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Blenheim

Blenheim Underwriting Limited

**Syndicate Annual Report and Accounts
31 December 2021**

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Underwriter's Report

Introduction

2021 was the fifth trading year of Blenheim Syndicate 5886. We were successful in gaining the necessary regulatory approval to establish our own Managing Agency and I would like to thank everyone for all their hard work in making this happen. We were also successful in hiring a proven Political Risk team headed up by David James and introduced a new Construction account.

Our two largest accounts, being Direct & Facultative Property and Property Treaty have now achieved a critical mass and any material growth in them in the near future will likely be driven by rate. Specialty Treaty is similar in its maturity but is probably at least one planning cycle away from matching that of the two property classes. The Accident & Health account continues to perform well and is growing. Even the Contingency account, so obviously impacted by Coronavirus ("COVID-19"), is once again seeing activity return.

This year, which has again been dominated by COVID-19, saw more catastrophe activity with perils such as floods, freezes and inland windstorms again causing headlines.

We continue to see positive rate movements in all of our lines of business, especially for our catastrophe business where we expect momentum to continue to build.

To this end we have increased our stamp capacity to £360m for the 2022 year of account.

Calendar Year Result

On an annual accounting basis, the result of the Syndicate for the 2021 calendar year is a loss of £15.5m after currency translation differences (2020: £18.3m loss). This represents a combined ratio of 109.0% (2020: 111.9%). The loss was driven by the significant catastrophes experienced during the year as well as the fact that reinsurance premiums and administrative expenses earn more quickly than the gross premium at the start of the underwriting year on what is a growing account. On a normalised basis the combined ratio is 90.6% for the 2021 calendar year which is a slight improvement from 92.4% for the 2020 calendar year. Some £100.1m (2020: £75.4m) of gross premium predominantly attributable to the 2021 year of account is unearned at the Statement of Financial Position date. This will essentially become fully earned over the next twelve to twenty four months.

2019 Account

Our stamp capacity was £215m for the 2019 year of account.

The makeup of the account was discussed in last year's report, as was the 2019 calendar year loss experience which although slightly more benign in terms of catastrophe experience was still dominated by the impact of COVID-19.

We are closing the 2019 account with a loss of £8.6m being 4.0% of stamp, which is slightly below the midpoint of the range of estimates we last indicated. This was, on the whole, due to some deterioration in the Contingency account's COVID-19 claims, as changing lockdown restrictions caused some rescheduled events to be rescheduled again or even finally cancelled where further rescheduling was no longer practical.

Underwriter's Report *(continued)*

2020 Account

We increased our stamp capacity to £250m for the 2020 year of account.

As discussed last year, 2020 continued the theme of heightened catastrophe activity, with 30 named storms in the US and an inland hurricane, but also included a pandemic.

We have discussed the impact of COVID-19 on our Contingency class, but there are uncertainties in other classes including our reinsurance accounts. Reassureds have incurred large business interruption losses over the course of the pandemic and associated lockdowns. Some, notably in the UK and Europe, are now attempting to make recoveries from their property catastrophe programmes. Reinsurers for the most part believe that these losses are not covered, however legal costs and timelines associated with arbitration or mediation, has meant that there have been some compromise commercial settlements.

In terms of our COVID-19 claims, we have considered all policies exposed and potential coverages. The validity of each potential claims advice has been assessed and provision made on a case by case basis. Many issues are yet to be clarified from a legal perspective and to date few cases, particularly as they relate to reinsurance, have reached either arbitration or court. On this basis, we believe that the loss reserves are sufficient to reflect the uncertainties of COVID-19.

The Syndicate continued its growth during the year, particularly in our two property classes, and this alongside growth on our Specialty Treaty and Accident & Health books have enabled us to operate more effectively in an increasingly volatile environment. Pleasingly our underlying attritional losses have continued to develop satisfactorily across all accounts.

The Managing Agent's Report details the latest forecast for this year of account, although due to COVID-19 being a developing, and indeed ongoing, issue from an insurance and reinsurance perspective, there is more than the usual range of uncertainty around the ultimate outcome of this year of account at this stage of development.

2021 Account

We increased our stamp capacity to £325m for the 2021 year of account.

