Antares
A QIC Global company

ANNUAL REPORT AND ACCOUNTS 2020

ANTARES SYNDICATE 1274
FOR THE YEAR ENDED 31 DECEMBER 2020

ANTARES SYNDICATE 1274

SYNDICATE ANNUAL REPORT AND ACCOUNTS
31 DECEMBER 2020

Contents

Directors and Administration

Directors
E Gilmour*

J Battle (resigned 29 June 2020)

T Clegg*

M Graham

R Sutlow*

H Clarke*

M Finch

A El Tabbakh*

A Craggs

M Shah (resigned 31 July 2020)

M Van Der Straaten* (appointed 11 November 2020)

J Lye (appointed 26 November 2020)

*Non-ExecutiveDirector

Secretary
C Sweeney

Managing Agent's Registered Office
21 Lime Street London, EC3M 7HB

Managing Agent's Registered Number
6646629

Syndicate 1274:

Active Underwriter
A Craggs (resigned 16 November 2020)

J Lye (appointed 16 November 2020)

Bankers
Lloyds TSB Bank plc 25 Gresham Street London, EC2V 7HN

Registered Auditor
Ernst & Young LLP 25 Churchill Place London, E14 5EY

Managing Agent's Report

The Directors of Antares Managing Agency Limited ('the Managing Agent') present their Report for the year ended 31 December 2020.

Directors

The names of the Directors who served during the year can be found in the Directors and Administration information on page 3.

Directors' Interests

None of the Directors hold any interests in Antares Managing Agency Limited.

The Managing Agent

The Managing Agent is Antares Managing Agency Limited (AMAL), whose registered office is 21 Lime Street, London, EC3M 7HB and registered number is 6646629.

Results and Review of the Business

Syndicate 1274 is a provider of global insurance and reinsurance products. The Syndicate is fully aligned with 100% of its capacity provided by Qatar Insurance Company QSPC ("QIC" formerly Qatar Insurance Company SAQ), a publicly listed composite insurer listed on the Qatar Exchange.

QIC Global Services Limited ("QGSL") provides insurance services to the Syndicate under an outsourcing agreement with AMAL.

In line with QIC's objective and strategy, the objective of the Syndicate is to contribute to profitable growth. The Syndicate provides a worldwide, diversified, range of insurance and reinsurance products and is dedicated to providing an efficient and effective service to its clients ensuring quality, security, continuity and a consistent approach to risk transfer.

$000	2020	2019
Gross Premium Written	573,339	605,041
Net Premium Earned	500,083	510,943
Net Claims Incurred	(390,722)	(343,423)
Net Commission	(120,068)	(123,322)
Net Underwriting Result	**(10,707)**	**44,198**
Operating Expenses	(42,964)	(51,199)
Net Foreign Exchange	836	(1,174)
Investment Return	35,900	36,624
Net Profit/(Loss)	**(16,935)**	**28,449**
Ratios:		
Claims Ratio	78%	67%
Commission Ratio	24%	24%
Expense Ratio	9%	10%
Combined Ratio	**111%**	**101%**

In 2020, the Syndicate produced a loss of $16.9m (2019: $28.4m profit).

At 111% (2019: 101%), the combined ratio reflects the unprecedented effects of the Coronavirus combined with natural catastrophe activity and the need to strengthen back year reserves in certain long tail classes.

Premiums

The whole account reduced by 5% to $573m (2019: $605m) following the strategic decision to withdraw from Property D&F, Aviation and Agriculture lines of business.

The reduction was partially offset by improved market conditions with an overall rating increase of 10%.

Claims

Net claims incurred of $391m (2019: $343m) were worse than prior year, with the Claims Ratio increasing from 67% to 78%.

COVID-19 had a full year impact of $29m adding 6% to the combined ratio. It was also another active year for natural catastrophes with US hurricanes Laura and Delta in particular impacting the Syndicate albeit to a level broadly in line with expectations.

Moreover, the Syndicate was required to strengthen reserves primarily in its Professional Indemnity, Financial Institutions, Miscellaneous and Management & Transactional Liability classes. The combination of an extensive review of old case files by the newly strengthened team of in-house claims experts, and a series of unexpected adverse US court rulings, contributed a further $53m of losses and 11% to the combined ratio.

Commissions

The Syndicate continued to carefully manage commissions and its active focus succeeded in maintaining the ratio at 24% (2019: 24%).

Expenses

Operating expenses fell to $43.0m (2019: $51.2m) and the expense ratio followed at 9% (2019: 10%).

The most significant decrease was in the staff bonus provision due to the overall loss. In addition, there were some modest Covid-related savings in Travel & Entertainment and Accommodation expenses as the Syndicate's team spent the year working from home following government advice.

Investments

Covid caused huge volatility during the year but saw it end on a high with the anticipation of vaccine rollouts, an additional Covid relief package and the conclusion of the US election all lifting market sentiment.

Overall, investments contributed $35.9m to the result (2019: $36.6m), representing a 5.1% return (2019: 5.6%).

The strong performance was the result of gains generated on the fixed income portfolio as governments cut interest rates, investors sought safe haven assets and central banks bought government and corporate bonds to help stimulate the economy all in response to the global pandemic.

Financial Instruments

Details of financial instruments are provided in Note 20 to the accounts.

Going Concern

In assessing going concern for the Syndicate, Lloyd's approved the 2021 year of account Syndicate Business Forecast and the Syndicate continues to underwrite in 2021. The Directors reviewed the budgets and forecasts as well as the available sources of capital and the uses of that capital and associated cash flow for the Syndicate. After consideration of these factors and the support of the shareholders of QIC Global, the Directors have concluded that it is appropriate to adopt the going concern basis of accounting.

Events after the Reporting Period and Future Developments

There are no events that are material to the operations of the Syndicate that have occurred since the reporting date other than those disclosed in Note 22. The directors do not anticipate any change to its strategy and will continue to maintain a balanced portfolio for 2020.

Principal Risk and Uncertainties

The Syndicate's activities expose the business to a number of risks which have the potential to affect the achievement of the business objectives. The Board of the Managing Agency (the AMAL Board) is responsible for maintaining an appropriate structure for managing these risks and acknowledges that it is not possible to eliminate risk(s) entirely. However, the AMAL Board seeks to manage risk in line with risk appetite by maintaining effective systems and controls.

Risk Categories

The Syndicate is exposed to risk in the following categories:

Underwriting Risk is defined as the risk that the frequency and severity of insured events exceeds the expectations of Syndicate 1274 at the time of underwriting.

Reserving Risk is defined as the risk of loss due to the previously established reserves for claims reported on previously exposed business turning out

Claims Management Risk is the risk of loss or regulatory breach due to inappropriate claim management process and/or inadequate governance.

Credit Risk is defined as the risk of loss due to counterparty default or failure to fulfil their obligations. This is the risk of loss or of adverse change in AMAL's financial position, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which AMAL is exposed, in the form of counterparty default risk, spread risk, or market risk concentrations.

Market Risk is defined as the risk of loss, or of adverse change in the financial situation, resulting directly or indirectly from fluctuations in the volatility of market prices of assets, liabilities and financial instruments. It is the risk that the value of AMAL's basic own funds changes unfavourably, due to economic factors such as variations in interest rates.

Liquidity Risk is defined as the risk of loss, or inability to realise investments and other assets, in order to settle financial obligations when they fall due.

Operational Risk is defined as the risk of loss arising from inadequate or failed internal processes, people, and systems or from external events impacting AMAL's ability to operate. This risk encompasses all functions rendered in the course of conducting business. This includes legal and regulatory risk, but excludes risks arising from strategic and reputational risk.

