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Inigo Syndicate 1301

Annual Report and Financial Statements

For the year ended 31 December 2021

INIGO

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Directors and administration

Managing Agent

Inigo Managing Agent Limited

Directors

The directors named below held office during the year and up to the date of signing the annual accounts.

H Davies (Non-Executive) Chairman – Appointed 15 March 2021)

S Bridges (Appointed 15 March 2021)

S Cifelli (Non-Executive – Appointed 15 March 2021)

J Dean (Non-Executive - Appointed 15 March 2021)

T Hanford (Appointed 15 March 2021)

V Hartley (Appointed 15 March 2021)

R Merrett (Appointed 12 March 2021)

R Watson (Appointed 15 March 2021)

Former directors who served during the year

A Agnew (Resigned 15 March 2021)

C Barrett (Resigned 15 March 2021)

R Delhaise (Resigned 15 March 2021)

B Dimmock (Resigned 15 March 2021)

E Gilmour (Resigned 15 March 2021)

S Kean (Non-Executive, Appointed 15 March 2021, Resigned 17 November 2021)

D Truman (Resigned 1 June 2021)

J Wardrop (Resigned 15 March 2021)

P West (Resigned 15 March 2021)

Managing agent's secretary

C Traxler (Appointed 4 October 2021)

Directors and administration (continued)

Managing agent's registered office

7th Floor, One Creechurch Place

London, EC3A 5AY

United Kingdom

Managing agent's registered number

08039754

Syndicate Active underwriter

R Merrett

Syndicate Bankers

Citibank, Barclays, Royal Bank of Canada

Syndicate Investment manager

Blackrock, Payden & Rygel

Syndicate Registered auditor

KPMG LLP

Syndicate Consulting actuary

Lane Clark & Peacock LLP

Directors' interests

None of the directors of the managing agent have any participation in the Syndicate's premium income capacity.

Inigo 2021 year of account

Inigo's first year

We have had a good start to our new business. I would like to thank our policyholders, brokers, and the Lloyd's market for the support they have given us in the first year of trading – it has been very humbling. I am glad we have been able to help our policyholders get meaningful coverage in a challenging market, allowing them to focus on their own businesses, especially in such a tough economic and social environment.

We have worked on the following key priorities this year:

- Building great teams;
- Creating a unique culture, and working environment;
- Developing an efficient cost of acquisition and expense model;
- Developing our analytical capability and understanding of risk.

I am delighted to report we have made good progress on all the above. The business we have written into the 2021 year of account is strong and we are confident of it being profitable, despite 2021 registering as the fourth most costly natural catastrophe year on record. Good risk selection and portfolio diversification have helped.

The rate rises we anticipated in 2021 did materialise. It is not a hard market in the image of 2002/3/4 and therefore individual risk selection remains critically important.

People

The headcount for Inigo as at Q4 2021 was 119. I am very pleased by the quality of the people who have joined, and by the diversity.

Future developments

We underwrite a limited number of classes, from one office, and with one capital base. We do not anticipate a material shift away from this stance. Future developments will focus on building out our data and analytics teams, and deepening our leadership position in our chosen classes.

R Watson

Inigo Chief Executive Officer

Report of the directors of the managing agent

The directors of Inigo Managing Agent Limited ("IMAL"), the managing agent for Syndicate 1301 ("the Syndicate"), present their report for the year ended 31 December 2021.

This annual report is prepared using the annual basis of accounting as required by Statutory Instrument No 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and applicable United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS102") and Financial Reporting Standard 103 "Insurance Contracts" ("FRS103").

Inigo Limited ("Inigo") completed the acquisition of StarStone Underwriting Limited ("SUL"), the Lloyd's managing agency, and Syndicate 1301's capacity for the 2021 year of account and subsequent years, on 15 March 2021 from Enstar Group Limited ("Enstar"). Following the completion, SUL was renamed Inigo Managing Agent Limited ("IMAL").

The Syndicate commenced writing a new portfolio of insurance and reinsurance risks for the 2021 year of account under new management through Inigo Corporate Member Limited ("ICML").

Enstar have retained the liabilities of Syndicate 1301's 2020 and prior years of account through SGL No. 1 Limited ("SGL 1"), a corporate member in the Enstar Group. Ultimately these years of account will be transferred through reinsurance to close to Syndicate 2008. This is expected to happen on 1 January 2023.

Enstar Managing Agency Limited ("EMAL") was approved in 2021 as Enstar's dedicated Lloyd's run-off managing agency. The management of the 2020 and each prior year of account for Syndicate 1301 were novated or otherwise transferred to EMAL on 1 June 2021.

The Syndicate is fully aligned by year of account.

The Syndicate financial statements for the period ended 31 December 2021 reports the 2021 year of account, the 2020 year of account, and the 2019 and prior years of account combined.

Principal activities

The Syndicate's principal activity remains the transaction of general insurance and reinsurance business in the United Kingdom at Lloyd's of London.

The Syndicate underwrites a mixture of Property, Casualty, and Reinsurance lines of business. The Syndicate trades through the Lloyd's worldwide licenses and rating platform. It also benefits from the Lloyd's brand. Lloyd's has an A (Excellent) rating from A.M. Best, A+ (Strong) rating from Standard & Poor's and AA- (Very Strong) rating from Fitch.

Financial highlights

The 2021 year of account has been written under new Inigo management.

The 2020 and prior years of account were written by the previous StarStone management team. On 10 June 2020, the 2020 and prior years of account were placed into run-off.

INIGO

Report of the directors of the managing agent (continued)

Financial highlights (continued)

The 2021 and subsequent years of account have no liability to the 2020 year of account and each prior year of account. Actual claims paid and claims reported were low on the 2021 year of account.

The result for the year, which includes all years of account combined, was a loss of $31.7m (2020: $31.5m). The combined ratio improved to 114.1% (2020: 120.0%).

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

	2021 $'m	2020 (Restated) $'m
Gross written premium	428.0	185.4
Gross premiums earned	317.3	217.3
Net premiums earned	239.8	174.4
Profit/(Loss) for the financial year	(31.7)	(31.5)
Claims ratio	73.8%	71.4%
Commission ratio	21.8%	26.4%
Expense ratio	18.5%	22.2%
Combined ratio	114.1%	120.0%

Gross written premium was $428m (2020: $185.4m). $411.5m relates to the 2021 year of account, Inigo's first year of underwriting insurance and reinsurance business. This exceeded the initial Syndicate Business Forecast (SBF) of $389.5m ultimate premium for 2021 year of account and was in line with a resubmitted SBF ultimate premium of $427.4m. Additional income was also written on behalf of the Inigo Directors and Officers and the Inigo Property consortia.

A prudent approach to risk retention resulted in significant use of reinsurance protection. As many contracts purchased cover both 2021 and 2022 years of account, this resulted in a significant level of ceded premium, which in turn led to lower levels of net written premium.

Gross written premium and outwards reinsurance have been earned on a straight-line basis so do not reflect the seasonality of the catastrophe lines. As the 2020 year of account was placed into run off in June 2020 there was a low amount of premium earning in the 2021 figures from this year of account, increasing the KPI ratios.

The net loss ratio was 73.8% (2020: 71.4%), despite 2021 being the fourth worst year ever for insured catastrophe losses.

The Syndicate's commission ratio of 21.8% (2020: 26.4%) and expense ratio of 18.5% (2020: 22.2%) reflect the first year under new management, including the costs of building the Inigo teams.

The non-technical account includes a foreign exchange gain of $1.2m arising from the translation of foreign currency net positions at closing rates of exchange and other income of $1.4m relating to consortia fees.

Report of the directors of the managing agent (continued)

Financial highlights (continued)

The Syndicate reported an investment return loss of $0.4m (2020: $4.1m gain) for the financial year. This comprises realised loss of $0.9m (2020: realised gain of $0.4m), unrealised loss of $0.6m (2020: unrealised gain of $2.3m) and investment income $1.1m (2020: $1.4m). The Syndicate reported unrealised losses on investments for the 2020 and prior years of account, which is mainly from the fixed Income portfolio, primarily comprised of corporate and government bonds. The 2021 year of account investments were predominantly cash at bank and in hand.

Business review

Inigo 2021 year of account

The gross written premium for the 2021 year of account is as follows:

	Gross Written Premium ($)
Property Total	**80,537**
Casualty Total	**150,360**
Reinsurance Total	**180,610**
Total Gross Written Premium	**411,507**

Following the acquisition of IMAL and Syndicate 1301's capacity for the 2021 year of account and subsequent years, Inigo relaunched the Syndicate with a new portfolio of insurance and reinsurance business for the 2021 year of account, focusing on core lines in Reinsurance, Property and Casualty classes.

The underwriting teams have extensive experience in their specialist areas and are supported by sophisticated analytics, exposure management, catastrophe research and dedicated pricing and wording teams.

We are delighted with the experienced underwriting teams which we now have in place in all of our chosen lines of business. We sincerely believe that finding and using the highest resolution data in our pricing and risk selection is critical both to our profitability and to our ability to differentiate Inigo. This began with making sure that our Exposure Management and Pricing functions had outstanding leadership, and that they and their teams were equipped with the best tools available in the market. During 2021 we also created our Inigo INsight area, in which a team of highly versatile data scientists is building the foundations for ever-greater understanding of the risks that we write, whether these are cat-exposed property risks or casualty exposures. We are relishing our lack of legacy systems and excited about building a truly distinctive pricing and portfolio-management platform.

Property

For 2021, the Property portfolio comprised two units: Property Direct and Facultative ("D&F") and Political Violence and Terrorism ("PVT").

Report of the directors of the managing agent (continued)

Business review (continued)

Property Direct and Facultative

The team of six underwrite risks across a broad spectrum of industries including Commercial Real Estate, Global Manufacturing, Hospitality, and Municipal/Institutional. The D&F book focusses on risks domiciled in the US, Canada, UK, EU, Australasia and Japan, writing both primary and excess layers of large complex commercial risks.

The team wrote approx. $74.4m in the 2021 year of account. Additionally, they lead the Inigo D&F consortium, whereby others place their capacity behind ours, which in a successful first year bound approx. $2.1m of Gross Written Premium.

Political Violence and Terrorism (PVT)

The team of three underwriters offers a broad suite of coverages in PVT which includes: Sabotage and Terrorism, Political Violence and Civil Unrest, Aviation and Marine War, and other related coverages in the class. The PVT portfolio principally focusses on risks domiciled in the US and UK, with additional exposures in key countries in each continent, writing both primary and excess layers across a wide array of commercial occupancies.

The team wrote approx. $6.1m in the 2021 underwriting year. Our broker partners have quickly become advocates of Inigo's PVT offering and have sought to partner with us in a number of ways including individual risks, lineslips and binding authorities.

Casualty

The Casualty segment offers a range of Casualty products including Directors and Officers, Marine and Energy, and General Liability.

Directors & Officers (D&O)

The team of four underwriters focusses on primary and first excess positions in publicly listed businesses. There is a broad appetite by industry and can include companies at an early stage of maturity as they IPO. The majority of the businesses insured are in the US but other jurisdictions, such as Australia, are also covered.

The team wrote approx. $100.2m in the 2021 underwriting year. Additionally they lead the Inigo D&O consortium, whereby others automatically commit their capacity alongside ours which in a successful first year bound approx. $17.9m of Gross Written Premium.

Report of the directors of the managing agent (continued)

Business review (continued)

General Liability

The team of three underwriters focuses on four industries: Rail, Owners-landlords-tenants, Construction and Manufacturing. It also has exposure to Municipalities, Trucking and Chemical companies. The majority of the businesses insured are Fortune 1000 companies in the US. The account consists predominantly of higher excess layers.

The team wrote approx. $37.7m in the 2021 underwriting year.