2021 was unfortunately another year characterised by a frequency of catastrophes. Hurricane Ida, and what we call secondary peril losses with the floods in Europe ("Bernd"), a freeze in Texas ("Uri") and a late tornado outbreak in December in the Midwest of the USA ("Midwest Derecho"). In total and when aggregating all other losses for the year into the mix, this is the fourth worst on record with \$112bn of insured loss with the impact of the late tornadoes still to be assessed. This will have a direct impact on the reinsurance market and as 2022 progresses will have an increasing effect on both pricing and risk appetite.

As with the 2020 year of year of account, underlying attritional losses across all our lines for this year of account remain satisfactory and with considerable unearned premium which will earn through largely over the next twelve months, we are hopeful that this year of account will ultimately prove profitable.

Underwriter's Report *(continued)*

Concluding Comments

It would appear clear to any casual observer that we continue to operate in a heightened catastrophe environment. However, I am also mindful of the fact that there are positives to note as well.

There is positive rate movement in all of our lines of business and notably in Property Treaty which is now showing genuine signs of hardening as capital and businesses finally recognise the past five years of adverse catastrophe activity.

The business is now at or near a critical mass and with encouraging attritional loss ratios in all lines, it is increasingly well positioned to cope with the evident increased volatility. We continue to grow our non-catastrophe lines of business and believe that opportunities in 2022 will accelerate this process. We have therefore increased our capacity to £360m for the 2022 year of account.

There are however continuing challenges. Unresolved issues around COVID-19 remain and how the insurance industry addresses the climate change agenda will be a major challenge going forward.

Finally, I would like to thank everyone in the business for their continuing hard work and professionalism, in particular for all the work that enabled us to successfully apply and gain our own managing agency. It is an accomplishment that should not be underestimated and will enable us to move the business forward in a constructive and positive way.



N J Destro
Active Underwriter
3 March 2022

Directors and Administration

Managing Agent

Blenheim Underwriting Limited

Directors

Nicholas Joseph Destro
Derek Charles Grainger
John Charles Hamblin*
Sharon Julia Ingham
John Anthony Lynch
Peter David Scales
Christopher Norman Clark*
Lawrence Albert Holder (Chair)*
Michael James Leonard*
Anthony Stirling Minns*

*Non-Executive Directors

Company Secretary

Tessa Helen Mijatovic

Managing Agent's Registered Office

7th Floor
70 Mark Lane
London
EC3R 7NQ

Managing Agent's Registered Company Number

10254215

Active Underwriter

N J Destro

Bankers

Barclays Bank
Citibank N.A.
RBC Dexia

Registered Auditors

BDO LLP

Managing Agent's Report

The Syndicate's Managing Agent is Blenheim Underwriting Limited ("Blenheim") a company registered in England and Wales. Blenheim assumed the role of Managing Agent following the successful novation from Asta Managing Agency Ltd ("Asta") on 6 August 2021.

Blenheim is a wholly owned subsidiary of White Bear Capital Limited ("WBC"), a company registered in England and Wales. WBC was incorporated on 8 June 2016 and operates in the UK as the holding company of a number of wholly owned subsidiaries ("the Group").

The Directors of the Managing Agent present their report for the year ended 31 December 2021.

This Syndicate Annual Report includes both the Syndicate Annual Accounts for the year ended 31 December 2021 and the Underwriting Year Accounts for the closed 2019 Year of Account.

Results

The result for the 2021 calendar year is a loss of £15.3m (2020: loss of £19.9m) before a loss on currency translation of £0.2m (2020: gain on currency translation of £1.6m) which equates to a total comprehensive loss of £15.5m (2020: total comprehensive loss of £18.3m).

The Syndicate has presented its results under Financial Reporting Standard 102 – "The Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland" ("FRS 102"). In accordance with FRS 102, the Syndicate has identified its insurance contracts and accounted for them in accordance with Financial Reporting Standard 103 – "Insurance Contracts" ("FRS 103").

Principal activity and review of the business

The Syndicate's principal activity is the underwriting of direct insurance and reinsurance business in the Lloyd's market. For further narrative, see Underwriter's Report on page 1 to 3.