Strategic Risk is defined as the risk to earnings or capital arising from adverse business decisions or improper implementation of those decisions. This risk is a function of the compatibility between AMAL's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, the quality of implementation and appropriateness of response to changing business conditions. This includes reputational risk that is recognised as a by-product of inappropriate and/ or inadequate management and mitigation of other risk categories.

Regulatory Risk is the risk that the Managing Agency fails to meet the regulatory requirements of the Financial Conduct Authority, the Prudential Regulation Authority and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. Antares Managing Agency Limited has a Compliance department that monitors regulatory developments and assesses the impact on Agency policy.

Covid-19 Risk is defined as the risk to the Syndicate from the Covid-19 pandemic as disclosed in note 20.

AMAL recognises **reputational risk** as a by-product of inappropriate/inadequate management and mitigation of all other risk categories.

Risk Governance

The AMAL Board is ultimately responsible for ensuring the effective management and control of risk affecting the Syndicate. The AMAL Board is committed to maintaining sound risk management and control systems that are suitable, effective and proportionate to protect the interests of all stakeholders. The AMAL Board has, for practical reasons, delegated its day-to-day responsibility for different aspects of the risk management to committees and the senior management.

Refer to Note 20 – Risk Management for more information on how the Syndicate 1274 monitors, controls, mitigates and manages the risks described above.

Disclosure of Information to the Auditors

The Directors each confirm that:

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

Auditors

The Managing Agent intends to reappoint Ernst & Young LLP as the Syndicate's auditors.

By order of the Board

C L Sweeney
Company Secretary

4 March 2021

Statement of Managing Agent's Responsibilities

The Managing Agent is responsible for preparing the syndicate annual report and annual accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 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 and then apply them 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' 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 1274

Opinion

We have audited the syndicate annual accounts of syndicate 1274 ('the syndicate') for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Members' Balances, the Statement of Cash Flows and the related notes 1 to 22, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report set out on pages 3 to 7, other than the syndicate annual accounts and our auditor's report thereon. The directors of the managing agent is responsible for the other information contained within the annual report.

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

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

We have nothing to report in this regard.

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

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 7, the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the syndicate annual accounts

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

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

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

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

Our approach was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the syndicate and determined that the most significant are direct laws and regulations, related to elements of Lloyd's Byelaws and Regulations, and the financial reporting framework (UK GAAP), and requirements referred to by Lloyd's in the instructions. Our considerations of other laws and regulations that may have a material effect on the syndicate annual accounts included permissions and supervisory requirements of Lloyd's of London, the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- We obtained a general understanding of how the syndicate is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the syndicate. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the syndicate, Lloyd's of London and other UK regulatory bodies; reviewed minutes of the Board and Risk Committee of the managing agent; and gained an understanding of the managing agent's approach to governance.
- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related syndicate annual accounts' items.
- For both direct and other laws and regulations, our procedures involved: making enquiry of the directors of the managing agent and senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the managing agent's methods of enforcing and monitoring compliance with such policies, inspecting significant correspondence with Lloyd's, the FCA and the PRA.
- The syndicate operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.
- We assessed the susceptibility of the syndicate's annual accounts to material misstatement, including how fraud might occur by considering the controls that the managing agent has established to address risks identified by the managing agent, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, including complex transactions, performance targets, economic or external pressures and their potential to influence management to manage earnings or influence the perceptions of stakeholders. The fraud risk was considered to be higher within the valuation of gross incurred but not reported (IBNR) reserves and estimated premium income.

Our audit procedures included:

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

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

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

Use of our report

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

Ed Jervis (Senior statutory auditor)
For and on behalf of Ernst & Young LLP,
Statutory Auditor London

4 March 2021

Statement of Comprehensive Income
For the year ended 31 December 2020

Technical Account – General Business	Notes	2020 $000	2019 $000
Earned Premium, Net of Reinsurance			
Gross Premium Written	4	573,339	605,041
Outward Reinsurance Premium		(94,036)	(102,807)
Net Premiums Written		479,303	502,234
Change in the Provision for Unearned Premium			
Gross Amount		31,776	(452)
Reinsurers' Share		(10,996)	9,161
Net Change in Provision for Unearned Premium		20,780	8,709
Earned Premiums, Net of Reinsurance		500,083	510,943
Allocated Investment Return Transferred from the Non-Technical Account		35,900	36,624
Claims Incurred, Net of Reinsurance			
Claims Paid			
Gross Amount		(382,474)	(403,547)
Reinsurers' Share		86,827	73,834
Net Claims Paid		(295,647)	(329,713)
Change in the Provision for Claims			
Gross Amount		(48,935)	(2,929)
Reinsurers' Share		(46,140)	(10,781)
Net Change in the Provision for Claims	5	(95,075)	(13,710)
Claims Incurred, Net of Reinsurance		(390,722)	(343,423)
Net Operating Expenses	6	(163,032)	(174,521)
Balance on the Technical Account – General Business		(17,771)	29,623

All the amounts above are in respect of continuing operations.

Statement of Comprehensive Income
For the year ended 31 December 2020

Non - Technical Account	Notes	2020 $000	2019 $000
Balance on General Business Account		(17,771)	29,623
Investment Income	10	21,630	18,554
Unrealised Gains/(losses)	10	15,605	19,334
Investment Expenses and Charges	10	(1,335)	(1,264)
Allocated Investment Return Transferred to General Business Technical Account		(35,900)	(36,624)
Exchange Losses		836	(1,174)
Profit/(loss) for the Financial Year		(16,935)	28,449

The Syndicate has no other comprehensive income other than the profit for the year.

Statement of Financial Position - Assets
at 31 December 2020

	Notes	2020 $000	2019 $000
Investments			
Financial Investments	9	627,847	599,691
Deposits with Ceding Undertakings		3,211	2,451
Reinsurers' Share of Technical Provisions			
Provision for Unearned Premiums	15	43,133	53,190
Claims Outstanding	15	267,038	308,966
		310,171	362,156
Debtors			
Debtors Arising out of Direct Insurance Operations	12	233,407	252,800
Debtors Arising out of Reinsurance Operations		109,601	62,268
Other Debtors		22,475	9,156
		365,483	324,224
Other Assets			
Cash at bank and in hand	13	40,220	19,778
Overseas Deposits	14	62,428	49,604
Prepayments and Accrued Income			
Other Prepayments and Accrued Income		3,208	2,902
Deferred Acquisition Costs	16	65,680	77,229
		68,888	80,131
Total Assets		1,478,248	1,438,035

Statement of Financial Position – Liabilities at 31 December 2020

	Notes	2020 $000	2019 $000
Capital and Reserves			
Members' Balances		(51,004)	(36,128)
Technical Provisions			
Provision for Unearned Premiums	15	270,045	296,046
Claims Outstanding	15	1,078,396	1,009,562
		1,348,441	1,305,608
Deposits Received from Reinsurers		1,584	1,351
Creditors			
Creditors Arising out of Direct Insurance Operations	17	47,655	52,570
Creditors Arising out Reinsurance Operations		107,598	98,735
Other Creditors		15,243	3,483
		170,496	154,788
Accruals and deferred income		8,731	12,416
Total Liabilities		1,478,248	1,438,035

The annual accounts on pages 12 to 43 were approved by the Board of Antares Managing Agency Limited on 25 February 2021 and signed on its behalf by:

M G Finch
Finance Director

4 March 2021

Statement of Changes in Members' Balances Year ended 31 December 2020

	2020 $000	2019 $000
Members' Balances Carried Forward at 1 January	(36,128)	(73,291)
Settlement of Year of Account Profit/(loss)	2,059	8,714
Financial Year Profit/(loss)	(16,935)	28,449
Members' Balances Carried Forward at 31 December	(51,004)	(36,128)

Members participate on syndicates by reference to Years of Account and their forecast ultimate result; assets and liabilities are assessed with reference to policies incepting in that Year of Account in respect of their membership of a particular year.