M&E Liability and Ports

The team of three underwriters focusses on three main sub-segments: Marine Liability, Energy Liability and Ports. The account has predominantly higher excess layers.

The team wrote approx. $12.4m in the 2021 underwriting year.

Reinsurance

The Reinsurance portfolio includes Property Catastrophe excess of loss, Quota Share, Retro, Risk and Specialty. The team comprises seven underwriters across the reinsurance lines of business.

The team wrote approx. $180.6m in the 2021 underwriting year.

Property Reinsurance

The Property reinsurance account writes excess of loss and proportional participations on a wide range of clients, with a global portfolio, albeit with a particular emphasis on North America, Australia and Japan. The Property book focusses on larger catastrophe severity business, as opposed to attrition prone, frequency orientated business. Inigo's reinsurance underwriters are highly experienced and have a long history of leading high-profile programmes.

Inigo looks to partner with best in class insurers, those with strong financials, a history of claims outperformance, transparent data, and the willingness to embrace a long-term partnership.

Specialty Reinsurance

The Specialty reinsurance account encompasses a diverse range of classes including Cyber, Agriculture, Nuclear, Entertainment, Surety, Terrorism, and Wildfire Liability. Cyber is currently the biggest line by premium; a market that has experienced heightened scrutiny following the emergence of ransomware losses, but that has resulted in rates being at an all-time high. Cyber exposures are all written on a capped basis, and there is a strict overall maximum exposure limit. The other major line, Agriculture, protects cedants against widespread deterioration in crop yields and is typically provided on a stop-loss basis.

Report of the directors of the managing agent (continued)

Business review (continued)

The majority of risks are written on a non-proportional basis, but some pro-rata is also written. The account is worldwide in scope but is driven by exposures from the US. We seek to partner with the best-in-class cedants in their niche areas of expertise.

Inigo Claims team

The Inigo claims team was in place and ready to service clients when Inigo started to write business on 1st January 2021. It is now a team of six and is looking to recruit three more claims professionals in 2022. The six team members have nearly 100 years combined experience in claims, and many have worked previously for large organisations such as AIG, AXA XL and Beazley, so bring a wealth of knowledge and experience to each claim. Inigo has the technical capability to handle every line of business it is writing, such as Property, PVT, D&O, General Liability, Marine & Energy Liability and Reinsurance. The team is also highly experienced in responding to and handling catastrophe losses across the globe as well as having two qualified lawyers who have handled some of the most complex Financial Lines claims in their previous companies.

The Claims team is at the front of the Inigo business, partnering with underwriters to find solutions for our clients.

The experienced claims professionals are ready to respond immediately when clients need us most, helping them recover from disasters, resolving the most complex issues, as well as helping them learn from losses. The Inigo claims team fosters collaboration with all internal and external stakeholders, providing the highest quality customer service and continuous improvement.

2020 and prior underwriting years

On 10 June 2020, Enstar Group announced that they were placing StarStone International operations, including StarStone Syndicate 1301, into an immediate and orderly run-off.

For the 2020 and prior years of account, the Syndicate focused on London Wholesale Market Business, European Retail Business and US Retail Business, through both the Syndicate and StarStone's wholly owned service companies in Europe and the US.

The Syndicate offered a broad range of Property, Casualty and Specialty insurance products from large multi-national through to small and middle-market clients around the world, with the Syndicate writing a diversified portfolio by territory and line of business. The Syndicate’s operations were managed across two business units: Marine, Aviation & Transport and Specialty.

The Marine segment offered a range of Marine products including Hull and Machinery, Marine and Energy Liabilities, Cargo, War, Transport Liabilities, Offshore Energy and Specie & Fine Art. The Aviation segment included General Aviation. Both Marine and Aviation were primarily written from London, but some European retail business was also written through the Syndicate service company branch network.

The Specialty division included the segments Crisis Management, Property and Casualty. Crisis Management encompassed the Terrorism, Political Risk and Credit products.

Report of the directors of the managing agent (continued)

Business review (continued)

The Property segment included Onshore Energy and a low volume and selective North American delegated property portfolio. The Casualty segment included Financial Lines, Accident & Health and Personal Accident Treaty products.

Change in presentation currency

From 1 January 2021 the Syndicate has changed its presentation currency to US dollars and hence all presentations and disclosures are in US Dollars, unless stated otherwise. Comparative information has been restated in US dollars in accordance with the guidance defined in FRS 102 Section 30 – Foreign Currency Translation.

The 2020 full year primary statements and associated notes have been retranslated from pounds sterling to US dollars using the procedures outlined below:

- Assets and liabilities were translated into US dollars at closing rates of exchange;
- Trading results were translated into US dollars at the rates of exchange prevailing at the dates of transaction or average rates where these are a suitable proxy. Differences resulting from the retranslation on the opening net assets and the results for the year have been presented in other comprehensive income; and
- Members' balances were translated at year end rates.

Future developments

The Syndicate's underwriting capacity for the 2022 underwriting year is £510m/ $704m (2021: £270m/ $335m).

As Inigo enters its second year of underwriting, the Syndicate continues its targeted approach of underwriting select classes of core business and aims to broaden its Direct and Facultative account to include Onshore Energy risks. The Syndicate retains its focus on complex, open market business, and providing exceptional service to its clients.

The Syndicate anticipates good opportunities for growth across large parts of its portfolio in 2022, and will continue to optimise the shape of the portfolio on both a gross and net basis. The Syndicate expects a high level of business retention in 2022, given that new business in 2021 was written under attractive terms. Having developed strong producer relationships in 2021, the Syndicate will continue to build on these in the coming year.

The Syndicate will adopt a simple reinsurance purchasing strategy, with the continued aim of minimising volatility.

For the 2020 years of account and prior, SGL No. 1 Limited is the corporate member and capital provider. SGL1 No. 1 Limited is a corporate member within the Enstar Group and is also the corporate member for Syndicate 2008. The 2020 and prior underwriting years will be reinsured to close into Syndicate 2008 at the close of the 2020 underwriting year at the end of 2022.

Report of the directors of the managing agent (continued)

COVID-19

The World Health Organisation (WHO), on 11 March 2020, declared the coronavirus (COVID-19) outbreak as a global pandemic. The COVID-19 pandemic is still evolving, but the overall financial and operational impact to us has been minimal to date. Due to the ongoing and evolving nature of the COVID-19 pandemic, the directors are regularly assessing the impact on solvency capital in line with established risk metrics and in compliance with the Syndicate's risk appetite, including the impact of the recent volatility in the financial markets.

The directors have considered the Syndicate's forecast income and financial position and the potential impact of COVID-19:

The Syndicate's earned ultimate loss estimate for COVID-19 related risks at 31 December 2021 was $65.1m gross and $31.5m net of reinsurance and including reinstatement premiums, primarily in its Accident and Health, Personal Accident Treaty and Credit Risk lines of business. The ultimate loss estimates relate only to the 2020 and prior years of account.

The Syndicate monitors risks arising from COVID-19 as part of the wider risk management framework.

The Syndicates members' balance is a liability of $93.6m (2020: $94.2m liability) and cash at bank and in hand is $30.6m (2020: $12.5m). Its financial assets are valued at $307.3m (2020: $240.9m) and are predominantly high grade corporate and government bonds, and other short-term liquid investments. The Syndicate's Board, together with its asset managers, are continually monitoring its investment portfolios against the guidelines in place.

There has been no notable business disruption as a result of any reduced services offered by outsourced providers. Questionnaires were sent to key Outsource Providers focusing on their respective business continuity plans. No vulnerabilities were identified.

Increased cyber risk is, in part, mitigated through regular phishing tests and additional training. Any staff member failing the test are enrolled onto mandatory cyber-awareness training with follow up training to increase awareness and mitigate a real cyber-attack resulting in fraud.

Brexit

In an effort to provide continued access to Lloyd's for policy holders within the EEA following the United Kingdom's exit from the EU on 31 January 2020, Lloyd's established a subsidiary insurance and reinsurance company incorporated in Belgium, Lloyd's Insurance Company S.A. (Lloyd's Brussels). Lloyd's Brussels is authorised in Belgium by the National Bank of Belgium ("NBB") and regulated by the NBB and the Financial Services and Markets Authority of Belgium. It is capitalised according to the Solvency II standard formula and benefits from the same financial ratings as the Lloyd's market, which are provided by A.M. Best (A "excellent"); Standard & Poor's (A+ "strong"); and Fitch Ratings (AA- "very strong"). Lloyd's Brussels has 18 branches across the EEA and a branch in the UK.

Lloyd's Brussels writes all classes of non-life insurance business and non-life reinsurance (facultative and non-proportional excess of loss treaty only) business from EEA countries.

Report of the directors of the managing agent (continued)

Brexit (continued)

It does not underwrite proportional treaty reinsurance. The establishment of Lloyd's Brussels ensured that Lloyd's European intermediaries and policyholders still have access to the combined scale, expertise, capacity and claims service of the Lloyd's market through a single insurance company based at the heart of Europe.

When the transition period ended on 31 December 2020, it brought into effect changes in UK company law from 1 January 2021. Directors had reviewed the proposed changes during Q1 2021 and concluded that these do not have any impact on the Syndicate.

Lloyd's Part VII Transfer

On 30 December 2020, the Members and former Members of the Syndicate, as comprised for each of the relevant years of account between 1993 and April 2019 (or October 2020 in the case of German reinsurance), transferred all relevant policies (and related liabilities) underwritten by them for those years of account to Lloyd's Insurance Company S.A. ('Lloyd's Brussels'), in accordance with Part VII of the Financial Services and Markets Act 2000. On the same date, the Members of the Syndicate entered into a 100% Quota Share Reinsurance Agreement whereby Lloyd's Brussels reinsured all risks on the same policies back to the relevant open years of account of the Syndicate which wrote the transferring policies and/or inherited liabilities on transferring policies through Reinsurance to Close of earlier years of account.

Following the Part VII Transfer, the Syndicate transferred funds to Lloyd's Insurance Company S.A. ("Lloyd's Brussels") and these funds are to be utilised to settle all EEA claims. The transferred funds have been reported in the accounts as, "Deposits with ceding undertakings" and as at 31 December 2021, these amounted to \$7.1m. In addition, current year results relating to the transferred risks have been reported under the Inwards Reinsurance class of business, reflecting the new contractual arrangement with Lloyd's Brussels.

Ukraine and Russia geopolitical situation

The directors considered the recent geopolitical situation in Ukraine and Russia.

The current events are not clearly timebound nor limited to direct consequences that are easily quantifiable due to their unprecedented nature. As a result, the exposure estimates continue to be assessed on an ongoing basis and remain judgmental. The net impact on the Syndicate's financial and capital position to date, from both underwriting and investments, has been limited. The directors continue to closely monitor the situation and actively assess the potential impact to the Syndicate.

The impact of an escalating global conflict may increase the risk of a systemic cyber-attack. The increased cyber risk is, in part, mitigated through regular phishing tests and additional training.

Risk review

A description of the principal risks and uncertainties facing the Syndicate is set out in the notes to the financial statements (Risk and Capital Management review).

Report of the directors of the managing agent (continued)

Directors

None of the directors of the managing agent who served during the year ended 31 December 2021 were underwriting Names on the Syndicate for the 2019, 2020 or 2021 years of account.

The current directors of the managing agent are set out on page 2.

Auditor

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

Disclosure of information to auditor

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

Syndicate meeting

The Managing Agent confirms that it does not propose to hold an annual general meeting of the members of the Syndicate.

