations relate to ceased activities for this year of account.

There was no other comprehensive income.

Amounts due from members	**£000**
Loss for the 2018 closed year of account	(24,563)
Members' agent fee advances	(206)
Amounts due from members at 31 December 2020	(24,769)

SYNDICATE 2014

STATEMENT OF FINANCIAL POSITION
2018 CLOSED YEAR OF ACCOUNT
AS AT 31 DECEMBER 2020

	Note	**£000**
ASSETS		
Investments	9	129,116
Debtors	10	25,879
Reinsurance recoveries anticipated on gross reinsurance to close premium payable to close the account	5	42,723
Other assets		
Cash at bank and in hand		5,507
Overseas deposits		11,688
Prepayments and accrued income		
Other prepayments and accrued income		748
Amounts due from members		24,769
TOTAL ASSETS		**240,430**
LIABILITIES		
Reinsurance to close premium payable – gross amount	5	228,367
Creditors	11	11,520
Accruals and deferred income		543
TOTAL LIABILITIES		**240,430**

The underwriting year accounts on pages 40 to 49 were approved by the Board of Hamilton Managing Agency Limited on 9 March 2021 and were signed on its behalf by:

R. S. Vetch
Chief Financial Officer

SYNDICATE 2014

STATEMENT OF CASH FLOWS
2018 CLOSED YEAR OF ACCOUNT
FOR THE THREE YEARS ENDED 31 DECEMBER 2020

	£000
Cash flow from operating activities	
Loss for the closed year of account	(24,563)
Adjustments for:	
Increase in reinsurance to close payable	185,644
Increase in debtors, prepayments and accrued income	(26,627)
Increase in creditors, accruals and deferred income	12,063
Increase in other assets	(11,688)
Exclude investment return	(8,834)
Other	4,035
Net cash inflow from operating activities	**130,030**
Cash flows from investing activities	
Purchase of equity and debt instruments	(129,116)
Investment income received	4,799
Net cash outflow from investing activities	**(124,317)**
Cash flows from financing activities	
Members' agent fee advances	(206)
Net cash outflow from financing activities	**(206)**
Net increase in cash and cash equivalents	
Cash and cash equivalents at 1 January 2018	-
Cash and cash equivalents at 31 December 2020	**5,507**

Cash and cash equivalents comprise cash at bank and in hand only.

1. Accounting Policies

General Information

Underwriting capacity is provided by Names and Corporate Members, which are members of the Society of Lloyd's that underwrite insurance business in the London market.

Compliance with Accounting Standards

These Syndicate Underwriting Year Accounts have been prepared in accordance with United Kingdom Accounting Standards, including both FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", FRS 103 "Insurance Contracts" as far as is necessary to present a true and fair view as well as the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005). There were no material departures from those standards.

Basis of Preparation

The Syndicate Underwriting Year Accounts have been prepared on a historical cost bass, except for financial assets at fair value through profit or loss that are measured at fair value.

The financial statements are presented in pounds sterling, which is the Syndicate's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

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

As each syndicate year of account is a separate annual venture, comparatives do not exist and are therefore not included in these accounts.

Use of Judgments and Estimates

The key accounting judgement, assumptions and estimates made in the preparation of these Underwriting Year Accounts are those relating to the determination of the Reinsurance to Close to transfer all the assets and liabilities from the 2018 Year of Account.

Basis of Accounting

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

Premiums Written

Gross premiums are allocated to years of account on the basis of the inception date of the policy. Premiums in respect of insurance contracts underwritten under a binding authority, line slip or consortium arrangement are allocated to the year of account corresponding to the calendar year of inception of the arrangement. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them.

Premiums written are treated as fully earned. Commission and brokerage are charged to the year of account to which the relevant policy is allocated.

Reinsurance Premium Ceded

Initial reinsurance premiums paid to purchase policies that give excess of loss protection on a risk attaching basis are charged to the year of account in which the protection commences. Premiums for other reinsurances such as proportional treaty and excess of loss on a losses occurring basis are charged to the same year of account as the risks being protected.

1. Accounting policies *(continued)*

Basis of Accounting (continued)

Claims Paid and Related Recoveries

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

Reinsurance to Close Premium Payable

The net reinsurance to close premium is determined on the basis of estimated outstanding liabilities and related claims settlement costs (including claims incurred but not yet reported), net of estimated collectible reinsurance recoveries, relating to the year of account and all prior years of account reinsured therein.