Statement of Cash Flows
at 31 December 2020

	Notes	2020 $000	2019 $000
Operating Result		(16,935)	28,449
Adjustments for non-cash items			
Unrealised Gains/(losses) on investments		(15,605)	(19,334)
Changes in working capital			
Increase in gross technical provisions		17,158	3,381
Decrease/(increase) in reinsurers' share of gross technical provisions		57,137	1,621
Decrease/(increase) in debtors		(24,261)	6,851
Increase/(decrease) in creditors		12,491	(26,050)
Movement in other assets/liabilities		(9,590)	(9,380)
Investment return		(20,295)	(17,289)
Net cash flows from operating activities		100	(31,751)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equity and debt instruments		(376,919)	(587,409)
Sale of equity and debt instruments		376,339	582,562
Purchase of derivatives		(3,030)	(4,390)
Sale of derivatives		5,662	4,504
Investment income received		21,630	18,554
Other		(1,336)	(1,264)
Net cash flows from investing activities		22,346	12,557
CASH FLOWS FROM FINANCING ACTIVITIES			
Profit distribution		2,059	8,714
Net cash flows from financing activities		2,059	8,714
Cash and cash equivalents at beginning of year		23,103	33,688
Effect of exchange rate fluctuations on cash and cash equivalents		(588)	(105)
Cash and cash equivalents at end of year		47,020	23,103
Cash at bank and in hand		47,020	19,778
Short term deposits with credit institutions		6,800	3,325
Cash and cash equivalents at end of year	13	47,020	23,103

NOTES TO THE ANNUAL ACCOUNTS AT 31 DECEMBER 2020

1. Managing Agent and Syndicate Information

The Managing Agent of Syndicate 1274 is Antares Managing Agency Limited ("AMAL"), whose registered office is 21 Lime Street, London, EC3M 7HB and registered number is 6646629. AMAL is a wholly owned subsidiary of Qatar Insurance Company QSCP ("QIC"), an insurance group listed on the Qatar Exchange.

The principal activity of Syndicate 1274 is the transaction of general insurance and reinsurance business in the London Market.

2. Basis of Preparation

The accounts for the year ended 31 December 2020 were approved by the Antares Managing Agency Board of directors on 25 February 2021.

These annual accounts have been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, and applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102") and Financial Reporting Standard 103 Insurance Contracts ("FRS103") 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 annual accounts have been prepared on a going concern basis and a historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below. The Syndicate presents its annual accounts as an individual undertaking and not about its group.

Previously cash and cash equivalents where shown together on the face of the balance sheet. Cash equivalents have now been disclosed as investments and the remaining cash at bank separately disclosed in accordance with schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) regulations 2008.

The Syndicate's functional currency and presentational currency is US Dollars and the level of rounding used is the nearest thousand.

3. Accounting Policies

(a) 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. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Premiums include estimates for pipeline premiums, representing amounts due to the Syndicate not yet notified.

(b) Unearned premiums

Written premiums are recognised as earned according to 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 balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

(c) Reinsurance premium ceded

Outwards reinsurance premiums are earned according to the type of policy. For losses occurring during (LOD) contracts the premium is earned on a straight line basis over the period of coverage. For risks attaching during (RAD) contracts the premium is earned in line with the gross premiums earned to which the risks attaching contract relates.

(d) Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with FRS 102 and 103 requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the year. The estimates and associated assumptions are based on historical experience and other factors as deemed reasonable and appropriate. The results of these factors allow judgements to be made in respect of the carrying values of assets and liabilities that are not readily apparent from other sources. The nature of estimation means that actual outcomes could differ from those estimates. Uncertainties exist where current valuations are dependent on estimates of future results.

The Syndicate's areas of estimation primarily relate to valuation of liabilities in respect of insurance and reinsurance contracts and valuation of investments.

The estimates and assumptions are reviewed on an ongoing basis. To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of equity, it shall be recognised by adjusting the carrying amount of the related assets, liability or equity item in the period of change.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below and in Note 20 Risk Management.

(d) (i) Claims provisions and related recoveries

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

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

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

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

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

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

(d) (ii) Financial investments

The Syndicate classifies its investments as financial assets measured at fair value through profit or loss.

The Syndicate investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value at each reporting date. Fair value adjustments and realised gains and loss are recognised in the Income Statement.

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 or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Refer to Note 20 Risk Management for details on the Fair Value Hierarchy and fair value measurement criteria.

The Syndicate measures the fair value of its financial assets based on market data from independent pricing services.

The pricing services used obtain the actual transaction prices for securities that have quoted prices in active markets.

For those securities which are not actively traded, the pricing services use common market valuation pricing models.

Observable inputs used in common market valuation pricing models include, but are not limited to, broker quotes, credit ratings, interest rates and yield curves, prepayment speeds, default rates and other such inputs which are available from market sources.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of the derivatives are recognised in profit or loss in finance costs as appropriate. The syndicate does not apply hedge accounting.

(e) Unexpired Risks Provision

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

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

(f) Deferred Acquisition Costs

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at year end.

(g) Financial Assets/Liabilities

All financial assets/liabilities are recognised initially at fair value.

(h) Foreign Currencies

The Syndicate's functional currency and presentational currency is US Dollars.

Foreign currency transactions are recorded in the functional currency using the exchange rates prevailing at the date of the transactions, or at the average rate for the period when this is a reasonable approximation. Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisition costs) denominated in foreign currencies are translated at period end exchange rates. Nonmonetary assets and liabilities carried at historical cost denominated in a foreign currency are translated at historic rates. Non-monetary assets and liabilities carried at estimated fair value denominated in a foreign currency are translated at the exchange rate at the date the estimated fair value was determined.

Exchange differences are recorded in the non-technical account.

(i) Investment Return

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

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

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

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

(j) 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.

Capital appreciation falls within trading income and is also distributed gross of tax.

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

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

(k) Pension Costs

QIC Global Services Limited operates a defined contribution scheme for staff working on behalf of Antares Syndicate 1274. Pension contributions relating to these members of staff are charged to the Syndicate and included within net operating expenses. QIC Global Services Limited is a wholly owned subsidiary within QIC Global.

