SYNDICATE 2791

Report and Financial Statements
31 December 2020

MAP

Underwriting at Lloyd's

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CHAIRMAN'S REPORT

As ever there is very little I can add to Richard's extremely detailed and thoughtful analysis of the market. Once again the syndicate has produced a bottom line profit in extremely challenging market conditions, proving yet again the value of disciplined underwriting, prudent reserving, and tight control of costs. The fundamentals of our business never change.

The last 12 months have seen challenges that very few people anticipated. Uncannily, as with 9/11, the impact of the Covid-19 pandemic has come at a time when the market was starting to inch its way back to health after long years of inadequate pricing and poor underwriting. As Richard has explained, although provision has had to be made for pandemic related claims and defence costs, particularly in the 2019 year, MAP's mix of business has shielded it from some of the most dangerous pandemic-related risks. In addition our business model, in which underwriters and claims management, acting as principals, use their experience and judgment, has proved well suited to the changes in working practices made necessary by repeated lockdowns.

The simple streamlined computer systems have also supported working from home allowing the premium growth from 2019 through 2020 to continue, although as Richard has also pointed out there is still a great deal of uninformed capital that is happy to back businesses which rely blindly on the same catastrophe models that have repeatedly failed to capture the inflation inherent in these claims costs.

The good news is that there are now several other classes in which MAP has experience and expertise where conditions are improving as a result of poor loss experience (meaning bad underwriting). Our defensive strategy in these classes over much of the past decade leaves the team relatively unencumbered by the losses, allowing them as ever to treat each risk on its merits and rebuild their books on a sound technical footing.

MAP's philosophy has proven its worth over 20 years through the full range of market conditions, and it reflects huge credit on the team that they have stayed true to our founding values throughout many years where received wisdom was that the game had changed.

D E S Shipley
Chairman
24 February 2021

SYNDICATE 2791

Underwriting Year Distribution Accounts
2018 Closed Year of Account
31 December 2020

DIRECTORS AND ADMINISTRATION

MANAGING AGENT

Managing Agent
Managing Agency Partners Limited (MAP)

Directors
K Allchorne (Non-executive)
C E Dandridge (Non-executive)
J D Denoon Duncan
A S Foote (Non-executive)
T P Froehlich (Non-executive)
A Kong
P Langridge
D E S Shipley (Non-executive Chairman)
C J Smelt
R J Sumner
R K Trubshaw (Active Underwriter)

Company Secretary
P Langridge

Managing Agent's Registered Office
Fitzwilliam House
10 St. Mary Axe
London
EC3A 8EN

Managing Agent's Registration
Registered in England; number: 03985640

SYNDICATE

Active Underwriter
R K Trubshaw

Principal Investment Managers
Schroders Investment Management Limited

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

UNDERWRITER'S REPORT

2018 Year of Account

Capacity £399.5 million

The 2018 year has closed with a bottom-line profit of £11.7m distributable to members, equivalent to 2.9% of stamp capacity, compared with the forecast range of 0% to 5%. The 2018 pure year result was a modest loss of -0.4%: members benefitted from a gross back year release of £16.1m (£16.1m net of reinsurance, before agency profit commission).

Development of Closed Years (2017 and prior)

The total gross IBNR ('incurred but not reported') reserve, less future premiums, started the year at £127.9m, (at 31.12.20 rates of exchange £1 = US$1.37). £11.4m or 8.9% of this reserve was utilised in the calendar year, which is slightly more than the historical average of 7.6%. There was a gross back year release of £16.1m, and the IBNR reserve for 2018 has been set at £17.8m, meaning the ongoing total gross IBNR reserve is now £118.2m. There continues to be no fundamental change in either our reserving strategy or our ultimate completion factors.

The long-tail casualty classes generated a £5.4m gross back-year release, and now constitute 40% of the total remaining IBNR reserve (last year 41%). Aside from a one-off issue affecting 2004, 2014 and prior years all had positive development, whereas more recent years have been strengthened modestly. Note that casualty now represents less than 7% of the 2018 portfolio, compared with nearly 26% at its peak in 2003.

The short-tail account generated a £4.5m gross back-year release. We retain modest reserves on the Japanese EQ and Thai floods of 2010/11. For Superstorm Sandy our expected ultimate gross loss across all years of account is now $99.4m ($104.0m last year), of which $89.9m had been incurred at year end ($89.7m last year), as certain legal rulings have proved more favourable than initially forecast. We also prevailed in a market-wide arbitration involving a Canadian wildfire reinsurance contract affecting the 2015 year, which enabled a £3.2m release from reserves. On the other hand, this year saw roughly 10% deterioration in our gross Irma loss, driven mainly by the catastrophe excess of loss book, albeit most of this is protected by outwards reinsurance. Given that there has been dramatic upwards movement in market loss estimates over the last three years, it is worth highlighting that we are still only 15% above our initial forecast made in September 2017. Across all 2017 catastrophes (Hurricanes Harvey, Irma and Maria, as well as the Californian Wildfires) we are projecting ultimate gross catastrophe losses, after cessions to Syndicate 6103, of $79.2m, (last year $73.7m) with a year-end incurred of $74.1m (last year $67.6m).

The balance of our total IBNR reserves (26%) relates largely to Auto and other miscellaneous specialty classes. There was a £6.2m gross back-year release, 60% of which was generated by a better than expected performance on the large Irish motor account, which we wrote 2012-16.

Pure Year 2018

Utilisation of capacity

The final utilisation was 35% at closing rates of exchange. The reinsurance spend was £33.8m or 24.4% of written premium net of acquisition costs, £16.7m of which was ceded via a US catastrophe quota share to Syndicate 6103.

UNDERWRITER'S REPORT *continued*

2018 Year of Account *continued*

Performance review

As indicated in last year's report, the market failed to move significantly following the poor experience of 2017: indeed, by "doubling down" so readily capital providers effectively negated the opportunity to re-price business. Consequently, it was very difficult for businesses like MAP, which rely on market dislocation to re-underwrite other people's mistakes, to make any meaningful headway. Gross premium volume was up 15% over 2017, but still a long way short of historic norms.

Interestingly, catastrophe incidence was similarly elevated to 2017, with hurricanes Florence and Michael impacting the US, four significant loss events in Asia, followed by a repeat of the Californian Wildfires. Across all years of account we are projecting ultimate gross catastrophe losses, after cessions to Syndicate 6103, of $57.3m, (last year $58.1m) with a year-end incurred of $52.0m (last year $50.6m). There are modest provisions for both Hurricane Laura and Covid-19 affected policies which fall back to the 2018 year of account, amounting to some $2.4m of ultimate claims, (of which $1.0m had been incurred at year end).

It is pleasing to report that, despite these headwinds, the pure year generated a modest £1.8m net underwriting result. A decent investment performance (the gross calendar year yield was 4.0%), coupled with the £16.1m back year release was sufficient to offset syndicate expenses and generate a positive £11.7m or 2.9% return to Members.

Analysis of premium written by syndicate classification

	Gross written £'000	Net written £'000
Property reinsurance	87,361	58,420
Direct and facultative property	31,613	25,762
Marine and offshore energy	8,450	8,066
Motor	29,470	29,074
Third party liability	9,127	9,127
Accident and health	8,669	8,669
Specialist lines	1,691	1,691
Terrorism and political risks	2,145	2,145
Total	178,526	142,954

Investment Return

The investment return generated over the last three years has contributed £9.1m to the 2018 closed year result. The calendar year returns net of expenses in each period were: 0.7% in 2018, 4.0% in 2019 and 3.9% in 2020.

In line with established policy, the 2018 year of account receives a proportion of the investment performance of the three calendar years as determined by a formula which measures assets held in each year of account and allocates the result accordingly.

The Effect of Exchange Rates on the 2018 Distribution Account

These accounts are reported over the three consecutive years from 2018, during which the GBP:USD exchange rate has moved from an average of 1.34 to a closing rate of 1.37 at the end of 2020. This has resulted in an exchange loss versus the average rates of £1.7m over the three year period as further set out in note 13.

UNDERWRITER'S REPORT *continued*

2018 Year of Account *continued*

Reinsurance Debtors

Recoverable amounts from reinsurers amount to £47.8m, virtually all of which is current. There are no provisions for bad debts on the syndicate's reinsurance balances.

An analysis of the security rating for the debtors within our statement of financial position at 31 December 2020 is set out below:

Debt table by security rating

Standard & Poor's rating	On paid claims £m	On outstanding claims £m	On IBNR £m	Total £m
AA	3.0	1.4	2.2	6.6
A	17.0	12.8	11.4	41.2
	20.0	14.2	13.6	47.8

UNDERWRITER'S REPORT *continued*

2019 Year of Account Forecast

After two painful years, the market finally started to move in a more positive direction, although most of the improvement was limited to catastrophe exposed lines of business. Gross premium volume is up 24% over 2018, to a level similar to that achieved back in 2014.

Once again Japan suffered significant catastrophe loss from typhoons Faxai and Hagibis. Our writings in this territory are down to historic lows: in common with most International business rates are currently nowhere near commensurate with the underlying risk.

The United States had no major events in 2019, although Hurricane Dorian, which devastated the Bahamas, was a narrow miss for Florida. On the other hand, severe convective storms continue to affect the reinsurance book, and there is some fall-back from the 2020 hurricanes, Laura in particular, amounting to $3.1m ultimate gross loss, of which $1.8m had been incurred at year end.

Although Covid-19 manifested itself in the international consciousness early in 2020, we believe the (re)insurance impacts will likely be weighted towards the 2019 year of account, at least as far as MAP is concerned. There are three broad areas of analysis: firstly, those accounts where there is either explicit indemnity, or a reasonable expectation that cover will be deemed to have been triggered, with an appropriate margin of uncertainty. Secondly, an estimation of defense costs and claims handling expense involved in rebutting those claimants who we feel do not have valid coverage. Thirdly, a contingent provision against policy leakage or legal interpretations thereof, which could potentially result in claims on our US reinsurance book in particular. Note that we do not write cancellation, trade credit, travel or political risk, and have minimal involvement in property re(insurance) in Europe, Australasia or the UK.

This is clearly an evolving situation, which will likely exercise the industry for years to come, and we will be keeping a constant eye on developments.

At year end our gross ultimate provision for Covid-19 is $29.0m, of which $2.5m was incurred at year end. Of these, the specific amounts pertaining to the 2019 year of account are $21.1m and $1.7m respectively.

Given the range of uncertainty around Covid-19, we are currently maintaining an extended forecast range of -2.5% loss to 5.0% profit. All other matters being equal, at our current held provisions, the year should ultimately generate a modest return.

An estimate of the 2019 underwriting result as at 36 months is set out below:

	£'000
Stamp capacity	399,607
Gross premiums written	214,699
Net premiums written	167,520
Claims incurred – net of reinsurance	(99,262)
Net operating expenses	(52,590)
Investment return	3,382
Profit commission	(3,085)
Personal expenses	(4,542)
Non-technical account foreign exchange	917
Estimate of profit for the year of account after personal expenses	12,340

Assumptions underlying the 2019 Estimated Result:

(i) There will be no material reinsurance failures.
(ii) Syndicate expenses, incurred in the calendar year 2021 to be charged to the 2019 year of account, will continue the pattern of previous years as refined by current budgets.
(iii) Exchange rates at 31 December 2021 will not be materially different from those at 31 December 2020.
(iv) Investment returns attributable to 2019 during 2021 = 0.25% for USD and 0.0% for all other currencies.
(v) Claims will be paid in line with our expected development patterns.
(vi) No material back year surplus or deficit arises from the RITC.

UNDERWRITER'S REPORT *continued*

2020 Overview

The market was already changing a year ago, in response to poor attritional performance, elevated catastrophic experience and depressed investment yields. How much this has been further exacerbated by the impact of Covid-19 is difficult to judge, but there seem to be three main issues.

Firstly is the effect on the liability side of the industry balance-sheet, with claimants in particular attempting to trigger business interruption coverage. As outlined above, MAP is not directly involved in most of the obvious high-profile areas, and even our US book is weighted towards small, regional personal lines accounts. Whatever the ultimate quantum, we are very likely relatively underweight. Certainly few coverage issues have been finalised to date, and this is highly likely to be a long-term tax on the industry, whether it be litigation expense, defense costs, reinsurance recoverables and/or management time in addition to ultimate indemnity. At present there is a large gap between stated market expectations of ultimate loss and held reserves. Somebody is always wrong, and how insurers digest this evolving risk will influence strongly how they behave in the marketplace going forward.

The second impact is on the asset side of the balance sheet, certainly in terms of reduced investment yields, and potentially in increased pressures on solvency as certain asset classes are re-based in a post pandemic world. It should be easier for small, independent entrepreneurial businesses like MAP to compete in an increasingly risk-averse environment, given we are not reliant on investment yield to underpin an unbalanced risk-return.

The third impact is the logistics of remote working. MAP was born 20 years ago, working from home, so in a way we have simply come full circle. It is certainly relatively easier to operate if you have a small number of like-minded people, all of whom are principals in the business and are used to operating without branch offices or extended management-reporting lines.

The proof is in the pudding, they say, and it is pleasing to report that we have written 40% more gross premium than in 2019, slightly exceeding our original business plan forecast. On the other hand this only gets us back to where we were in 2012/13, and is only a little more than half our peak in 2006. Furthermore, 2020 was an elevated catastrophe year (Covid-19 apart), particularly in the US, and there are strong indications that claims cost inflation across many classes is running much higher than the general economy. Doubtless lock-down restrictions are contributing to this, whether that be through extended repair-times, contractor availability or interrupted supply-chains. Nevertheless there is an observable, underlying inflationary trend that is often being missed by standard industry models, which needs to be evaluated correctly and priced for.

Our ultimate gross loss estimate for Hurricane Laura (which struck Louisiana in August, causing around $12bn of insured damage) across all years of account is $50.2m, of which $30.8m was incurred at year end. Roughly 95% of this loss will likely fall to the 2020 year of account.

Consequently, our forecast profitability at this early stage is less than planned, although, contingent upon the absence of any future major catastrophic impacts, the year should ultimately generate a positive return.

UNDERWRITER'S REPORT *continued*

2021 Trading Conditions

Our September 2020 business plan forecast for 2021 envisaged gross volume rising a little over 30% to £317m at year end rates of exchange, similar to 2008/9 in MAP's history. We were certainly less bullish than many of our peers, given that the forecast growth rate is less than that achieved in 2020, and early indications from the January renewal season would suggest it will not be easy to achieve. As outlined above, the market is facing years of Covid-19 indigestion, but it was noticeable that very few hard decisions were taken concerning coverage at year-end, (with even the UK Supreme Court ruling not coming until mid January). Most carriers were content to 'kick the can down the road', but eventually the thorny issues surrounding reinsurance recoverables (particularly if collateralised) will need to be addressed. The market has been reasonably cogent in developing effective exclusionary language going forward, (despite the pig-headed posturing of certain broking houses), not least because a product which every policy-holder can call on at the same time is by definition uninsurable. Insurance is the ultimate leverage game, and relies on risk diversification through time, geography and amount: £100 of indemnity on average requires 25p of premium and 25p of capital. A promise to pay policy limits to everyone at the same time is clearly false. (Global asteroid impact would be the nearest analogy).

New capital is (probably) less affected by the pandemic, and has had a dampening effect on the market already, not necessarily because of anything it is actively selling, but its very presence has caused the holding markets to be more defensive of their positions, particularly the Europeans. Perhaps more pertinent is the background of the Capital Markets, awash with cheap money, and desperate for yield, which is causing them to constantly look at the insurance industry as an asset class – even despite the poor performance of recent years, and questionable status as an uncorrelated exposure.

This brings me on to a perennial bugbear: the inadequate calibration of so-called proprietary rating models. The problem is that the intellectual barriers to entry in property reinsurance are negligible: all one needs is a large bank balance and a computer. It really is just 'plug and play', and most new entrants into our industry are easily seduced. The problem is, what they are being fed (via the counterparty's intermediary) is risk-output from a severely under-cooked model. I find it particularly ironic that industry veterans will regularly opine on global warming and climate change, quite rightly pointing out the very real threats to the industry and societies around the World. Yet their organisations are still pricing to the same mis-calibrated metrics that were in place 5 years ago, despite the heightened catastrophic frequency since 2016, in both the Atlantic and Pacific, despite deterioration in loss estimates, despite the proliferation in wildfires in California and Australia – and that is observed reality, let alone whether the future will actually be even more extreme. Unfortunately, should these industry veterans actually deliver on their rhetoric and become more risk averse (and put their prices up), they would be rapidly undercut. In the past, after similar reality checks, (notably after Katrina in 2005), models were re-set to reflect the observed, empirical data. For whatever reason, this hasn't happened yet. Until it does, any business that operates with a more prudent risk metric, as we do, will pay the price of being relatively uncompetitive.

A second area of grinding concern is contract terms and conditions – arcane to the outside observer, who is generally blind-sided by rate movements, but absolutely vital to the seasoned practitioner. The state of wordings in the bespoke Lloyd's market is generally appalling, dominated as they are by the nefarious activities of the broking houses, who years ago arrogated to themselves the privilege of drawing up contracts (which legally belong to the seller). Trying to wind back years of poor policy drafting is very hard work, particularly given the paucity of wordings expertise (or interest) in the Lloyd's market. Some so-called leads are the worst guardians of all.

On a more positive note, other areas of our business, such as casualty, marine, auto and PA are coming out of the doldrums, but it is a slow process, with each risk underwritten on its merits. There is no magic wand.

Seven Year Summary of Closed Years of Account

	Note	2012	2013	2014	2015	2016	2017	2018
Syndicate allocated capacity (£m)		506.8	510.5	453.0	399.4	399.1	396.8	399.5
Number of Underwriting Members		1,718	1,721	1,720	1,691	1,710	1,701	1,681
Aggregate net premiums (£m)		258.4	194.3	149.0	137.5	145.3	134.0	143.0
Results for illustrative share of £10,000		%	%	%	%	%	%	%
Utilisation of capacity at premium income monitoring rates of exchange		48.4	38.2	34.7	30.3	31.7	26.5	35.9
Gross premiums written (% of illustrative share)		61.8	47.8	40.5	42.7	46.7	39.9	44.7
Net premiums (% of illustrative share)		51.0	38.1	32.8	34.4	36.4	33.7	35.8
Profit (% of gross premiums)		18.9	27.9	27.6	27.7	17.7	9.6	6.5
Results for illustrative share of £10,000		£	£	£	£	£	£	£
Gross premiums	1	6,185	4,782	4,051	4,266	4,667	3,986	4,469
Net premiums		5,098	3,806	3,280	3,442	3,639	3,367	3,579
Reinsurance to close from an earlier year of account		4,304	4,771	5,153	6,220	5,440	5,415	4,863
Net claims		(2,070)	(1,436)	(1,529)	(1,579)	(1,750)	(2,306)	(2,475)
Reinsurance to close	2	(4,553)	(4,439)	(4,554)	(5,707)	(5,117)	(5,056)	(4,547)
Underwriting profit		**2,779**	**2,702**	**2,350**	**2,376**	**2,212**	**1,420**	**1,420**
Acquisition costs	1	(1,370)	(1,061)	(865)	(940)	(1,030)	(932)	(1,028)
Other syndicate operating expenses, excluding personal expenses		(170)	(140)	(201)	(200)	(210)	(160)	(175)
Reinsurers' commissions and profit participations		39	49	43	2	17	18	54
Exchange movement on foreign currency translation	4	14	79	293	22	32	(5)	(43)
Net investment income		252	107	112	292	95	224	227
Illustrative personal expenses:								
Managing agent's fee		(55)	(55)	(55)	(55)	(55)	(55)	(55)
Profit commission	3	(287)	(312)	(281)	(288)	(197)	(98)	(78)
Other personal expenses	5	(34)	(35)	(28)	(29)	(37)	(29)	(29)
Profit after illustrative personal expenses and illustrative profit commission		**1,168**	**1,334**	**1,368**	**1,180**	**827**	**383**	**293**

1. Gross premiums and syndicate operating expenses have been grossed up for brokerage costs.
2. Reinsurance to close is stated at relevant average rates applicable or when reserves were first set for each year of account.
3. Profit commission is reported on a pro forma basis before the application of the deficit clause brought forward.
4. From the 2014 year of account, foreign currency realised gains and losses are now included in exchange movement on foreign currency translation rather than within other syndicate operating expenses. Comparatives in this seven year summary have not been restated as it is immaterial and this change has nil impact on the profit after illustrative personal expenses and illustrative profit commission.
5. Other personal expenses include Lloyd's subscriptions and central fund contributions.

Solvency Capital Requirement

The managing agent is required to provide a Solvency Capital Requirement (SCR) to Lloyd's which sets the capital required to be held by the members of the syndicate for the prospective underwriting year. Lloyd's syndicate SCRs are combined to provide the basis of the Lloyd's internal model which the Prudential Regulation Authority originally approved in December 2016.