For and on behalf of the board

S J Bridges
Director
3 March 2022

Statement of managing agent's directors' responsibilities

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

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

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

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

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

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

For and on behalf of the board

S J Bridges
Director
3 March 2022

Independent auditor's report to the members of Syndicate 1301

Opinion

We have audited the Syndicate annual accounts of Syndicate 1301 ("the Syndicate") for the year ended 31 December 2021 which comprise the Statement of Profit or Loss: Technical account – General business, Statement of Profit or Loss: non-technical account, Balance Sheet – Assets, Balance Sheet – Liabilities, Statement of Changes in Members' Balances, Statement of Cash Flows, and related notes, including the accounting policies in note 3.

In our opinion the Syndicate annual accounts:

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Syndicate in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to other entities of public interest. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors of the Managing Agent have prepared the Syndicate annual accounts on the going concern basis as they do not intend to cease underwriting or to cease its operations, and as they have concluded that the Syndicate's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the Syndicate annual accounts ("the going concern period").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Syndicate's business model and analysed how those risks might affect the Syndicate's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the Syndicate annual accounts is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Syndicate's ability to continue as a going concern for the going concern period.

Independent auditor's report to the members of Syndicate 1301 (continued)

Going concern (continued)

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Syndicate will continue in operation.

Fraud and breaches of laws and regulations-ability to detect

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures at the Syndicate and Managing Agent included:

- Enquiring of directors , the audit committee, internal audit, compliance, legal and risk and inspection of policy documentation as to the Syndicate and Managing Agent's high-level policies and procedures to prevent and detect fraud , including the internal audit function, and the Syndicate and Managing Agent's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, audit committee and risk and solvency committee minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any usual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as the valuation of claims outstanding and the valuation of premium debtors. We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior management, journals posted without a user identity, those posted to accounts linked to an accounting estimate and those posted with unusual descriptions or related to run-off if any; and
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the Syndicate annual accounts from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Managing Agent's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

Independent auditor's report to the members of Syndicate 1301 (continued)

Fraud and breaches of laws and regulations-ability to detect (continued)

As the Syndicate is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the Syndicate annual accounts varies considerably.

Firstly, the Syndicate is subject to laws and regulations that directly affect the Syndicate annual accounts including financial reporting legislation (including related Lloyd's regulations) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related Syndicate annual accounts items.

Secondly, the Syndicate is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the Syndicate annual accounts, for instance through the imposition of fines or litigation or the loss of the Syndicate's capacity to operate. We identified the following areas as those most likely to have such an effect: regulatory capital and conduct recognising the financial and regulated nature of the Syndicate's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the Syndicate annual accounts, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Syndicate annual accounts, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information – Report of the directors of the Managing Agent

The Directors are responsible for the Report of the Directors of the Managing Agent. Our opinion on the Syndicate annual accounts does not cover that report and we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Independent auditor's report to the members of Syndicate 1301 (continued)

Other information – Report of the directors of the Managing Agent (continued)

Our responsibility is to read the Report of the Directors of the Managing Agent and, in doing so, consider whether, based on our Syndicate annual accounts audit work, the information therein is materially misstated or inconsistent with the Syndicate annual accounts or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Report of the Directors of the Managing Agent;
- in our opinion the information given in the Report of the Directors of the Managing Agent is consistent with the Syndicate annual accounts; and
- in our opinion the information given in the Report of the Directors of the Managing Agent have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Syndicate annual accounts are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Responsibilities of the directors of the Managing Agent

As explained more fully in their statement set out on page 15, the Directors of the Managing Agent are responsible for: the preparation of the Syndicate annual accounts and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of the Syndicate annual accounts that are free from material misstatement, whether due to fraud or error; assessing the Syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Syndicate annual accounts.

Independent auditor's report to the members of Syndicate 1301 (continued)

Auditor's responsibilities (continued)

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

David Maddams (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
3 March 2022

Income Statement: Technical account – General Business

For the year ended 31 December 2021

	Note	2021 $'000	2021 $'000	2020 (Restated) $'000	2020 (Restated) $'000
Earned premiums, net of reinsurance					
Gross premiums written	5	**428,047**		185,391	
Outwards reinsurance premiums		**(87,799)**		(31,598)	
			340,248		153,793
Change in the provision for unearned premiums	16				
Gross amount		**(110,794)**		31,872	
Reinsurers' share		**10,330**		(11,352)	
			(100,464)		20,520
Earned premium, net of reinsurance			**239,784**		174,313
Allocated investment return transferred from the non-technical account	10		**(437)**		4,141
Claims incurred, net of reinsurance	5				
Claims paid					
Gross amount		**(155,835)**		(200,342)	
Reinsurers' share		**37,015**		62,273	
			(118,820)		(138,069)
Change in the provision for claims	16				
Gross amount		**(44,740)**		4,903	
Reinsurers' share		**(13,397)**		9,797	
			(58,137)		14,700
Claims incurred, net of reinsurance			**(176,957)**		(123,369)
Net Operating Expenses	7		**(96,659)**		(84,207)
Balance on the technical account – general business			**(34,269)**		(29,122)

All operations relate to continuing activities. The notes on pages 27 to 70 form an integral part of these financial statements.

Income Statement - Non-technical account

For the year ended 31 December 2021

	Note	2021 $'000	2020 (Restated) $'000
Balance on the technical account – general business		**(34,269)**	(29,122)
Investment income	*10*	**182**	1,849
Unrealised gains on investments	*10*	**2,109**	9,164
Investment expenses and charges	*10*	**14**	(59)
Unrealised losses on investments	*10*	**(2,742)**	(6,813)
Allocated investment return transferred to technical account	*10*	**437**	(4,141)
Foreign exchange gain/ (losses)		**1,863**	(6,048)
Non-technical account - other income/ (charges)		**1,444**	-
Loss for the financial year		**(30,962)**	(35,170)
Other Comprehensive Income		**(704)**	3,708
Total Comprehensive Loss for the financial year		**(31,666)**	(31,462)

All operations relate to continuing activities.

The notes on pages 27 to 70 form an integral part of these financial statements.

INIGO

Statement of Financial Position – Assets

As at 31 December 2021

	Note	2021 $'000	$'000	2020 (Restated) $'000	$'000
Investments	*11*				
Other financial investments		**307,272**		240,926	
Deposits with ceding undertakings		**7,098**		-	
			314,370		240,926
Reinsurers' share of technical provisions	*16*				
Provision for unearned premiums		**22,614**		12,429	
Claims outstanding		**170,405**		184,442	
			193,019		196,871
Debtors					
Debtors arising out of direct insurance operations – intermediaries	*12*	**49,524**		30,509	
Debtors arising out of reinsurance operations	*13*	**93,820**		72,340	
Other debtors		**8,332**		6,933	
			151,676		109,782
Other assets					
Cash at bank and in hand	*18*		**30,641**		12,527
Prepayments and accrued income					
Accrued interest		**309**		416	
Deferred acquisition costs	*14*	**31,517**		18,932	
Other prepayments and accrued income		**130**		539	
			31,956		19,887
Total assets			**721,662**		579,993

The notes on pages 27 to 70 form an integral part of these financial statements.

INIGO

Statement of Financial Position – Liabilities

As at 31 December 2021

	Note	2021 $'000	$'000	2020 (Restated) $'000	$'000
Capital and reserves					
Members' balances			**(93,572)**		(94,240)
Technical provisions					
Provision for unearned premiums		**187,456**		78,651	
Claims outstanding		**538,214**		498,144	
	16		**725,670**		576,795
Deposits received from reinsurers			**37,267**		63,785
Creditors					
Creditors arising out of direct insurance operations		**-**		13,232	
Creditors arising out of reinsurance operations		**30,171**		12,092	
Other creditors		**17,997**		3,571	
	17		**48,168**		28,895
Accruals and deferred income			**4,129**		4,758
Total liabilities and equity			**721,662**		579,993

The notes on pages 27 to 70 form an integral part of these financial statements.

The Syndicate financial statements on pages 21 to 70 were approved by the Board of Inigo Managing Agent Limited and were signed on its behalf by:

S J Bridges
Director
03 March 2022

Statement of Changes in Members' Balances

For the year ended 31 December 2021

	Note	2021 $'000	2020 (Restated) $'000
Members' balances brought forward at 1 January		**(94,240)**	(113,455)
Loss for the year		**(31,666)**	(31,462)
Contribution to losses	*22*	**32,334**	50,677
Members' balances carried forward at 31 December		**(93,572)**	(94,240)

The notes on pages 27 to 70 form an integral part of these financial statements.

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

INIGO

Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 $'000	2021 $'000	2020 (Restated) $'000	2020 (Restated) $'000
Cash flows from operating activities:					
Loss for the year		**(31,666)**		(31,462)	
Adjustments:					
Increase/(Decrease) in technical provisions		**148,875**		(25,986)	
Increase/(Decrease) in reinsurers share of technical provisions		**3,852**		(1,430)	
Increase/(Decrease) in debtors, subrogation and salvage and prepayments		**(54,477)**		54,892	
Increase/(Decrease) in creditors		**18,773**		(33,303)	
Movement in other assets/liabilities		**(33,098)**		10,287	
Net interest and dividends receivable		**437**		(4,141)	
Foreign exchange gains		**529**		(981)	
Net cash outflow from operating activities			**53,225**		(32,124)
Cash flows from investing activities:					
Acquisitions of financial instruments		**(51,684)**		(82,884)	
Proceeds from sale of financial instruments		**50,746**		81,903	
Interest received		**515**		1,848	
Increase/(decrease) in deposits with credit institutions		**2,730**		-	
Other loans		**(21)**		(801)	
Decrease/ (Increase) in overseas deposits		**(792)**		5,465	
Foreign exchange losses		**699**		369	
Net cash inflow from investing activities			**2,193**		5,900
Cash flow from financing activities:					
Contribution to losses		**32,334**		50,677	
Net cash inflow from financing activities			**32,334**		50,677
Net increase in cash and cash equivalents			**87,752**		24,453
Cash and cash equivalents at 1 January			**184,687**		159,190
Effect of exchange rate changes on cash and cash equivalents			**(896)**		1,044
Cash and cash equivalents at 31 December	*18*		**271,543**		184,687

The notes on pages 27 to 70 form an integral part of these financial statements.

INIGO

Notes to the financial statements

1. Basis of preparation

The Syndicate is a vehicle on which (re)insurance business is conducted at Lloyd’s on behalf of the corporate capital provider, ICML for 2021 year of account and SGL 1 for 2020 year of account and each prior year of account.

The 2021 underwriting is managed by IMAL and the 2020 year of account and each prior year of account is managed by EMAL.

The Syndicate financial statements as at and for the period ended 31 December 2021 report the 2021 year of account and the 2020 and each prior year of account combined.

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 and Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014, and Financial Reporting Standard 103 Insurance Contracts ("FRS 103") as issued in March 2014.

The financial statements have been prepared on the historical cost basis, except for financial assets which have been recorded at fair value through the statement of profit or loss.

The financial statements are presented in US Dollars (“USD"), which is the Syndicate’s functional currency for the 2021 year of account. The functional currency for the 2020 year of account and each prior year of account is Pound Sterling (“GBP”). All amounts have been rounded to the nearest thousand, unless otherwise indicated.

As permitted by FRS 103 the Syndicate has continued to apply the accounting policies that existed prior to this standard for its insurance contracts.

The Syndicate has elected to apply paragraph 6.3 of FRS 103 to claims development triangles where the Syndicate need not disclose information that occurred earlier than five years before the end of the first financial year in which this FRS applies, building up to 10 years of development with the introduction of each future period.

The Syndicate financial statements are prepared on a going concern basis in accordance with FRS102.

The directors have performed an assessment of the Syndicate‘s ability to continue as a going concern, including the assessment relating to the COVID-19 pandemic.

The Syndicate’s financial forecasts reflect the outcomes that the directors consider most likely, based on the information available at the date of signing these financial statements. To assess the Syndicate’s going concern, resilience and response to the COVID-19 pandemic, the financial stability of the Syndicate was modelled for a period of at least 12 months and a number of sensitivity, stress and scenario tests were applied. This included analysis for both the 2020 and prior years of account, as well as the Inigo 2021 year of account.