4. Segmental Analysis

An analysis of the underwriting result before investment return for 2020 and 2019 is set out below:

2020	Gross Written Premiums	Gross Premiums Earned	Gross Claims Incurred	Gross Operating Expenses	Reinsurance Balance	Total	Net Technical Provisions
	$000	$000	$000	$000	$000	$000	$000
Marine, Aviation and Transport	234,551	236,288	(127,065)	(71,966)	(9,181)	28,076	(337,049)
Reinsurance	98,889	98,585	(51,718)	(19,746)	(16,445)	10,676	(181,490)
Specialty	208,937	224,694	(201,272)	(59,114)	(22,229)	(57,921)	(427,969)
Property	24,269	37,198	(78,512)	(11,416)	18,045	(34,685)	(60,139)
Motor	6,693	8,350	27,158	(790)	(34,535)	183	(31,623)
	573,339	605,115	(431,409)	(163,032)	(64,345)	(53,671)	(1,038,270)

2019	Gross Written Premiums	Gross Premiums Earned	Gross Claims Incurred	Gross Operating Expenses	Reinsurance Balance	Total	Net Technical Provisions
	$000	$000	$000	$000	$000	$000	$000
Marine, Aviation and Transport	211,357	220,047	(149,600)	(68,990)	(11,008)	(9,551)	(313,022)
Reinsurance	99,055	99,389	(62,326)	(23,628)	(7,316)	6119	(171,960)
Specialty	233,691	221,619	(152,766)	(63,208)	(1,302)	4,343	(397,804)
Property	53,436	60,683	(53,357)	(17,997)	1,942	(8,729)	(56,136)
Motor	7,502	2,851	11,573	(698)	(12,909)	817	(4,530)
	605,041	604,589	(406,476)	(174,521)	(30,593)	(7,001)	(943,452)

The above segmental analysis is broken down into the divisional structure by which management views the business. For the purpose of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations, the Specialty division consists of Third Party Liability insurance.

Commissions on direct insurance gross premiums earned were $113,821,540 during 2020 and $123,382,296 during 2019.

Gross Operating Expenses include reinsurance commission's receivable.

All premium transactions were concluded in the UK, Singapore and China.

The geographical analysis of premiums by destination (or by situs of the risk) is as follows:

	2020	2019
	$000	$000
UK	159,418	161,698
Other EU Countries	45,254	52,423
US	169,775	179,640
Central & South America	19,204	14,299
Japan	10,106	15,567
Australia	22,631	17,036
Other	146,951	164,378
Total	573,339	605,041

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

On 30 December 2020 the Member of the Syndicate transferred the impacted EEA policies and related liabilities to Lloyd's Brussels, together with cash of $59.9m. On the same date, under the Reinsurance Agreement, Lloyd's Brussels reinsured the same risks back, together with an equal amount of cash of $59.9m. 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 and members' balance. On the balance sheet, debtors in relation to Part VII policies of $15.2m which were previously disclosed as direct are now reported as inwards reinsurance debtors.

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

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.

5. Change in Net Provision for Claims

The change in net provision for claims is made up of the following:

	2020	2019
	$000	$000
Outstanding Claims	15,828	3,096
Claims Incurred but not Reported	78,126	11,208
Claims Handling Expenses Provision	1,121	(594)
Change in Net Provision for Claims	95,075	13,710

The movement in the net provision for claims includes a deterioration of ($53,039,944) in respect of claims outstanding at the previous year end (2019: deterioration $11,141,881). The deterioration comprises net claims including the change in claims incurred but not reported ('IBNR').

6. Net Operating Expenses

	2020	2019
	$000	$000
Acquisition costs	123,607	138,807
Change in deferred acquisition costs	1,173	(6,662)
Acquisition costs – other	7,874	11,609
Change in deferred acquisition costs – other	-	-
Administrative expenses	32,952	38,159
	165,606	181,913
Reinsurance commissions receivable	(2,574)	(7,392)
Net operating expenses	163,032	174,521

Administrative Expenses Include:	2020	2019
	$000	$000
Auditors' Remuneration		
Audit of the Syndicate Annual Accounts	311	260
Audit related services	170	140
Members' Standard Personal Expenses (Lloyd's Subscription, New Central Fund Contributions, Managing Agent's Fees and Profit Commission)	4,229	4,283

7. Staff Costs

The Syndicate and its Managing Agent have no employees. The following amounts were recharged to the Syndicate in respect of salary and related costs:

	2020	2019
	$000	$000
Wages and Salaries	12,239	17,772
Social Security Costs	2,621	3,549
Other Pension Costs	2,288	1,504
Other Staff Costs including Recruitment, Training and Medical Insurance	5,782	4,103
	22,930	26,928

8. Emoluments of the Directors of Antares Managing Agency Limited

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

	2020	2019
	$000	$000
Total Emoluments	2,095	2,166

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

	2020	2019
	$000	$000
Total Emoluments	446	220

No advances or credits were granted by the Managing Agent to any of its Directors during the year.

9. Financial Investments

	Market Value		Cost	
	2020	2019	2020	2019
	$000	$000	$000	$000
Shares and Other Variable Yield Securities and Units in Unit Trusts	36,035	22,889	34,447	16,365
Debt Securities and other Fixed Income Securities	533,488	523,340	510,076	513,852
Derivatives	1,563	212	1,563	212
Participation in Investment Pools	56,761	53,250	56,654	53,591
	627,847	599,691	602,740	584,020

10. Investment Income and Expenses

	2020	2019
	$000	$000
Investment Income		
Income from Investments	15,959	15,954
Realised Gains/(losses) on Investments	5,671	2,600
Unrealised Gains/(losses) on Investments	15,605	19,334
	37,235	37,888
Investment Expenses and Charges		
Investment Management Expenses	(1,335)	(1,264)

11. Calendar Year Investment Yield

The average amount of syndicate funds available for investment during 2020 and the investment return and yield for that calendar year was as follows:

	2020	2019
	$000	$000
Average Fund	698,897	655,373
Investment Return	37,235	37,888
Calendar Year Investment Yield	5.3%	5.8%
Average Funds Available for Investment by Currency		
United States Dollars and Other	$548,965	$485,136
Sterling	£57,360	£71,385
Canadian Dollars	C$53,415	C$50,924
Analysis of Calendar Year Investment Yield by Fund	%	%
United States Dollars and Other	6.0	6.9
Sterling	3.9	3.0
Canadian Dollars	3.5	3.1

"Average fund" is the average of bank balances, overseas deposits and investments held during the calendar year.

12. Debtors Arising out of Direct Insurance Operations

	2020	2019
	$000	$000
Due from Intermediaries	233,407	252,800

There were no balances due from policyholders arising out of direct insurance operations as at 31 December 2020 (2019: $nil).

13. Cash and Cash Equivalents

	2020	2019
	$000	$000
Cash at bank and in hand	40,220	19,778
Short term deposits with credit institutions	6,800	3,325
	47,020	23,103

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14. Overseas Deposits

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries. These assets are managed by Lloyd's on a pooled basis and are predominantly invested in fixed income securities.

15. Insurance Contracts and Reinsurance Contracts

	2020			2019		
	Insurance contract liabilities	Reinsurance Contracts Assets	Net	Insurance contract liabilities	Reinsurance Contracts Assets	Net
	$000	$000	$000	$000	$000	$000
Claims Outstanding	1,078,396	267,038	811,358	1,009,562	308,966	700,596
Provision for Unearned Premiums	270,045	43,133	226,912	296,046	53,190	242,856
	1,348,441	310,171	1,038,270	1,305,608	362,156	943,452
Contracts due no more than 12 months after the reporting date	405,637	73,410	332,227	431,355	90,162	341,193
Contracts due more than 12 months after the reporting date	942,804	236,761	706,043	874,253	271,994	602,259
	,348,441	310,171	1,038,270	1,305,608	362,156	943,452

(a) Movement in Claims Outstanding

	2020			2019		
	Insurance contract liabilities	Reinsurance Contracts Assets	Net	Insurance contract liabilities	Reinsurance Contracts Assets	Net
	$000	$000	$000	$000	$000	$000
Balance at 1 January	1,009,562	308,966	700,596	995,162	312,216	682,946
Movements During the Year	48,935	(46,139)	95,074	2,929	(10,781)	13,710
Impact of Foreign Exchange	19,899	4,211	15,688	11,471	7,531	3,940
Balance at 31 December	1,078,396	267,038	811,358	1,009,562	308,966	700,596