Gross written premium income by class of business for the calendar year was as follows;

	2021	2020
	£'000	£'000
Property Treaty	104,288	101,165
Direct and Facultative Property	107,968	90,858
Contingency	5,471	1,778
Accident & Health	10,639	7,582
Specialty Treaty	52,199	37,318
Construction	1,701	-
Political Risk	3,284	-
	285,550	238,701

Managing Agent's Report *(continued)***Principal activity and review of the business** *(continued)*

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

	2021 £'000	2020 £'000
Gross premiums written	285,550	238,701
Loss for the financial year	(15,301)	(19,901)
Total comprehensive loss	(15,523)	(18,345)
Net combined ratio	109.0%	111.9%

The net combined ratio is the ratio of claims incurred, net of reinsurance and net operating expenses to earned premiums, net of reinsurance.

Underwriting year of account summary

The table below shows the Syndicate's actual results for the closed 2019 year of account and the forecast range for the 2020 open year of account based on the traditional three year Lloyd's basis after charging standard managing agent's fees and profit commission but before charging members' agents fees.

	2020 YOA Forecast	2019 YOA Actual
Capacity (£'000)	249,696	214,760
Total comprehensive profit/(loss) (£'000)	18,727 to 0	(8,560)
Profit/ (loss) on capacity (%)	7.5 to 0.0	(4.0)

2019 underwriting year result

The result for the 2019 year of account closed on 31 December 2021 with a comprehensive loss of £8.6m on gross premiums written of £203.0m.

Gross premiums written income by class of business for the year of account was as follows;

	2019 £'000
Property Treaty	89,867
Direct and Facultative Property	72,639
Contingency	5,808
Accident & Health	7,445
Specialty Treaty	27,253
	<u>203,012</u>

Managing Agent's Report *(continued)*

2019 underwriting year result *(continued)*

The key financial performance indicators for the year of account were as follows;

	2019 £'000
Gross written premiums	203,012
Loss for the closed year of account	(6,453)
Total comprehensive loss	(8,560)
Net combined ratio	105.5%

The net combined ratio is the ratio of claims incurred, net of reinsurance and net operating expenses to earned premiums, net of reinsurance.

The 2019 underwriting year's accounts are set out on pages 52 to 77.

2020 underwriting year forecast

The 2020 forecast has been based on the following assumptions:

Future claims development will follow an expected pattern. In particular, the incidence or development of major or attritional losses or the ability of the Syndicate's reinsurers to respond to potential recoveries will not diverge materially from expectations based on developments to date;

- No material changes occur in estimates as to ultimate premium levels and future reinsurance costs;
- There will be no material reinsurance failure;
- There will be no material surplus or deficiency arising from the reinsurance to close ("RITC") of the 2019 year of account;
- Interest, inflation and exchange rates at 31 December 2022 will not significantly impact the assumptions taken into account in the forecast; and
- There will be no significant changes in regulatory or legislative policies which will affect the activities of the Syndicate.

Further details regarding the performance of the Syndicate for the 2020 and 2021 years of account are set out in the Underwriter's report on pages 1 to 3.

Principal risks and uncertainties

The Syndicate sets risk appetite annually, which is approved by the Agency as part of the Syndicate's business planning and Solvency Capital Requirement ("SCR") process. The Blenheim Risk Committee ("RiC"), a sub-committee of the Board of Blenheim ("the Board"), established in July 2021, meets at least quarterly to oversee the risk management framework.

Managing Agent's Report *(continued)*

Principal risks and uncertainties *(continued)*

The Board reviews the risk profile as reflected in the risk register, and monitors performance against risk appetite using a series of key risk indicators. The principal risk and uncertainties facing the Syndicate are as follows:

Insurance risk

Insurance risk includes the risks that a policy will be written for too low a premium or provide inappropriate cover (underwriting risk), that the frequency or severity of insured events will be higher than expected (claims risk), or that estimates of claims subsequently prove to be insufficient (reserving risk). The Board manages insurance risk through the approved business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. The Board then monitors performance against the business plan through the year. Reserve adequacy is monitored through quarterly review by the Reserving Committee ("RC").