Notes to the financial statements (continued)

1. Basis of preparation (continued)

In addition to the above, the following factors were also considered as part of the going concern assessment:

On 15 January 2021, the UK Supreme Court delivered its judgment on the FCA's business interruption test case. The aim of the test case was to obtain clarity on insurance contract wording and determine whether certain business interruption clauses were triggered by the COVID-19 pandemic. For the insurance industry, this means that in certain instances, policyholders will now have their COVID-19 related business interruption claims paid where previously these claims may have been denied. It may also impact the reinsurance industry as insurers will seek to recover from the reinsurance protection they have in place. In light of the UK Supreme Court ruling, the Syndicate has performed a detailed review of the business interruption clauses in its insurance and reinsurance contracts and concluded that there is no material impact on the COVID-19 best estimate loss booked for the year ended 31 December 2021.

For the 2020 and prior years of account the current earned ultimate best estimate financial impact of COVID-19 is $31.5m (2020: $27.8m), net of reinsurance and including reinstatement premiums. This constitutes 8.6% (2020: 8.0%) of the Syndicate's total net loss reserve.

Additionally, the ability of the Syndicate to meet its obligations as they fall due is also underpinned by the support provided by the Lloyd's solvency process and its chain of security for any members who are not able to meet their underwriting liabilities.

Based on the going concern assessment performed as at 31 December 2021, the directors consider there to be no material uncertainties that may cast significant doubt over the Syndicate's ability to continue to operate as a going concern.

The directors have formed a judgment that there is a reasonable expectation that the Syndicate has adequate resources to continue in operational existence in the foreseeable future, a period of at least 12 months from the date of signing these financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Change in presentation currency

From 1 January 2021 the Syndicate has changed its presentation currency to US dollars and hence all presentations and disclosures are in US Dollars, unless stated otherwise. Comparative information has been restated in US dollars in accordance with the guidance defined in FRS 102 Section 30 – Foreign Currency Translation.

The 2020 full year primary statements and associated notes have been retranslated from pounds sterling to US dollars using the procedures outlined below:

Notes to the financial statements (continued)

1. Basis of preparation (continued)

Change in presentation currency (continued)

- Assets and liabilities were translated into US dollars at closing rates of exchange;
- Trading results were translated into US dollars at the rates of exchange prevailing at the dates of transaction or average rates where these are a suitable proxy. Differences resulting from the retranslation on the opening net assets and the results for the year have been presented in other comprehensive income; and
- Members' balances were translated at year end rates.

2. Use of judgments and estimates

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

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

Technical Provisions

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

In arriving at the level of claims provisions a management margin is applied over and above the actuarial best estimate. Further information about the risk that the provision for claims outstanding could be materially different from the ultimate cost of claims settlement is included in note 4.

Notes to the financial statements (continued)

2. Use of judgments and estimates (continued)

Estimates of future premiums

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates are judgemental and could result in misstatements of revenue recorded in the financial statements. The main assumption underlying these estimates is that past premium development can be used to project future premium development.

The measurement of premium estimates comprises the estimated gross premium written during the year, that have not yet been notified by the financial year-end.

Fair value of financial assets determined using valuation techniques

Where the fair value of financial assets recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of discounted cash flow models and/or other mathematical models. The inputs from these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. For fixed-income and asset-backed securities the judgments include considerations for liquidity risk, credit risk, and prepayment rates.

For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations of specific industries and market liquidity. Discount rates are influenced by risk-free interest rates and credit risk.

Changes in the assumptions about these factors could affect the reported fair value of the financial instruments.

3. Significant accounting policies

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Syndicate’s financial statements.

Insurance Contracts

Product classifications

Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

Insurance Contracts (continued)

Premiums written

Gross written premiums comprise the total premiums receivable for the whole period of cover provided by the contracts incepting during the reporting period, regardless of whether these are wholly due for payment in the reporting period, together with any adjustments arising in the reporting period to such premiums receivable in respect of business written in the current or prior reporting periods. They are recognised on the date on which the policy commences. Additional or return premiums are treated as a re-measurement of the initial premium. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them.

Written premiums include an estimate for pipeline premiums (i.e. premiums written but not reported to the Company by the reporting date) relating only to those underlying contracts of insurance where the period of cover has commenced prior to the reporting date.

Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or inwards reinsurance business.

Managing agent profit commission

The managing agent does not charge profit commission.

Other income

Other income relates to consortium fee and consortium profit commission.

Claims

Claims include all claims occurring during the year, whether reported or not, related internal and external claims management costs that have been determined by an apportionment of employment costs, and any adjustments to claims outstanding from previous years.

Internal claims handling costs, including remuneration costs of the claims department, are reclassified from administrative expenses and included within claims incurred.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

Technical Provisions

Technical provisions comprise claims outstanding, provisions for unearned premiums and provisions for unexpired risk.

Claims outstanding

Full provision is made on an individual case basis for the estimated cost of claims notified but not settled by the balance sheet date after taking into account handling costs and settlement trends. A provision for claims incurred but not reported (IBNR) is established from statistical analysis undertaken by the Syndicate's actuaries. The methods used and the estimates made are reviewed regularly.

Whilst the directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events. Any differences between provisions and subsequent settlements are dealt with in the technical accounts of later years.

In calculating the estimated cost of unpaid claims the Syndicate uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of current claims will be consistent with past experience.

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

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

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these the Syndicate has regard to claim circumstances as reported, and information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods.

Large claims impacting each relevant business class are assessed separately where appropriate, being measured on a case-by-case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of the large claims.

The provision for claims outstanding is based on information available at the balance sheet date and is estimated to give a result within a normal range of outcomes.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

Technical Provisions (continued)

To the extent that the ultimate cost falls outside this range, for example where assumptions over claims inflation may alter in future, there is a contingent liability in respect of this uncertainty. Provisions are calculated allowing for reinsurance recoveries and a separate asset is recorded for the reinsurers' share, having regard to collectability.

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.

Anticipated salvage and subrogation recoveries are calculated on an individual case basis. The level of recovery estimated is set on the basis of information which is currently available, including potential outstanding claims advices and case law. Salvage and subrogation recoveries are included in claims incurred in the income statement.

The liability is not discounted for the time value of money.

Provision for unearned premiums

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Written premiums are recognised as earned over the period of the policy on a time apportionment basis having regard, where appropriate, to the incidence of risk The provision for unearned premiums is calculated on a daily pro rata basis where appropriate. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Unearned reinsurance premiums are those proportions of reinsurance premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts, and over the term of the reinsurance contract for losses-occurring contracts.

Provision for unexpired risks

Provision is made for unexpired risks arising from general insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date exceeds the unearned premiums provision in relation to such policies (after the deduction of any deferred acquisition costs). The provision for unexpired risks is calculated by reference to classes of business which are managed together, after taking into account the future investment return on investments held to back the unearned premiums and unexpired claims provisions.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

Technical Provisions (continued)

Deferred acquisition costs

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

Deferred acquisition costs are amortised over the period in which the related premiums are earned.

The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset. Amortisation is reported in the technical account.

Commissions receivable on outwards reinsurance contracts are amortised over the term of the outwards reinsurance premiums and deferred to the extent that they are attributable to outwards reinsurance premiums unearned as at the balance sheet date.

Reinsurance assets

The Syndicate cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Syndicate may not receive all outstanding amounts due under the terms of the contract, and the event has a reliably measurable impact on the amounts that the Syndicate will receive from the reinsurer. The impairment loss is recorded in the income statement.

Debtors arising from direct insurance and reinsurance operations

Debtors arising from direct insurance and reinsurance operations are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, they are measured at amortised cost less any provision for impairment in value.

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 statement of profit or loss. Insurance receivables are derecognised when the de-recognition criteria for financial assets have been met.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

Creditors arising from direct insurance and reinsurance operations

Creditors arising from direct insurance and reinsurance operations are recognised when due and measured on initial recognition at the fair value of the consideration paid or payable less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost.

Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

Financial Investments

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

Classification

The Syndicate classifies its financial investments into the following categories: Redeemable fixed interest securities, other loans, deposits with credit institutions and shares and other variable yield securities. All of these assets are classified as fair value through profit and loss.

The Syndicate determines the classification of its financial assets on initial recognition.

Recognition

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

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

Measurement

Redeemable debt securities and other fixed-income securities are classified as fair value through profit or loss and are initially measured 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.

Deposits with credit institutions are also classified at fair value through profit or loss and are held at cost as the best measure for fair value. These typically consist of callable on-demand deposits with very short maturities, which are not always held to maturity, and cash letters of credit (LOCs).

Shares and other variable yield securities and units in unit trusts consist of collective investment schemes and private equity investments.

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Notes to the financial statements (continued)

3. Significant accounting policies (continued)

Financial Investments (continued)

These are also designated on initial recognition as an asset to be measured at fair value with fair value changes recognised in profit or loss account at subsequent reporting periods. Realised gains and losses are also recognised through profit and loss account.

Offsetting

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

Deposits with ceding undertakings

Deposits with ceding undertakings are funds held by Lloyd’s Europe on behalf of the Syndicate to settle Part VII claims. These funds are measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents includes cash at bank and in hand as well as short-term deposits with credit institutions. These consist of highly liquid short-term investments with maturity of less than 90 days from the date of acquisition.

Cash at bank and in hand on the statement of financial position includes only cash and balances at central banks and loans and advances to banks repayable on demand.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Investment return

Investment income comprises interest income, dividends receivable and realised investment gains and losses. Investment return comprises investment income and movements in unrealised gains and losses on financial instruments at fair value through profit or loss, less investment management expenses, interest payable, realised losses and impairment losses.

Realised gains and losses on investments are calculated as the difference between sale proceeds and purchase price. 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.

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 allocated to the technical account in respect of actual investment return on investments supporting the general insurance technical provisions and member balances. Any investment returns on investments that relate to undistributed profits on closed years remain in the non-technical account.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

Financial liabilities

The Syndicate’s financial liabilities consist of insurance creditors, intercompany balances and trade payables.

All financial liabilities are recognised initially at fair value. Intercompany balances are repayable on demand and are typically settled within one year. Intercompany balances are subsequently measured at amortised cost should they remain unsettled over a year. A financial liability is derecognised when the obligation under the liability is discharged or expires.

Foreign currencies

The Syndicate’s functional currency for the 2021 year of account is USD and for the 2020 year of account and each prior year of account is GBP. Transactions in foreign currencies are translated to the functional currency at the exchange rates ruling at the date of the transactions, or at an appropriate average rate. The Syndicate's monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historic cost are translated to the functional currency using the exchange rate at the date of the transaction.

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

From 1 January 2021 the Syndicate has changed its presentational currency to US dollars, hence all presentations and disclosures are in US dollars, unless stated otherwise. Comparative information has been restated in US dollars in accordance with the guidance defined in FRS 102. The result and financial position for the 2020 year of account and each prior year of account are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the balance sheet date;
- Income and expenses are translated at the average rate of exchange during the year; and
- All resulting exchange differences are recognised through the other compressive income.

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 (currently at 20%) deducted from the Syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year have been included in the balance sheet under the heading 'other debtors'.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

Taxation (continued)

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

Pension costs

Inigo operates a defined contribution scheme. Pension contributions relating to staff working on behalf of the Syndicate are charged to the Syndicate when incurred and are included within net operating expenses.