(b) Movement in Unearned Premium

	2020			2019		
	Insurance contract liabilities	Reinsurance Contracts	Net	Insurance contract liabilities	Reinsurance Contracts	Net
	$000	$000	$000	$000	$000	$000
Balance at 1 January	296,046	53,190	242,856	294,589	43,930	250,659
Premiums Written During the Year	573,339	94,036	479,303	605,041	102,807	502,234
Premiums Earned During the Year	(605,115)	(105,032)	(500,083)	(604,589)	(93,646)	(510,943)
Impact of Foreign Exchange	5,775	939	4,836	1,005	99	906
Balance at 31 December	270,045	43,133	226,912	296,046	53,190	242,856

16. Deferred Acquisition Costs

	2020	2019
	$000	$000
Balance as 1 January	77,229	78,059
Charges during the year	(1,173)	6,662
Impact of Foreign Exchange	(10,376)	(7,492)
Deferred Acquisitions Costs	65,680	77,229

17. Creditors Arising out of Direct Insurance Operations

	2020	2019
	$000	$000
Due to Intermediaries	47,655	52,570

There were no balances due to policyholders arising out of direct insurance operations as at 31 December 2020 (2019: £nil).

18. Related Parties

a) Related party insurance and reinsurance transactions with Syndicate 1274

During the year the Syndicate entered into transactions in the ordinary course of business with Qatar Insurance Company QSCP (QIC) as well as Qatar Reinsurance Company Limited (QRE), a subsidiary of QIC. QIC is the ultimate parent of QIC Global that supports the majority of the capacity of Syndicate 1274.

	2020			2019		
	Qatar Insurance Company	Qatar Reinsurance Company Limited	Total	Qatar Insurance Company	Qatar Reinsurance Company Limited	Total
	$000	$000	$000	$000	$000	$000
Gross Written Premium	3,210	256	3,466	1,903	817	2,721
Reinsurance Written Premium	4,192	20,173	24,365	1,151	23,896	25,047
Gross Claims Paid	1,380	–	1,380	1,971	–	1,971
Reinsurance Recoveries	18,431	14,146	32,577	20,419	5,438	25,858
Gross Claims Outstanding	4,029	880	4,909	2,437	86	2,523
Reinsurance Claims Outstanding	31,813	32,638	64,451	59,253	9,038	68,290
Due from Related Party	904	5,412	6,316	136	1,863	1,999
Due to Related Party	1,058	10,589	1,058	296	–	296

b) Other related transactions with Syndicate 1274

During 2019, managing agency fees were charged to the Syndicate as follows:

	2020	2019
	$000	$000
Antares Managing Agency Limited	463	461

Antares Managing Agency Limited also charged the Syndicate $32,772,886 (2019: $40,316,000) for expenses paid on its behalf. A balance of $nil was due to Antares Managing Agency Limited at 31 December 2020 (2019: nil), due from Antares Managing Agency Limited $22,358,774 (2019:$9,055,444), $351,411 (2019: $223,124) was due to Antares Underwriting Asia PTE Ltd, $nil (2019:nil) was due to Antares Underwriting Limited (AUL) and $519,874 was due to Antares Capital I Limited (2019: $509,614).

19. Funds at Lloyd's

Every member at Lloyd's is required to hold capital 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 FCA/PRA requirements and resource criteria. The amount of FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the Managing Agent, no amount has been shown in these annual accounts by way of such capital resources. However, the Managing Agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses.

20. Risk Management

Principal Risk and Uncertainties

The Syndicate's activities expose the business to a number of risks which have the potential to affect the achievement of the business objectives. The Board is responsible for maintaining an appropriate structure for managing these risks and acknowledges that it is not possible to eliminate risk entirely. However, the Board seeks to manage risk in line with risk appetite by maintaining effective systems and controls.

The Syndicate is exposed to risk in the following categories:

Insurance Risk: Underwriting Risk is defined as: "The risk that the frequency and severity of insured events exceeds the expectations of Syndicate 1274 at the time of underwriting".

Reinsurance is an important risk mitigation tool employed by the Syndicate to reduce its exposure to Underwriting Risk. Reinsurance strategy is developed as part of the Three Year Business Plan and the Annual Business Plan, with reference to the overall risk appetite of the Syndicate, historical and projected future reinsurance costs, and potential sources of capital alternatives. The reinsurance strategy is approved by the AMAL Board and implemented by senior management.

The other risk mitigation techniques/tools in respect of the Underwriting Risk include: increasing diversification; altering limits and attachment points; and changing product mix (including classes of business and territories).

Underwriting Risk is managed through underwriting authorities, and both peer and independent expert review procedures. Pricing is determined through the use of bespoke pricing models. Underwriting authorities are monitored through systems which report adherence to individual underwriter limits (including contract limits and jurisdiction restrictions). Any delegated underwriting authorities are subject to diligence review, and regular audit.

Realistic Disaster Scenario (RDS) and Probable Maximum Loss (PML) limits are set to limit the exposure to underwriting risk. Aggregate and Class of Business exposures are assessed and monitored, in line with the Exposure Management Framework, to control the risk from the underwriting activities.

Detailed underwriting management information is prepared regularly, including metrics for the main components of risk. These include pricing, loss ratio selection, experience variations, cycle management, reinsurance protection and catastrophe modelling through proprietary software.

The table below sets out the concentration of outstanding claims liabilities by division:

	2020			2019		
	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net
	$000	$000	$000	$000	$000	$000
Marine, Aviation and Transport	260,783	12,527	248,256	229,710	6,552	223,158
Reinsurance	164,898	6,670	158,228	157,199	8,744	148,455
Specialty	427,497	95,155	332,342	393,190	100,606	292,584
Property	76,635	28,242	48,393	54,987	22,954	32,033
Motor	148,583	124,444	24,139	174,476	170,110	4,366
Total	1,078,396	267,038	811,358	1,009,562	308,966	700,596

The table below sets out the concentration of outstanding claims liabilities by geographic area:

	2020			2019		
	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net
	$000	$000	$000	$000	$000	$000
UK	407,120	164,093	243,027	407,270	208,818	198,452
Other EU Countries	73,390	11,255	62,135	53,247	8,854	44,393
US	275,334	42,225	233,109	288,294	47,937	240,357
Central & South America	31,145	4,776	26,369	23,663	3,935	19,728
Japan	16,388	2,513	13,875	21,262	3,535	17,727
Australia	36,701	5,628	31,073	22,595	3,757	18,838
Other	238,318	36,548	201,770	193,231	32,130	161,101
Total	1,078,396	267,038	811,358	1,009,562	308,966	700,596

Insurance Risk: Reserving Risk is defined as: "The risk of loss due to the previously established reserves for claims reported on previously exposed business being incorrect in terms of quantum or timing".

The Reserving Policy and Technical Provisions Framework, approved by the AMAL Board and the Finance Committee, sets out the detailed principles, methodologies, practice and governance arrangements for the estimation of reserves and technical provisions.

The reserving policy seeks to ensure consistency in reserving from year to year, and the equitable treatment of capital providers on closure of a Syndicate Year of Account.

Reserving risk is monitored by the robust application of actuarial methodologies, sign-off procedures, quarterly tracking of projected ultimate loss ratios and reassessment of methodologies where appropriate. Regular dialogue between actuaries, underwriters and claims adjusters also assists the process.

The claims liabilities are sensitive to a number of assumptions. A key, quantifiable, assumption is the average claim cost. If the average claim cost were to increase by 1%, loss and Members' Balances would be impacted by $8.1m (2019: $7m).