This amount is derived from the syndicate's loss distribution, which is calculated internally. It is the loss at the 99.5% confidence level, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group. A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicate on which it is participating but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Requirement (ECR). 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 2018 is 35% of the member SCR 'to ultimate'.

The syndicate current capital requirement has been established using our internal Solvency II model which has been run within the capital regime as prescribed by Lloyd's. The internal model uses sophisticated mathematical models reflecting key risks within the syndicate. The risks are principally Insurance (catastrophes, pricing and reserving), Market (equity, liquidity, currency, interest rate and spread), Credit (brokers, investment and reinsurance) and Operational.

The following table sets out the syndicate's ECR which is unaudited:

2018 Approved Capital

Lloyd's ECR

	2018 £m
2791	247.6

ECR capital is provided by the members of the syndicate from syndicate retained profits plus additional contributed assets held and managed by Lloyd's of London, known as Funds at Lloyd's or FAL.

European Union business

On 31 January 2020 the UK formally left the EU (commonly known as Brexit) and the transition period lasting until 31 December 2020 has ended. Following the end of the transition period, Lloyd's members, including Syndicate 2791, no longer benefit from EU passporting provisions and will no longer have permission to underwrite European Economic Area (EEA) (re)insurance business.

In order to ensure continued market access to European (re)insurance business following the U.K.'s commitment to exit the European Union, Lloyd's established a Belgian subsidiary - Lloyd's Insurance Company S.A. (LIC) authorised and regulated as an insurance entity by the National Bank of Belgium and regulated by the Belgian Financial Services and Markets Authority. This 100% owned European domiciled subsidiary is capitalised in accordance with Solvency II rules and is licensed to write non-life risks across the European Economic Area (EEA), the UK and Monaco.

Since 1st January 2019, all new European non-life direct business written has been directly underwritten by the syndicate on behalf of LIC under a reinsurance treaty. LIC has 100% reinsured back to the relevant Lloyd's syndicates with this structure facilitating both continuity with European business partners and policyholders and access to the underwriting expertise of the Lloyd's market and its established distribution channels.

Because of this structure all direct European Union business written from 1 January 2019 has been presented as reinsurance accepted in the underwriting year syndicate accounts.

In addition to its own capital, Lloyd's Insurance Company S.A. benefits from certain Lloyd's central resources, including the Lloyd's Central Fund and Lloyd's unique capital structure, often referred to as the 'Chain of Security'.

To achieve contract continuity, Lloyd's transferred all remaining affected policies (comprising all relevant non-life direct EEA insurance and inwards German reinsurance business that has been written by the Lloyd's market between 1993 and 2020) to Lloyd's Brussels. This was undertaken via an insurance business transfer under Part VII of the UK's Financial Services and Markets Act 2000 (the Part VII transfer) and took place on 1st January 2021. It will ensure the orderly run-off of existing EEA policies and claims without any breach of legal or regulatory requirements.

Following the sanctioning of the scheme by the High Court on 25 November 2020, the scheme took effect on 30 December 2020 and the members and former members of the syndicate transferred the impacted EEA policies and related liabilities to Lloyd's Brussels, together with cash of $24.6m. On the same date, under the Reinsurance Agreement, Lloyd's Brussels reinsured the same risks back, together with an equal amount of cash of $24.6m.

The combined effect of the two transactions had no economic impact for the syndicate, and accordingly there is no impact on the syndicate's income statement or statement of financial position.

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

The insurance debtors in note 16, insurance creditors in note 18 and the net technical provisions analysis at 31 December 2020 by class of business in note 4 now reflect the transferred business under inwards reinsurance.

Future Developments

The syndicate continues to transact the majority of its business in the classes of general insurance and reinsurance that it has transacted historically.

Disclosure of Information to the Auditors

So far as each person who was a director of the managing agent at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with its report, of which the auditor is unaware. Having made enquiries of fellow directors of the agency and the syndicate's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

This managing agent's report was approved by the Board of Managing Agency Partners Limited on 23 February 2021 and signed on its behalf by:

R K Trubshaw
Active Underwriter
Managing Agency Partners Limited
24 February 2021

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulations 2008 ('the Lloyd's Regulations') require the managing agent to prepare syndicate underwriting year accounts for each syndicate in respect of any underwriting year which is being closed by reinsurance to close at 31 December. Detailed requirements in respect of the underwriting year accounts are set out in the Lloyd's Syndicate Accounting Byelaw (No 8. of 2005).

The managing agent must prepare the syndicate underwriting year accounts which give a true and fair view of the result of the closed year of account.

In preparing the syndicate underwriting year accounts, the managing agent is required to:

- select suitable accounting policies which are applied consistently and, where there are items which affect more than one year of account, ensure a treatment which is equitable as between the members of the syndicate affected. In particular, the amount charged by way of premium in respect of the reinsurance to close shall, where the reinsuring members and reinsured members are members of the same syndicate for different years of account, be equitable as between them, having regard to the nature and amount of the liabilities reinsured;
- take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in these underwriting year accounts.

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the syndicate and enable it to ensure that the syndicate underwriting year accounts comply with the Lloyd's Regulations. It is also responsible for safeguarding the assets of the syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT

to the Members of Syndicate 2791

Independent auditor's report to the members of Syndicate 2791 – 2018 closed year of account

Report on the audit of the syndicate underwriting year accounts for the 2018 closed year of account for the three years ended 31 December 2020

Opinion

In our opinion the syndicate underwriting year accounts of Syndicate 2791 (the 'syndicate'):

- give a true and fair view of the profit for the 2018 closed year of account;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

We have audited the syndicate underwriting year accounts which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of cash flows; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "the Financial Reporting Standard applicable in the UK and Republic of Ireland", the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

Basis for opinion

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

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

Other information

The other information comprises the information included in the annual report, other than the syndicate underwriting year accounts and our auditor's report thereon. The managing agent is responsible for the other information contained within the annual report. Our opinion on the syndicate underwriting year accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of managing agent

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

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

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

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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

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

- had a direct effect on the determination of material amounts and disclosures in the underwriting year accounts. These included the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005); and
- do not have a direct effect on the underwriting year accounts but compliance with which may be fundamental to the syndicate's ability to operate or to avoid a material penalty. These included the requirements of Solvency II.

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

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

- Auditing standards require that we presume there to be a significant risk of fraud relating to the recognition of revenue. For Syndicate 2791, we relate this significant risk to the estimation of pipeline premiums on proportional reinsurance and delegated authority business, specifically the estimated premium income factor adjustment that is applied by management at a block of business level. In response our testing included, for each block of business, comparing management's prior year estimated premium adjustments to the current year and challenging the validity of the rationale behind the adjustments.
- For Syndicate 2791 we have identified short tail and long tail specific claims reserves as a significant risk and fraud risk due to the wide range of outcomes that may be supportable for each claim. For a sample of these specific claims we: obtained and inspected case documentation for each loss; challenged management on any areas of judgement made when interpreting case information; considered the completeness of information used in determining the carried reserve; considered the overall level of consistency year on year in the valuation of specific reserves; and reviewed claims files to identify evidence of changes in the reserve held during 2020 and assessed whether these changes are appropriate.

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

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

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

Report on other legal and regulatory requirements

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

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

- the information given in the managing agent's report for the financial year for which the syndicate underwriting year accounts are prepared is consistent with the syndicate underwriting year accounts; and
- the managing agent's report has been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

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

Matters on which we are required to report by exception

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

- the managing agent in respect of the syndicate has not kept adequate or proper accounting records; or
- the syndicate underwriting year accounts are not in agreement with the accounting records or
- we have not received all the information and explanations we require for our audit; or
- the syndicate underwriting year accounts are not in compliance with the requirements of paragraph 5 of Schedule 1 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have nothing to report in respect of these matters.

Use of our report

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

Andrew Downes (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK

24 February 2021

INCOME STATEMENT TECHNICAL ACCOUNT – GENERAL BUSINESS

2018 Closed Year of Account for the three years ended 31 December 2020

	Note	2018 £'000
Syndicate allocated capacity		399,453
Earned premiums, net of reinsurance		
Gross premiums written	4	178,526
Outward reinsurance premiums		(35,572)
Earned premiums, net of reinsurance		142,954
Reinsurance to close premiums received, net of reinsurance	5	194,219
Allocated investment return transferred from the non-technical account		9,086
Claims incurred, net of reinsurance		
Claims paid		
Gross amount		(128,105)
Reinsurers' share		29,249
		(98,856)
Reinsurance to close premium payable, net of reinsurance	6	(181,630)
Acquisition expenses		(41,056)
Reinsurers' commissions and profit participations		2,155
Administrative expenses	8	(13,477)
Net operating expenses		(52,378)
Balance on the technical account – general business	12	13,395

INCOME STATEMENT NON-TECHNICAL ACCOUNT

2018 Closed Year of Account for the three years ended 31 December 2020

	Note	2018 £'000
Balance on the technical account for general business		13,395
Investment return	*11*	9,086
Allocated investment return transferred to general business – technical account		(9,086)
Non-technical account foreign exchange	*13*	(43)
Profit for the 2018 Closed Year of Account excluding other comprehensive income		13,352

STATEMENT OF COMPREHENSIVE INCOME

2018 Closed Year of Account for the three years ended 31 December 2020

	Note	2018 £'000
Profit for the 2018 Closed Year of Account excluding other comprehensive income		13,352
Exchange differences on foreign currency translation	*13*	(1,681)
Profit for the 2018 Closed Year of Account including other comprehensive income being profit distributed to members		11,671

STATEMENT OF FINANCIAL POSITION

2018 Closed Year of Account as at 31 December 2020

	Note	2018 £'000
Assets		
Financial Investments	*14*	175,821
Deposits with ceding undertakings	*15*	–
Debtors	*16*	34,525
Reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account	*7*	27,779
Other assets		
Cash at bank and in hand	*19*	8,409
Prepayments and accrued income		
Accrued interest		568
Other prepayments and accrued income		670
Total assets		247,772
Liabilities		
Amounts due to members	*17*	11,671
Reinsurance to close premiums payable to close the account – gross amount	*7*	206,467
Other creditors	*18*	26,654
Accruals and deferred income		2,980
Total liabilities		247,772

The financial statements on pages 18 to 34 were approved by the Board of Managing Agency Partners Limited on 23 February 2021 and were signed on its behalf by:

R K Trubshaw
Active Underwriter

R J Sumner
Finance Director

24 February 2021

STATEMENT OF CASH FLOWS

2018 Closed Year of Account for the three years ended 31 December 2020

	Note	2018 £'000
Operating profit on ordinary activities		13,352
Movement in gross technical provisions		206,467
Movement in reinsurers' share of gross technical provisions		(27,779)
Movement in debtors		(35,763)
Movement in creditors		29,634
Investment return		(9,086)
Exchange differences on foreign currency translation		2,888
Net cash inflow from operating activities		179,713
Cash flows from investing activities		
Purchase of equity and debt instruments		(388,136)
Sale of equity and debt instruments		217,086
Investment income received		10,167
Movement in deposits with ceding undertakings		–
Movement in overseas deposits and commingled fund		(10,355)
Net cash outflow from investing activities		(171,238)
Movement in cash and cash equivalents		8,475
Cash and cash equivalents at 1 January		–
Cash and cash equivalents at 31 December	*19*	8,475

NOTES TO THE ACCOUNTS

2018 Closed Year of Account for the three years ended 31 December 2020

1. Basis of Preparation and Statement of Compliance

These financial statements have been prepared under the 2008 Regulations and in accordance with the Syndicate Accounting Byelaw (No.8 of 2005) and applicable accounting standards in the United Kingdom. Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and Financial Reporting Standard 103 'Insurance Contracts' (FRS 103) have been applied.

As permitted by FRS 103 the syndicate continues to apply the existing accounting policies that were applied prior to this standard for its insurance contracts.

The Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) requires the aggregation of movements in each of the three calendar years for any Underwriting Year of Account. For 2018's Underwriting Year Distribution Account each calendar year result is aggregated using the relevant years average rates of exchange for each item in the income statements. The reinsurance to close received by 2018 from 2017 is presented as both a premium and as part of the reinsurance to close payable at the same rates, which are the rates at 1 January 2020. Any changes made to the opening reinsurance to close are accounted for at the average rates ruling during calendar year 2020.

The financial statements are prepared under the historical cost convention except for certain financial instruments which are measured at fair value.

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These accounts relate to the 2018 year of account which has been closed by reinsurance to close at 31 December 2020; consequently the statement of financial position represents the assets and liabilities of the 2018 year of account and the income statements and statement of cash flows reflect the transactions for that year of account during the three year period until closure.

As each syndicate year of account is a separate annual venture, comparatives are not required to be disclosed.

Reinsurance to close

A Reinsurance to Close (RITC) is a reinsurance which closes a year of account and transfers the responsibility for discharging all the liabilities that attach to that year of account (and any year of account closed into that year) plus the right to any income due to the closing year of account into an open year of account of the same or a different syndicate in return for a premium.

Effective at each year-end 31 December, the RITC process means that all assets and liabilities have been transferred to a reinsuring year of account. To this extent, the risks that the syndicate is exposed to in respect of the reported financial position and financial performance are significantly less than those relating to the open years of account as disclosed in the syndicate Annual Accounts. Accordingly, these underwriting year accounts do not include the associated risk disclosures required by section 34 of FRS 102 and section 4 of FRS 103. Full disclosures relating to these risks are provided in the main Annual Accounts of the Syndicate. In addition, certain other disclosure requirements under FRS 102 and FRS 103, such as the disclosure of a Statement of Changes in Members' Balances, have not been provided as they are not required for a proper understanding of the underwriting year accounts.

The functional currency is US dollars but the financial statements are prepared in sterling which is the presentational currency of the syndicate and rounded to the nearest £'000.

Syndicate 2791 cedes business under a quota-share treaty to Syndicate 6103 which is operated on a funds withheld basis by Syndicate 2791. Syndicate 6103 holds no cash or investments. All of Syndicate 6103's funds are held by Syndicate 2791 which makes payments of liabilities on Syndicate 6103's behalf. Debtors and creditors between the syndicates are grossed up in the syndicate statement of financial position and upon the closure of each year of account, normally after 36 months, the assets and liabilities of that closing year are netted off as part of the commutation settlement with Syndicate 6103. Syndicate 6103 is also managed by the managing agent, MAP.

2. Judgements and Key Sources of Estimation Uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year.

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

However, the nature of estimation means that actual outcomes could differ from those estimates.

It should however be noted that upon RITC the uncertainties are transferred to the accepting year of account of the syndicate, being the 2019 year of account at 31 December 2020.

2. Judgements and Key Sources of Estimation Uncertainty *continued*

continued

The following are the syndicate's key sources of estimation uncertainty:

Insurance contract technical provisions (reinsurance to close premium payable) (see note 7)
For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some types of policies, IBNR claims form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder, Bornheutter-Ferguson methods and individual reserving at contract level.

The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the statement of financial position date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims IBNR at the statement of financial position date based on statistical methods.

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

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

The directors consider the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. In addition, where losses are not settled until several years after the expiration of the policy in question, the estimates are considered to be more volatile and consequently are subjected to additional management judgemental prudence adjustments. The methods used, and the estimates made, are reviewed regularly.

Where the amount of any material salvage and subrogation recoveries is separately identified it is reported as an asset.

Changes in assumptions, quantum or complexity of claims can affect the value of these provisions.

Estimates of future premiums (see note 16)
For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates are judgemental. The main assumption underlying these estimates is that past premium development can be used to project future premium development.

Estimates include an element of judgement with regard to the level of claims affected future premiums receivable by the syndicate. The methods used for assessing future premiums generally involve projecting from past experience, based on the development of claims and the related inwards premiums receivable against these claims. The directors consider whether the estimates of gross future premium are fairly stated on the basis of the information available currently to them. However, the ultimate receivable will vary as a result of subsequent information or events and this may result in significant adjustments.

The estimated premium income in respect of facility contracts, for example binding authorities and lineslips, includes an estimate of the underlying business attaching to each facility at the statement of financial position date.

2. Judgements and Key Sources of Estimation Uncertainty *continued*

Fair value of financial assets and derivatives determined using valuation techniques

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques.

These valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on estimates. It incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

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

3. Accounting Policies

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

Insurance contracts

An insurance contract (including inwards reinsurance contract) is defined as a contract containing significant insurance risk. Insurance risk is considered significant if, and only if, an insured event could cause the syndicate to pay significant additional benefits in any scenario. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire.

Premiums written

Premiums written comprise premiums on contracts incepted during the financial year of account as well as adjustments made in the year to premiums written in prior accounting periods. Estimates are made for pipeline premiums, representing amounts due to the syndicate not yet received at the statement of financial position date.

Premiums written are disclosed before the deduction of acquisition costs and taxes or duties levied on them and are treated as fully earned.

Premiums for contracts where the syndicate delegates underwriting authority to another party (e.g. binding authorities, lineslips or proportional treaties) use an estimate of the proportion of premiums incepted at the reference date as an estimate based on historical inception patterns, if no pattern exists business is assumed to incept evenly over the term of the delegated authority.

Acquisition costs

Acquisition costs comprising commission and other direct or indirect costs related to the acquisition of insurance contracts are deferred to the extent that they are attributable to premiums unearned at the statement of financial position date. The value of commission paid to insurance intermediaries is determined based on the contractual amounts recorded in all contracts. Where, however, policies are issued and the insured agrees to pay a fee directly to the intermediary without reference to the insurer, the written premium comprises the premium payable to the insurer and accounting for broker acquisition costs is inappropriate.

An element of underwriters costs are transferred from administrative expenses to other acquisition costs as they are considered to be appropriate indirect costs arising from the conclusion of insurance contracts and are connected with the processing of proposals and the issuing of policies. The amount transferred is based on underwriters headcount and an estimate of time spent on the administration of insurance policies written and is earned in line with premium.

Reinsurance premium ceded

Outwards reinsurance purchased consists of excess of loss contracts and proportional reinsurance contracts. Initial excess of loss premiums are accounted for in the year of inception. Premiums ceded to reinstate reinsurance cover or additional premiums payable on loss are recognised when they may be assessed with reasonable certainty. Proportional outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

Claims paid and related recoveries

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

3. Accounting Policies *continued*

Reinsurance to close premium payable

The RITC premium is determined on the basis of estimated outstanding liabilities and related claims settlement costs (including claims IBNR), net of estimated collectible reinsurance recoveries, relating to the closed year of account and all previous years of account reinsured therein.

The estimate of claims outstanding is assessed on an individual case and class basis, as appropriate, and is based on the estimated ultimate cost of all claims notified but not settled by the statement of financial position date, together with the provision for related claims handling costs. It also includes the estimated cost of claims IBNR at the statement of financial position date based on statistical methods.

Future unallocated loss adjustment expenses

An accrual for all future unallocated loss adjustment expenses ('ULAE') is made if applicable. The ULAE is comprised of those costs which are related to the settlement of earned claims but which are not directly attributable to individual claims. ULAE expenses are undiscounted and include the expenses of managing the run-off of the business on the basis the business is a going concern. Costs of administration of the reinsurance programme are included in the gross ULAE. Separate reserves are established for each year of account.

Legal provisions

The syndicate may be subject to legal disputes, in the normal course of business. Provisions for such events and their related costs are recognised within expenses and accruals where there is an expected present obligation relating to a past event or evidence exists of the requirement for a general provision that can be measured reliably and it is probable that an outflow of economic benefit will be required to settle an obligation.

The directors of the managing agent do not expect the outcome of these claims, either individually or in aggregate, to have a material effect upon the syndicate's operations or financial position. As allowed by FRS 102, further disclosure has not been given as it may seriously prejudice the outcome of any legal proceedings.

Insurance receivables and payables

Insurance receivables and payables are recognised when due and measured on initial recognition at the fair value of the consideration received. They are derecognised when the obligation is settled, cancelled or expired.

Bad debt

Bad debts are provided for only where specific information becomes available to suggest a debtor may be unable or unwilling to settle its debts to the syndicate. Specific information may be directly attributed to the debtor company or may be indirect information from a rating agency or other source. The provision is calculated on a case by case basis.

Foreign currency translation

Financial Reporting Standard 102 requires each entity to identify its functional currency and a presentational currency. The functional currency is identified as the currency of the primary economic environment in which the entity operates. The functional currency of this syndicate is US dollars as the majority of the underwriting business, cash flows and expenses are in US dollars. We have chosen to maintain our presentational currency as sterling as the syndicate is based in the UK, complies with UK reporting standards and this enables simpler comparisons to other Lloyd's insurance syndicates.