4. Risk and capital management

Introduction and overview

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

Risk management framework

The Board of directors of the Managing Agent has overall responsibility for the establishment and oversight of the Syndicate's risk management framework. The Board has established a Risk & Investment Committee to oversee the operation of the Syndicate's risk management framework and to review and monitor the management of the risks to which the Syndicate is exposed. The Risk & Investment Committee has delegated oversight of the day-to-day management of risk to the Executive Committee with support from its management level Committees. Their responsibility includes developing risk appetite and risk policies for Board approval and the monitoring of the risk and control profile with reporting to the Risk & Investment Committee.

Insurance risk

The predominant risk to which the Syndicate is exposed is insurance risk which is assumed through the underwriting process. Insurance risk can be subcategorised into: (i) underwriting risk, (ii) outward reinsurance risk, and (iii) reserving risk.

Underwriting Risk

A key component of the management of underwriting risk for the Syndicate is the risk of uncertainty around all unexpired and future underwriting exposure. The Board manages underwriting risk by agreeing its risk appetite annually and ensuring that the business plan is consistent with the agreed appetite.

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

Notes to the financial statements (continued)

4. Risk and capital management (continued)

Insurance risk (continued)

Outwards Reinsurance Risk

The Syndicate makes use of reinsurance to mitigate the risk of incurring significant losses linked to one event or catastrophe, including excess of loss and quota share reinsurance. If an individual exposure is deemed surplus to the Syndicate's appetite additional facultative reinsurance may also be purchased.

Reserve Risk

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

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

The Reserving Committee performs a comprehensive review of the projections, both gross and net of reinsurance. Following this review the Reserving Committee makes recommendations to the Executive Committee and Audit Committee for review prior to approval by the Managing Agent's Board of directors of the amount of claims provisions to be established.

Concentration of insurance risk

The Syndicate's exposure to insurance risk is well diversified. The Underwriting and Claims Committee has oversight of the management of the Syndicate's exposures across perils and geographies compared to agreed risk appetite. The Syndicate uses an external catastrophe model as part of its management of its exposures. The following table provides an analysis of the geographical breakdown of its written premiums by class of business.

Notes to the financial statements (continued)

4. Risk and capital management (continued)

Concentration of insurance risk (continued)

Year 2021	Accident and Health $'000	Marine, aviation and transport $'000	Fire and other damage to property $'000	Third party liability $'000	Misc $'000	Reinsurance $'000	Total $'000
UK	-	44	1,041	12,759	66	7,917	21,827
France	-	-	-	-	-	242	242
Germany	-	(11)	-	3,193	-	2,086	5,268
Other Europe	-	(7)	1,201	22,401	14	5,260	28,869
US	-	818	39,905	69,216	-	133,065	243,004
Other	9,369	5,494	21,867	33,406	676	58,025	128,837
Total	9,369	6,338	64,014	140,975	756	206,595	428,047

Year 2020 (Restated)	Accident and Health $'000	Marine, aviation and transport $'000	Fire and other damage to property $'000	Third party liability $'000	Misc $'000	Reinsurance $'000	Total $'000
UK	-	562	264	51	326	413	1,616
France	1	(37)	318	-	-	86	368
Germany	-	21	-	-	-	183	204
Other Europe	-	119	151	118	634	3,859	4,881
US	32	1,499	22,484	(195)	(110)	2,196	25,906
Other	11,647	36,084	12,733	18,551	10,622	62,779	152,416
Total	11,680	38,248	35,950	18,525	11,472	69,516	185,391

The Other category includes policies with worldwide risk exposures.

Sensitivity to insurance risk

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

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

Notes to the financial statements (continued)

4. Risk and capital management (continued)

Sensitivity to insurance risk (continued)

	2021		2020 (Restated)	
	5 per cent increase	5 per cent decrease	5 per cent increase	5 per cent decrease
	$'000	$'000	$'000	$'000
Accident and health	(881)	881	(2,384)	2,384
Marine, aviation and transport	(5,466)	5,466	(5,911)	5,911
Fire and other damage to property	(4,727)	4,727	(4,915)	4,915
Third party liability	(3,696)	3,696	(1,490)	1,490
Miscellaneous	(814)	814	(744)	744
Reinsurance	(5,020)	5,020	-	-
Total	(20,604)	20,604	(15,444)	15,444

Financial risk

The focus of financial risk management for the Syndicate is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance contracts. The goal of the investment management process is to achieve an appropriate level of risk adjusted investment return, investing in a manner that is consistent with the investment objectives.

Credit risk

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

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

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

For the 2020 and prior years of account, the nature of the Syndicate's exposures to credit risk and its objectives, policies and processes for managing credit risk have not changed significantly from the prior year.

For the 2021 year of account, IMAL have established an Enterprise Risk Management Framework ("ERMF"), which sets out the principles, concepts, processes and accountabilities which govern how risk is managed across the business. The IMAL Broker and Reinsurance Security Committee is responsible for overseeing the management of credit risk from brokers and reinsurers.

Notes to the financial statements (continued)

4. Risk and capital management (continued)

Credit risk (continued)

The Syndicate's exposure to intermediaries and reinsurance counterparties is monitored as part of their credit control processes. All intermediaries must meet minimum requirements established by the Syndicate. The credit ratings and payment histories of intermediaries are monitored on a regular basis. The Syndicate assesses the creditworthiness of all reinsurers by reviewing public rating information and by internal investigations. The impact of reinsurer default is regularly assessed and managed accordingly.

Management of credit risk

The Syndicate's credit risk in respect of debt securities is managed by placing limits on its exposure to a single counterparty, by reference to the credit rating of the counterparty. Financial assets are graded according to current credit ratings issued by rating agencies such as Standard and Poor's. The Syndicate has a policy of investing mainly in government issued and government backed debts. The Syndicate does not currently invest new monies in speculative grade assets.

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

Exposure to credit risk

The carrying amount of financial assets and reinsurance assets represents the maximum credit risk exposure.

The Syndicate benefits from collateral pledged by ceded reinsurance counterparties. At the balance sheet date, the Syndicate obtained $43.5m (2020: nil) in collateral, which acts as additional security in the event of failure of those counterparties to meet their contractual obligations.

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

Notes to the financial statements (continued)

4. Risk and capital management (continued)

Exposure to credit risk (continued)

Year 2021 Total	AAA $'000	AA $'000	A $'000	BBB $'000	<BBB $'000	Not rated $'000	Total $'000
Financial investments							
Shares and other variable yield securities and units in unit trusts	163,871	3,179	41,115	10,520	9,806	12,407	240,898
Debt securities and other fixed income securities	4,534	14,638	13,916	9,263	1,220	-	43,571
Other loans	-	-	1,936	-	-	-	1,936
Deposits with credit institutions	-	-	-	-	-	-	-
Overseas deposits	10,314	3,341	2,795	1,805	2,612	-	20,867
Deposits with ceding undertakings	-	-	-	7,098	-	-	7,098
Reinsurers' share of claims outstanding	-	6,578	153,011	195	-	10,621	170,405
Debtors arising out of direct insurance operations	-	-	-	-	-	21,888	21,888
Debtors arising out of reinsurance operations	-	1,100	16,549	235	-	708	18,592
Cash at bank and in hand	-	30,641	-	-	-	-	30,641
Other debtors and accrued interest	-	-	-	-	-	8,641	8,641
Total	178,719	59,477	229,322	29,116	13,638	54,265	564,537

Not rated balances represent assets for which rating information is not readily available. Reinsurers' share of claims outstanding with unrated counterparties are fully collateralised.

Notes to the financial statements (continued)

4. Risk and capital management (continued)

Exposure to credit risk (continued)

Year 2020 Total (Restated)	AAA $'000	AA $'000	A $'000	BBB $'000	<BBB $'000	Not rated $'000	Total $'000
Financial investments							
Shares and other variable yield securities and units in unit trusts	47,026	8,936	76,218	39,414	564	-	172,158
Debt securities and other fixed income securities	15,431	7,054	11,451	9,204	516	-	43,656
Other loans	-	-	1,933	-	-	-	1,933
Deposits with credit institutions	-	-	2,731	-	-	-	2,731
Overseas deposits	11,152	3,416	3,235	1,311	1,334	-	20,448
Reinsurers' share of claims outstanding	-	5,156	111,040	68,188	57	1	184,442
Debtors arising out of direct insurance operations	-	-	-	-	-	6,241	6,241
Debtors arising out of reinsurance operations	-	1,704	27,295	396	-	-	29,395
Cash at bank and in hand	-	12,527	-	-	-	-	12,527
Other debtors and accrued interest	-	-	-	-	-	7,350	7,350
Total	73,609	38,793	233,903	118,513	2,471	13,592	480,881

At 31 December 2021, the largest concentration of credit risk in the Syndicate's debt security portfolio was in corporate bonds amounting to $22.6m (2020: $23.7m).

The Syndicate has concentrations in its debt securities portfolio through its holdings of structured securities (including mortgage-backed securities). The Syndicate does not have any investments with exposure to peripheral Eurozone countries.

Financial assets that are past due or impaired

The Syndicate has debtors arising from direct insurance and reinsurance operations that are past due but not impaired at the reporting date.

These debtors have been individually assessed for impairment by considering information such as the occurrence of significant changes in the counterparty's financial position, patterns of historical payment information and disputes with counterparties.

Notes to the financial statements (continued)

4. Risk and capital management (continued)

Financial assets that are past due or impaired (continued)

An analysis of the carrying amounts of past due or impaired debtors arising from direct insurance operations and debtors arising from reinsurance operations relating to outward reinsurance is presented in the table below.

Year 2021	Debtors arising from direct insurance operations $'000	Debtors arising from reinsurance operations $'000
Past due but not impaired financial assets:		
Past due by:		
Up to 3 months	**11,792**	**-**
Three to Six Months	**2,955**	**-**
Six Months to one year	**4,954**	**-**
Greater than one year	**7,935**	**-**
Past due but not impaired financial assets	**27,636**	**-**
Impaired financial assets	**-**	**-**
Gross value of past due and impaired financial assets	**27,636**	**-**
Less: individually assessed impairment allowances	**-**	**-**
Net carrying value of past due and impaired financial assets	**27,636**	**-**
Neither past due nor impaired financial assets	**21,888**	**18,592**
Net carrying value	**49,524**	**18,592**

Year 2020 (Restated)	Debtors arising from direct insurance operations $'000	Debtors arising from reinsurance operations $'000
Past due but not impaired financial assets:		
Past due by:		
Up to 3 months	5,325	-
Three to Six Months	5,208	-
Six Months to one year	9,006	-
Greater than one year	4,730	-
Past due but not impaired financial assets	24,269	-
Impaired financial assets	-	-
Gross value of past due and impaired financial assets	24,269	-
Less: individually assessed impairment allowances	-	-
Net carrying value of past due and impaired financial assets	24,269	-
Neither past due nor impaired financial assets	6,240	29,395
Net carrying value	30,509	29,395

Notes to the financial statements (continued)

4. Risk and capital management (continued)

Financial assets that are past due or impaired (continued)

The debtors arising from reinsurance operations relating to inwards reinsurance of $75.2m (2020: $42.9 m) are excluded from the table above.

Liquidity risk

Liquidity risk is the risk that the Syndicate will encounter difficulty in meeting obligations arising from its insurance contracts and financial liabilities. The Syndicate is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts.
For the 2020 and prior years of account, the nature of the Syndicate's exposures to liquidity risk and its objectives, policies and processes for managing liquidity risk have not changed significantly from the prior year.

For the 2021 year of account, IMAL have established the ERMF which sets out the principles, concepts, processes and accountabilities which govern how risk is managed across the business. The IMAL Risk & Investment Committee is responsible for overseeing the management of liquidity risk.

Management of liquidity risk

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

- Forecasts are prepared and revised on a regular basis to predict cash outflows from insurance contracts over the short, medium and long term;
- Assets purchased by the Syndicate are required to satisfy specified marketability requirements;
- The Syndicate maintains cash and liquid assets to meet daily calls on its insurance contracts;
- The Syndicate regularly reviews its contingency funding plans to ensure that adequate liquid financial resources are in place to meet obligations as they fall due in the event of reasonably foreseeable abnormal circumstances.