Insurance Risk: Claims Management Risk is the risk of loss or regulatory breach due to inappropriate claim management process and/or inadequate governance.

Claims related risks are managed through a number of control activities and Key Performance Indicators that range from claim authority and claims processing time to potential significant loss event reporting and outstanding case reserve monitoring.

Claims development tables are shown on an underwriting year basis; these set out the development of claims over time on a gross and net of reinsurance basis (without any adjustment for any impact from changes to projected premiums). These claims are shown on an earned basis for each successive development year. Balances have been

translated at exchange rates prevailing at 31 December 2020 in all cases.

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Whole Account Underwriting Year	2010 & prior	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Gross Claims												
Estimate of incurred gross claims												
At the end of underwriting year		99,125	105,059	106,421	104,897	105,440	116,187	211,941	170,536	159,640	148,674	
One year later		158,994	163,480	176,621	199,668	196,957	273,763	388,561	380,049	361,956		
Two years later		170,887	179,887	190,740	211,430	219,679	567,602	445,838	425,461			
Three years later		177,822	180,970	187,627	208,736	225,189	507,417	476,813				
Four years later		181,252	192,009	187,854	232,256	231,020	539,930					
Five years later		185,074	192,728	186,982	226,129	235,288						
Six years later		183,220	189,753	182,900	236,604							
Seven years later		178,873	188,121	184,778								
Eight years later		180,137	191,564									
Nine years later		181,382										
2010 & prior years	621,803											
Gross paid claims position												
At the end of underwriting year		12,071	10,2130	18,362	11,885	6,944	9,836	21,041	15,586	17,354	9,754	
One year later		58,491	65,268	65,017	62,856	57,601	87,888	143,232	142,628	101,556		
Two years later		102,780	108,103	108,424	104,354	112,808	207,576	273,383	231,702			
Three years later		124,594	133,364	129,059	143,283	141,790	222,115	352,210				
Four years later		140,110	143,642	143,407	157,502	166,211	353,473					
Five years later		156,471	158,622	153,681	180,544	181,212						
Six years later		161,295	168,091	166,484	194,928							
Seven years later		166,312	172,321	168,522								
Eight years later		171,132	175,890									
Nine years later		174,058										
2010 & prior years	582,552											
Gross claims reserve	39,251	7,324	15,674	16,256	41,676	54,076	186,457	124,603	193,759	260,400	138,920	1,078,396

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Whole Account Underwriting Year	2010 & prior	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Net Claims												
Estimate of ultimate gross claims												
At the end of underwriting year		83,607	71,937	96,971	95,080	98,352	106,617	150,968	156,343	137,476	123,513	
One year later		138,408	126,674	167,248	187,476	190,172	250,156	304,028	333,094	301,075		
Two years later		145,070	144,624	184,694	198,794	216,212	284,786	347,295	382,743			
Three years later		149,293	146,847	182,786	196,267	219,618	276,082	366,391				
Four years later		152,955	158,264	183,427	220,979	225,457	294,551					
Five years later		157,672	159,939	182,735	214,563	230,794						
Six years later		155,807	157,132	179,708	224,282							
Seven years later		151,430	155,575	181,323								
Eight years later		152,795	159,102									
Nine years later		154,088										
2010 & prior years	468,202											
Net paid claims position												
At the end of underwriting year		12,071	10,213	17,879	11,885	6,869	9,834	20,894	15,431	16,041	9,359	
One year later		53,786	53,006	63,985	62,855	57,519	85,284	114,996	130,626	92,145		
Two years later		89,275	87,182	106,105	104,250	112,762	150,308	214,656	209,524			
Three years later		103,301	108,098	126,696	137,632	141,723	185,563	267,135				
Four years later		116,176	116,880	141,070	158,461	164,168	227,621					
Five years later		131,193	130,302	151,317	172,229	179,530						
Six years later		135,546	138,444	164,120	186,540							
Seven years later		140,199	141,641	165,912								
Eight years later		144,892	145,246									
Nine years later		147,750										
2010 & prior years	443,943											
Net claims reserve	24,259	6,338	13,856	15,411	37,741	51,264	66,930	99,256	173,219	208,930	114,154	811,358

Credit Risk is defined as: "The risk of loss due to counterparty default or failure to fulfil their obligations". This is the risk of loss or of adverse change in the Syndicate's financial position, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which the Syndicate is exposed, in the form of counterparty default risk, spread risk, or market risk concentrations.

Syndicate Investment Guidelines are approved by the AMAL Board and include details of permitted securities (including limits), minimum credit ratings and maximum concentrations, to mitigate credit and counterparty default risk exposures in respect of the investment portfolio. Adherence to these guidelines is monitored on a monthly basis.

The Syndicate deals primarily with brokers that are registered with Lloyd's and with which it has a current, signed Terms of Business Agreement (TOBA). The financial standing of the brokers, their payment performance and adherence to approved procedures is monitored and all exceptions are escalated to the Security Committee, which recommends a bad and doubtful debt provision to be applied against amounts due from brokers.

Notes to the Annual Accounts
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The Security Committee sets reinsurer exposure thresholds based on credit ratings. This is supported by placing limits on exposure to a single reinsurer in respect of the largest Realistic Disaster Scenario exposures. Reinsurer exposures are monitored on a regular basis and reported to the Security Committee, which considers the ongoing appropriateness of the thresholds and agrees strategies for reducing exposure in respect of any breaches. The Security Committee also monitors the creditworthiness of approved reinsurers, their payment performance and sets out bad debt write-off provisions. All commutation agreements are approved by the Finance Committee.

The Syndicate's maximum exposure to counterparty credit risk analysed by credit quality is detailed below.

As at 31 December 2020	AAA	AA	A	BBB & Below	Lloyd's syndicates	Unrated	Total
	$000	$000	$000	$000	$000	$000	$000
Financial investments (Including Overseas deposits)	62,878	144,804	151,907	288,978	-	41,708	690,275
Cash at bank and in hand	140	1,941	37,968	171	-	-	40,220
Insurance and other receivables	-	-	-	-	-	3,211	3,211
Reinsurance contracts assets	-	107,971	102,413	-	54,101	14,771	279,256
	63,018	254,716	292,288	289,149	54,101	59,690	1,012,962

As at 31 December 2019	AAA	AA	A	BBB & Below	Lloyd's syndicates	Unrated	Total
	$000	$000	$000	$000	$000	$000	$000
Financial investments (Including Overseas deposits)	55,506	168,544	134,831	225,506	-	64,908	649,295
Cash at bank and in hand	97	1,360	11,916	148	-	6,257	19,778
Insurance and other receivables	-	-	-	-	-	2,451	2,451
Reinsurance contracts assets	-	118,322	112,226	-	60,207	28,377	319,132
	55,603	288,226	258,973	225,654	60,207	101,993	990,656

In addition to above, debtors arising out of insurance operations amounting to $233m (2019:$253m) and debtors arising out of reinsurance operations in respect of inward business amounting to $98m (2019:$51m) are considered as unrated, however, since these assets are linked to the claim liabilities, the credit risk is mitigated by way of payments being withheld in the event the premiums are not received by the Syndicate.

Overdue reinsurance receivables, including premiums and claims, were as follows:

Overdue Reinsurance Receivable	0-1 month	2-3 months	4-6 months	7-12 months	Total
	$000	$000	$000	$000	$000
At 31 December 2020	-	5,884	2,139	6,434	14,458
At 31 December 2019	1,531	(1,822)	(852)	(519)	(1,661)

Approx 3% of the Insurance and other receivables are past due. More than 90% of the past due balance is up to 12 months overdue with the remaining balance over 12 months overdue. All overdue balances are deemed to be fully recoverable, as such no impairment as been recognised against these receivables.