The syndicate records transactions in four settlement currencies being sterling, US dollars, Canadian dollars and Euros and when reported these currencies are translated in the income statement at the average rates of exchange for each calendar year of the 36 month period respectively. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

As permitted by FRS 103, the syndicate has continued with its existing accounting policy to treat non-monetary assets and liabilities arising from insurance contracts (which include items such as unearned premiums and deferred acquisition costs) the same as monetary assets and liabilities. Consequently, all assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date or if appropriate at the forward contract rate.

Exchange differences from the functional currency (US dollars) arising from the retranslation of opening balances and between average and year-end rates to the presentational currency are included in the statement of comprehensive income.

All other exchange differences are included in the general business non-technical account.

3. Accounting Policies *continued*

Foreign currency translation *continued*

Where Canadian dollars or Euros are sold or bought relating to the profit or loss of the closed underwriting account after 36 months, any exchange profit or loss arising is reflected in the underwriting account into which the liabilities of that year have been reinsured. Where US dollars relating to the profit or loss of a closed underwriting account are bought or sold by the syndicate on behalf of the members on that year, any exchange profit or loss accrues to those members.

The following rates of exchange to sterling have been used in the preparation of these accounts:

	Year end rate	Average rates during		
	2020	**2020**	2019	2018
USD	**1.37**	**1.28**	1.28	1.34
CAD	**1.74**	**1.72**	1.69	1.73
EUR	**1.12**	**1.13**	1.14	1.13

Syndicate 6103 funds withheld basis

Syndicate 2791 has purchased a proportional reinsurance contract from Syndicate 6103 also managed by Managing Agency Partners Limited. This proportional reinsurance contract operates on a funds withheld basis; reinsurance premium less recoveries payable to Syndicate 6103 are withheld by Syndicate 2791. The withheld funds are invested alongside Syndicate 2791's other investments until Syndicate 6103 closes the relevant year of account, normally at 36 months.

At the closure, by Reinsurance to Close of Syndicate 6103 the net funds are released to the members of Syndicate 6103. Syndicate 2791 has the right to request funds from the members of Syndicate 6103 if its net balance becomes a liability.

The contract between the syndicates provides that an investment return is payable by Syndicate 2791 on the average net balance owed to Syndicate 6103. The return mirrors that achieved by Syndicate 2791 on its own funds, principally, the credit for reinsurance trust fund in respect of US dollar balances.

Investment values

Financial investments are valued at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

Listed investments

Listed and other quoted investments are stated at current bid value at the statement of financial position date. For this purpose listed and quoted investments are stated at market value and deposits with credit institutions are stated at cost.

The cost of syndicate investments is the amount paid on the purchase date for those investments still held at the statement of financial position date.

Deposits

All deposits with credit institutions are stated at cost.

Unlisted investments

Some investments are not listed or in a market not regarded as active because:

- quoted prices are not readily and regularly available; or
- prices do not represent actual and regularly occurring market transactions on an arm's length basis.

In such circumstances the syndicate then seeks to establish fair value by using third party administrators with experience in valuing such assets using valuation techniques as described below:

- using recent arm's length transactions between knowledgeable, willing parties (if available);
- reference to the current fair value of other instruments that are substantially the same; and
- discounted cash flow analyses and option pricing models.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on estimates. It incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial investment.

3. Accounting Policies *continued*

Unlisted investments continued

The syndicate participates in hedge/credit funds and related financial instruments for which there are no available quoted market prices. The valuation of these hedge funds is based on fair value techniques (as described above). The fair value of the hedge/credit fund portfolio is calculated by reference to the underlying net asset values (NAVs) of each of the individual funds.

Consideration is also given to adjusting such NAV valuations for any restriction applied to distributions, the existence of any illiquid share classes, and the timing of the latest available valuations. The cost of syndicate investments is deemed to be the aggregate of market value at the accepted RITC date of those investments still held at the current statement of financial position date, and purchases during the period.

Deposits with ceding undertakings

Deposits with ceding undertakings are measured at cost less allowance for impairment.

Investment return

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

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

Movements in unrealised gains and losses on investments represent the difference between their valuation at the statement of financial position date and their purchase price or, if they have been previously valued, their valuation at the last statement of financial position date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

As detailed above with regard to funds withheld on behalf of Syndicate 6103, investment income earned in the period is reduced by the amount payable to Syndicate 6103.

Purchases and sales of investments are recognised on the trade date, which is the date the syndicate commits to purchase or sell the assets. Funds receivable or payable after the trade date are recorded in debtors and creditors respectively until settled.

Allocation of investment return

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments are generated by insurance related assets.

Investment management expenses

Comprise contractual fees and profit commissions payable to external third party investment managers for managing the syndicate's investment funds. They are accrued in the period to which they relate.

Overseas deposits

Overseas deposits lodged as a condition of conducting underwriting business in certain countries in compliance with Lloyd's licences are stated at the market value, based on a bid price, ruling at the statement of financial position date.

Operating expenses

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

An element of underwriters costs are transferred from administrative expenses to other acquisition costs as detailed in the acquisition costs accounting policy note.

Taxation

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

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 are included in the statement of financial position under the heading 'debtors'.

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

3. Accounting Policies *continued*

Pension costs

MAP operates a defined contribution scheme. Pension contributions relating to syndicate staff are charged to the syndicate and included within net operating expenses.

Profit commission

Profit commission is charged by the managing agent at a rate of 20% of profit subject to a hurdle rate and the operation of a deficit clause. This is charged to the syndicate on an earned basis but does not become payable until after the year of account closes, normally at 36 months. When the syndicate makes a loss that loss will be debited by year of account until fully utilised reducing the following two years of account's results for the purpose of calculating profit commission.

4. Segmental Analysis

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

	Gross written premiums (note 1) £'000	Gross claims incurred (note 2) £'000	Net operating expenses (note 4) £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
2018 year of account						
Direct insurance						
Accident and health	8,524	(3,829)	(3,950)	(5)	740	(6,561)
Fire and other damage to property	28,381	(11,790)	(9,997)	(2,510)	4,084	(5,724)
Marine, aviation and transport	8,352	(4,275)	(2,248)	27	1,856	(9,655)
Motor (other classes)	24,089	(9,546)	(8,169)	(2,275)	4,099	(18,109)
Third party liability	5,400	(3,895)	(1,917)	(16)	(428)	(20,011)
Miscellaneous	847	(1,628)	(192)	(2)	(975)	(3,851)
	75,593	(34,963)	(26,473)	(4,781)	9,376	(63,911)
Reinsurance	102,933	(72,681)	(25,905)	(9,414)	(5,067)	(114,777)
Total	178,526	(107,644)	(52,378)	(14,195)	4,309	(178,688)

1. Gross premiums earned are identical to gross premiums written.
2. Gross claims incurred comprise gross claims paid and movement in gross technical provisions.
3. All premiums are concluded in the UK.
4. Net operating expenses include reinsurer's commissions and profit participations.
5. All 2017 and prior years of account movements during 2020 are reflected in the above figures.
6. The business class split reported is a statutory reporting requirement but the business is managed by its own business classes and hence an element of allocation is used.
7. The net technical provisions analysis at 31 December 2020 by class of business now reflects the transferred Part VII business under inwards reinsurance but there is no impact on the current year underwriting result as detailed in the managing agents report.

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

	Direct £'000	Reinsurance £'000	Total £'000
UK	17,175	1,664	18,839
EU countries	2,269	1,263	3,532
US	43,210	88,175	131,385
Other	12,939	11,831	24,770
Total	75,593	102,933	178,526

Total commissions on direct gross premiums written amount to £11.9m.

5. Reinsurance to Close Premium Receivable

	Syndicate 2791 £'000	Syndicate 6103 £'000	Total £'000
Gross reinsurance to close premium receivable	227,575	796	228,371
Reinsurance recoveries anticipated	(34,152)	–	(34,152)
Reinsurance to close premium receivable, net of reinsurance	193.423	796	194,219

At 1 January 2020, Syndicate 2791 accepted a Reinsurance to Close Premium from Syndicate 6103 in respect of Syndicate 6103's 2017 year of account.

6. Movement in Underwriting Reserves

The following table reconciles the reinsurance to close in the income statement to the statement of financial position:

	Reserves at average rate £'000	Exchange to closing rate £'000	Closing RITC £'000
2017 and prior opening balance	(193,423)	4,673	(188,750)
Movement in paid, outstanding and IBNR in year	36,858	(1,213)	35,645
Change in three year period (2018 pure)	(25,628)	(518)	(26,146)
Movement in unallocated loss and loss adjustment expenses	563	–	563
	(181,630)	2,942	(178,688)

The exchange difference arising from the retranslation of the opening reinsurance to close liabilities is exactly matched by the assets transferred in at 1 January 2020 in currency and therefore the effect to the income statement is nil.

7. Reinsurance to Close Premium Payable

	2017 and prior £'000	2018 pure £'000	2018 £'000
Gross outstanding claims	64,836	9,345	74,181
Reinsurance recoveries anticipated	(12,713)	(1,475)	(14,188)
Net outstanding claims	52,123	7,870	59,993
Provision for gross claims incurred but not reported	105,783	20,223	126,006
Reinsurance recoveries anticipated	(11,645)	(1,946)	(13,591)
Provision for net claims incurred but not reported	94,138	18,277	112,415
Unallocated loss and loss adjustment expenses	5,466	814	6,280
Net premium for reinsurance to close	151,727	26,961	178,688

A positive run-off of £16.1m on the 2017 and prior years' reserves (2016 and prior: £19.0m) was experienced in the year. This change to the previous closed year reserves was 8.5% of the relevant provisions brought forward.

The reinsurance to close is effected to the 2019 year of account of Syndicate 2791.

8. Administrative Expenses

	£'000
Personal expenses	3,361
Profit commission payable to managing agent	3,122
Other administrative expenses	6,994
Gross operating expenses	13,477
Expense recoveries from reinsurers	–
Net operating expenses	13,477

Personal expenses comprise managing agent's fees, Lloyd's subscriptions and central fund contributions.

Administrative expenses include:	2791 £'000	6103 £'000	Total £'000
Fees for the audit of the syndicate	184	15	199
Audit related assurance	92	19	111
Taxation compliance services	8	–	8
	284	34	318

Audit related assurance includes reporting required by law and regulation, reviews of interim financial information and reporting on regulatory returns.

9. Staff Numbers and Costs

All staff are employed by the managing agent. The following amounts were recharged to the syndicate in respect of salary costs:

	£'000
Wages and salaries	4,498
Social security costs	530
Other pension costs	313
	5,341

Included above are the employment costs of underwriters attributable to acquisition of business and those of claims staff treated within the technical account as Acquisition Costs and Loss Adjustment Expenses respectively.

The average number of employees employed by the managing agent but working for the syndicate during the three years was as follows:

Administration and finance	19
Underwriting	25
Claims	5
	49

10. Emoluments of the Directors of Managing Agency Partners Limited

The directors of Managing Agency Partners Limited received the following aggregate remuneration charged to the syndicate and included within net operating expenses:

	£'000
Emoluments	1,119

The 2018 year of account has been charged with active underwriter's remuneration as follows:

	£'000
Emoluments – R K Trubshaw	297

Profit related remuneration in respect of all directors and staff is wholly paid and borne by the managing agent.

11. Investment Return

	£'000
Investment income	
Income from investments	4,095
Gains on the realisation of investments	6,285
Losses on realisation of investments	(524)
	9,856
Net unrealised gains and losses	253
Investment expenses and charges	
Investment management expenses, including interest payable	(611)
Investment return payable to Syndicate 6103	(412)
	(1,023)
Total Investment Return	9,086

All investment return arises from investments designated as fair value through profit and loss.

12. Balance on the Technical Account – General Business

	2017 and prior years of account £'000	2018 pure years of account £'000	Total 2018 £'000
Balance excluding investment return and operating expenses	17,883	38,804	56,687
Brokerage and commission on gross premium	319	(41,375)	(41,056)
Allocated investment income	–	9,086	9,086
Net operating expenses other than acquisition costs	44	(11,366)	(11,322)
	18,246	(4,851)	13,395

13. Exchange Gains and Losses

Exchange gains and losses arise as follows:

	£'000
On 2018 balances brought forward at 1 January 2020: from opening to closing rates	(1,036)
On transactions during the calendar year: from average to year end rates	(688)
	(1,724)
Represented by:	
Non-technical account foreign exchange	(43)
Exchange differences on foreign currency translation	(1,681)
	(1,724)

14. Financial Investments

	Market value £'000	Cost £'000
Investments:		
Shares and other variable yield securities and units in unit trusts	28,425	27,958
Debt securities and other fixed income securities	133,154	131,416
Participation in investment pools	1,424	1,278
Deposits with credit institutions	799	799
Overseas deposits as investments	10,421	10,276
	174,223	171,727
Hedge Funds/Alternative Assets:		
Shares and other variable yield securities and units in unit trusts	–	–
Debt securities and other fixed income securities	–	–
Participation in investment pools	1,598	1,508
Deposits with credit institutions	–	–
Overseas deposits as investments	–	–
	1,598	1,508
Total Investments:		
Shares and other variable yield securities and units in unit trusts	28,425	27,958
Debt securities and other fixed income securities	133,154	131,416
Participation in investment pools	3,022	2,786
Deposits with credit institutions	799	799
Overseas deposits as investments	10,421	10,276
	175,821	173,235

Within "Shares and other variable yield securities and units in unit trusts" £13.5m are listed on a recognised exchange. These comprise 7.7% of the total market value of investments.

15. Deposits with Ceding Undertakings

Payment of advance funds by syndicates were required under the Part VII transfer reinsurance agreement into segregated Part VII Settlement bank accounts. These are managed by managing agent's on behalf of Lloyds Insurance Company, Brussels (LIC) to settle Part VII claims. Amounts are denominated in multiple currencies, being GBP, EUR and USD and operated by Citibank.

On 4th Jan 2021, £3.1m was transferred to LIC as a claims float to settle Part VII claims.

16. Debtors

	£'000
Arising out of direct insurance operations	513
Arising out of reinsurance operations	31,438
Inter-syndicate loan	–
Members' agents' fees advances	1,474
Non-standard personal expenses due from members (overseas taxation)	292
Reinsurers' profit commission and overriding commission	808
	34,525

Debtors arising out of reinsurance operations of £31.4m include funds due in respect of Syndicate 6103 of £15.0m.

17. Amounts Due to Members

	£'000
Profit for the 2018 Closed Year of Account due to members at 31 December 2020	11,671

18. Other Creditors

	£'000
Arising out of direct insurance operations	
Policyholders	–
Intermediaries	2,790
Arising out of reinsurance operations	20,221
Profit commissions	2,918
Reinsurance profit commission payable	458
Inter-syndicate loan	267
	26,654

Creditors in respect of reinsurance operations of £20.2m include funds due to Syndicate 6103 of £16.7m.

19. Cash and Cash Equivalents

	£'000
Cash at bank and in hand	8,409
Short term deposits with financial institutions	66
	8,475

20. Related Parties

The managing agency (MAP), the Syndicates 2791 and 6103 and the directors of MAP are all related parties.

- MAP's relationship to the syndicates is governed by a managing agent's agreement
- The syndicates relationship to each other is governed by a reinsurance contract for each year of account
- Some of the directors of the managing agency own shares in the managing agent and receive remuneration from the managing agent based on MAP's profitability
- The directors also participate alongside other capital providers in the syndicate via two unrelated entities MAP Capital Limited and Nomina 208 LLP
- An investment fund in which the syndicate formerly held investments participated in the syndicate's capital and is deemed a related party by virtue of its participation in Syndicate 2791

MAP's relationship to the syndicates

Managing agency fees amounting to £2.2m were paid to MAP for the 2018 year and profit commission of £2.9m (at closing rates) is also due to the managing agency in respect of the profit of the 2018 closed year. Expenses totalling £9.2m were recharged to this year of account through acquisition and other administrative expenses. The key management compensation charged to the syndicate is disclosed in note 10. No profit related remuneration is payable by the syndicate to employees of MAP. The managing agency agreement contract setting out fees and profit commission payable to the managing agent is under standard terms set out by Lloyd's.

20. Related Parties *continued*

The syndicates relationship to each other

The underwriting business of Syndicate 6103 is derived solely under a reinsurance contract with Syndicate 2791. Under the terms of this contract:

- Syndicate 6103 is obliged to accept 30% for 2018 year of account of all business written by Syndicate 2791 under certain categories of its property catastrophe book depending on the year of account. Syndicate 2791 retains the balance of this book net for its own account.
- Syndicate 2791 receives a ceding commission of 5% and an overriding commission of 1% of gross written premiums ceded to Syndicate 6103 to cover personal expenses of Syndicate 6103 names borne by Syndicate 2791.
- A profit commission of 15% of profits, as defined in the contract, is payable to MAP.
- All funds are retained and invested by Syndicate 2791 on behalf of Syndicate 6103 and interest is payable (or charged on negative balances) to Syndicate 6103 at rates agreed.

Under the terms of the reinsurance contract the balance owed to Syndicate 2791 by Syndicate 6103 at the end of the period is £0.2m and will be settled through the Lloyd's distribution process. There are no other conditions or guarantees offered by Syndicate 2791 to Syndicate 6103 under the reinsurance contract.

The following transactions between the syndicates occurred for the 2018 year of account:

	£'000
Premiums ceded	(17,126)
Paid claims recovered	14,823
Ceding commission	789
Overriding commission	171
Investment income payable	(611)
Reinsurance to close premium	2,055
Profit commission payable	–

The directors' ownership of MAP

The managing agent, MAP, is a wholly owned subsidiary of Managing Agency Partners Holdings Limited, the equity of which is 90.1% owned by MAP Equity Limited, a company that is entirely owned by the staff of the managing agent and syndicate.

The directors' interests in the ordinary share capital of MAP Equity Limited the ultimate holding company, which has an issued share capital of 250,000 £1 shares, at the statement of financial position date were as follows:

	A Shares (voting)	B Shares (non-voting)
R K Trubshaw	33,000	–
A Kong	22,000	–
J D Denoon Duncan	–	8,333
P Langridge	–	2,500
C J Smelt	5,000	2,500
R J Sumner	–	10,000

The directors' participations in the syndicate

Messrs. Shipley, Denoon Duncan, Kong, Trubshaw, Sumner and Smelt, or their related parties, participate on Syndicate 2791 via a dedicated, but unaligned to the managing agent, corporate member MAP Capital Limited and a corporate member, Nomina No 208 LLP.

For the 2018 year of account MAP Capital Limited provided £68.6m of capacity on Syndicate 2791 representing 17.2% of capacity.

For the 2018 year of account Nomina No 208 LLP has provided £11.8m of capacity representing 3.0% of capacity.

MAP has no direct or indirect interest in MAP Capital Limited or Nomina No 208 LLP.

All capital is provided on an arm's length basis.

An investment fund in which the syndicate formerly held investments

Separately, a fund (Steadfast Capital LP) under the management of Steadfast Capital Management Limited participated in the syndicate through a corporate vehicle – the syndicate did not invest in this fund at the balance sheet date having fully redeemed on 1 January 2019.

There are no other transactions or arrangements requiring disclosure.

21. Contingent Liabilities

Letters of credit

The syndicate has provided letters of credit to certain insureds and reinsureds to cover losses that might arise on their contracts written in the ordinary course of business. These amount to US$1.1m; the letters of credit are fully collateralised with cash deposits held by Citibank, on the syndicate's account, of US$1.1m. The terms of these evergreen letters of credit are that the syndicate must put up 105% of assets as collateral and are held as long as the insureds and reinsureds have outstanding liabilities.