The maturity analysis presented in the table below shows the remaining contractual maturities for the Syndicate’s insurance contracts and financial instruments. For insurance contracts, the contractual maturity is the estimated date when the gross undiscounted contractually required cash flows will occur. For financial assets and liabilities it is the earliest date on which the gross undiscounted cash flows (including contractual interest payments) could be paid assuming conditions are consistent with those at the reporting date. The actual timing of future settlement cash flows may differ materially from the disclosure below. Contingent liquidity also exists for the 2021 year of account in the form of the Syndicate’s credit facility.

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Notes to the financial statements (continued)

4. Risk and capital management (continued)

Management of liquidity risk (continued)

Year 2021	Carrying amount $'000	Total cash flows $'000	Undiscounted net cash flows Less than 1 year $'000	I-2 years $'000	2-5 years $'000	More than 5 years $'000
Financial investments:						
Shares and other variable yield securities and units in unit trusts	240,898	240,898	240,898	-	-	-
Debt securities	43,571	43,571	210	6,486	27,059	9,816
Other loans	1,936	1,936	1,936	-	-	-
Deposits with credit institutions	-	-	-	-	-	-
Overseas deposits	20,867	20,867	20,867	-	-	-
Reinsurers share of technical provisions	193,019	193,019	69,824	77,428	27,429	18,338
Debtors and accrued interest	190,730	190,730	188,591	1,489	389	261
Cash at bank and in hand	30,641	30,641	30,641	-	-	-
Total assets	721,662	721,662	552,967	85,403	54,877	28,415
Technical provisions	725,670	725,670	342,743	239,129	86,465	57,333
Deposits received from reinsurers	37,267	37,267	37,267	-	-	-
Creditors	52,297	52,297	51,577	544	95	81
Total liabilities	815,234	815,234	431,587	239,673	86,560	57,414

Notes to the financial statements (continued)

4. Risk and capital management (continued)

Management of liquidity risk (continued)

Year 2020 (Restated)	Carrying amount $'000	Total cash flows $'000	Undiscounted net cash flows Less than 1 year $'000	I-2 years $'000	2-5 years $'000	More than 5 years $'000
Financial investments:						
Shares and other variable yield securities and units in unit trusts	172,158	172,158	172,158	-	-	-
Debt securities	43,656	43,656	2,423	8,439	32,148	646
Other loans	1,933	1,933	1,933	-	-	-
Deposits with credit institutions	2,731	2,731	2,731	-	-	-
Overseas deposits	20,448	20,448	20,448	-	-	-
Reinsurers share of technical provisions	196,871	196,871	90,896	46,958	44,975	14,042
Debtors and accrued interest	129,669	129,669	126,316	2,748	566	39
Cash at bank and in hand	12,527	12,527	12,527	-	-	-
Total assets	579,993	579,993	429,432	58,145	77,689	14,727
Technical provisions	576,795	576,795	266,306	137,581	131,771	41,137
Deposits received from reinsurers	63,785	63,785	63,785	-	-	-
Creditors	33,653	33,653	33,243	336	69	5
Total liabilities	674,233	674,233	363,334	137,917	131,840	41,142

In the above tables, the majority of debt securities, are included in the '2-5 years' column. In practice cash could be realised through the sale of the Syndicate's investments in debt securities. The disclosure does not take account of premiums received from new business written which can be used to pay claims arising.

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Notes to the financial statements (continued)

4. Risk and capital management (continued)

Market risk

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

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

For the 2020 and prior years of account, the nature of the Syndicate's exposures to liquidity risk and its objectives, policies and processes for managing market risk have not changed significantly from the prior year.

For the 2021 year of account, IMAL have established the ERMF which sets out the principles, concepts, processes and accountabilities which govern how risk is managed across the business. The IMAL Risk & Investment Committee is responsible for overseeing the management of market risk.

Management of market risks

For each of the major components of market risk the Syndicate has policies and procedures in place which detail how each risk should be managed and monitored. The management of each of these major components of major risk and the exposure of the Syndicate at the reporting date to each major risk are addressed on pages 48 to 51.

Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

Currency risk

The Syndicate writes business primarily in Sterling, Euro, Australian dollar, Canadian dollar, Japanese Yen and US dollar and is therefore exposed to currency risk arising from fluctuations in the exchange rates of US dollars against these currencies. The foreign exchange policy is to maintain assets in the currency in which the cash flows from liabilities are to be settled.

Notes to the financial statements (continued)

4. Risk and capital management (continued)

Currency risk (continued)

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

Year 2021	GBP $'000	EUR $'000	USD $'000	CAD $'000	AUD $'000	JPY $'000	Total $'000
Financial investments							
Shares and other variable yield securities and units in unit trusts	1,218	41,487	179,002	19,191	-	-	240,898
Debt securities and other fixed income securities	579	-	42,992	-	-	-	43,571
Other loans	1,936	-	-	-	-	-	1,936
Deposits with credit institutions	-	-	-	-	-	-	-
Overseas deposits	4,325	-	1,860	3,958	10,724	-	20,867
	8,058	41,487	223,854	23,149	10,724	-	307,272
Reinsurers' share of technical provisions	7,267	10,036	166,709	5,269	3,369	369	193,019
Insurance and reinsurance receivables	2,384	(22,714)	148,006	3,440	8,481	3,747	143,344
Cash at bank and in hand	6,256	4,108	1,351	-	18,926	-	30,641
Other assets	1,084	5,366	36,583	880	2,913	560	47,386
Total assets	25,049	38,283	576,503	32,738	44,413	4,676	721,662
Technical provisions	32,613	49,984	581,549	20,582	33,585	7,357	725,670
Deposits received from reinsurers	(18,766)	(2,713)	56,922	1,824	-	-	37,267
Insurance and reinsurance payables	(4,197)	(971)	31,490	1,526	2,323	-	30,171
Other creditors	5,929	390	15,435	189	183	-	22,126
Total liabilities	15,579	46,690	685,396	24,121	36,091	7,357	815,234
Net assets	9,470	(8,407)	(108,893)	8,617	8,322	(2,681)	(93,572)

Notes to the financial statements (continued)

4. Risk and capital management (continued)

Currency risk (continued)

Year 2020 (Restated)	GBP $'000	EUR $'000	USD $'000	CAD $'000	AUD $'000	JPY $'000	Total $'000
Financial investments							
Shares and other variable yield securities and units in unit trusts	3,651	53,928	99,026	15,553	-	-	172,158
Debt securities and other fixed income securities	10,003	-	33,653	-	-	-	43,656
Other loans	1,933	-	-	-	-	-	1,933
Deposits with credit institutions	-	-	2,731	-	-	-	2,731
Overseas deposits	5,138	-	2,177	3,244	9,889	-	20,448
	20,725	53,928	137,587	18,797	9,889	-	240,926
Reinsurers' share of technical provisions	19,226	17,376	151,531	4,672	4,066	-	196,871
Insurance and reinsurance receivables	20,554	(33,800)	115,124	(6,025)	6,996	-	102,849
Cash at bank and in hand	351	194	2,392	-	9,590	-	12,527
Other assets	1,070	2,598	19,919	393	2,840	-	26,820
Total assets	61,926	40,296	426,553	17,837	33,381	-	579,993
Technical provisions	45,913	65,258	426,743	11,384	27,497	-	576,795
Deposits received from reinsurers	-	-	63,785	-	-	-	63,785
Insurance and reinsurance payables	154	(7,373)	31,220	(1,864)	3,187	-	25,324
Other creditors	3,063	724	4,189	292	61	-	8,329
Total liabilities	49,130	58,609	525,937	9,812	30,745	-	674,233
Net assets	12,796	(18,313)	(99,384)	8,025	2,636	-	(94,240)

Notes to the financial statements (continued)

4. Risk and capital management (continued)

Sensitivity analysis to market risks

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

	2021 Profit or loss for the year $'000	2020 Profit or loss for the year (Restated) $'000
Interest rate risk		
+ 50 basis points shift in yield curves	**(917)**	(1,445)
- 50 basis points shift in yield curves	**917**	1,264
Currency risk		
10 percent increase in GBP/Euro exchange rate	**764**	1,664
10 percent decrease in GBP/Euro exchange rate	**(934)**	(2,034)
10 percent increase in GBP/US dollar exchange rate	**9,899**	9,022
10 percent decrease in GBP/US dollar exchange rate	**(12,099)**	(11,028)
Market price risk		
5 percent increase in market prices	**9,032**	11,764
5 percent decrease in market prices	**(9,032)**	(11,764)

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

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

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

Operational risk

This is the risk that errors caused by people, processes or systems lead to losses to the Syndicate. The Managing Agent seeks to manage this risk through the use of detailed procedures and a structured programme of compliance testing of processes and systems.

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Notes to the financial statements (continued)

4. Risk and capital management (continued)

Group risk

This is the risk that changes in group strategy will lead to losses to the Syndicate. This risk is reviewed regularly.

Regulatory risk

The Managing Agent is required to comply with the requirements of the Prudential Regulation Authority, the Financial Conduct Authority and Lloyd's. Lloyd's requirements include oversight principles and those imposed on the Lloyd’s market by overseas regulators, particularly in respect of US situs business. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to a regulatory change. The Managing Agent monitors regulatory developments and assesses their impact on agency policy and procedures. In addition, the agency carries out a compliance monitoring programme.

Capital management

Capital framework at Lloyd’s

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

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

Although, Lloyd's capital setting processes use a capital requirement set at a Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at a Syndicate level. Accordingly, the capital requirement in respect of Syndicate 1301 is not disclosed in these financial statements.

Lloyd’s capital setting process

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

The capital for new syndicates is set by Lloyd’s. The 2021 year of account is considered a new Syndicate by Lloyd’s for capital setting purposes who have set the capital for the 2021 year of account for the Syndicate based on the Lloyd’s Syndicate Benchmark Model.

Notes to the financial statements (continued)

4. Risk and capital management (continued)

Lloyd’s capital setting process (continued)

A Syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the Syndicates on which it is participating but not other members' shares. Accordingly, the capital requirements that Lloyd's sets for each member operates on a similar basis. Each member’s SCR shall thus be determined by the proportion of the member's share of the Syndicate SCR 'to ultimate'. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd’s not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2020 was 35% of the member's SCR 'to ultimate'.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (funds at Lloyd's), assets held and managed within a Syndicate (funds in Syndicate), or as the member's share of the members' balances on each Syndicate on which it participates. Accordingly, all of the assets less liabilities of the Syndicate, as represented in the members' balances reported on the balance sheet on page 24, represent resources available to meet members' and Lloyd's capital requirements.