The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported ("IBNR") at the balance sheet date based on statistical methods. In setting the RITC, management have taken into account the estimated level of claims that will arise on any business relating to closed years, which has not yet been fully written or earned.

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

The reinsurers' share of the provisions for claims is based on the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. A number of statistical methods are used to assist in making these estimates.

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

The Directors 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, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments for the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly. However, it should be noted that a reinsurance contract does not extinguish the primary liability of the original underwriter.

Investment Return

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

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments are held to support underwriting liabilities.

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

1. Accounting Policies *(continued)*

Basis of Accounting (continued)

Operating Expenses

Where expenses are incurred by or on behalf of the managing agent on the administration of managed syndicates, these expenses are apportioned using varying methods depending on the type of expense. Expenses which are incurred jointly for the agency company and managed syndicates are apportioned between the agency company and the syndicates on bases depending on the amount of work performed, resources used and the volume of business transacted. Operating expenses are allocated to the year of account for which they are incurred.

Taxation

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

Profit Commission

Profit commission is charged by the managing agent at a rate of 15% of profit subject to the operation of a deficit clause. Where profit commission is charged, it is included within members' standard personal expenses within administrative expenses.

Foreign Currencies

The Syndicate's functional and presentation currency is pounds sterling. Transactions in US dollars, Canadian dollars, euros and Australian dollars are translated at average rates of exchange for each calendar year as an equivalent of transaction rates. The exception to this is that the reinsurance to close payable has been translated at the transaction rates of exchange ruling at the effective date of the contract. Transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisitions costs) denominated in foreign currencies are translated at the rate of exchange at the balance sheet date.

2. Risk and Capital Management

Since 31 December 2020, a reinsurance to close has been completed which transferred all assets and liabilities from the 2018 year of account to the 2019 year of account. Any change in value of the assets or liabilities or further transactions after 31 December 2020 will be borne by the 2019 year of account. The 2018 year of account therefore bears no further risk and accordingly no disclosures relating to risks are disclosed in these underwriting year accounts.

The basis on which capital is managed by the Syndicate in accordance with the requirements of the Society of Lloyd's and the Prudential Regulatory Authority is described in note 2 (page 22) within the Syndicate Annual Accounts.

3. Segmental Analysis

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

	Gross premiums written £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000
Direct insurance:					
Accident and health	1,828	(1,847)	(788)	(21)	(828)
Marine aviation and transport	4,961	(4,402)	(1,959)	(2,004)	(3,404)
Fire and other damage to property	11,905	(5,707)	(4,462)	(6,037)	(4,301)
Third party liability	70,481	(56,869)	(26,563)	(463)	(13,414)
Miscellaneous	8,972	(261)	(3,050)	(1,666)	3,995
	98,147	(69,086)	(36,822)	(10,191)	(17,952)
Reinsurance	85,969	(85,580)	(23,580)	12,060	(11,131)
Total	184,116	(154,666)	(60,402)	1,869	(29,083)

All contracts of insurance were concluded in the United Kingdom.

4. Reinsurance to Close Premium Received

	Reported £000	IBNR £000	Total £000
Gross reinsurance to close premium receivable	70,467	105,974	176,441
Reinsurance recoveries anticipated	(16,175)	(17,122)	(33,297)
	54,292	88,852	143,144
Provision for internal claims administration expenses			3,192
			146,336

5. Reinsurance to Close Premium Payable

	Reported £000	IBNR £000	Total £000
Gross reinsurance to close premium payable	(81,929)	(142,438)	(224,367)
Reinsurance recoveries anticipated	14,900	27,823	42,723
	(67,029)	(114,615)	181,644
Provision for internal claims administration expenses			(4,000)
			185,644

This amount represents a provision for the Reinsurance to Close of the 2018 year of account into the 2019 year of account of Syndicate 2014 as at 31 December 2020, which was subsequently approved by the board of Hamilton Managing Agency Limited on 1 March 2021.

The table of the development of ultimate claims over the last three years is shown within note 4 to the Syndicate Annual Accounts on page 28.