SYNDICATE 2791

Annual Report and Accounts
31 December 2020

DIRECTORS AND ADMINISTRATION

MANAGING AGENT

Managing Agent
Managing Agency Partners Limited (MAP)

Directors
K Allchorne (Non-executive)
C E Dandridge (Non-executive)
J D Denoon Duncan
A S Foote (Non-executive)
T P Froehlich (Non-executive)
A Kong
P Langridge
D E S Shipley (Non-executive Chairman)
C J Smelt
R J Sumner
R K Trubshaw (Active Underwriter)

Company Secretary
P Langridge

Managing Agent's Registered Office
Fitzwilliam House
10 St. Mary Axe
London
EC3A 8EN

Managing Agent's Registration
Registered in England; number: 03985640

SYNDICATE

Active Underwriter
R K Trubshaw

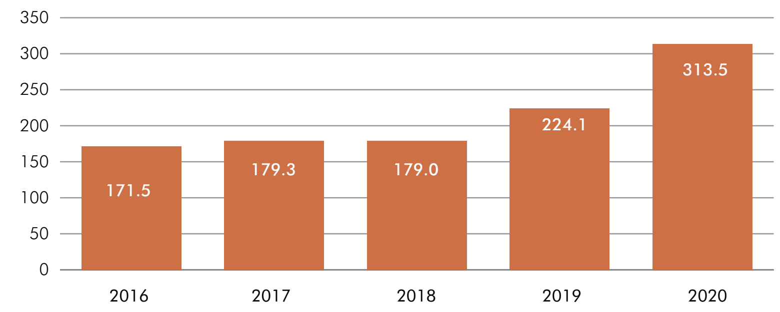
Principal Investment Managers
Schroders Investment Management Limited

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

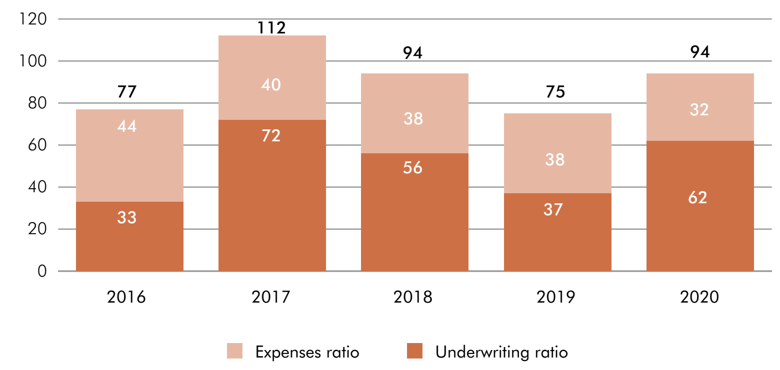
KEY FINANCIAL DATA

All data is at 31 December

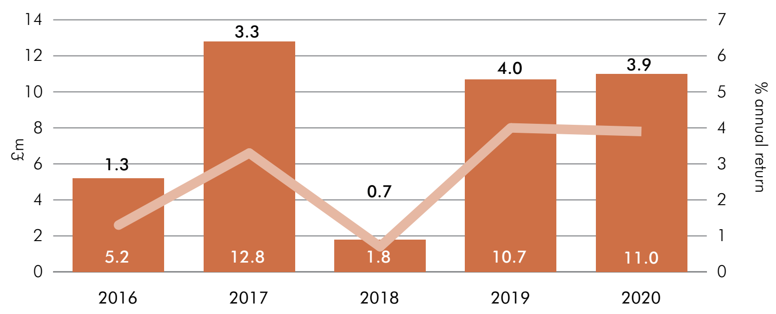
Gross premiums written 2016 to 2020 (£m)



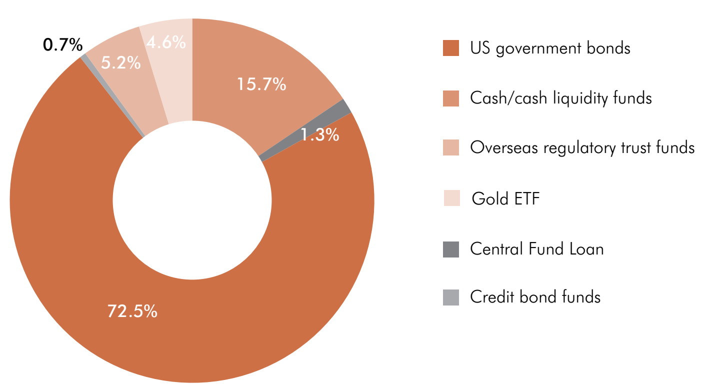
Combined ratio 2016 to 2020 (%)



Net Investment return 2016 to 2020



Total investment asset composition 2020



The directors of the managing agent present their report for the year ended 31 December 2020. The principal activity of the syndicate is that of writing insurance and reinsurance business.

This annual report is prepared using the annual basis of accounting as required by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ('the 2008 Regulations'), FRS 102 and FRS 103, being applicable UK GAAP accounting standards, and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

Separate underwriting year accounts for the closed 2018 year of account are attached to these accounts in the section headed Underwriting Year Distribution Accounts (pages 3 to 34).

UNDERWRITER'S REPORT

A Review of the Calendar Year Result

These financial statements are prepared focusing on the calendar year results under UK Generally Accepted Accounting Practices (GAAP) for insurance companies.

The 2020 calendar year produced an annually accounted profit of £22.8m (2019: £51.3m) on gross earned premiums of £289.8m (2019: £208.8m) gross of acquisition and reinsurance costs. The net combined ratio was 94.0% (2019: 75.3%).

Movement on underwriting years of account during the 2020 calendar year

	2017 and prior periods £'000	2018 £'000	2018 and prior periods £'000	2019 £'000	2020 £'000	**Total £'000**	2019 £'000
Gross written premium	(2,400)	737	(1,663)	29,323	285,853	**313,513**	224,077
Net premium earned	(3,155)	8,104	4,949	70,170	144,240	**219,359**	166,556
Net claims incurred	21,037	(6,778)	14,259	(48,393)	(100,806)	**(134,940)**	(62,064)
Acquisition costs	320	(1,543)	(1,223)	(21,411)	(35,477)	**(58,111)**	(47,743)
	18,202	(217)	17,985	366	7,957	**26,308**	56,749
Operating expenses	42	(3,516)	(3,474)	(2,224)	(7,535)	**(13,233)**	(15,620)
Investment income	–	7,754	7,754	2,194	1,005	**10,953**	10,652
Non-technical account foreign currency adjustment	547	(466)	81	(186)	583	**478**	(208)
Annual accounted profit	18,791	3,555	22,346	150	2,010	**24,506**	51,573
Currency translation differences	(1,234)	115	(1,119)	(436)	(132)	**(1,687)**	(275)
Total Comprehensive Income	17,557	3,670	21,227	(286)	1,878	**22,819**	51,298
As previously reported	–	(9,556)	(9,556)	11,663	–	**2,107**	(34,000)
Cumulative pure year result	17,557	(5,886)	11,671	11,377	1,878	**24,926**	17,298
Net annual accounting ratios:							
Claims ratio						**62%**	37%
Expense ratio						**32%**	38%
Combined ratio						**94%**	75%

2020	Gross Written Premium £'000	Net Written Premium £'000	Net Earned Premium £'000	Underwriting Profit/(Loss) £'000
Property Direct	61,111	44,163	42,477	164
Reinsurance property	177,111	120,343	110,454	6,039
Marine	21,400	21,154	15,854	1,910
Motor and specialist	33,957	32,138	32,351	2,720
Liability	11,526	11,530	10,154	2,628
Accident and health	8,408	8,403	8,069	(386)
Total	**313,513**	**237,731**	**219,359**	**13,075**

2019	Gross Written Premium £'000	Net Written Premium £'000	Net Earned Premium £'000	Underwriting Profit/(Loss) £'000
Property Direct	50,858	40,034	34,614	7,479
Reinsurance property	107,056	72,110	70,246	16,487
Marine	11,661	11,232	10,075	2,847
Motor and specialist	37,263	36,484	34,701	7,989
Liability	8,838	8,837	9,074	6,473
Accident and health	8,401	8,397	7,846	(146)
Total	224,077	177,094	166,556	41,129

2020 Overview

The market was already changing a year ago in response to poor attritional performance, elevated catastrophic experience and depressed investment yields. Dislocation caused by Covid-19 accelerated this process, such that net earned premium volume was up 32% over 2019. The back years, 2017 and prior, contributed £17.6m to the annual result, following better than expected reserve utilisation in the calendar year. The three open years had more modest year on year performance, in particular 2019 which has assumed the bulk of our Covid-19 reserves. The investment yield of £11.0m (last year £10.7m) also helped boost the calendar year return. This was driven largely by a one-off realised gain and is unlikely to be repeated in the near future.

At year end our gross ultimate provision for Covid-19 is $29.0m, of which $2.5m was incurred at year end. There are three broad areas of analysis: firstly, those accounts where there is either explicit indemnity, or a reasonable expectation that cover will be deemed to have been triggered, with an appropriate margin of uncertainty. Secondly, an estimation of defense costs and claims handling expense involved in rebutting those claimants who we feel do not have valid coverage. Thirdly, a contingent provision against policy leakage or legal interpretations thereof, which could potentially result in claims on our US reinsurance book in particular. Note that we do not write cancellation, trade credit, travel or political risk, and have minimal involvement in property re(insurance) in Europe, Australasia or the UK.

This is clearly an evolving situation, which will likely exercise the industry for years to come, and we will be keeping a constant eye on developments.

Covid-19 apart, 2020 was an elevated catastrophe year, particularly in the US, and there are strong indications that claims cost inflation across many classes is running much higher than the general economy. Doubtless lock-down restrictions are contributing to this, whether that be through extended repair-times, contractor availability or interrupted supply-chains. Nevertheless there is an observable, underlying inflationary trend that is often being missed by standard industry models, which needs to be evaluated correctly, reserved and priced for.

Our ultimate gross loss estimate for Hurricane Laura (which struck Louisiana in August, causing around $12bn of insured damage is $50.2m, of which $30.8m was incurred at year end. In the aggregate other smaller events are of a similar quantum.

2021 Trading Conditions

Our September 2020 business plan forecast for 2021 envisaged gross volume rising a little over 30% to £317m at year end rates of exchange, similar to 2008/9 in MAP's history. We were certainly less bullish than many of our peers, given that the forecast growth rate is less than that achieved in 2020, and early indications from the January renewal season would suggest it will not be easy to achieve. As outlined above, the market is facing years of Covid-19 indigestion, but it was noticeable that very few hard decisions were taken concerning coverage at year-end, (with even the UK Supreme Court ruling not coming until mid January). Most carriers were content to 'kick the can down the road', but eventually the thorny issues surrounding reinsurance recoverables (particularly if collateralised) will need to be addressed. The market has been reasonably cogent in developing effective exclusionary language going forward, (despite the pig-headed posturing of certain broking houses), not least because a product which every policy-holder can call on at the same time is by definition uninsurable. Insurance is the ultimate leverage game, and relies on risk diversification through time, geography and amount: £100 of indemnity on average requires 25p of premium and 25p of capital. A promise to pay policy limits to everyone at the same time is clearly false. (Global asteroid impact would be the nearest analogy).

New capital is (probably) less affected by the pandemic, and has had a dampening effect on the market already, not necessarily because of anything it is actively selling, but its very presence has caused the holding markets to be more defensive of their positions, particularly the Europeans. Perhaps more pertinent is the background of the Capital Markets, awash with cheap money, and desperate for yield, which is causing them to constantly look at the insurance industry as an asset class – even despite the poor performance of recent years, and questionable status as an uncorrelated exposure.

This brings me on to a perennial bugbear: the inadequate calibration of so-called proprietary rating models. The problem is that the intellectual barriers to entry in property reinsurance are negligible: all one needs is a large bank balance and a computer. It really is just 'plug and play', and most new entrants into our industry are easily seduced. The problem is, what they are being fed (via the counterparty's intermediary) is risk-output from a severely under-cooked model. I find it particularly ironic that industry veterans will regularly opine about global warming and climate change, quite rightly pointing out the very real threats to the industry and societies around the World. Yet their organisations are still pricing to the same mis-calibrated metrics that were in place 5 years ago, despite the heightened catastrophic frequency since 2016, in both the Atlantic and Pacific, despite deterioration in loss estimates, despite the proliferation in wildfires in California and Australia – and that is observed reality, let alone whether the future will actually be even more extreme. Unfortunately, should these industry veterans actually deliver on their rhetoric and become more risk averse (and put their prices up), they would be rapidly undercut. In the past, after similar reality checks, (notably after Katrina in 2005), models were re-set to reflect the observed, empirical data. For whatever reason, this hasn't happened yet. Until it does, any business that operates with a more prudent risk metric, as we do, will pay the price of being relatively uncompetitive.

A second area of grinding concern is contract terms and conditions – arcane to the outside observer, who is generally blind-sided by rate movements, but absolutely vital to the seasoned practitioner. The state of wordings in the bespoke Lloyd's market is generally appalling, dominated as they are by the nefarious activities of the broking houses, who years ago arrogated to themselves the privilege of drawing up contracts (which legally belong to the seller). Trying to wind back years of poor policy drafting is very hard work, particularly given the paucity of wordings expertise (or interest) in the Lloyd's market. Some so-called leads are the worst guardians of all.

On a more positive note, other areas of our business, such as casualty, marine, auto and PA are coming out of the doldrums, but it is a slow process, with each risk underwritten on its merits. There is no magic wand.

FINANCIAL REPORT

Investment return

The investment return for 2020 was 4.0%, £12.8m (2019: 4.2%, £11.7m). Net of investment expenses the return was 3.9%, £12.3m (2019: 4.0%, £10.7m.)

In line with our underwriting, the vast majority (85%) of syndicate investment assets are held in US Dollars and this is where our narrative will focus.

We headed into 2020 with a US Treasury only portfolio, focused on the short end (average duration of 1.0 years throughout the year) with a small allocation (8% of total portfolio at the start of the year) at the very long end. In January we had initiated a full redemption for our only traditional risk asset, a distressed credit investment fund.

Once the implications of the pandemic were finally appreciated by the markets in March, the resulting turmoil made us grateful for having adopted such an unexciting position. Yields fell and the core short end US Treasury portfolio essentially realised its embedded yield in the matter of weeks. The 2.2% annual return for this section of the portfolio was basically all earnt in Q1.

As we watched corporate spreads rise rapidly, we could not help but compare this to the last time we saw such extremities which was back in 2009. We expected spreads to continue to rise further, but what was unforeseen was the speed and quantum of the actions of the Fed (and other major Central banks around the world). Any smug feeling of avoiding this credit widening was, at the same unforeseen speed, reversed off as it became apparent that the peaks of 2009 were not to be reached and we had missed the corporate boat. As spreads came back in, we reverted to our position of viewing the corporate sector as too expensive versus the risk until some sort of settled future can be attained.

On a more positive note, when the yields at the long end dipped in the second week of March (30 year fell to under 1%), we took the immediate decision to sell half of our Long treasury holdings, a move that has appeared to have been well timed as yields have risen steadily since (30 year at 1.65% at year-end). World government debt has increased enormously this year (more so given the attractive low rate environment), and the long term view here is that such an increase has a detrimental impact on the productivity of further borrowing, thus putting downward pressure on economic growth which would in turn be a headwind for inflation to take hold. The long end of the curve is dictated by the market's inflationary expectations.

At the start of 2020, we initiated a full redemption of our distressed credit fund due to a change in staff at the fund. The terms of the fund dictated the exit be phased over four quarterly redemptions. Whilst our first redemption coincided with the multi asset fall in March, the fund itself reported an eventual gain for the year, and we ended up just shy of our starting value due to the timings of redemptions.

Halfway through the year the syndicate invested in a new asset class; a physical gold ETF (Exchange Traded Fund). The idea behind this being two fold in that it could rise in value as a traditional safe haven asset given the unchartered waters that lay ahead, and secondly it would act as a defence to any rapid rise in inflation that may occur following the overtly generous actions by the Central Banks and Governments (and any failure to act swiftly). We now have both inflationary scenarios covered, and both could of course be right, if you give it enough time.

With underwriting conditions improving, our investment portfolio has increased in size and looks set to grow further through the next year or two, supported by the lack of meaningful profit distributions on closing years. This will allow the syndicate to increase its risk appetite should the opportunity arise. We don't at present see many asset classes which appear sufficiently attractive to merit investment but the syndicate is taking a more active approach than previous years given the yield on the majority of the portfolio is under 0.1% and the Fed has stated that it will not be raising rates for the next few years. Still, no additional risks will be taken. That's what the underwriting side is for.

Fortunately, our underwriting has limited Euro exposure and our Euro assets are held in a short duration (<1yr) liquidity fund, minimising our losses due to negative interest rates. Our Canadian business is almost all held under Canadian insurance regulatory rules and our sterling is continuously topped up using our dollars to pay the syndicates expenses, and so no investment decisions required on those fronts.

The table below sets out the returns by asset class in our portfolio:

	2020		2019	
Asset class	**Return %**	**Closing assets as a proportion of portfolio %**	Return %	Closing assets as a proportion of portfolio %
Cash/cash liquidity funds	**0.6**	**15.7**	1.4	18.3
US government bonds	**4.7**	**72.5**	4.9	73.3
Lloyd's central fund loan	**1.3**	**1.3**	–	0.2
Credit bond funds	**5.3**	**0.7**	4.1	2.4
Overseas regulatory trust funds	**2.5**	**5.2**	2.9	5.8
Gold ETF	**5.5**	**4.6**		
Return	**4.0**		4.2	
Return after charges	**3.9**		4.0	

The key characteristics for each class are described below:

Cash and cash liquidity funds

These comprise either cash at bank, money market sweep accounts or in liquidity funds with a duration of less than one year. The cash is spread across five different major banks.

US government bonds

These comprise of US Treasury notes and bills. A simplified one year (previously two year) monthly rolling US Treasury portfolio with a portion in 20 year US Treasury bonds. Two large external US investment managers are engaged to run our debt portfolio, with one specializing in the long end of the curve. The Government bonds have a duration of around 1.8 years (2018: 3.4 years).

Lloyd's central fund loan

In order to capitalize the Brussels office, Lloyd's required all managing agents to loan them an amount relevant to their forecast gross gross written premium for each year of account from 2019 onwards. As annual interest payments (3% above 5 years UK gilts) are subject to the discretion of the Council of Lloyd's as is the loan repayment after a minimum of five years. We account for the loan under FRS 102 as an equity instrument at fair value rather than a loan.

Credit bond funds

The remnants of one open ended distressed credit / hedge fund managed by an external specialist manager. A full redemption was requested in early 2020 and now only the illiquid element will remain going into 2021. Expect gradual liquidation over several years.

Overseas regulatory trust funds

Separately regulated trust funds set up to satisfy local regulatory requirements. Each of these funds is managed conservatively by Lloyd's.

Gold ETF

Shares of two separate gold trusts were purchased in 2020. Both trusts hold only physical gold in direct relation to the number of shares bought and sold, providing direct exposure to the price of gold.

Valuation risk

Investments are marked to market at bid prices at each period end with all changes taken through the underwriting account. Prices are supplied by external custodians for all investments with the exception of the Lloyd's central fund loan which is valued on a modelled basis using a valuation model supplied indirectly by an independent bank. The custodians obtain prices from independent sources, with each custodian having an audit of their pricing and control systems. In accordance with the custodian systems, prices are supplied by at least two pricing vendor sources. The pricing sources use market prices, or where it is more appropriate in illiquid markets, pricing models. We reconcile the custodian's overall prices to our bond manager's records to check for reasonableness. Additional sample checks are made using Bloomberg or exchange market prices. We also conduct a review of the proportion of assets that each manager deems to have a restricted market for valuation purposes. These reviews revealed no significant pricing issues.

Rating and the future

The credit rating of our assets is set out below:

31 December 2020	Rating						
	AAA	AA	A	BBB	<BBB	Not Rated	Total
Shares and other variable yield securities and unit trusts	6,042	15,424	12,367	–	–	19,654	**53,487**
Debt securities	–	243,001	–	–	–	–	**243,001**
Participation in investment pools	–	3,046	–	–	–	2,470	**5,516**
Loans and deposits with credit institutions	–	–	799	–	–	–	**799**
Overseas deposits as investments	2,116	10,190	–	–	338	4,712	**17,356**
Deposits with ceding undertakings	–	–	–	–	–	–	–
Reinsurers' share of claims outstanding	–	33,327	17,591	–	–	–	**50,918**
Cash at bank and in hand	–	–	14,819	–	–	–	**14,819**
Accrued interest	–	1,036	–	–	–	–	**1,036**
Total credit risk	**8,158**	**306,024**	**45,576**	–	**338**	**26,836**	**386,932**

31 December 2019			-				
	AAA	AA	A	BBB	<BBB	Not Rated	Total
Shares and other variable yield securities and unit trusts	11,105	–	10,059	–	–	–	21,164
Debt securities	–	226,477	–	–	–	–	226,477
Participation in investment pools	3,060	10,488	3,802	–	–	6,652	24,002
Loans with credit institutions	–	–	1,091	–	–	–	1,091
Overseas deposits as investments	2,890	6,890	–	20	254	3,981	14,035
Deposits with ceded undertakings	–	–	–	–	–	–	–
Reinsurers' share of claims outstanding	–	–	47,059	–	–	34	47,093
Cash at bank and in hand	–	–	13,206	–	–	–	13,206
Accrued Interest	–	1,192	22	–	–	–	1,214
Total credit risk	17,055	245,047	75,239	20	254	10,667	348,282

Of the £50.9m (2019: £47.1m) reinsurers' share of claims outstanding, £Nil (2019: £Nil) is backed by undrawn trust fund assets.

Currency Translation Differences

Around 83% of the syndicate's assets are held in US dollars but, as results are published in sterling, changes in the £:USD exchange rate can significantly alter the reported sterling result. However, capital providers receive distributions in both currencies and are therefore by currency distribution unaffected by the accounting exchange gain booked.

The accounting exchange loss for the year is £1.7m (2019 loss: £0.3m). This principally reflects the weakening of the US dollar against sterling from the opening rate of 1.32 to the current year end rate of 1.37 and is further detailed in note 13. We do not seek to hedge exchange exposure.