5. Analysis of underwriting result

An analysis of the underwriting result before investment return and profit/ (loss) on foreign exchange is presented in the table below:

Year 2021	Gross premiums written $'000	Gross premiums earned $'000	Gross claims incurred $'000	Gross operating expenses $'000	Reinsurance balance $'000	Total $'000
Direct insurance						
Accident and health	9,369	11,347	(964)	(4,848)	(2,373)	3,162
Marine, aviation and transport	6,338	14,758	11,720	(4,652)	(995)	20,831
Fire and other damage to property	64,081	51,733	(56,882)	(19,336)	(3,666)	(28,151)
Third party liability	140,974	65,679	(44,853)	(22,205)	706	(673)
Miscellaneous	690	6,646	(16,845)	(1,552)	8,269	(3,482)
Total	221,452	150,163	(107,824)	(52,593)	1,941	(8,313)
Reinsurance	206,595	167,090	(92,751)	(45,132)	(54,726)	(25,519)
Total	428,047	317,253	(200,575)	(97,725)	(52,785)	(33,832)

Notes to the financial statements (continued)

5. Analysis of underwriting result (continued)

Year 2020 (Restated)	Gross premiums written $'000	Gross premiums earned $'000	Gross claims incurred $'000	Gross operating expenses $'000	Reinsurance balance $'000	Total $'000
Direct insurance						
Accident and health	11,681	11,209	(21,860)	(4,681)	4,402	(10,930)
Marine, aviation and transport	38,247	48,598	(27,362)	(17,585)	(4,251)	(600)
Fire and other damage to property	35,950	41,542	(16,920)	(17,300)	(5,036)	2,286
Third party liability	18,527	21,290	(13,394)	(5,510)	(3,510)	(1,124)
Miscellaneous	11,470	10,391	(34,353)	(3,828)	21,102	(6,688)
Total	115,875	133,030	(113,889)	(48,904)	12,707	(17,056)
Reinsurance	69,516	84,233	(81,550)	(35,304)	16,414	(16,207)
Total	185,391	217,263	(195,439)	(84,208)	29,121	(33,263)

The gross premiums written for direct insurance by geographical risk exposure is presented in the table below:

	2021 **$'000**	2020 (Restated) $'000
United Kingdom	**13,910**	1,204
Other Europe	**26,791**	1,310
US	**109,939**	23,731
Other countries	**70,812**	89,630
Total gross premiums written	**221,452**	115,875

The Other category includes policies with worldwide risk exposures.

Notes to the financial statements (continued)

6. Claims

Adverse movements of $8.6m (2020: $1,000 adverse) in the past year's provision for claims outstanding, net of expected reinsurance recoveries, are included in claims incurred, net of reinsurance. These arose in respect of the following classes of business:

	2021 **$'000**	2020 (Restated) $'000
Accident and health	**7,953**	(5,382)
Marine, aviation and transport	**17,227**	8,072
Fire and other damage to property	**(30,681)**	(4,052)
Third party liability	**(7,274)**	4,902
Miscellaneous	**(19,501)**	3,310
Reinsurance	**40,852**	(6,851)
	8,576	(1)

7. Net operating expenses

	2021 **$'000**	2020 (Restated) $'000
Acquisition costs:		
Brokerage and commissions	**59,000**	43,764
Other acquisition costs	**9,229**	2,362
	68,229	46,126
Change in deferred acquisition costs	**(12,585)**	6,740
Administrative expenses	**41,384**	35,926
Members' standard personal expenses	**3,069**	2,228
Reinsurance commissions and profit participation	**(3,438)**	(6,813)
Net operating expenses	**96,659**	84,207

Total written commissions for direct insurance business for the year amounted to $28.6m (2020: $32.0m).

The majority of administrative expenses are incurred by Inigo Limited and are recharged to the Syndicate in line with Group policy.

The member's standard personal expenses are included within administrative expenses and include Lloyd's subscriptions, New Central Fund contributions and Managing Agent's fees.

Notes to the financial statements (continued)

7. Net operating expenses (continued)

Administrative expenses include:

	2021 $'000	2020 (Restated) $'000
Auditors' remuneration:		
fees payable to the Syndicate's auditor for the audit of these financial statements	**817**	603
fees payable to the Syndicate's auditor and its associates in respect of other services pursuant to legislation	**81**	60

8. Key management personnel compensation

The directors of Inigo Managing Agent Limited received the following aggregate remuneration:

	2021 $'000	2020 (Restated) $'000
Directors' emoluments	**1,588**	813
Contribution to pension schemes	**-**	21
	1,588	834

No other compensation was payable to key management personnel.

The active underwriter received the following aggregate and included within directors' emoluments above.

	2021 $'000	2020 (Restated) $'000
Emoluments	**381**	254

9. Staff numbers and costs

All staff for the 2021 year of account are employed by Inigo Limited and all staff for the 2020 and prior years of account are employed by Enstar (EU) Limited, a company within the Enstar Group. The average number of persons employed by Inigo Limited and Enstar (EU) Limited, but working for the Syndicate during the year, analysed by category, was as follows:

Notes to the financial statements (continued)

9. Staff numbers and costs (continued)

	2021	2020 (Restated)
Administration and finance	32	33
Underwriting	27	8
Claims	18	16
	77	57

The following amounts were recharged by Inigo Limited and Enstar (EU) Limited to the Syndicate in respect of payroll costs:

	2021 $'000	2020 (Restated) $'000
Wages and salaries	26,149	17,874
Social security costs	2,484	2,115
Other pension costs	1,108	1,089
Other	811	1,015
	30,552	22,093

Of the $30.6m incurred, $22.0m pertained to Inigo, and $8.6m pertained to Enstar (EU) Limited.

Notes to the financial statements (continued)

10. Investment return

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

	2021 $'000	2020 (Restated) $'000
Investment income:		
Interest and dividend income	**1,077**	1,489
Realised gains	**161**	493
Unrealised gains on investments	**2,109**	9,164
Investment expenses and charges:		
Investment management expenses, including interest	**14**	(59)
Losses on the realisation of investments	**(1,056)**	(133)
Unrealised losses on investments	**(2,742)**	(6,813)
Investment return transferred to the technical account from the non-technical account	**437**	(4,141)
Total investment return	**-**	-

The Syndicate's investment objective is to maintain suitable levels of liquidity whilst implementing an investment strategy targeting capital preservation and income return. The Syndicate will construct a predominantly high quality, diversified portfolio with a maturity profile and currency mix complementary to that of the liabilities.

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

	2021 $'000	2020 (Restated) $'000
Financial assets at fair value through profit or loss	**(1,528)**	2,711
Financial assets at amortised cost:		
Interest income	**1,077**	1,489
Impairment losses on debtors	**-**	-
Financial liabilities at amortised cost:		
Interest expense	**-**	-
Investment management expenses, excluding interest	**14**	(59)
Total investment return	**(437)**	4,141

Notes to the financial statements (continued)

10. Investment return (continued)

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

	2021 **$'000**	2020 (Restated) $'000
Average amount of Syndicate funds available for investment during the year		
Sterling	**17,602**	23,147
Euro	**49,621**	54,956
US dollar	**82,432**	54,013
Canadian Dollar	**6,058**	5,291
Australian Dollar	**24,480**	16,864
Total funds available for investment, in dollars	**180,193**	154,271
Total investment return	**(437)**	4,141
Annual investment yield		
Sterling	**1.52%**	2.06%
Euro	**(0.14%)**	3.56%
US dollar	**0.62%**	2.57%
Canadian Dollar	**1.20%**	4.62%
Australian Dollar	**1.10%**	1.49%
Total annual investment yield, in dollars	**0.58%**	2.80%

Notes to the financial statements (continued)

11. Financial investments

	Carrying value		Cost	
	2021 **$'000**	2020 (Restated) $'000	**2021** **$'000**	2020 (Restated) $'000
Shares and other variable yield securities and units in unit trusts	**240,898**	172,158	**238,932**	168,923
Debt securities and other fixed income securities	**43,571**	43,656	**44,760**	45,410
Government and supranational securities	***13,981***	*13,027*	***14,420***	*13,771*
Asset backed securities	**-**	-	**-**	-
Mortgage backed instruments	***6,928***	*6,931*	***7,094***	*7,049*
Corporate bonds	***22,662***	*23,698*	***23,246***	*24,590*
Other Loans	**1,936**	1,933	**1,944**	1,933
Deposits with credit institutions	**-**	2,731	**-**	2,731
Overseas deposits as investments	**20,867**	20,448	**17,990**	16,883
Total financial investments	**307,272**	240,926	**303,626**	235,880

The financial investments presented in the table above are measured at fair value through profit or loss.

The Syndicate classifies its financial instruments held at fair value in its statement of financial position using a fair value hierarchy, as follows:

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

2021	**Level 1** **$'000**	**Level 2** **$'000**	**Level 3** **$'000**	**Total** **$'000**
Shares and other variable yield securities and units in unit trusts	**59,510**	**181,388**	**-**	**240,898**
Debt securities and other fixed income securities	**-**	**43,571**	**-**	**43,571**
Other loans	**-**	**-**	**1,936**	**1,936**
Loans and deposits with credit institutions	**-**	**-**	**-**	**-**
Overseas deposits	**3,573**	**17,294**	**-**	**20,867**
Total	**63,083**	**242,253**	**1,936**	**307,272**

Notes to the financial statements (continued)

11. Financial investments (continued)

The table below analyses financial instruments held at fair value in the Syndicate's statement of financial position at the reporting date by its level in the fair value hierarchy

2020 (Restated)	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Shares and other variable yield securities and units in unit trusts	26,828	145,330	-	172,158
Debt securities and other fixed income securities	-	43,656	-	43,656
Other loans	-	-	1,933	1,933
Deposits with credit institutions	2,731	-	-	2,731
Overseas deposits	4,797	15,651	-	20,448
Total	34,356	204,637	1,933	240,926

The following table provides an analysis of investments valued with reference to level 3 inputs.

	2021 $'000	2020 (Restated) $'000
At 1 January	**1,933**	1,017
Purchase	**-**	804
Disposal	**-**	-
Reclassification to Level 2	**-**	-
Fair value (losses)/gains recognised in profit or loss	**21**	-
Foreign exchange	**(18)**	112
Total	**1,936**	1,933

The Syndicate loans to the central fund have been recategorized from Level 1 to Level 3 for 2021. 2020 has been reanalysed to align to this assessment.

The 2021 year of account funds are predominantly held in cash at bank and in hand.

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

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

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Notes to the financial statements (continued)

11. Financial investments (continued)

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

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

The fair values for all securities in the fixed maturity investments portfolio are independently provided by the investment accounting service providers, investment managers and investment custodians, each of which utilise internationally recognised independent pricing services.

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries. The funds are required in order to protect policyholders in overseas markets and enable the Syndicate to operate in those markets. The access to those funds is restricted and the Syndicate cannot influence the investment strategy.

For the 2020 and Prior Years of Account, Enstar Group record the unadjusted price provided by the investment accounting service providers, investment managers or investment custodians and validate this price through a process that includes, but is not limited to:

(i) comparison of prices against alternative pricing sources;

(ii) quantitative analysis (e.g. comparing the quarterly return for each managed portfolio to its target benchmark);

(iii) evaluation of methodologies used by external parties to estimate fair value, including a review of the inputs used for pricing;

(iv) comparing the price to Enstar Group's knowledge of the current investment market.

Enstar Group have on-going due diligence processes with respect to the other investments carried at fair value and their managers. These processes are designed to assist in assessing the quality of information provided by, or on behalf of, each fund and in determining whether such information continues to be reliable or whether further review is warranted. Certain funds do not provide full transparency of their underlying holdings; however, Enstar Group obtain the audited financial statements for funds annually, and regularly review and discuss the fund performance with the fund managers to corroborate the reasonableness of the reported net asset values. The 2021 UWY does not hold any investments.

At the reporting date all debt instruments were valued using valuation techniques based on observable market data.