Credit risk

The key aspect of credit risk is reinsurance counterparty risk which is the risk of default by one or more of the Syndicate's reinsurers and intermediaries. The Board's policy is that the Syndicate will only reinsure with approved reinsurers, supported by collateralisation where required. The Reinsurance Security and Broker Committee ("RISBC"), a management committee, sets approval and usage criteria, monitors reinsurer ratings and is required to approve and oversee the application of the reinsurer approval policy.

Market risk

Market risk exposure impacting the Syndicate relates to fluctuations in interest rates or exchange rates. The Syndicate is exposed to foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. The Blenheim policy is to maintain received income or incurred expenditure in the core currencies in which they were received or paid. Any surplus or deficit in a core currency would be subject to review by the Board.

Exposure to changes in interest rates comes from the Syndicate's investment portfolio. Blenheim seeks to minimise this risk through investing in highly liquid financial instruments.

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 or can only meet obligations at excessive cost. To mitigate this risk, the Board reviews cash flow projections regularly and ensures that, where needed, the Syndicate has liquidity facilities in place or has utilised the option of a cash call from capital providers. The Syndicate also mitigates its liquidity risk by ensuring it retains adequate assets in liquid instruments.

Blenheim has also arranged various facilities to help manage the Syndicate's cash flow. Further details are set out in Note 21 of the Syndicate Annual Accounts.

Managing Agent's Report *(continued)*

Principal risks and uncertainties *(continued)*

Operational risk

This is the risk that errors caused by people, processes, systems and external events lead to losses to the Syndicate. Blenheim seeks to manage this risk through the use of an operational risk and control framework, detailed procedure manuals, thorough training programmes and a structured programme of testing of processes and systems by internal audit. Business continuity and disaster recovery plans are in place and are regularly updated and tested.

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Agency is required to comply with the requirements of the Financial Conduct Authority (“FCA”), Prudential Regulatory Authority (“PRA”) and The Society of Lloyd’s (“Lloyd’s”). Lloyd’s requirements include those imposed on the Lloyd’s market by overseas regulators, particularly in respect of US situs business. Blenheim has a Legal and Compliance Director who manages a function that monitors business activity and regulatory developments to assess any effects on Blenheim.

The Syndicate has no appetite for failing to treat customers fairly. The Syndicate controls and monitors its customer risk through a suite of key risk indicators and reporting metrics as part of its documented customer risk framework.

Group / strategic risk

This is the risk of contagion that arises from being associated with key stakeholders and the impact that activities and events that occur within other connected or third parties has on the business.

Strategic risk covers the risks faced by the Syndicate due to changes in underlying strategy of the business or that of its key stakeholders (including strategic conflicts of interest).

Going concern

Following the outbreak of the COVID-19 pandemic in 2020, the business continuity plan was activated, as a result all staff were working remotely from home in line with the UK Government’s advice in both 2020 and 2021. There was no disruption to our client or customer service capabilities. The Syndicate continues to bind business and assess and settle claims.

Future developments

London Inter-Bank offered rate

The Syndicate is exposed to London Inter-Bank Offered Rate (“LIBOR”) through banks, investment holdings or reinsurance contracts and with LIBOR being replaced at the end of 2021 the Syndicate has replaced LIBOR with equivalent rates as mandated by counterparties.

Managing Agent's Report *(continued)*

Future developments *(continued)*

Climate change

Following the PRA Supervisory Statement in 2019 and subsequent Dear CEO letter in 2020, Blenheim have ensured Board-level engagement and accountability with the PRA's requirements, assigning clear responsibilities for managing Blenheim's and its Syndicate's financial risks associated with climate change. The Active Underwriter, who is a Board member, is responsible for identifying and managing financial climate related risks. See related comments in the Underwriter's report on Page 3.

Blenheim is working collaboratively across the business to establish a framework for assessing the impacts of climate change. This framework considers the impacts in relation to Governance, Disclosure, Risk Management, Scenario Analysis, Counterparty assessment and Investment Strategy.

For the Syndicate, the most material identified insurance risk is through the physical impacts to property from weather related events which may become more frequent or more severe due to the effects of climate change. As we develop the overall framework, the identification, assessment, quantification, mitigation and reporting of this and other associated risks will become more visible and identifiable.

Environmental, Social and Governance ("ESG")

During 2021, the RiC and the Board reviewed the current market themes regarding ESG and high-level potential impacts to the business.