Reinsurance Balances

There are no provisions for bad debts on the syndicates' reinsurance balances.

An analysis of the security rating for the reinsurance balances on our statement of financial position at 31 December is set out below:

Debt table by security rating

	On paid claims	On outstanding claims	On IBNR	**2020 Total**	2019 Total
Standard & Poor's rating	£m	£m	£m	**£m**	£m
AA	4.4	5.8	11.7	**21.9**	-
A	32.5	17.5	16.0	**66.0**	69.5
Not rated	-	-	-	**-**	0.2
	36.9	23.3	27.7	**87.9**	69.7

Of the total reinsurance debtors rated A in the table above, the amounts owed by Syndicate 6103 are £28.5m (2019: £19.9m).

Our reinsurance security committee has authorised the use of a number of the insurance companies set up after the 2005 hurricanes. These companies have either no, or a low, Standard and Poor's security rating. As a result they are only accepted on to the syndicate's reinsurance programme if they offer acceptable alternative direct security (Letters of Credit or syndicate specific trust accounts).

Solvency Capital Requirement

The managing agent is required to provide a solvency capital requirement (SCR) to Lloyd's which sets the capital required to be held by the members of the syndicate for the prospective underwriting year. Lloyd's syndicate SCRs are combined to provide the basis of the Lloyd's internal model which the Prudential Regulation Authority originally approved in December 2016.

This amount is derived from the syndicate's loss distribution, which is calculated internally. It is the loss at the 99.5% confidence level, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group. A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicate on which it is participating but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Requirement (ECR). 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 2021 is 35% (2020: 35%) of the member SCR 'to ultimate'.

The syndicate current capital requirement has been established using our internal Solvency II model which has been run within the capital regime as prescribed by Lloyd's. The internal model uses sophisticated mathematical models reflecting key risks within the syndicate. The risks are principally Insurance (catastrophes, pricing and reserving), Market (equity, liquidity, currency, interest rate and spread), Credit (brokers, investment and reinsurance) and Operational.

The following table sets out the syndicate's ECR which is unaudited:

	2021 £m	2020 £m
2791	325.9	264.0

European Union business

On 31 January 2020 the UK formally left the EU (commonly known as Brexit) and the transition period lasting until 31 December 2020 has ended. Following the end of the transition period, Lloyd's members, including Syndicate 2791, no longer benefit from EU passporting provisions and will no longer have permission to underwrite European Economic Area (EEA) (re)insurance business.

In order to ensure continued market access to European (re)insurance business following the U.K.'s exit of the European Union, Lloyd's established a Belgian subsidiary - Lloyd's Insurance Company S.A. (LIC) authorised and regulated as an insurance entity by the National Bank of Belgium and regulated by the Belgian Financial Services and Markets Authority. This 100% owned European domiciled subsidiary is capitalised in accordance with Solvency II rules and is licensed to write non-life risks across the European Economic Area (EEA), the UK and Monaco.

Since 1st January 2019, all new European non-life direct business written has been directly underwritten by the syndicate on behalf of LIC under a reinsurance treaty. LIC has 100% reinsured back to the relevant Lloyd's syndicates with this structure facilitating both continuity with European business partners and policyholders and access to the underwriting expertise of the Lloyd's market and its established distribution channels.

Because of this structure all direct European Union business written from 1 January 2019 has been presented as reinsurance accepted in the annual syndicate accounts.

In addition to its own capital, LIC benefits from certain Lloyd's central resources, including the Lloyd's Central Fund and Lloyd's unique capital structure, often referred to as the 'Chain of Security'.

To achieve contract continuity, Lloyd's transferred all remaining affected policies (comprising all relevant non-life direct EEA insurance and inwards German reinsurance business that has been written by the Lloyd's market between 1993 and 2020) to Lloyd's Brussels. This was undertaken via an insurance business transfer under Part VII of the UK's Financial Services and Markets Act 2000 (the Part VII transfer) and took place on 1st January 2021. It will ensure the orderly run-off of existing EEA policies and claims without any breach of legal or regulatory requirements.

Following the sanctioning of the scheme by the High Court on 25 November 2020, the scheme took effect on 30 December 2020 and the members and former members of the syndicate transferred the impacted EEA policies and related liabilities to Lloyd's Brussels, together with cash of $24.6m. On the same date, under the Reinsurance Agreement, Lloyd's Brussels reinsured the same risks back, together with an equal amount of cash of $24.6m.

The combined effect of the two transactions had no economic impact for the syndicate, and accordingly there is no impact on the syndicate's income statement or statement of financial position.

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

The insurance debtors in note 16, insurance creditors in note 18 and the net technical provisions analysis at 31 December 2020 by class of business in note 4 now reflect the transferred business under inwards reinsurance.

The future of Lloyd's in Europe

In January 2021 the Belgium regulator asked for some changes to the structure of LIC requesting increased underwriting decisions be taken in Europe on European business. Syndicate 2791 will work closely with Lloyd's to allow this to happen whilst ensuring we are able to maintain our underwriting decision making.

Future Developments

The syndicate continues to transact the majority of its business in the classes of general insurance and reinsurance that it has transacted historically.

Research and Development

The type of insurance risk the syndicate writes are often bespoke to an insured and in the ordinary course of business we develop and research new policies, wording or coverages to meet our insured's needs.

RISK MANAGEMENT

We have established a risk management framework whose primary objective is to protect the syndicate from events which negatively impact current and future returns.

Principal Risks and Uncertainties

Insurance risk

Insurance risk includes the risks that a policy will be written for too low a premium or provide inappropriate cover, that the frequency or severity of insured events will be higher than expected, or that estimates of claims subsequently prove to be insufficient. Underwriting strategy is agreed by MAP's Board and set out in the Syndicate Business Plan which is submitted to Lloyd's each year. Processes are in place to identify, quantify and manage aggregate exposures and technical prices within each of our underwriting classes. Reinsurance is purchased where appropriate to our risk appetite and reduces the retained financial impact of catastrophic loss. Reserves set are subject to stress testing and independent review.

Credit risk

Credit risk is the risk of default or the inability of one or more of the syndicate's reinsurers or brokers to settle their debts as they fall due.

Reinsurance is only placed with security that meets the criteria agreed by the Board where possible collateral in the form of trust funds is requested before reinsurance is placed with some reinsurers. Use is made of independent rating agencies. Business is only accepted through accredited Lloyd's brokers who are reviewed by the Agency's Security Committee and business accepted via binding authority is subject to a process of rolling review. Aggregate exposure to any counterparty is monitored regularly and a robust system of credit control is in place, itself subject to the Agency's Security Committee. Exposure to investment counterparties is monitored by a specialist investment reporting company and reviewed by the Investment Committee. This Committee includes a non-executive director with expertise in US fund management. Investment guidelines are set and monitored in view of the syndicate's liability exposures and their durations.

Liquidity risk

This is the risk that the syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash. Liquidity management forms an important part of the financial management practices of the syndicate. Cash flow projections and budgetary controls are maintained and reported upon to the Board.

Market risk

Market risk is the potential adverse financial impact of changes in value of financial instruments caused by fluctuations in foreign currency, interest rates or equity prices. The potential impact of market risk elements is reported to the Board and the potential financial impact of changes in market value is monitored through the use of an economic scenario generator in the capital setting process. This risk is managed by spreading the investments over a number of investment managers who each specialise in a market sector or type of investment evaluation.

Foreign currency exchange risk

We operate from the United Kingdom but over 90% of our premiums and claims are settled in currencies other than sterling. Our reported financial results are denominated in sterling and are therefore affected by the exchange rate against sterling of our main currency assets (US dollars, Euros and Canadian dollars). The syndicate settles its surplus assets in both sterling and US dollars as each underwriting year closes or earlier if a solvency transfer is approved. We do not therefore seek to hedge the US dollars exposure. Other currencies are tracked against sterling to ensure the amount of exposure is monitored and if needed appropriate action taken.

Interest rate risk

Interest rate risk is the potential adverse financial impact of changes in value of assets and liabilities caused by rising or falling market interest rates. For example, debt and fixed income securities are exposed to actual fluctuations or changes in market perception of current or future interest rates. Exposure to interest rate risk is monitored through the use of Value-at-Risk analysis, scenario testing, stress testing and duration reviews. Interest rate risk is managed by matching of assets and liabilities to within five years.

Operational risk

Operational risk is the potential adverse financial and reputational impact of inadequate or failed internal processes, people and systems or from external events. An internal risk assessment process has been developed to assess the potential impact and probability of certain events and a system of internal controls has been implemented to mitigate the risks. These controls have been monitored by Senior Management and the Board whilst their ongoing effectiveness is validated through both the ongoing risk assessment and internal audit process.

Regulatory risk

The managing agent and the syndicate are required to comply with the requirements of the Prudential Regulation Authority (PRA), Financial Conduct Authority (FCA) and Lloyd's. Lloyd's requirements include 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 regulatory change. The managing agent has a director of risk and assurance who monitors regulatory developments and assesses the impact on agency policy supported by an assistant who carries out a compliance monitoring programme.

Climate change risk

Stress tests have been carried out as part of the ORSA process (and detailed in the Quarterly Risk report and annual ORSA report), which assess the potential impact of Climate Change across the major risk categories (Underwriting, Reserving, Market, Operational and Credit risk). It was not thought that any of the scenarios stress tested would materially impact capital or profitability over a one year time horizon. The Executive and Risk Committee reviewed the Climate Change stress testing as part of the ORSA report.

CORPORATE GOVERNANCE

Directors and Directors' Interests

The directors of the managing agent who served during the year ended 31 December 2020 together with their participations on the syndicate were as follows:

	2020 year of account £'000	2019 year of account £'000
K Allchorne (Non-executive)	–	–
C E Dandridge (Non-executive)	–	–
J D Denoon Duncan [(1) (2)]	**859**	859
A S Foote (Non-executive) [(1)]	**500**	500
T P Froehlich (Non-executive)	–	–
A Kong [(1) (2)]	**2,485**	2,485
P Langridge	–	–
D E S Shipley (Chairman) [(1)]	**6,139**	6,139
C Smelt [(1) (2)]	**2,353**	2,353
R J Sumner [(1)]	**1,355**	1,355
R K Trubshaw (Active Underwriter) [(1)]	**9,881**	9,881

(1) Participate via MAP Capital Limited and/or Nomina 208 LLP, unaligned corporate members.

(2) Include participations of related parties.

The total capacity of the 2020 year of account of the syndicate was £399.9m.

Governance Framework

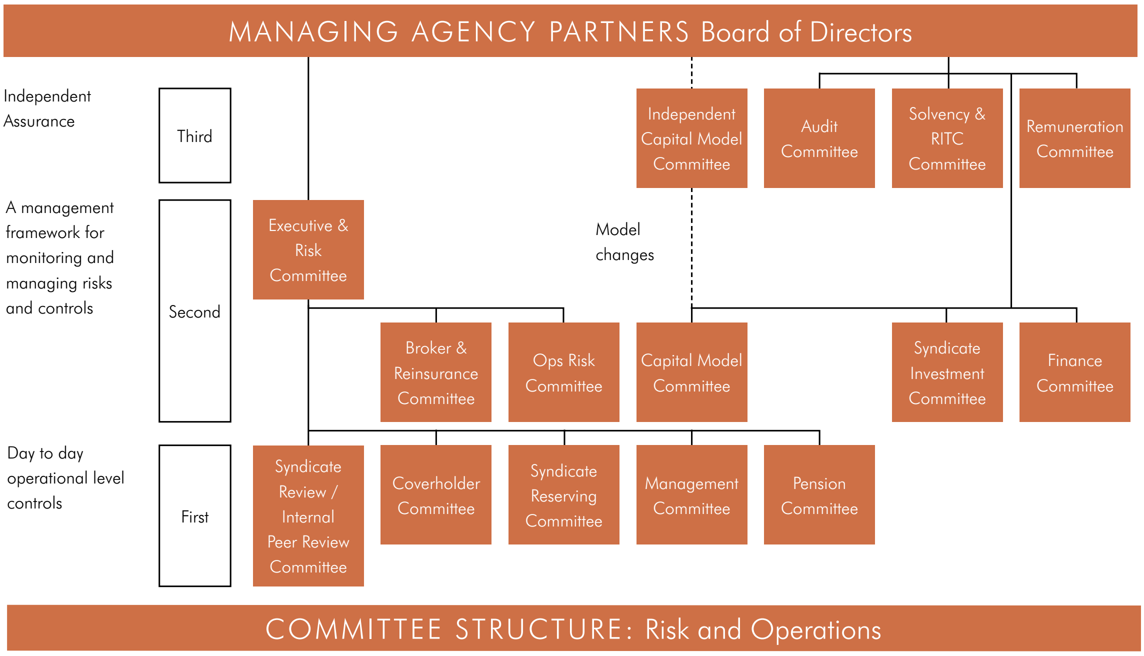
MAP maintains a clear organisational and governance framework with the role and responsibility of the Board, sub-committees, directors and senior staff clearly defined and documented.

An established risk management framework operates in respect of the identification, assessment, management and monitoring of all core areas of risk to which the business is exposed in its day-to-day activities (insurance risk, market risk, reserving risk, credit risk, liquidity risk and operational risk) with defined and articulated risk appetites in all areas.

MAP operates a three lines of defence approach to the overall governance of its operations. The first line of defence is the day to day operational level controls; the second line of defence being a framework for monitoring and managing risks and controls; and the third being challenge through both:

- oversight committees each comprising a majority of non-executive directors; and
- independent assurance review through the Internal Audit Function.

This is depicted in the following Committee Structure diagram:



Reappointment of Auditors

Deloitte LLP are deemed to be reappointed as the syndicate's auditors.

Disclosure of Information to the Auditors

So far as each person who was a director of the managing agent at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with its report, of which the auditor is unaware. Having made enquiries of fellow directors of the agency and the syndicate's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Annual General Meeting

As permitted under the Syndicate Meetings (Amendment No.1) Byelaw (No.18 of 2000) MAP does not propose holding a Syndicate Annual General Meeting of the members of the syndicate. Members may object to this proposal within 21 days of the issue of these accounts. Any such objection should be addressed to P Langridge, Risk & Assurance Director at the registered office of Managing Agency Partners Limited.

This managing agent's report was approved by the Board of Managing Agency Partners Limited on 23 February 2021 and signed on its behalf by:

R K Trubshaw
Active Underwriter

P Langridge
Company Secretary

Managing Agency Partners Limited
London
24 February 2021

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The managing agent is responsible for preparing the syndicate annual accounts in accordance with applicable law and regulations.

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

In preparing the syndicate annual accounts, the managing agent is required to:

1. select suitable accounting policies which are applied consistently;
2. make judgements and estimates that are reasonable and prudent;
3. state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the annual accounts; and
4. prepare the annual accounts on the basis that the syndicate will continue to write future business unless it is inappropriate to presume that the syndicate will do so.

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the syndicate and enable it to ensure that the syndicate annual accounts comply with the 2008 Regulations. It is also responsible for safeguarding the assets of the syndicate and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

The managing agent is responsible for the maintenance and integrity of the corporate and financial information included on the business's website. Legislation in the United Kingdom governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT

to the Members of Syndicate 2791

Independent auditor's report to the members of Syndicate 2791

Report on the audit of the syndicate annual financial statements

Opinion

In our opinion the syndicate annual financial statements of Syndicate 2791 (the 'syndicate'):

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have audited the syndicate annual financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of changes in members' balances;
- the statement of financial position;
- the statement of cash flows; and
- the related notes 1 to 30.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the syndicate annual financial statements and our auditor's report thereon. The managing agent is responsible for the other information contained within the annual report. Our opinion on the syndicate annual financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of managing agent

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

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

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

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005); and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the syndicate's ability to operate or to avoid a material penalty. These included the requirements of Solvency II.

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

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

- Auditing standards require that we presume there to be a significant risk of fraud relating to the recognition of revenue. For Syndicate 2791, we relate this significant risk to the estimation of pipeline premiums on proportional reinsurance and delegated authority business, specifically the estimated premium income factor adjustment that is applied by management at a block of business level. In response our testing included, for each block of business, comparing management's prior year estimated premium adjustments to the current year and challenging the validity of the rationale behind the adjustments.
- For Syndicate 2791 we have identified short tail and long tail specific claims reserves as a significant risk and fraud risk due to the wide range of outcomes that may be supportable for each claim. For a sample of these specific claims we: obtained and inspect case documentation for each loss; challenged management on any areas of judgement made when interpreting case information; considered the completeness of information used in determining the carried reserve; considered the overall level of consistency year on year in the valuation of specific reserves; and reviewed claims files to identify evidence of changes in the reserve held during 2020 and assessed whether these changes are appropriate.

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

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

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

Report on other legal and regulatory requirements

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

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

Andrew Downes, ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK

24 February 2021

INCOME STATEMENT TECHNICAL ACCOUNT – GENERAL BUSINESS

for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Earned premiums, net of reinsurance			
Gross premiums written	4	**313,513**	224,077
Outward reinsurance premiums		**(75,782)**	(46,983)
Net premiums written		**237,731**	177,094
Change in the provision for unearned premiums:			
Gross amount		**(23,760)**	(15,307)
Reinsurers' share		**5,388**	4,769
Change in the net provision for unearned premiums		**(18,372)**	(10,538)
Earned premiums, net of reinsurance		**219,359**	166,556
Allocated investment return transferred from the non-technical account	11	**10,953**	10,652
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	4,6	**(130,639)**	(98,569)
Reinsurers' share		**34,595**	20,190
Net claims paid		**(96,044)**	(78,379)
Change in the provision for claims			
Gross amount	4	**(42,939)**	25,709
Reinsurers' share		**4,043**	(9,394)
Change in the net provision for claims		**(38,896)**	16,315
Claims incurred, net of reinsurance		**(134,940)**	(62,064)
Acquisition expenses		**(62,799)**	(49,468)
Change in deferred acquisition expenses	7	**4,688**	1,725
Reinsurers' commissions and profit participations		**3,936**	1,961
Administrative expenses	8	**(17,169)**	(17,581)
Net operating expenses	4	**(71,344)**	(63,363)
Balance on the technical account for general business		**24,028**	51,781

All operations are continuing.

INCOME STATEMENT NON-TECHNICAL ACCOUNT

for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Balance on the general business technical account		**24,028**	51,781
Investment return	11	**10,953**	10,652
Allocated investment return transferred to general business technical account		**(10,953)**	(10,652)
Non-technical account foreign exchange	13	**478**	(208)
Profit for the financial year		**24,506**	51,573

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Profit for the financial year		**24,506**	51,573
Exchange differences on foreign currency translation	13	**(1,687)**	(275)
Total comprehensive income for the year		**22,819**	51,298

STATEMENT OF CHANGES IN MEMBERS' BALANCES

for the year ended 31 December 2020

	2020 £'000	2019 £'000
Members' balances brought forward at 1 January 2020	**17,298**	(986)
Total comprehensive income for the year	**22,819**	51,298
Members' agents fees 2017 (2016) year of account	**(1,533)**	(2,142)
Payments of profit to members' personal reserve funds for the 2017 (2016) year of account	**(13,658)**	(30,872)
Members' balances carried forward at 31 December 2020	**24,926**	17,298

STATEMENT OF FINANCIAL POSITION ASSETS

as at 31 December 2020

	Note	2020 £'000	2019 £'000
Investments			
Financial investments	*14*	**320,159**	286,769
Deposits with ceding undertakings	*15*	**–**	–
Reinsurers' share of technical provisions			
Provision for unearned premiums	*5*	**17,907**	13,307
Claims outstanding	*6*	**50,918**	47,093
		68,825	60,400
Debtors			
Debtors arising out of direct insurance operations	*16*	**24,607**	21,267
Debtors arising out of reinsurance operations	*16*	**111,591**	70,327
Other debtors	*17*	**8,411**	7,657
		144,609	99,251
Other assets			
Cash at bank and in hand	*20*	**14,819**	13,206
Prepayments and accrued income			
Accrued interest		**1,036**	1,214
Deferred acquisition costs	*7*	**21,807**	17,864
Other prepayments and accrued income		**1,344**	1,320
		24,187	20,398
Total assets		**572,599**	480,024

STATEMENT OF FINANCIAL POSITION LIABILITIES

as at 31 December 2020

	Note	2020 £'000	2019 £'000
Capital and reserves			
Members' balances		**24,926**	17,298
Technical provisions			
Provision for unearned premiums	*5*	**92,068**	71,758
Claims outstanding	*6*	**355,472**	322,192
		447,540	393,950
Creditors			
Creditors arising out of direct insurance operations	*18*	**4,341**	3,451
Creditors arising out of reinsurance operations	*18*	**85,177**	56,255
Other creditors	*19*	**6,815**	5,341
		96,333	65,047
Accruals and deferred income		**3,800**	3,729
Total liabilities		**572,599**	480,024

The financial statements on pages 53 to 82 were approved by the Board of Managing Agency Partners Limited on 23 February 2021 and were signed on its behalf by:

R K Trubshaw
Active Underwriter

R J Sumner
Finance Director

24 February 2021

STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Operating profit on ordinary activities		**24,506**	51,573
Movement in gross technical provisions		**53,590**	(25,620)
Movement in reinsurers' share of gross technical provisions		**(8,425)**	7,671
Movement in debtors		**(49,147)**	(14,472)
Movement in creditors		**31,357**	13,637
Investment return		**(10,953)**	(10,652)
Members' agents' fee advances		**(1,533)**	(2,142)
Exchange differences on foreign currency translation		**(1,515)**	(2,990)
Net cash inflow from operating activities		**37,880**	17,005
Cash flows from investing activities			
Purchase of equity and debt instruments		**(253,850)**	(161,798)
Sale of equity and debt instruments		**222,708**	161,845
Investment income received		**11,791**	13,882
Movement in deposits with ceding undertakings		**-**	-
Movement in overseas deposits and commingled fund		**(3,614)**	981
Net cash (outflow) / inflow from investing activities		**(22,965)**	14,910
Cash flows from financing activities			
Payments of profit to members' personal reserve funds		**(13,658)**	(30,872)
Net Cash (outflow) from financing activities		**(13,658)**	(30,872)
Movement in cash and equivalents		**1,257**	1,043
Cash and cash equivalents at 1 January		**13,339**	12,744
Exchange differences on opening cash		**342**	(448)
Cash and cash equivalents at 31 December	*20*	**14,938**	13,339

1. Basis of Preparation and Statement of Compliance

These financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and FRS 102 and FRS 103, being applicable UK GAAP accounting standards, and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

The functional currency is US dollars but the financial statements are prepared in sterling which is the presentational currency of the syndicate and rounded to the nearest £'000. As permitted by FRS 103 the syndicate continues to apply the existing accounting policies that were applied prior to this standard for its insurance contracts.