Notes to the financial statements (continued)

12. Debtors arising out of direct insurance operations

	2021 $'000	2020 (Restated) $'000
Amounts due from intermediaries:		
Due within one year	**49,524**	30,509
Due after one year	**-**	-
	49,524	30,509

13. Debtors arising out of reinsurance operations

	2021 $'000	2020 (Restated) $'000
Amounts due within one year	**93,816**	72,340
Amounts due after one year	**4**	-
	93,820	72,340

14. Deferred acquisition costs

	2021 $'000	2020 (Restated) $'000
Balance at 1 January	**18,932**	29,858
Incurred costs deferred	**59,000**	43,764
Amortisation	**(46,955)**	(54,115)
Effect of movements in exchange rates	**540**	(575)
Balance at 31 December	**31,517**	18,932

Notes to the financial statements (continued)

15. Claims development

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

Pure underwriting year - Gross	2012 $'m	2013 $'m	2014 $'m	2015 $'m	2016 $'m	2017 $'m	2018 $'m	2019 $'m	2020 $'m	2021 $'m	Total $'m
Estimate of ultimate gross claims											
at end of underwriting year	35.0	67.5	66.1	83.1	93.5	156.2	131.6	71.2	106.9	169.6	
one year later	70.4	113.1	115.9	141.7	189.9	311.7	239.1	138.0	114.3	-	
two years later	71.8	109.3	115.0	155.1	214.5	342.9	265.8	150.3	-	-	
three years later	70.1	108.1	110.8	169.5	222.3	344.3	263.3	-	-	-	
four years later	70.5	109.0	120.3	184.9	221.9	348.8	-	-	-	-	
five years later	70.1	107.0	119.6	179.0	218.7	-	-	-	-	-	
Six years later	71.3	112.6	118.8	177.1	-	-	-	-	-	-	
Seven years later	75.5	109.3	122.2	-	-	-	-	-	-	-	
Eight years later	72.3	111.8	-	-	-	-	-	-	-	-	
Nine years later	72.7	-	-	-	-	-	-	-	-	-	
Less gross claims paid	70.7	107.9	104.1	143.1	195.3	288.6	181.2	70.1	25.3	28.9	
Gross ultimate claims reserve	2.0	3.9	18.1	34.0	23.4	60.2	82.1	80.2	89.0	140.8	533.7
Gross ultimate claims reserve for 2011 and prior years	-	-	-	-	-	-	-	-	-	-	4.6
Gross claims reserves											538.3

Notes to the financial statements (continued)

15. Claims development (continued)

Pure underwriting year - Net	2012 $'m	2013 $'m	2014 $'m	2015 $'m	2016 $'m	2017 $'m	2018 $'m	2019 $'m	2020 $'m	2021 $'m	Total $'m
Estimate of ultimate net claims											
at end of underwriting year	33.6	63.6	65.4	71.5	86.5	101.7	82.6	63.3	57.6	141.3	
one year later	68.8	103.7	107.5	128.2	177.8	190.0	139.9	116.1	82.3	-	
two years later	70.7	97.5	107.3	137.7	196.9	208.4	151.1	123.9	-	-	
three years later	69.0	93.5	104.2	147.2	201.5	208.4	147.7	-	-	-	
four years later	69.4	94.3	111.6	158.9	202.2	209.7	-	-	-	-	
five years later	69.0	92.7	111.4	153.8	198.8	-	-	-	-	-	
Six years later	69.2	96.8	111.3	150.8	-	-	-	-	-	-	
Seven years later	72.5	94.3	113.5	-	-	-	-	-	-	-	
Eight years later	70.1	95.7	-	-	-	-	-	-	-	-	
Nine years later	70.2	-	-	-	-	-	-	-	-	-	
Less net claims paid	68.3	93.0	99.7	128.2	180.8	177.4	108.6	64.2	21.0	28.9	
Net ultimate claims reserve	1.9	2.7	13.8	22.5	18.1	32.3	39.1	59.6	61.3	112.4	363.9
Net ultimate claims reserve for 2011 and prior years	-	-	-	-	-	-	-	-	-	-	4.0
Net claims reserves		-	-	-	-	-	-	-	-	-	367.9

Notes to the financial statements (continued)

16. Technical provisions

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

	2021			2020 (Restated)		
	Gross provisions $'000	**Reinsurance assets $'000**	**Net $'000**	Gross provisions $'000	Reinsurance assets $'000	Net $'000
Incurred claims outstanding:						
Balance at 1 January	**498,144**	**(184,442)**	**313,702**	493,746	(171,949)	321,797
Change in provisions	**44,740**	**13,397**	**58,137**	(4,903)	(9,797)	(14,700)
Effect of movements in exchange rates	**(4,670)**	**640**	**(4,030)**	9,301	(2,696)	6,605
Balance at 31 December	**538,214**	**(170,405)**	**367,809**	498,144	(184,442)	313,702
Unearned premiums						
Balance at 1 January	**78,651**	**(12,429)**	**66,222**	109,036	(23,492)	85,544
Premiums written during the year	**428,047**	**(87,799)**	**340,248**	185,391	(31,598)	153,793
Premiums earned during the year	**(317,253)**	**77,469**	**(239,784)**	(217,263)	42,950	(174,313)
Effect of movements in exchange rate	**(1,989)**	**145**	**(1,844)**	1,487	(289)	1,198
Balance at 31 December	**187,456**	**(22,614)**	**164,842**	78,651	(12,429)	66,222

Notes to the financial statements (continued)

17. Creditors

(i) Creditors arising out of direct insurance operations

	2021 $'000	2020 (Restated) $'000
Due within one year	-	13,232
Due after one year	-	-
Total creditors arising out of direct insurance operations	-	13,232

(ii) Creditors arising out of reinsurance operations

	2021 $'000	2020 (Restated) $'000
Due within one year	**30,171**	12,092
Due after one year	**-**	-
Total creditors arising out of reinsurance operations	**30,171**	12,092

18. Cash at bank and in hand

	2021 $'000	2020 (Restated) $'000
Short term deposits with credit institutions	**240,902**	172,160
Cash at bank and in hand	**30,641**	12,527
Total cash and cash equivalents	**271,543**	184,687

Only deposits with credit institutions with maturities of three months or less that are used by the Syndicate in the management of its short-term commitments are included in cash and cash equivalents.

Notes to the financial statements (continued)

19. Related parties

ICML is the corporate capital provider for the 2021 year of account and SGL 1 is the corporate capital provider for the 2020 year of account and each prior year of account.

The 2021 underwriting is managed by IMAL and the 2020 year of account and each prior year of account is managed by EMAL.

Inigo related parties

ICML and IMAL are wholly owned subsidiaries of the holding company Inigo Limited.

IMAL charged a managing agency fee of $2.9m (2020: nil) to the Syndicate for its services for the 2021 year of account. At the balance sheet date, the Syndicate owed IMAL $3.4m (2020: nil).

Inigo Limited employees the staff for Inigo Group and provides services to the Syndicate, for which costs are incurred and recharged to the Syndicate. Inigo Limited charged a total of $40.0m (2020: nil) to the Syndicate. At the balance sheet date, the Syndicate owed Inigo Limited $9.0m (2020: nil).

Enstar related parties

StarStone Insurance Holdings Limited, a company incorporated in Bermuda, is the immediate parent company. Enstar Group Limited, a company incorporated in Bermuda, is the ultimate parent company and ultimate controlling party.

The Syndicate’s corporate member for the 2020 and prior years of account is SGL No.1 Limited, who provided 100% of its underwriting capacity for these years.

Cavello Bay Reinsurance Limited (“Cavello Bay”) is a wholly owned subsidiary of Enstar Group Limited. The Syndicate has a quota share agreement with Cavello Bay for the 2017 and 2018 underwriting year of accounts, in which Cavello Bay reinsures 35% of business written by the Syndicate.

During the year, the Syndicate ceded $0.1m (2020: $2.6m) of outward reinsurance premiums with Cavello Bay and recoveries (including ceded ULAE) was ($1.1m) (2020: $7.1m). The Syndicate has not remitted any funds in respect of premiums (net of commission) to Cavello Bay during the year and has an outstanding balance at the 2021 year-end of $(1.8m) in respect of the net amount due to Cavello Bay (2020: $5.3m).

StarStone Insurance SE (SISE) is a company domiciled in Lichtenstein that operates under the StarStone umbrella, and underwrote insurance and reinsurance business from London and its branches across Europe. The 2021 year-end balance due from SISE in respect of recoveries is $0.7m (2020: $0.6m).

StarStone Insurance Services Limited (SISL), a company domiciled in the United Kingdom, is a wholly owned subsidiary of StarStone Insurance Bermuda Limited (SIBL). SISL was an approved Lloyd's coverholder, whose license was revoked in 2020. The Company also provides services to EMAL to perform Syndicate activities for and behalf of the corporate member, for which costs are incurred and re-charged to the Syndicate.

Notes to the financial statements (continued)

19. Related parties (continued)

During the year, SISL charged the Syndicate $nil (2020: $0.5m) in commissions and $10.7m (2020: $35.5m) in recharged expenses. At the balance sheet date, the Syndicate owed SISL $1.1m (2020: $0.7m).

StarStone Underwriting Services B.V. (SUSBV), a company domiciled in the Netherlands, is a wholly owned subsidiary of StarStone Insurance Bermuda Limited (SIBL). SUSBV was an approved Lloyd's coverholder and acted as a coverholder for the Syndicate. During the year, SUSBV charged the Syndicate $0.1m (2020: nil) in commissions. At the balance sheet date, the Syndicate owed SUSBV $0.1m (2020: nil).

Enstar (EU) Limited ("EEUL"), a company domiciled in the United Kingdom, is a wholly owned subsidiary of Enstar Group Limited, a company incorporated in Bermuda. EEUL is a service company which employs all UK StarStone Group staff including underwriters, claims and reinsurance staff. EEUL recharged the Syndicate $nil (2020: $0.3m) in re-charged expenses. No balance was due to EEUL at the balance sheet date.

20. Foreign exchange rates

The following currency exchange rates have been used for principal foreign currency transactions

	2021		2020	
	Year-end rate	**Average rate**	Year-end rate	Average rate
Euro	**1.19**	**1.16**	1.12	1.13
US dollar	**1.35**	**1.38**	1.37	1.28
Canadian dollar	**1.71**	**1.72**	1.74	1.72
Australian dollar	**1.86**	**1.83**	1.77	1.86

21. Funds at Lloyd's

Every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyds ("FAL"). These funds are intended primarily to cover circumstances where the 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 Prudential Regulatory Authority requirements and resource criteria. The determination of 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 financial statements 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.

22. Change in presentation currency

From 1 January 2021 the Syndicate has changed its presentation currency to US dollars and hence all presentations and disclosures are in US Dollars, unless stated otherwise.

Notes to the financial statements (continued)

22. Change in presentation currency (continued)

Comparative information has been restated in US dollars in accordance with the guidance defined in FRS 102 Section 30 – Foreign Currency Translation.

The 2020 full year primary statements and associated notes have been retranslated from pounds sterling to US dollars using the procedures outlined below:

- Assets and liabilities were translated into US dollars at closing rates of exchange;
- Trading results were translated into US dollars at the rates of exchange prevailing at the dates of transaction or average rates where these are a suitable proxy. Differences resulting from the retranslation on the opening net assets and the results for the year have been presented in other comprehensive income; and
- Members' balances were translated at year end rates.

23. Members' balances

During the period, for the 2020 and prior years of account, the Syndicate received contribution to losses of $32.3m (2020: $50.7m contribution to losses) from SGL1, its corporate member.

24. Post balance sheet events

The directors considered the recent geopolitical situation in Ukraine and Russia.

The current events are not clearly timebound nor limited to direct consequences that are easily quantifiable due to their unprecedented nature. As a result, the exposure estimates continue to be assessed on an ongoing basis and remain judgmental. The net impact on the Syndicate's financial and capital position to date, from both underwriting and investments, has been limited. The directors continue to closely monitor the situation and actively assess the potential impact to the Syndicate.

The impact of an escalating global conflict may increase the risk of a systemic cyber-attack. The increased cyber risk is, in part, mitigated through regular phishing tests and additional training.

25. Ultimate Parent Company

Inigo Limited, a company incorporated in the United Kingdom, is the immediate and ultimate parent company of ICML and IMAL.

Copies of the consolidated financial statements of Inigo Limited can be obtained from The Secretary, One Creechurch Place, 7th Floor, London, United Kingdom, EC3A 5AY