Notes to the Annual Accounts
At 31 December 2020

Market Risk is defined as: "The risk of loss, or of adverse change in the financial situation, resulting directly or indirectly from fluctuations in the volatility of market prices of assets, liabilities and financial instruments". Market risk is driven by currency risk, interest risk, and spread risk as follows:

Currency Risk: the sensitivity of the values of assets, liabilities and financial instruments to changes in the level, or in the volatility of, currency exchange rates.

The Syndicate underwrites a significant proportion of business in currencies other than US Dollars, which gives rise to a potential exposure to currency risk. In addition, the Syndicate has a natural currency mismatch, as a higher proportion of its expenses are incurred in Sterling.

The most significant non-US Dollar currency exposure relates to Sterling and Euro.

Currency risk is controlled through an Asset Liability Matching (ALM) process. The ALM process is performed on a quarterly basis to achieve alignment of assets and liabilities in currency, to address any mismatch between currency premiums and claims, and the natural mismatch between US Dollar income and Sterling expenses. The income and expenditure process is performed on an annual basis and, in particular, endeavours to align the currency mix of outward reinsurance premiums paid with that of related inwards premium received. AMAL does not specifically target asset liability matching for duration. Benchmarks are broadly in line with average liabilities on the main trust fund assets, and deliberate mismatching is viewed as a valid strategy to limit any losses arising from interest rate risk and, where possible, to enhance returns.

The syndicate uses derivative financial instruments as an economic hedge for the risk of revaluation of net monetary assets denominated in non-functional currency. The syndicate does not apply hedge accounting. The marked to market value of open contracts at 31 December 2020 is an asset of $1,563k (2019: Liability $99k).

If the Sterling and the Euro were to weaken against the US Dollar by 10%, with all other variables constant, loss and receivable from members would be lower by an estimated $0.1m (2019: $1.4m). This analysis is based on the current information available and the assumptions in making this assessment are:

- The closing year-end spot rates and average rates throughout the year are 10% higher
- There is no active hedging of currency during the period
- The analysis includes an estimate of the impact on foreign borrowings
- The impact of foreign exchange movements on non-monetary items is assumed to be nil

Interest Risk: the sensitivity of the values of assets, liabilities and financial instruments to changes in the term structure of interest rates, or in the volatility of interest rates.

Interest rate risk is the risk that the value and/or future cash flows of a financial instrument will fluctuate due to changes in interest rates. The Syndicate's exposure to interest rate risk is spread across the Syndicate's investment portfolio, and cash and cash equivalents.

In managing interest rate risk, the Syndicate currently invests in short duration financial investments, cash and cash equivalents. Interest rate risk is controlled by imposing maximum duration limits to the conventional fixed income assets, as defined in the investment guidelines provided to investment managers.

Duration is a commonly used measure of risk and gives an indication of the likely sensitivity of the Syndicate's portfolio of fixed interest securities to changes in interest rates. The average duration for investment assets is 3.5 years (2019 3.6 years).

The Syndicate's financial assets comprise a portfolio of fixed income securities, UCITS funds and bank deposits. The portfolio of fixed income securities is managed by professional fund managers, under a segregated investment mandate, and in accordance with guidelines approved by the AMAL Board. The guidelines permit investment in a range of fixed income investment products, including government securities, corporate bonds and asset backed securities, as well as a modest allocation to equities and other alternative investments.

An increase of 50 basis points in interest rates, with all other variables constant, would decrease the valuation of the Syndicate's investments by an estimated 267 basis points. Therefore if interest rates were to increase by 0.5%, with all other variables constant, loss and receiveable from members would increase by an estimated $19m (2019: $17m).

A comparable decrease in interest rates would increase the valuation by an estimated 93 basis points.

Spread Risk: the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure.

Volatility (spread risk) is controlled by imposing Value at Risk (VaR) limits, at a specified confidence level and time period, to the overall investment funds. This is reviewed on a quarterly basis by the Finance Committee.

Fair value hierarchy
The tables below summarise the fair value hierarchy for the Syndicate. The levels of the fair value hierarchy are defined as follows:

- Level 1 – Fair values are measured using quoted prices (unadjusted) in active markets for identical instruments
- Level 2 – When quoted prices are unavailable, fair values are measured using the price of a recent transaction for an identical instrument. The price can be adjusted if it can be demonstrated that the last transaction price is not a good estimate of fair value.
- Level 3 – Fair values measured using valuation techniques. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

The Syndicate measures the fair value of its financial assets based on prices provided by investment managers (who obtain market data from independent pricing services). These are reviewed by the finance team. The pricing services used by the investment manager obtain the actual transaction prices for securities that have quoted prices in active markets. For those securities which are not actively traded, the pricing services use common market valuation pricing models. Observable inputs used in common market valuation pricing models include, but are not limited to, broker quotes, credit ratings, interest rates and yield curves, prepayment speeds, default rates and other such inputs which are available from market sources.

At 31 December 2020	Level 1	Level 2	Level 3	Total
	$000	$000	$000	$000
Financial investments (Including Overseas deposits)	500,653	157,610	32,012	690,275

At 31 December 2019	Level 1	Level 2	Level 3	Total
	$000	$000	$000	$000
Financial investments (Including Overseas deposits)	461,768	160,709	26,509	648,986

Level 1 of the hierarchy includes all government bonds/bills and corporate bonds only which are measured based on prices representing actual and regularly occurring market transactions. Level 2 of the hierarchy includes all other financial assets except those included in Level 3.

The Syndicate asset portfolio in respect of the level 3 investments primarily consists of Private Equity instruments and Syndicate loan. For Private Equity instruments, the Portfolio Manager receives partnership statements/financial statements for each investment from which the residual values are recorded and then potentially adjusted when combined with adjusted ending value reports. The

Portfolio Manager then recommends a valuation for each position based on these statements and their own assessment/judgement.

There have been no transfers between level 1 and level 2 in either direction in 2020 or 2019.

Liquidity Risk is defined as: "The risk of loss, or inability to realise investments and other assets, in order to settle financial obligations when they fall due."

Liquidity policy includes a specific requirement to hold sufficient funds in working capital to meet the following quarter's estimated claims liabilities and this position is reviewed by the Finance Committee on a quarterly basis. Additionally, an annual stress test is performed to ensure that sufficient liquidity is maintained in order to meet a Realistic Disaster Scenario ("RDS") event without unnecessary cost to AMAL. Rolling 12-month cash flow projections, in each of the underlying main operating currencies, are prepared quarterly, reviewed against available liquid funds and used in the quarterly balance sheet asset liability matching exercise. The review recognises the restrictions placed on funds committed to meet Lloyd's overseas trust fund requirements. Liquidity requirements for all accounts and respective currency amounts are determined periodically via a process of analysis of historic daily settlements.