The financial statements are prepared under the historical cost convention except for certain financial instruments which are measured at fair value.

The result for the year is determined on the annual basis of accounting in accordance with UK GAAP.

Syndicate 2791 cedes business under a quota-share treaty to Syndicate 6103 which operates on a funds withheld basis with Syndicate 2791. Syndicate 6103 is also managed by the managing agent, MAP. Syndicate 6103 holds no cash or investments. All the syndicate's funds are held by Syndicate 2791 which makes payments of liabilities on Syndicate 6103's behalf. Debtors and creditors between the syndicates are grossed up in the syndicate statement of financial position and upon the closure of each year of account, normally after 36 months, the assets and liabilities of that closing year are netted off as part of the commutation settlement with Syndicate 6103.

2. Judgements and Key Sources of Estimation Uncertainty

The preparation of the financial statements require management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year.

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

However, the nature of estimation means that actual outcomes could differ from those estimates.

The following are the syndicate's key sources of estimation uncertainty:

Insurance contract technical provisions (see notes 6 & 27)

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some types of policies, IBNR claims form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder, Bornheutter-Ferguson methods and individual reserving at contract level.

The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the statement of financial position date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims IBNR at the statement of financial position date based on statistical methods.

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

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

The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. In addition, where contracts are yet to expire, or where losses are not settled until several years after the expiration of the policy in question, the estimates are considered to be more volatile and consequently are subjected to additional management judgemental prudence adjustments. The methods used, and the estimates made, are reviewed regularly.

Where the amount of any material salvage and subrogation recoveries is separately identified it is reported as an asset.

Changes in assumptions, quantum or complexity of claims can affect the value of these provisions.

2. Judgements and Key Sources of Estimation Uncertainty *continued*

Estimates of future premiums (see notes 5 & 16)

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates are judgemental. The main assumption underlying these estimates is that past premium development can be used to project future premium development.

Estimates include an element of judgement with regard to the level of claims affected future premiums receivable by the syndicate. The methods used for assessing future premiums generally involve projecting from past experience, based on the development of claims and the related inwards premiums receivable against these claims. The directors consider whether the estimates of gross future premium are fairly stated on the basis of the information available currently to them. However, the ultimate premium receivable can vary as a result of subsequent information or events and this may result in significant adjustments.

In addition, the most recent underwriting year estimates are considered to be more volatile and consequently are subjected to judgemental management adjustments.

Fair value of financial assets and derivatives determined using valuation techniques

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques.

These valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on estimates. It incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

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

Further details are given in Note 14.

3. Accounting Policies

Insurance contracts

An insurance contract (including inwards reinsurance contracts) is defined as a contract containing significant insurance risk. Insurance risk is considered significant if, and only if, an insured event could cause the syndicate to pay significant additional benefits. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire.

Premiums written

Premiums written comprise premiums on contracts incepted during the financial year as well as adjustments made in the year to premiums written in prior accounting periods. Estimates are made for pipeline premiums, representing amounts due to the syndicate not yet received at the statement of financial position. Differences between such estimates and actual amounts will be recorded in the period in which the actual amounts are determined.

Premiums are disclosed before the deduction of acquisition costs and taxes or duties levied on them.

Premiums for contracts where the syndicate delegates underwriting authority to another party (e.g. binding authorities, lineslips or proportional treaties) use an estimate of the proportion of premiums incepted at the reference date as an estimate based on historical inception patterns, if no pattern exists business is assumed to incept evenly over the term of the delegated authority.

Unearned gross premiums

Written premiums are recognised evenly over the term of the contract for those contracts where the incidence of risk does not vary over the term. Contracts where the incidence of risk differs over the term are earned based on the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the statement of financial position date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

3. Accounting Policies *continued*

Acquisition costs and deferred acquisition costs

Acquisition costs, comprising commission and other direct or indirect costs related to the acquisition of insurance contracts are deferred to the extent that they are attributable to premiums unearned at the statement of financial position date. The value of commission paid to insurance intermediaries is determined based on the contractual amounts recorded in all contracts. Where, however, policies are issued and the insured agrees to pay a fee directly to the intermediary without reference to the insurer, the written premium comprises the premium payable to the insurer and accounting for broker acquisition costs is inappropriate.

An element of underwriters costs are transferred from administrative expenses to other acquisition costs as they are considered to be appropriate indirect costs arising from the conclusion of insurance contracts and are connected with the processing of proposals and the issuing of policies. The amount transferred is based on underwriters headcount and an estimate of time spent on the administration of insurance policies written and is earned in line with premium.

Reinsurance premium ceded

Outwards reinsurance purchased consists of excess of loss contracts and proportional reinsurance contracts. Initial excess of loss premiums are accounted for in the year of inception. Premiums ceded to reinstate reinsurance cover or additional premiums payable on loss are recognised when they may be assessed with reasonable certainty. Proportional outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

Reinsurers' commissions and profit participations

Overriders and fees due from reinsurers are accrued in accordance with the contractual terms of each arrangement and earned over the policy contract period.

Profit commission receivable from reinsurers is accounted for in the period the related profit is recognised.

Unearned reinsurance premium

Reinsurance premiums paid to purchase excess of loss reinsurance contracts are earned evenly over the period at risk. Proportional reinsurance premiums are earned in the same accounting period as the inwards business being reinsured.

Claims provisions and related recoveries

Claims paid comprise claims and claim handling expenses paid during the period.

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years. The provision for claims outstanding is assessed on an individual case and class basis, as appropriate, and is based on the estimated ultimate cost of all claims notified but not settled by the statement of financial position date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported (IBNR) at the statement of financial position date based on statistical methods. Separate reserves are established for each year of account.

Minor loss funds are simply treated as claims paid. Where material, loss fund cash flows are reflected as debtors within prepayments and accrued income. Related claims paid are subsequently booked within the income statement with equivalent rolling cash top-ups maintaining the quantum of the loss fund. As claims paid develop and outstanding liabilities reduce, the level of the loss funds held in the balance sheet is reduced and funds returned to the syndicate.

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

Future unallocated loss adjustment expenses

An accrual for all future unallocated loss adjustment expenses (ULAE) is made. The ULAE is comprised of those costs which are related to the settlement of earned claims but which are not directly attributable to individual claims. ULAE expenses are undiscounted and include the expenses of managing the run-off of the business on the basis the business is a going concern. Costs of administration of the reinsurance programme are included in the gross ULAE. Separate reserves are established for each year of account.

3. Accounting Policies *continued*

Legal provisions

The syndicate may be subject to legal disputes in the normal course of business. Provisions for such events and their related costs are recognised within expenses and accruals where there is an expected present obligation relating to a past event or evidence exists of the requirement for a general provision that can be measured reliably and it is probable that an outflow of economic benefit will be required to settle an obligation.

The directors of the managing agent do not expect the outcome of these claims, either individually or in aggregate, to have a material effect upon the syndicate's operations or financial position. As allowed by FRS 102, further disclosure has not been given as it may seriously prejudice the outcome of any legal proceedings.

Insurance receivables and payables

Insurance receivables and payables are recognised when due and measured on initial recognition at the fair value of the consideration received. They are derecognised when the obligation is settled, cancelled or expired.

Bad debt

Bad debts are provided for only where specific information becomes available to suggest a debtor may be unable or unwilling to settle its debts to the syndicate. Specific information may be directly attributed to the debtor company or may be indirect information from a rating agency or other source. The provision is calculated on a case by case basis.

Unexpired risks provision

A provision for unexpired risks may be made, if necessary, where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date exceed unearned premiums and premiums receivable, after the deduction of any deferred acquisition costs.

The assessment of whether an unexpired risk provision is required is based on information available at the statement of financial position date, which may include evidence of relevant previous claims experience on similar contracts. The assessment is not required to take into account any new claims events occurring after the statement of financial position date as these are non-adjusting events.

The provision for unexpired risks is calculated by reference to all classes of business, which are all managed together on a year of account basis, after taking into account relevant future investment return. The provision for unexpired risks is included in technical provisions in the statement of financial position.

Foreign currency translation

Financial Reporting Standard 102 requires each entity to identify its functional currency and a presentational currency. The functional currency is identified as the currency of the primary economic environment in which the entity operates. The functional currency of this syndicate is US dollars as the majority of the underwriting business, cash flows and expenses are in US dollars. We have chosen to maintain our presentational currency as sterling as the syndicate is based in the UK, complies with UK reporting standards and to enable simpler comparisons to other Lloyd's insurance syndicates.

The syndicate records transactions in four settlement currencies being Sterling, US dollars, Canadian dollars and Euros and when reported these currencies are translated in the income statement at the average rates of exchange for the period. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

As permitted by FRS 103, the syndicate has continued with its existing accounting policy to treat non-monetary assets and liabilities arising from insurance contracts (which include items such as unearned premiums and deferred acquisition costs) the same as monetary assets and liabilities. Consequently, all assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date or if appropriate at the forward contract rate.

Exchange differences from the functional currency (US dollars) arising from the retranslation of opening balances and between average and year-end rates to the presentational currency are included in the statement of comprehensive income.

All other exchange differences are included in the general business non-technical account.

3. Accounting Policies *continued*

Foreign currency translation continued

The following rates of exchange have been used in the preparation of these accounts.

	2020		2019	
	Year end	**Average**	Year end	Average
USD	**1.37**	**1.28**	1.32	1.28
CAD	**1.74**	**1.72**	1.72	1.69
EUR	**1.12**	**1.13**	1.18	1.14

Financial investments

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

Financial instruments recognition and derecognition

Financial instruments are recognised in the statement of financial position at such time as the syndicate becomes a party to the contractual provisions of the financial instrument. Purchases and sales of financial assets are recognised on the trade date, which is the date the syndicate commits to purchase or sell the asset. A financial asset is derecognised when the contractual rights to receive cash flows from the financial assets expire, or where the financial assets have been transferred, together with substantially all the risks and rewards of ownership. Financial liabilities are derecognised if the group's obligations specified in the contract expire, are discharged or cancelled.

Derivative financial instruments

The syndicate does not have any derivative financial instruments. As the syndicate has no derivatives it has not designated any derivatives as fair value hedges, cash flow hedges or net investment hedges.

Investment values

Financial investments are valued at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

Listed investments

Listed and other quoted investments are stated at current bid value at the statement of financial position date. For this purpose listed and quoted investments are stated at market value and deposits with credit institutions are stated at cost.

The cost of syndicate investments is the amount paid on the purchase date for those investments still held at the statement of financial position date.

Deposits

All deposits with credit institutions are stated at cost.

Unlisted investments

Some investments are not listed, or in a market not regarded as active because:

- quoted prices are not readily and regularly available; or
- prices do not represent actual and regularly occurring market transactions on an arm's length basis.

In such circumstances the syndicate then seeks to establish fair value by using third party administrators with experience in valuing such assets using valuation techniques as described below:

- using recent arm's length transactions between knowledgeable, willing parties (if available);
- reference to the current fair value of other instruments that are substantially the same; and
- discounted cash flow analyses and option pricing models.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on estimates. It incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial investment.

The syndicate participates in a single hedge/credit fund and related financial instruments for which there are no available quoted market prices. The valuation of the hedge fund is based on fair value techniques (as described above). The fair value of the hedge/credit fund portfolio is calculated by reference to the underlying net asset values (NAVs) of each of the individual funds. Consideration is also given to adjusting such NAV valuations for any restriction applied to distributions, the existence of side pocket provisions, and the timing of the latest available valuations.

3. Accounting Policies *continued*

Unlisted investments continued

The syndicate participates in central fund loans which are equity financial instruments for which there are no available quoted market prices. The valuation of these loans is also based on fair value techniques and is calculated by reference to the original cost, date of issuance, expected redemption date and market valued discount rate for each of the individual loans.

Deposits with ceding undertakings

Deposits with ceding undertakings are measured at cost less allowance for impairment.

Cash and cash equivalents

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

Fair value of financial assets

The syndicate uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets that we can assess at the valuation date.

Level 2: other techniques used for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques are used which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For assets held in investment funds with limited look through to individual underlying assets the syndicate has adopted the following rules for the fair value hierarchy:

Rules for Funds	Fair value level adopted
1. If the underlying assets are 100% short term bonds or cash.	Level 1
2. If the security is a fund which is subscribed/redeemed on a daily basis.	Level 2
3. If the security is a non-publically tradable fund which has fair value statement available and 95%+ of the fund is determined by the administrator to be Level 1.	Level 2
4. If security is a fund which has a lock up period of 3 months or more.	Level 3
5. If the security is a non-publically tradable fund which has a fair value statement available and less than 95% of the fund is determined by the administrator to be Level 1.	Level 3

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if:

- there is a currently enforceable legal right to offset the recognised amounts; and
- there is an intention to settle on a net basis, to realise the assets and settle the liabilities.

Investment return

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

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

Movements in unrealised gains and losses on investments represent the difference between their valuation at the statement of financial position date and their purchase price or, if they have been previously valued, their valuation at the last statement of financial position date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

As detailed above with regard to funds withheld on behalf of Syndicate 6103, investment income earned in the period is reduced by the amount payable to Syndicate 6103.

Purchases and sales of investments are recognised on the trade date, which is the date the syndicate commits to purchase or sell the assets. Funds receivable or payable after the trade date are recorded in debtors and creditors respectively until settled.

3. Accounting Policies *continued*

Allocation of investment return

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

Investment management expenses

These comprise contractual fees and profit commissions payable to external third party investment managers for managing the syndicate's investment funds. They are accrued in the period to which they relate.

Overseas deposits

Overseas deposits lodged as a condition of conducting underwriting business in certain countries in compliance with Lloyd's licences are stated at the market value, based on a bid price, ruling at the statement of financial position date.

Lloyd's central fund loan

The syndicate has made a loan to Lloyd's whose principle use is for tier 1 capitalising of Lloyd's EU subsidiary, Lloyd's Insurance Company S.A. The loan is anticipated to be repayable after five years but this is not guaranteed. It generates interest income to the syndicate, adjusted on a rate over the base rate. Both the repayment of the loan and the payment of interest is subject to Council of Lloyd's approval. As the loan is not unconditionally recoverable it is treated as an Equity Instrument in line with FRS 102 in the balance sheet line - Shares and other variable yield securities. The asset is valued at fair value (level 3) and that fair value is reviewed annually. Interest income on the loan is accrued on the date the payment is approved by the Council of Lloyd's.

Operating expenses

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

An element of underwriters costs are transferred from administrative expenses to other acquisition costs as detailed in the acquisition costs accounting policy note.

Taxation

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

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 are included in the statement of financial position under the heading 'other debtors'.

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

Pension costs

MAP operates a defined contribution scheme. Pension contributions relating to syndicate staff are charged to the syndicate and included within net operating expenses.

Profit commission

Profit commission is charged by the managing agent at a rate of 20% of profit subject to a hurdle rate and the operation of a deficit clause. This is charged to the syndicate on an earned basis but does not become payable until after the year of account closes, normally at 36 months. When the syndicate makes a loss that loss will be debited by year of account until fully utilised reducing the following two years of account's results for the purpose of calculating profit commission.

4. Segmental Analysis

An analysis of the technical account before investment return is set out below:

2020 **Direct insurance**	**Gross premiums written £'000**	**Gross premiums earned £'000**	**Gross claims incurred £'000**	**Net operating expense £'000**	**Reinsurance balance £'000**	**Net technical result £'000**	**Net technical result of prior accident year £'000**	**Net technical provisions £'000**
Accident and health	**7,364**	**7,070**	**(4,813)**	**(2,276)**	**(7)**	**(26)**	**709**	**14,257**
Motor (third party liability)	**538**	**434**	**(138)**	**(229)**	**(5)**	**62**	**86**	**714**
Motor (other classes)	**22,305**	**24,094**	**(10,852)**	**(8,047)**	**(2,858)**	**2,337**	**2,862**	**36,581**
Marine, aviation and transport	**12,443**	**11,322**	**(5,955)**	**(4,714)**	**8**	**661**	**74**	**20,641**
Fire and other damage to property	**53,737**	**49,330**	**(29,431)**	**(16,849)**	**(6,185)**	**(3,135)**	**1,210**	**45,506**
Third party liability	**6,706**	**5,949**	**(6,208)**	**(1,191)**	**(57)**	**(1,507)**	**(261)**	**29,435**
Miscellaneous	**435**	**492**	**(5,395)**	**3,319**	**-**	**(1,584)**	**(1,165)**	**6,975**
	103,528	**98,691**	**(62,792)**	**(29,987)**	**(9,104)**	**(3,192)**	**3,515**	**154,109**
Reinsurance accepted	**209,985**	**191,062**	**(110,786)**	**(41,357)**	**(22,652)**	**16,267**	**16,382**	**224,606**
Total	**313,513**	**289,753**	**(173,578)**	**(71,344)**	**(31,756)**	**13,075**	**19,897**	**378,715**

2019 Direct insurance	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Net operating expense £'000	Reinsurance balance £'000	Net technical result £'000	Net technical result of prior accident year £'000	Net technical provisions £'000
Accident and health	7,727	7,427	(4,234)	(3,214)	(5)	(26)	(310)	13,089
Motor (third party liability)	277	274	(115)	(49)	(1)	109	73	662
Motor (other classes)	28,032	26,782	(11,858)	(11,006)	(646)	3,272	2,376	40,666
Marine, aviation and transport	9,440	8,997	(2,595)	(2,677)	(255)	3,470	2,190	20,639
Fire and other damage to property	43,933	36,593	(13,841)	(12,910)	(3,768)	6,074	4,413	30,195
Third party liability	5,092	5,302	(1,314)	(1,533)	(75)	2,380	2,675	25,194
Miscellaneous	464	468	(444)	148	-	172	125	3,300
	94,965	85,843	(34,401)	(31,241)	(4,750)	15,451	11,542	133,745
Reinsurance accepted	129,112	122,927	(38,459)	(32,122)	(26,668)	25,678	14,474	199,805
Total	224,077	208,770	(72,860)	(63,363)	(31,418)	41,129	26,016	333,550

All premiums were concluded in the UK.

The business class split reported is a statutory reporting requirement but the business is managed by its own business classes and hence an element of allocation is used.

The net technical provisions analysis at 31 December 2020 by class of business now reflects the transferred Part VII business under inwards reinsurance but there is no impact on the current year underwriting result as detailed in the managing agents report.

Net operating expenses include reinsurers' commissions and profit participations.