The Syndicate is evaluating its ESG strategy in line with the requirements recently published by Lloyd's to coincide with the 2023 year of account business planning.

The Syndicate has a commitment to its communities, which we recognise includes environmental responsibilities including those of our stakeholders. Staff are encouraged to participate in volunteering opportunities within the community.

COVID-19

Since the start of 2020, there has been a global outbreak of COVID-19.

The Syndicate had incurred material losses as a result of COVID-19 in calendar year 2020, with the financial impact assessed as part of the reserving and capital modelling processes.

There is continued assessment of liquidity, market and credit risk and the implications on the Syndicate are monitored, in conjunction with other insurance events, and are escalated to Board level where appropriate.

Working arrangements across the White Bear Group and the Syndicate were adjusted in line with government restrictions and guidance. While working remotely has proved challenging at times the overall experience has been successful. Staff have embraced new technology and maintained active communication with each other and clients. The IT infrastructure has dealt well with the changes. Blenheim continued to meet the business and regulatory requirements.

Since July 2021, staff have returned to the office for the majority of the working week.

Managing Agent's Report *(continued)*

Part VII transfer

On 30 December 2020, the Members and former Members of the Syndicate, as comprised for each of the relevant years of account between 2017 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. ("LIC"), in accordance with Part VII of the Financial Services and Markets Act 2000. On the same date, the Members of the Syndicate entered into a 100% Quota Share Reinsurance Agreement whereby Lloyd's Brussels reinsured all risks on the same policies back to the relevant open years of account of the Syndicate which wrote the transferring policies and/or inherited liabilities on transferring policies through Reinsurance to Close of earlier years of account.

The combined effect of the two transactions had no economic impact for the Syndicate, and accordingly there was no impact on the Syndicate's Income Statement or Statement of Financial Position.

Disclosure of information to the Auditor

So far as each person who was a Director of the Managing Agent at the date of approving the report is aware, there is no relevant audit information, being information needed by the Syndicate auditor in connection with the auditor's report, of which the auditor is unaware. Having made enquiries of fellow Directors of the Agency and the Syndicate's auditors, each Director has taken all the steps that he or she ought to have taken as a Director to become aware of any relevant audit information and to establish that the Syndicate's Auditor is aware of that information.

Auditors

The Managing Agent intends to reappoint BDO LLP as the Syndicate's auditor.

Syndicate Annual General Meeting

In accordance with the Syndicate Meetings (Amendment No 1) Byelaw (No 18 of 2000) the Managing Agent does not propose holding an annual meeting this year; objections to this proposal or the intention to reappoint the auditors for a further 12 months can be made by Syndicate members within 21 days of the issue of these Financial Statements.

On behalf of the Board



J A Lynch
Director
3 March 2022

**Syndicate Annual Accounts
31 December 2021**

Statement of Managing Agent's Responsibilities

The Managing Agent is responsible for preparing the financial statements 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 financial statements at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 and FRS 103. The financial statements 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 financial statements, the Managing Agent is required to:

- Select suitable accounting policies and then apply them consistently subject to changes arising on the adoption of new accounting standards in the year;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the notes to the Syndicate accounts; and
- Prepare the Syndicate 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 adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Managing Agent is responsible for the maintenance and integrity of the corporate and financial information included on the business' website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the members of the Syndicate 5886

Opinion

In our opinion, the financial statements:

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulations 2008.

We have audited the financial statements of Syndicate 5886 (the 'Syndicate') for the year ended 31 December 2021 which comprise the Income Statement, Statement of Comprehensive Income, the Statement of Changes in Members' Balances, the Statement of Financial Position, the Statement of Cash Flows and notes to the financial statements, 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 Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Financial Reporting Standard 103 "Insurance Contracts" (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 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 financial statements in the UK, including the Financial Reporting Council's ("FRC") Ethical Standard, and we have fulfilled our 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 as a going concern for a period of at least twelve months from when the 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.