A summary showing the undiscounted expected timing of future cash flows is as follows (insurance contract liabilities and reinsurance contract assets have been analysed based on actuarial cash flow estimates):

At 31 December 2020:	0-1years	1-3 years	3-5 years	> 5 years	Total
	$000	$000	$000	$000	$000
Financial investments	75,342	150,683	194,633	207,189	627,847
Cash at bank and in hand	40,220	-	-	-	40,220
Overseas Deposits	62,428	-	-	-	62,428
Insurance and other receivables	411,899	-	-	-	411,899
Reinsurance contracts assets	73,410	78,831	125,638	32,292	310,171
Other assets	25,683	-	-	-	25,683
Total assets	688,982	229,514	320,271	239,481	1,478,248
Insurance contracts liabilities	405,636	408,821	418,723	115,261	1,348,441
Provisions, reinsurance and other payables	180,787	18	5	1	180,811
Total liabilities	586,423	408,839	418,728	115,262	1,529,252
Net assets	102,559	(179,325)	(98,457)	124,219	(51,004)

At 31 December 2019:	0-1years	1-3 years	3-5 years	> 5 years	Total
	$000	$000	$000	$000	$000
Financial investments	137,928	221,886	191,901	47,976	599,691
Cash at bank and in hand	19,778	-	-	-	19,778
Overseas Deposits	49,604	-	-	-	49,604
Insurance and other receivables	394,748	-	-	-	394,748
Reinsurance contracts assets	90,164	96,563	145,628	29,801	362,156
Other assets	12,058	-	-	-	12,058
Total assets	704,280	318,449	337,529	77,777	1,438,035
Insurance contracts liabilities	431,356	400,187	391,606	82,459	1,305,608
Provisions, reinsurance and other payables	168,555	-	-	-	168,555
Total liabilities	599,911	400,187	391,606	82,459	1,474,163
Net assets	104,369	(81,738)	(54,077)	(4,682)	(36,128)

Operational Risk is defined as: "The risk of loss arising from inadequate or failed internal processes, people, systems or from external events impacting the Syndicate's ability to operate. This risk encompasses all functions rendered in the course of conducting business. This includes legal and regulatory risk, but excludes risks arising from strategic and reputational risk".

AMAL has formally documented policies and procedures for all key aspects of the business that define the end-to-end business processes, provide guidelines, put in place appropriate governance structures and include control activities to ensure the robustness of the business operations. Internal Audit provides independent assurance over the robustness of the business operations and compliance with the internal policies/procedures.

Strategic Risk is defined as: "The risk to earnings or capital arising from adverse business decisions or improper implementation of those decisions. This risk is a function of the compatibility between the Group's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, the quality of implementation and appropriateness of response to changing business conditions. This includes reputational risk that is recognised as a by-product of inappropriate/inadequate management and mitigation of other risk categories".

The Syndicate mitigates this risk through a variety of planning techniques including robust business planning, stress and scenario testing and capital contingency planning.

Regulatory risk is the risk that the Managing Agency fails to meet the regulatory requirements of the PRA, 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. AMAL has a Compliance department that monitors regulatory developments and assesses the impact on agency policy.

Risk Governance

The AMAL Board is ultimately responsible for ensuring the effective management and control of risk affecting the Syndicate. The AMAL Board is committed to maintaining sound risk management and control systems that are suitable, effective and proportionate to protect the interests of all stakeholders, including those of its capital providers and policyholders. The AMAL Board has, for practical reasons, delegated its day-to-day responsibility for different aspects of the risk management to committees and the senior management.

The AMAL Board utilises a "Three Lines of Defence" model for risk governance.

First Line: Those individuals undertaking any activity or making decisions on behalf of Antares are responsible for managing the risk that is attached to that activity. They are the 'first risk managers'.

Second Line: Those functions and executive level committees responsible for the provision of the risk management framework and policies within which the First Line is expected to operate and who are responsible for providing assurance to the Board of adherence to that framework.

Third Line: Oversight of the above by the Board, Audit Committee together with Internal Audit. The majority of risk reporting is through the Risk, Actuarial and Exposure Management Departments, that routinely engage individual business units and report to the Board and its Committees.

Risk Appetite

Risk Appetite is the amount of risk that the AMAL Board is prepared to take in pursuit of its objectives. Although set by the AMAL Board, Risk Appetite is driven by key stakeholders and includes both qualitative and quantitative statements.

The Risk Appetite Statement covers all material risk categories (Underwriting, Reserve, Credit, Market, Liquidity and Operational Risk). In addition, it details the approved Risk Appetite and Risk Tolerances for losses arising from various events, based upon the extent to which the risks could impact the business.

Risk Monitoring and controls

Risk management processes are based on risk identification; assessment and quantification; response; and monitoring and reporting.

All risk categories are identified in the risk register. Supporting controls mitigate the inherent impact of the risks to a residual level that is within the approved risk appetite and tolerance levels. All risk categories and related controls are assigned risk owners and control owners that are responsible for managing the risks.

The risk register is maintained through regular review by the Risk Department and through the monthly self-certification process by the risk and control owners. The Risk Department provides regular reports on key risk issues and actions required to the AMAL Board and its Committees.

Covid-19 Risk

Covid-19 pandemic has continued to develop throughout 2020 leading to increased uncertainty in the market. The level of catastrophe exposure in respect of COVID-19 is considered to be material for the Syndicate and continues to be monitored closely. Following the Supreme Courts final judgement on the FCA's business interruption test case, which substantially allowed the FCA's appeal on behalf of policy holders, the COVID-19 reserves held by the Syndicate were reviewed in light of the updated court ruling and found to be appropriate. As the experience continues to develop, the reserves continue to be subject to ongoing review.

In addition to the reserve risk, considerations have been given to other risks arising out of the COVID-19 pandemic. These include impacts on the economy, the insurance industry and individual classes of business, such as interest rate and currency volatility, increased risk of security defaults and an increased risk of inability to bind business. As the Syndicate continues to be closely currency matched, the exposure to currency volatility is significantly reduced, whilst the interest rate risk continues to be monitored in conjunction with the investment manager. To date, no increase in security defaults have been observed or notified by the investment manager but the investment committee continues to monitor the performance of the Syndicate's investment portfolio. Lastly, the transition to working fully digitally has been successful with the ability to successfully bind business not being impacted by the COVID-19 pandemic.

The operational risks to the Syndicate arising out of the COVID-19 pandemic broadly relate to maintaining the operating effectiveness of risk and control procedures and ensuring efficiency and effectiveness of staff working 100% remotely. To ensure the operating effectiveness of risk, the risk function performed an in-depth review of the risk and control procedures in conjunction with the business. The review focused on whether, and to what extent, business risks had changed as a result of the pandemic and whether the effectiveness of any controls would be compromised due to staff working 100% remotely. The review concluded that on a whole, operational risk had not materially increased due to the pandemic and that the business was able to function broadly as prior to the COVID-19 outbreak. The impact on risk and controls continues to be monitored.

During the early stages of the COVID-19 pandemic, a working from home policy was implemented across all UK staff and offices closed ahead of the government mandated action. The policy continues to be revised to align with the latest government advice. To enable a successful remote working environment, new IT initiatives were rolled out to facilitate better communication, positively impacting team collaboration whilst additional IT equipment was sourced to provide conducive home working environments. Whilst there have been no reports of significant infection rates amongst staff, with limited impact on workforce productivity, infection rates continue to be monitored on an ongoing basis.

21. Off-Balance Sheet Items

The Syndicate has not been party to any arrangement, which is not reflected in its balance sheet, where material risks and benefits arise for the Syndicate..

22. Events After the Reporting Period

On the 4th January 2021, the Syndicate advanced funds of $6.7m to Lloyd's Brussels under the reinsurance agreement into segregated Part VII settlement bank accounts. These accounts remain an asset of the Syndicate and will be reported in future periods as deposits with ceding undertakings. The accounts will be managed by AMAL on behalf of Lloyd's Brussels to settle Part VII claims.

There are no other events apart from this disclosed.

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