	2020 **£'000**	2019 £'000
Total commissions on gross direct premiums earned	**24,686**	25,397

4. Segmental Analysis *continued*

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

	Direct	Reinsurance	2020 £'000
UK	**15,803**	**6,041**	**21,844**
EU countries	**213**	**11,638**	**11,851**
US	**65,872**	**172,913**	**238,785**
Other	**21,640**	**19,393**	**41,033**
Total	**103,528**	**209,985**	**313,513**

	Direct	Reinsurance	2019 £'000
UK	21,050	4,090	25,140
EU countries	329	4,041	4,370
US	55,195	107,981	163,176
Other	18,391	13,000	31,391
Total	94,965	129,112	224,077

5. Provision for Unearned Premiums

	Gross £'000	Reinsurers' share £'000	Net £'000
At 1 January 2020	**71,758**	**(13,307)**	**58,451**
Premiums written in year	**313,513**	**(75,782)**	**237,731**
Premiums earned in year	**(289,753)**	**70,394**	**(219,359)**
Foreign exchange	**(3,450)**	**788**	**(2,662)**
At 31 December 2020	**92,068**	**(17,907)**	**74,161**
At 1 January 2019	58,886	(8,988)	49,898
Premiums written in year	224,077	(46,983)	177,094
Premiums earned in year	(208,770)	42,214	(166,556)
Foreign exchange	(2,435)	450	(1,985)
At 31 December 2019	71,758	(13,307)	58,451

Provision for unearned premiums include £3.1m (2019: £2.3m) in respect of Syndicate 6103.

6. Claims Outstanding

	Gross £'000	Reinsurers' share £'000	Net £'000
At 1 January 2020	**322,192**	**(47,093)**	**275,099**
Claims incurred in current underwriting year	**173,578**	**(38,638)**	**134,940**
Claims paid during year	**(130,639)**	**34,595**	**(96,044)**
Foreign exchange	**(9,659)**	**218**	**(9,441)**
At 31 December 2020	**355,472**	**(50,918)**	**304,554**
At 1 January 2019	360,684	(59,083)	301,601
Claims incurred in current underwriting year	72,860	(10,796)	62,064
Claims paid during year	(98,569)	20,190	(78,379)
Foreign exchange	(12,783)	2,596	(10,187)
At 31 December 2019	322,192	(47,093)	275,099

Claims outstanding includes £15.4m (2019: £7.3m) in respect of Syndicate 6103.

7. Deferred acquisition costs

	2020 £'000	2019 £'000
At 1 January 2020	**17,864**	16,738
Change in deferred acquisition costs	**4,688**	1,725
Foreign exchange	**(745)**	(599)
At 31 December 2020	**21,807**	17,864

8. Administrative Expenses

	2020 £'000	2019 £'000
Personal expenses	**4,896**	4,828
Profit commission payable to managing agent	**6,093**	4,443
Other administrative expenses	**6,180**	8,222
Gross operating expenses	**17,169**	17,493
Expense recoveries from reinsurers	**–**	88
Net operating expenses	**17,169**	17,581

2020 Administrative expenses include:	**2791** **£'000**	**6103** **£'000**	**Total** **£'000**
Auditors' remuneration			
Fees for the audit of the syndicate	**197**	**16**	**213**
Audit related assurance	**96**	**19**	**115**
Taxation compliance services	**8**	**–**	**8**
	301	**35**	**336**

2019 Administrative expenses include:	2791 £'000	6103 £'000	Total £'000
Auditors' remuneration			
Fees for the audit of the syndicate	174	14	188
Audit related assurance	89	19	108
Taxation compliance services	8	–	8
	271	33	304

Audit related assurance includes reporting required by law and regulation, reviews of interim financial information and reporting on regulatory returns.

Personal expenses comprise managing agent's fees, Lloyd's subscriptions and central fund contributions.

9. Staff Costs and Numbers

All staff are employed by the managing agent. The following amounts were recharged to the syndicate in respect of salary costs:

	2020 £'000	2019 £'000
Wages and salaries	**4,726**	4,657
Social security costs	**557**	552
Other pension costs	**285**	294
	5,568	5,503

Included above are the employment costs of underwriters attributable to acquisition of business and those of claims staff treated within the technical account as Acquisition Costs and Loss Adjustment Expenses respectively.

9. Staff Numbers and Costs *continued*

The average number of employees employed by the managing agent but working for the syndicate during the year was as follows:

	2020	2019
Administration and finance	19	19
Underwriting	26	24
Claims	5	5
	50	48

Profit related remuneration in respect of all directors and staff is wholly paid and borne by the managing agent.

10. Emoluments of the Directors of Managing Agency Partners Ltd

The directors of MAP received the following aggregate remuneration charged to the syndicate and included within net operating expenses:

	2020 £'000	2019 £'000
Emoluments	1,215	1,160

The active underwriter received the following remuneration charged as a syndicate expense:

	2020 £'000	2019 £'000
Emoluments – R K Trubshaw	314	304

11. Investment Return

	2020 £'000	2019 £'000
Investment income		
Income from investments	4,913	4,647
Gains on the realisation of investments	7,357	9,323
Losses on the realisation of investments	(479)	(88)
	11,791	13,882
Net unrealised gains and losses on investments	1,011	(2,257)
Investment expenses and charges		
Investment management expenses, including interest payable	(456)	(484)
Investment return payable to Syndicate 6103	(1,393)	(489)
	(1,849)	(973)
Total investment return	10,953	10,652

All investment return arises from investments designated as fair value through profit and loss.

The syndicate is now disclosing losses on the realisation of investments within investment income rather than investment expenses and charges. There is no change to the total investment return.

12. Calendar Year Investment Yield

Average syndicate funds available for investment:

	2020 £'000	2019 £'000
Sterling	20,322	12,891
US dollars	387,995	342,446
Canadian dollars	31,375	22,045
Euros	15,025	17,546
Combined sterling average syndicate funds available for investment	332,560	289,772
Investment return – gross of investment expenses and return payable to Syndicate 6103	12,802	11,625
Analysis of calendar year investment yield by currency, before investment expenses:		
Sterling	0.5%	0.7%
US dollars	4.4%	4.5%
Canadian dollars	1.1%	2.0%
Euros	(0.1)%	0.6%
Combined	4.0%	4.2%

13. Exchange Gains and Losses

Exchange gains and losses arise as follows:

	2020 £'000	2019 £'000
On balances brought forward: from opening to closing rates	**(599)**	1,234
On transactions during calendar year: from average to year end rates	**(610)**	(1,717)
	(1,209)	(483)
Represented by:		
Non-technical account foreign exchange	**478**	(208)
Exchange differences on foreign currency translation	**(1,687)**	(275)
	(1,209)	(483)

14. Financial Investments

	Market value		Cost	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Investments:				
Shares and other variable yield securities and units in unit trusts	**49,150**	20,395	**48,343**	20,382
Debt securities and other fixed income securities	**243,001**	226,477	**239,831**	223,292
Participation in investment pools	**3,046**	17,350	**2,754**	17,147
Deposits with credit institutions	**799**	1,091	**799**	1,091
Overseas deposits as investments	**17,356**	14,035	**17,115**	14,086
	313,352	279,348	**308,842**	275,998
Hedge Funds/Alternative Assets/Central Fund Loan:				
Shares and other variable yield securities and units in unit trusts	**4,337**	769	**4,307**	769
Debt securities and other fixed income securities	–	–	–	–
Participation in investment pools	**2,470**	6,652	**2,330**	6,465
Deposits with credit institutions	–	–	–	–
Overseas deposits as investments	–	–	–	–
	6,807	7,421	**6,637**	7,234
Total Investments:				
Shares and other variable yield securities and units in unit trusts	**53,487**	21,164	**52,650**	21,151
Debt securities and other fixed income securities	**243,001**	226,477	**239,831**	223,292
Participation in investment pools	**5,516**	24,002	**5,084**	23,612
Deposits with credit institutions	**799**	1,091	**799**	1,091
Overseas deposits as investments	**17,356**	14,035	**17,115**	14,086
	320,159	286,769	**315,479**	283,232

Within "Shares and other variable yield securities and units in unit trusts" and "Participation in investment pools" £23.3m (2019: £9.3m) are listed on a recognised exchange. These comprise 7.3% (2019: 3.3%) of the total market value of investments.

FIERA Canadian Dollar Short Term Blended Investment Account (RBC Sweep) previously disclosed within Participation in investment pools have been reclassified as Shares and other variable yield securities and units in unit trusts.

14. Financial Investments *continued*

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

2020	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Shares and other variable yield securities and units in unit trusts	**21,138**	**28,012**	**4,337**	**53,487**
Debt securities and other fixed income securities	**–**	**243,001**	**–**	**243,001**
Participation in investment pools	**–**	**3,046**	**2,470**	**5,516**
Loans and deposits with credit institutions	**799**	**–**	**–**	**799**
Overseas deposits	**–**	**210**	**17,146**	**17,356**
Total	**21,937**	**274,269**	**23,953**	**320,159**

2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Shares and other variable yield securities and units in unit trusts	11,062	9,333	769	21,164
Debt securities and other fixed income securities	–	226,477	–	226,477
Participation in investment pools	–	17,350	6,652	24,002
Loans and deposits with credit institutions	1,091	–	–	1,091
Overseas deposits	–	162	13,873	14,035
Total	12,153	253,322	21,294	286,769

Within "Shares and other variable yield securities and units in unit trusts" is an amount of £4.3m (2019: £0.8m) in relation to the Lloyd's central fund loan. This comprises 1.4% (2019: 0.3%) of the total market value of investments and is classed as level 3 in the table above.

15. Deposits with Ceding Undertakings

Payment of advance funds by syndicates were required under the Part VII transfer reinsurance agreement into segregated Part VII Settlement bank accounts. These are managed by managing agent's on behalf of Lloyds Insurance Company, Brussels (LIC) to settle Part VII claims. Amounts are denominated in multiple currencies, being GBP, EUR and USD and operated by Citibank.

On 4th Jan 2021, £3.1m was transferred to LIC as a claims float to settle Part VII claims.

16. Debtors Arising Out of Insurance Operations

	2020 £'000	2019 £'000
Arising out of direct insurance		
Due from intermediaries – within one year	**24,607**	21,154
Due from intermediaries – after one year	**–**	113
	24,607	21,267
Arising out of reinsurance operations		
Due from intermediaries – within one year	**100,533**	57,589
Due from intermediaries – after one year	**11,058**	12,738
	111,591	70,327

Debtors arising out of reinsurance operations of £111.6m (2019: £70.3m) include funds due in respect of Syndicate 6103 of £28.5m (2019: £19.9m).

17. Other Debtors

	2020 £'000	2019 £'000
Due within one year		
Inter-syndicate loan	–	106
Reinsurers' profit commissions and overrider receivable	951	465
Non-standard personal expenses due from members (overseas taxation)	292	147
Members' agents fees funded	1,474	1,532
Expense recoveries from reinsurers	–	–
Sundry debtors	17	21
	2,734	2,271
Due after one year		
Inter-syndicate loan	–	133
Reinsurers' profit commissions and overrider receivable	2,431	1,881
Non-standard personal expenses due from members (overseas taxation)	154	345
Members' agents fees funded	3,092	3,027
	5,677	5,386
	8,411	7,657

18. Creditors Arising Out of Insurance Operations

	2020 £'000	2019 £'000
Arising out of direct insurance operations		
Intermediaries – due within one year	4,341	3,451
– due after one year	–	–
	4,341	3,451
Arising out of reinsurance operations		
Reinsurance accepted – due within one year	8,198	5,350
– due after one year	–	–
Reinsurance ceded – due within one year	27,375	13,155
– due after one year	49,604	37,750
	85,177	56,255

Creditors in respect of reinsurance operations of £85.2m (2019: £56.3m) include withheld funds due to Syndicate 6103 of £66.3m (2019: £42.9m).

19. Other Creditors

	2020 £'000	2019 £'000
Managing agents profit commissions	6,232	4,325
Reinsurers' profit commission payable	105	1,007
Inter-syndicate loan	453	–
Sundry creditors	25	9
	6,815	5,341

Of the managing agent's profit commission creditors above £3.3m (2019: £0.5m) fall due after one year.

20. Cash and Cash Equivalents

	2020 £'000	2019 £'000
Cash at bank and in hand	**14,819**	13,206
Short term deposits with financial institutions	**119**	133
	14,938	13,339

21. Related Parties

The managing agency (MAP), the managed Syndicates 2791 and 6103 and the directors of MAP are all related parties.

- MAP's relationship to the syndicates is governed by a managing agent's agreement
- The syndicates relationship to each other is governed by a reinsurance contract for each year of account
- Some of the directors of the managing agency own shares in the managing agent and receive remuneration from the managing agent based on MAP's profitability
- The directors also participate alongside other capital providers in the syndicate via two unrelated entities MAP Capital Limited and Nomina 208 LLP
- An investment fund in which the syndicate formerly held investments participated in the syndicate's capital and is deemed a related party by virtue of its participation in Syndicate 2791

MAP's relationship to the syndicates

Managing agency fees amounting to £3.0m were paid to MAP during 2020 (2019: £3.0m) and profit commission of £6.1m (2019: £4.4m) is also due to the managing agent in respect of the results for this calendar year. Expenses totalling £9.3m (2019: £9.4m) have been recharged during the year. The key management compensation charged to the syndicate is disclosed in note 10. No profit related remuneration is payable by the syndicate to employees of MAP. The managing agency agreement contract setting out fees and profit commission payable to the managing agent is under standard terms set out by Lloyd's.

The syndicates relationship to each other

The underwriting business of Syndicate 6103 is derived solely under a reinsurance contract with Syndicate 2791. Under the terms of this contract:

- Syndicate 6103 is obliged to accept 30% for 2020, 2019 and 2018 years of account of all business written by Syndicate 2791 under certain categories of its property catastrophe book depending on the year of account. Syndicate 2791 retains the balance of this book net for its own account.
- Syndicate 2791 receives a ceding commission of 5% and an overriding commission of 1% of gross written premiums ceded to Syndicate 6103 to cover personal expenses of Syndicate 6103 names borne by Syndicate 2791.
- A profit commission of 15% of profits, as defined in the contract, is payable to MAP.
- All funds are retained and invested by Syndicate 2791 on behalf of Syndicate 6103 and interest is payable (or charged on negative balances) to Syndicate 6103 at rates agreed.

Under the terms of the reinsurance contract the balance owed from Syndicate 2791 to Syndicate 6103 at the end of the period is £17.5m (2019: £11.6m) and will be settled through the Lloyd's distribution process. Profit commission in respect of Syndicate 6103 at the end of the period of £2.9m (2019: £2.1m) will be settled by Syndicate 2791 from funds withheld as each year of account is commuted. There are no other conditions or guarantees offered by Syndicate 2791 to Syndicate 6103 under the reinsurance contract.

During the year, the following transactions between the syndicates occurred:

	2020 £'000	2019 £'000
Premiums Receivable	**(32,024)**	(21,040)
Paid claims	**13,837**	6,618
Ceding commission	**1,552**	1,074
Overriding commission	**269**	75
Net interest received	**(1,393)**	(489)
Reinsurance to close premium – 2017 (2016) year of account	**2,055**	860
Balance owed (to)/by Syndicate 2791 (by)/to Syndicate 6103 at the end of the period:		
due within one year	**(165)**	(997)
due after one year	**17,671**	12,588

21. Related Parties *continued*

The directors' ownership of MAP

The managing agent, MAP, is a wholly owned subsidiary of Managing Agency Partners Holdings Limited, the equity of which is 90.1% owned by MAP Equity Limited, a company that is entirely owned by the staff of the managing agent and syndicate.

The directors' interests in the ordinary share capital of MAP Equity Limited, which has an issued share capital of 250,000 £1 shares, during the year, were as follows:

	A Shares (voting)	B Shares (non-voting)
R K Trubshaw	33,000	–
A Kong	22,000	–
J D Denoon Duncan	–	8,333
P Langridge	–	2,500
C J Smelt	5,000	2,500
R J Sumner	–	10,000

The directors' participations in the syndicate

Messrs. Shipley, Denoon Duncan, Kong, Trubshaw, Sumner, Smelt and Foote, or their related parties, participate on Syndicate 2791 via a dedicated, but unaligned to the managing agent, corporate member MAP capital Limited and a corporate member Nomina 208 LLP.

For the 2020 year of account MAP Capital Limited provided £61.6m ((2019: £63.0m) of capacity on Syndicate 2791 representing 15.4% (2019: 15.8%) of capacity.

For the 2020 year of account Nomina No 208 LLP has provided £11.8m (2019: £11.8m) of capacity representing 3.0% (2019: 3.0%).

MAP has no direct or indirect interest in MAP Capital Limited or Nomina 208 LLP.

All capital is provided on an arm's length basis.

There are no other transactions or arrangements requiring disclosure.

22. Funds at Lloyd's

Every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the managing agent, no amount has been shown in these 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.

23. Contingent Liabilities

Letters of credit

The syndicate has provided letters of credit to certain insureds and reinsureds to cover losses that might arise on their contracts written in the ordinary course of business. These amount to US$1.1m; the letters of credit are fully collateralised with cash deposits held by Citibank, on the syndicate's account, of US$1.1m. The terms of these evergreen letters of credit are that the syndicate must put up 105% of assets as collateral and are held as long as the insureds and reinsureds have outstanding liabilities.

24. Events After the Reporting Period

In accordance with the reinsurance contract with Syndicate 6103, the 2018 year of account of that syndicate will be commuted. An RITC will be effected with this syndicate and the reserves carried for the 2018 year of account (amounting to £2.3m) transferred to this syndicate during 2021.

25. Reinsurance to Close Premium Received from Syndicate 6103

At 1 January 2020, Syndicate 2791 accepted a Reinsurance to Close Premium from Syndicate 6103 in respect of Syndicate 6103's 2017 year of account. In addition, the reinsurance contact between Syndicate 2791 and Syndicate 6103 for the 2017 year of account has been commuted with Syndicate 2791 being paid in full for the liabilities assumed as at 1 January 2020.

26. Items not Disclosed in the Statement of Financial Position

The syndicate has the right to drawdown on collateral provided by certain reinsurers to the value of £4.7m (2019: £0.9m). The collateral can be cash mutual funds or treasuries. As those rights have not been exercised this contingent asset has not been recorded in the statement of financial position. As 6103 operates on a funds withheld basis, a right of offset applies to 2791 against its recoverable debt of £40.6m (Q4 19 £25.0m). The syndicate has not been party to any other arrangement which is not reflected in its statement of financial position.

27. Risk Management

Insurance risk

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

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The syndicate purchases reinsurance as part of its risk mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The syndicate has proportional reinsurance from two main sources, firstly a surplus treaty on direct property and per risk reinsurance and secondly from Special Purpose Arrangement 6103 (SPA 6103) on its Catastrophe reinsurance book susceptible to United States losses. Both types of proportional reinsurance are taken out to reduce the overall exposure to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the syndicate's net exposure to only property catastrophe losses.

Retention limits for the excess-of-loss reinsurance vary by line of business, loss type and territory. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the syndicate has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The syndicate's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations substantially dependent upon any single reinsurance contract.

The syndicate principally issues the following types of general insurance contracts: accident and health, motor, third-party liability, marine and property both direct and reinsurance. Risks usually cover twelve months duration.

The most significant insurance risks arise from natural disasters, claim inflation on longer term liabilities and the potential for under-pricing of insurance risk. Insurance risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all procedures put in place to reduce the risk exposure of the syndicate. The syndicate further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities. The syndicate uses its own proprietary pricing models which set a technical price for each risk based on a required profitability margin. These models are actively back tested against underwriting performance by line of business and at individual risk level to ensure compliance with the syndicate's pricing strategy.

The syndicate has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g. hurricanes, earthquakes and flood damage). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the syndicate's risk appetite as decided by management.

The overall aim is to limit the downside risk to a 10% ultimate loss on Stamp capacity following any one of the Lloyd's prescribed Realistic Disaster Scenarios (RDS). The downside risk takes into account the net RDS loss, a reinsurance failure rate, a reinsurance margin over time (i.e. reinsurers will expect pay-back on gross losses) less anticipated profit on non-catastrophe exposed business – known as inside profit.

The Board monitors and reviews the inside profit calculation which alters due to market conditions and other factors. The syndicate uses its own proprietary risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from an unmodelled event are greater than those arising from a modelled event.