6. Net Operating Expenses

	£000
Acquisition costs – brokerage and commissions	41,829
Acquisition costs – other	4,049
Reinsurance commissions and profit participations	(436)
Administrative expenses	14,524
	59,966

Administrative expenses include:	£000
Standard personal expenses	2,453
Auditors' remuneration:	
Fees payable to the Syndicate auditor for the audit of the 2018 accounts	22

Other fees payable to the Syndicate's auditors are detailed in the annual accounts on page 29.

7. Balance on the Technical Account Before Net Operating Expenses and Allocated Investment Return

	£000
Technical account balance before net operating expenses and allocated investment return	30,883
Brokerage and commissions	(41,393)
	(10,510)

8. Investment return

	£000
Interest from financial instruments designated as at fair value through profit or loss	4,122
Other interest and similar income	677
Investment income	4,799
Other income from investments designated as at fair value through profit or loss:	
Net realised gains	1,746
Net unrealised gains	2,495
	4,241
Investment management charges	(206)
Total investment return transferred to the technical account	8,834

9. Investments

	Market value £000	Cost £000
Shares and other variable yield securities	24,129	24,129
Debt securities and other fixed income securities	104,987	101,642
	129,116	125,771

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

Level 1 – Quoted process (unadjusted) in active markets for identical assets or liabilities
Level 2 – Process based on recent transactions in identical assets (either unadjusted or adjusted)
Level 3 – Prices determined using a valuation technique

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Shares and other variable yield securities	5,052	19,077	-	24,129
Debt securities and other fixed income securities	-	104,987	-	104,987
Overseas deposits	1,885	9,803	-	11,688
Total	6,937	133,867	-	140,804

10. Debtors

	£000
Intermediaries	10,957
Due from reinsurers and intermediaries under reinsurance contracts ceded	12,634
Other debtors	2,288
	25,879

11. Creditors

	£000
Due to intermediaries	1,974
Due to reinsurers	9,293
Other creditors	253
	11,520

12. Related parties

Information on related parties is disclosed in note 16 to the Syndicate Annual Accounts on page 33.

SYNDICATE 2014

2018 CLOSED YEAR OF ACCOUNT
FIVE YEAR SUMMARY OF RESULTS

The following is provided by way of additional information and does not form part of these accounts. The Five Year Summary of Results is unaudited.

	2014 Year of Account	2015 Year of Account	2016 Year of Account	2017 Year of Account	2018 Year of Account
Syndicate capacity	£74.9m	£99.6m	£129.3m	£136.9m	£150.0m
Net premiums	£40.3m	£96.7m	£157.3m	£154.3m	£143.1m
No. of members	982	967	938	900	602

Result for an illustrative share of £10,000:

	£	£	£	£	£
Gross premiums (net of brokerage and commissions)	6,425	9,136	11,201	11,475	9,488
Net premiums	5,376	7,163	8,821	8,065	6,782
Premium received for RITC	-	2,019	3,594	7,880	9,758
Net claims	(2,068)	(3,280)	(4,322)	(5,881)	(4,862)
Premium paid for reinsurance to close	(2,687)	(4,665)	(8,428)	(10,687)	(12,379)
Underwriting profit/(loss)	621	1,237	(335)	(623)	(701)
Operating expenses	(990)	(1,064)	(1,061)	(977)	(1,075)
Balance on technical account	(369)	173	(1,396)	(1,600)	(1,776)
Investment return	27	54	180	454	589
Profit/(loss) on exchange	972	214	262	(181)	(287)
Profit/(loss) for the closed year	630	441	(954)	(1,327)	(1,474)
Profit commission	(72)	(39)	-	-	-
Other personal expenses	(145)	(181)	(211)	(183)	(164)
Profit/(loss) after all personal expenses	413	221	(1,165)	(1,510)	(1,638)
Share of commissions and brokerage excluded from above (note 1)	1,086	2,543	3,384	3,203	2,760

Percentage of illustrative share:

	%	%	%	%	%
Gross premium %	64.3	91.4	112.0	114.8	94.9
Net premium %	53.8	71.6	88.2	80.7	67.8
Balance on technical account %	(3.7)	1.7	(14.0)	(16.0)	(17.8)

Notes

1. In this table, all premiums are stated net of brokerage and commissions, therefore these have been excluded from operating expenses. This presentation has no effect on the overall result for each year.
2. Personal expenses and profit commissions are those that would apply for an illustrative member underwriting a £10,000 share.
3. Net claims include internal claims settlement expenses.