As a further guide to the level of catastrophe exposure written by the syndicate, the following table shows hypothetical

27. Risk Management *continued*

Insurance risk continued

claims arising for various realistic disaster scenarios based on the syndicate's risk exposures at 1 January 2021:

RDS	Market Loss (insured) £m	Estimated Gross Claims £m	Estimated Net Claims (after Reinst) £m
Miami Dade	141,371	280	77
Pinellas (West Coast Florida Windstorm)	134,453	305	88
Gulf of Mexico	111,563	301	94
North East USA Hurricane	80,025	261	90
San Andreas (San Francisco)	45,364	214	36
Elsinore (Los Angeles)	39,824	167	29

The table below sets out the concentration of outstanding liabilities by line of business:

31 December 2020	**Gross Technical Provisions £'000**	**Reinsurance Technical Provisions £'000**	**Net Technical Provisions £'000**
Accident and health	**14,257**	–	**14,257**
Motor (third party liability)	**714**	–	**714**
Motor (other classes)	**55,878**	**19,297**	**36,581**
Marine, aviation and transport	**20,699**	**58**	**20,641**
Fire and other damage to property	**56,682**	**11,176**	**45,506**
Third party liability	**29,456**	**21**	**29,435**
Miscellaneous	**6,975**	–	**6,975**
Reinsurance acceptances	**262,879**	**38,273**	**224,606**
	447,540	**68,825**	**378,715**

31 December 2019	Gross Technical Provisions £'000	Reinsurance Technical Provisions £'000	Net Technical Provisions £'000
Accident and health	13,091	2	13,089
Motor (third party liability)	662	-	662
Motor (other classes)	65,157	24,491	40,666
Marine, aviation and transport	20,759	120	20,639
Fire and other damage to property	36,470	6,275	30,195
Third party liability	25,205	11	25,194
Miscellaneous	3,300	-	3,300
Reinsurance acceptances	229,306	29,501	199,805
	393,950	60,400	333,550

The geographical concentration of the outstanding liabilities is noted below. The disclosure is based on the currency of the regions in which the business is written. The analysis would not be materially different if based on the countries in which the risk or counterparties were situated.

31 December 2020	**Gross Technical Provisions £'000**	**Reinsurance Technical Provisions £'000**	**Net Technical Provisions £'000**
UK	**17,371**	**148**	**17,223**
EU	**43,368**	**19,246**	**24,122**
USA	**348,686**	**46,046**	**302,640**
Canada	**14,578**	**1,342**	**13,236**
Australia/Japan/Other	**23,537**	**2,043**	**21,494**
	447,540	**68,825**	**378,715**

27. Risk Management *continued*

Insurance risk continued

31 December 2019	Gross Technical Provisions £'000	Reinsurance Technical Provisions £'000	Net Technical Provisions £'000
UK	15,285	96	15,189
EU	44,870	24,228	20,642
USA	289,660	32,976	256,684
Canada	14,434	744	13,690
Australia/Japan/Other	29,701	2,356	27,345
	393,950	60,400	333,550

Key assumptions

The principal assumption underlying the liability estimates is that the future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of individual and average claim costs, claim handling costs, claim inflation factors for each line of business and underwriting year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one off occurrences; changes in market factors such as public attitude to claiming; economic conditions; as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation could affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities

The claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit and members' balances.

The underlying sensitivity analysis is performed by underwriting year and separately for large losses, those impacting or likely to impact our excess of loss reinsurance programme and those claims not covered by excess of loss reinsurance. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes, the assumptions were changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

Claim sensitivity

	2020 £'000	2019 £'000
Gross outstanding claims	**355,472**	322,192
Net outstanding claims	**304,554**	275,099
Impact of 10% increase in gross outstanding claims	**34,474**	31,202
Impact of 10% increase in net outstanding claims	**29,382**	25,749
Impact of 10% increase in long-tail casualty (gross and net) outstanding claims	**9,049**	9,681
Impact of 10% increase in gross 2020 (2019) CAT losses	**5,781**	Nil
Impact of 10% increase in net 2020 (2019) CAT losses	**4,646**	Nil

Long-tail casualty liabilities are both direct and reinsurance liabilities for the following lines of business: Directors and officers, errors and omissions, medical malpractice and other casualty.

The impact on both profit and members' balances of the gross reserves is the figure shown above less profit commission of £6.9m (2019: £5.3m).

The impact on both profit and members' balances of the net reserves is the figure shown above less profit commission of £5.9m (2019: £4.4m).

The impact on both profit and members' balances of the long tail casualty reserves is the figure shown above less profit commission of £1.6m (2019: £1.8m).

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

27. Risk Management *continued*

2020 Losses

The syndicate has exposure to 2020 events, Hurricane Laura and the COVID-19 pandemic loss. The current ultimate estimated losses for Hurricane Laura are gross $63.6m and net $34.8m, this loss is protected by both surplus reinsurance and excess of loss covers. Hurricane Laura remains covered within the excess of loss programme which offers some protection for deterioration to the net ultimate loss. The syndicate is also exposed to COVID-19 pandemic losses mainly on known actively written business interruption covers. The current ultimate gross loss is $29.8m and net loss $29m. Due to the nature of the COVID-19 loss there may be areas where active contract exclusions exist, it is possible these may be disputed by clients or where cover is granted following legal rulings. The syndicate has and will seek to defend exclusions where appropriate. For both Hurricane Laura and COVID-19 loss reserves the uncertainty around their ultimate outcome is increased but does is not increased beyond the normal range of uncertainty for insurance reserves at this stage of development.

The syndicate has material exposure to Irish Motor bodily injury claims in the 2016 and prior years of account. However, this exposure does not lead to a material increase in the uncertainty of the syndicate's total reserves in an adverse direction. For the avoidance of doubt, the syndicate has no material exposure to these claims in the 2017 and post years of account.

Claims development table

The following tables show the estimates of ultimate claims, including both claims notified and IBNR for each successive underwriting year at each reporting date, together with cumulative payments to date. The ultimate claims estimates and cumulative payments are translated to sterling at the rate of exchange that applied to the statement of financial position at the end the current underwriting year. Each prior year is restated at the current exchange rates to provide a consistent view of changes to ultimate claims reserves.

The ultimate claims are adjusted for the unearned proportion of claims, any unallocated future expense claims costs and cumulative payments to date to provide the reconciliation to the syndicate's gross and net statement of financial position reserves.

The syndicate took advantage of the transitional rules of FRS 103 that permit only five years of information to be disclosed upon adoption in 2015. This dispensation is no longer required given that 2020 is the first year that the syndicate can report the full ten year period required.

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

The syndicate has accepted additional liabilities by way of reinsurance to close from Syndicate 6103 at each 36 months and 1 day for the underwriting years 2007 to 2017 inclusive. These liabilities are shown in the claims triangles below as if they had always been the liabilities of 2791 from the commencement of any underwriting year which has accepted reinsurance from Syndicate 6103.

27. Risk Management *continued*

Claims development table *continued*

Claim triangles

Gross insurance contract outstanding claims provision as at 31 December 2020

	2010 and prior £'000	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000	**Total £'000**
Estimate of Net Ultimate Claims												
12 months		184,634	197,827	110,931	88,252	83,249	85,417	114,783	123,360	99,652	182,247	
24 months		131,964	177,031	93,888	79,675	76,986	102,007	112,276	119,985	108,395	-	
36 months		143,310	175,753	92,159	81,369	75,557	96,695	113,579	122,927	-	-	
48 months		154,523	180,869	89,693	79,621	75,565	95,531	117,319	-	-	-	
60 months		148,963	178,101	87,390	79,051	76,215	94,749	-	-	-	-	
72 months		146,837	174,463	86,832	78,081	70,988	-	-	-	-	-	
84 months		144,778	171,529	85,463	76,171	-	-	-	-	-	-	
96 months		144,494	164,843	84,354	-	-	-	-	-	-	-	
108 months		144,232	159,721	-	-	-	-	-	-	-	-	
120 months		142,089	-	-	-	-	-	-	-	-	-	
Total Ultimate losses		**142,089**	**159,721**	**84,354**	**76,171**	**70,988**	**94,749**	**117,319**	**122,927**	**108,395**	**182,247**	
Less cumulative paid claims		(125,786)	(141,151)	(74,891)	(62,081)	(52,487)	(68,111)	(93,670)	(93,360)	(46,792)	(35,336)	
Less unearned portion of ultimate losses		-	-	-	-	-	-	-	-	(5,044)	(58,920)	
Add ULAE provision at 31 December		752	559	267	440	615	761	644	814	1,875	2,580	
Gross claims liabilities	**44,834**	**17,055**	**19,129**	**9,730**	**14,530**	**19,116**	**27,399**	**24,293**	**30,381**	**58,434**	**90,571**	**355,472**

Net insurance contract outstanding claims provision as at 31 December 2020

	2010 and prior £'000	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000	**Total £'000**
Estimate of Net Ultimate Claims												
12 months		173,214	184,498	99,017	78,273	73,792	70,410	102,757	101,477	87,716	139,078	
24 months		125,959	166,197	82,069	67,249	61,854	76,596	100,811	99,978	97,471	-	
36 months		136,578	163,430	79,514	68,180	60,970	73,875	98,673	102,976	-	-	
48 months		146,025	166,882	76,629	66,430	61,768	73,312	98,947	-	-	-	
60 months		142,665	163,854	74,486	66,295	61,865	72,876	-	-	-	-	
72 months		141,128	160,220	73,940	65,639	57,279	-	-	-	-	-	
84 months		138,882	157,393	72,782	64,096	-	-	-	-	-	-	
96 months		138,723	151,755	71,947	-	-	-	-	-	-	-	
108 months		138,345	147,808	-	-	-	-	-	-	-	-	
120 months		136,342	-	-	-	-	-	-	-	-	-	
Total Ultimate losses		**136,342**	**147,808**	**71,947**	**64,096**	**57,279**	**72,876**	**98,947**	**102,976**	**97,471**	**139,078**	
Less cumulative paid claims		(120,110)	(131,624)	(63,981)	(52,509)	(44,092)	(55,991)	(77,364)	(76,830)	(40,800)	(22,742)	
Less unearned portion of ultimate losses		-	-	-	-	-	-	-	-	(4,787)	(46,809)	
Add ULAE provision at 31 December		752	559	267	440	615	761	644	814	1,875	2,580	
Net claims liabilities at 31 Dec	**44,066**	**16,984**	**16,743**	**8,233**	**12,027**	**13,802**	**17,646**	**22,227**	**26,960**	**53,759**	**72,107**	**304,554**

27. Risk Management *continued*

In 2020, there has been an overall net surplus in ultimate claims of £6.0m (2019: £24.6m) due to lower than expected incurred movements across most classes of business.

28. Risk Management of Currency Risk

The tables below set out the underlying currency exposure to the syndicate although it should be noted that profits are only paid out in sterling and US dollars.

2020	GBP £'000	USD £'000	EUR £'000	CAD £'000	AUD £'000	JPY £'000	Other £'000	Total £'000
Financial investments	5,430	281,273	8,296	18,032	2,116	-	5,012	320,159
Reinsurers' share of technical provisions	148	46,046	19,246	1,342	753	27	1,263	68,825
Insurance and reinsurance receivables	2,830	120,189	5,995	1,958	2,460	375	2,391	136,198
Cash and cash equivalents	6,473	561	7,785	-	-	-	-	14,819
Other assets	5,671	22,193	1,515	1,935	591	49	644	32,598
Total assets	20,552	470,262	42,837	23,267	5,920	451	9,310	572,599
Technical provisions	(17,371)	(348,686)	(43,368)	(14,578)	(4,479)	(2,834)	(16,224)	(447,540)
Insurance and reinsurance payables	(1,364)	(84,676)	(1,136)	(794)	(336)	(90)	(1,122)	(89,518)
Other creditors	(269)	(10,361)	(10)	25	-	-	-	(10,615)
Total liabilities	(19,004)	(443,723)	(44,514)	(15,347)	(4,815)	(2,924)	(17,346)	(547,673)
Members' balances by currency	1,548	26,539	(1,677)	7,920	1,105	(2,473)	(8,036)	24,926

The largest currency within other financial investments are Swiss Francs £4.5m.
If sterling was to weaken by 10% and 20% the impact on the above converted sterling profit would be a decrease of £2.6m and £5.8m respectively.

2019	GBP £'000	USD £'000	EUR £'000	CAD £'000	AUD £'000	JPY £'000	Other £'000	Total £'000
Financial investments	1,849	259,075	8,252	12,817	562	–	4,214	286,769
Reinsurers' share of technical provisions	96	32,976	24,228	744	833	–	1,523	60,400
Insurance and reinsurance receivables	2,179	81,393	3,404	1,713	665	214	2,026	91,594
Cash and cash equivalents	6,236	353	6,617	–	–	–	–	13,206
Other assets	5,558	18,770	1,150	1,421	289	49	818	28,055
Total assets	15,918	392,567	43,651	16,695	2,349	263	8,581	480,024
Technical provisions	(15,285)	(289,660)	(44,870)	(14,434)	(2,860)	(9,968)	(16,873)	(393,950)
Insurance and reinsurance payables	(1,722)	(55,699)	(268)	(501)	(266)	(49)	(1,201)	(59,706)
Other creditors	(1,237)	(7,814)	(11)	(8)	-	-	-	(9,070)
Total liabilities	(18,244)	(353,173)	(45,149)	(14,943)	(3,126)	(10,017)	(18,074)	(462,726)
Members' balances by currency	(2,326)	39,394	(1,498)	1,752	(777)	(9,754)	(9,493)	17,298

The largest currency within other financial investments are Swiss Francs £3.8m.

If sterling had weakened by 10% and 20% the impact on the above comparative total converted sterling profit would have been a decrease of £2.2m and £4.9m respectively.

29. Other Risk Management Matters

Interest rate risk	2020 £'000	2019 £'000
Impact of 50 basis point increase in interest rates on result	**(2,197)**	(3,879)
Impact of 50 basis point decrease in interest rates on result	**1,710**	3,882

The interest rate sensitivity analysis is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit and members' balances of the effects of changes in interest rates on:

— Fixed rate financial assets; and

— Variable rate financial assets.

The first of these measures the impact on profit or loss for the year (for items recorded at fair value, through the profit or loss) and on members' balances (for available for sale investments) that would arise in a reasonably possible change in interest rates at the reporting date on financial instruments at the period end. The second of these measures the change in interest income or expense over the period of the year attributable to a reasonably possible change in interest rates, based on floating rate assets and liabilities held at the reporting date.

The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, the variables were altered on an individual basis.

It should be noted that movements in these variables are non-linear.

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

The syndicate has no significant concentration of interest rate risk.

Insurance liabilities are not discounted and therefore not exposed to interest rate risk.

The impact of the above interest rate sensitivity is within our investment parameter guidelines and management tolerance.

Equity & commodity market price risk	2020 £'000	2019 £'000
Impact on result of 5% increase in Stock Market Prices	–	–
Impact on result of 5% increase in Gold Commodity Prices	**765**	–

The commodity price risk all relates to the syndicate's ETF gold investment of £15.3m.

There is zero equity price risk in 2020 as the syndicate sold its holding in long only equity fund in 2017.

The market rate sensitivity analysis is performed for reasonably possible movements in market prices with all other variables held constant, showing the impact on profit and members' balances of the effects of changes in market prices. The syndicate held a limited portfolio of equities and commodities which were subject to price risk as shown in the table. This exposure benefits members through the enhanced longer term returns on equities and commodities compared with debt securities.

The exposure to equities and commodities is managed carefully to ensure that the syndicate's internal capital requirements are met at all times, as well as those mandated by the syndicate's external regulators.

The impact of the above market price sensitivity is within our investment parameter guidelines and management tolerance.

The Lloyd's central fund loan is treated as an equity instrument but due to it's underlying characteristics it does not present an equity price risk to the syndicate.

Maturity profiles

The maturity analysis presented in the table below shows the estimated contractual maturities for all syndicate assets and liabilities. For investment funds, an average maturity is applied based on the underlying securities.

Those items with no stated maturity are in respect of accounting timing entries for prepayments, unearned gross and ceded premium plus related deferred acquisition costs. These four items by their nature generate no future cash flow.

The maturity of other assets is based on the earliest date on which the gross undiscounted assets are expected to be received assuming conditions are consistent with those at the reporting date. The estimated timing of premium debtor balances uses contracted settlement due dates.

The maturity of liabilities is based on undiscounted contractual obligations, including interest payable. The estimated timing of claim payments uses estimated cash flows from the syndicate's reserving analysis. Repayments which are subject to notice are treated as if notice were to be given immediately. Members' balances are analysed based on the syndicate closing each year of account 36 months from inception.

28. Risk Management of Currency Risk *continued*

Claims development table continued

It should be noted that although the table illustrates contractual durations of financial investments, the majority of these assets can be redeemed whenever necessary to meet settlement of liabilities as they fall due.

2020	No stated maturity £'000	Up to a year £'000	1-3 years £'000	3-5 years £'000	>5 years £'000	Total £'000
Financial investments	19,653	237,311	48,619	-	14,576	320,159
Deposits with ceding undertakings	-	-	-	-	-	-
Reinsurer's share of technical provisions – provision for unearned premiums	17,907	-	-	-	-	17,907
Reinsurer's share of technical provisions – claims outstanding	-	13,090	18,008	9,313	10,507	50,918
Debtors	-	127,874	16,735	-	-	144,609
Cash at bank and in hand	-	14,819	-	-	-	14,819
Accrued interest	-	890	92	-	54	1,036
Deferred Acquisition costs	21,807	-	-	-	-	21,807
Other prepayments and accrued income	1,344	-	-	-	-	1,344
Total assets	60,711	393,984	83,454	9,313	25,137	572,599
Members' balances	-	11,671	13,255	-	-	24,926
Technical provisions – provision for unearned premiums	92,068	-	-	-	-	92,068
Technical provisions – claims outstanding	-	82,242	109,289	61,664	102,277	355,472
Creditors	-	43,227	53,106	-	-	96,333
Accruals and deferred income	3,800	-	-	-	-	3,800
Total liabilities	95,868	137,140	175,650	61,664	102,277	572,599

2019	No stated maturity £'000	Up to a year £'000	1-3 years £'000	3-5 years £'000	>5 years £'000	Total £'000
Financial investments	–	163,855	80,008	18,205	24,701	286,769
Deposits with ceding undertakings	–	–	–	–	–	–
Reinsurer's share of technical provisions – provision for unearned premiums	13,307	–	–	–	–	13,307
Reinsurer's share of technical provisions – claims outstanding	–	11,017	15,965	9,758	10,353	47,093
Debtors	–	81,013	18,238	–	–	99,251
Cash at bank and in hand	–	13,206	–	–	–	13,206
Accrued Interest	–	544	441	113	116	1,214
Deferred Acquisition costs	17,864	–	–	–	–	17,864
Other prepayments and accrued income	1,320	–	–	–	–	1,320
Total assets	32,491	269,635	114,652	28,076	35,170	480,024
Members' balances	–	15,191	2,107	–	–	17,298
Technical provisions – provision for unearned premiums	71,758	–	–	–	–	71,758
Technical provisions – claims outstanding	–	71,575	97,943	60,030	92,644	322,192
Creditors	–	26,770	38,277	–	–	65,047
Accruals and deferred income	3,729	–	–	–	–	3,729
Total liabilities	75,487	113,536	138,327	60,030	92,644	480,024

The central fund loan in 2019 of £0.8m was shown within 'up to a year'.

30. Credit Risk

The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position:

Credit risk – Aging and Impairment

2020	Neither past due nor impaired £'000	Past due £'000	Impaired £'000	Total £'000
Other Financial investments:				
Shares and other variable yield securities				
and unit trusts	53,487	–	–	53,487
Debt securities	243,001	–	–	243,001
Participation in investment pools	5,516	–	–	5,516
Loans with credit institutions	-	–	–	-
Deposits with credit institutions	799	–	–	799
Overseas deposits as investments	17,356	–	–	17,356
Deposits with ceding undertakings	-	–	–	-
Reinsurers' share of unearned premiums	17,907	–	–	17,907
Reinsurers' share of claims outstanding	50,918	–	–	50,918
Debtors arising out of direct insurance operations	17,042	7,565	–	24,607
Debtors arising out of reinsurance operations	104,836	6,755	–	111,591
Other debtors	8,411	–	–	8,411
Cash at bank and in hand	14,819	–	–	14,819
Prepayments and accrued income	24,187	–	–	24,187
Total credit risk	**558,279**	**14,320**	**–**	**572,599**

Of the £50.9m (2019: £47.1m) reinsurer's share of claims outstanding, £Nil (2019: £Nil) is backed by undrawn trust fund assets.

2019	Neither past due nor impaired £'000	Past due £'000	Impaired £'000	Total £'000
Other Financial investments:				
Shares and other variable yield securities				
and unit trusts	21,164	–	–	21,164
Debt securities	226,477	–	–	226,477
Participation in investment pools	24,002	–	–	24,002
Loans with credit institutions	–	–	–	–
Deposits with credit institutions	1,091	–	–	1,091
Overseas deposits as investments	14,035	–	–	14,035
Deposits with ceded undertakings	–	–	–	–
Reinsurers' share of unearned premiums	47,093	–	–	47,093
Reinsurers' share of claims outstanding	13,307	–	–	13,307
Debtors arising out of direct insurance operations	14,174	7,093	–	21,267
Debtors arising out of reinsurance operations	67,069	3,258	–	70,327
Other debtors	7,657	–	–	7,657
Cash at bank and in hand	13,206	–	–	13,206
Prepayments and accrued income	20,398	–	–	20,398
Total credit risk	469,673	10,351	–	480,024

The syndicate has debtors that are past due but not impaired at the reporting date. The syndicate does not consider these debtors to be impaired on the basis of the stage of collection of amounts owed to the syndicate.

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