Independent Auditor's Report to the members of the Syndicate 5886 *(continued)*

Other information

The Managing Agent is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the 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 financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion 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 financial statements are prepared is consistent with the financial statements; and
- the Managing Agent's Report has been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

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 Agents 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:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records;
- certain disclosure of Managing Agent emoluments and other benefits specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Independent Auditor's Report to the members of the Syndicate 5886 (continued)

Responsibilities of the Managing Agent

As explained more fully in the Statement of Managing Agent's responsibilities out on page 13, the Managing Agent is responsible for the preparation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Managing Agent is responsible for assessing the Syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Managing Agent either intends to cease the underwriting business of the Syndicate, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

Extent to which the audit was 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:

- Obtaining an understanding of the legal and regulatory framework applicable to the Syndicate's operations and the control environment in monitoring compliance with laws and regulations;
- Review of correspondence with the Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA");
- Our responses to significant audit risks over technical provisions and management override of controls are intended to sufficiently address the risk of fraudulent manipulation. Specially we engaged an actuary as auditors expert to review the assumptions and methodology applied by the Syndicate in the valuation of technical provisions and to carry out their own independent reprojections of a significant proportion of the Syndicate's book of business;
- Enquiries of management;
- Review of minutes of board meetings throughout the period; and
- Agreement of the financial statement disclosures to underlying supporting documentation.

Independent Auditor's Report to the members of the Syndicate 5886 (continued)

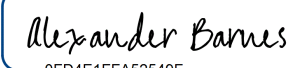
Extent to which the audit was capable of detecting irregularities, including fraud (continued)

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: 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 Syndicates 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.

DocuSigned by:

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Alexander Barnes, *Senior Statutory Auditor*
For and on behalf of BDO LLP, Statutory Auditor
London, UK
3 March 2022

BDO LLP is a limited liability partnership registered in England and Wales
(Registered number OC305127).

Income Statement

Technical account - General business

For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Gross premiums written	4	285,550	238,701
Outward reinsurance premiums		<u>(70,911)</u>	<u>(61,060)</u>
Net written premiums		214,639	177,641
Change in the provision for unearned premiums			
Gross amount		(24,576)	(14,831)
Reinsurers' share		<u>4,556</u>	<u>622</u>
	5	(20,020)	(14,209)
Earned premiums, net of reinsurance		194,619	163,432
Allocated investment return transferred from the non-technical account		190	531
Claims paid			
Gross amount		(122,818)	(145,651)
Reinsurers' share		<u>24,774</u>	<u>40,912</u>
		(98,044)	(104,739)
Changes in the provision for claims outstanding			
Gross amount		(73,695)	(30,213)
Reinsurers' share		<u>21,127</u>	<u>5,717</u>
	5	(52,568)	(24,496)
Claims incurred, net of reinsurance		(150,612)	(129,235)
Net operating expenses	6	<u>(61,500)</u>	<u>(53,640)</u>
Balance on technical account – general business		<u>(17,303)</u>	<u>(18,912)</u>

All the amounts above are in respect of continuing operations. The notes on pages 23 to 51 form part of these financial statements.

Income Statement *(continued)***Non-technical account - General business****For the year ended 31 December 2021**

	2021	2020
	£'000	£'000
Balance on technical account – general business	(17,303)	(18,912)
Investment income	190	531
Allocated investment return transferred to the general business technical account	(190)	(531)
Exchange gain/(loss)	2,002	(989)
Loss for the financial year	(15,301)	(19,901)

Statement of Comprehensive Income**For the year ended 31 December 2021**

	2021	2020
	£'000	£'000
Loss for the financial year	(15,301)	(19,901)
Currency translation differences	(222)	1,556
Total comprehensive loss for the year	(15,523)	(18,345)

Statement of Changes in Members' Balances**For the year ended 31 December 2021**

	2021	2020
	£'000	£'000
At 1 January	(44,793)	(41,814)
Total comprehensive loss for the year	(15,523)	(18,345)
Collection from members	13,898	15,366
At 31 December	(46,418)	(44,793)

All the amounts above are in respect of continuing operations. The notes on pages 23 to 51 form part of these financial statements.

Statement of Financial Position

As at 31 December 2021

	Notes	2021 £'000	2020 £'000
ASSETS			
Investments			
Financial investments	10	77,813	56,302
Reinsurers' share of technical provisions			
Provision for unearned premiums	5	8,082	3,833
Claims outstanding	5	<u>72,085</u>	<u>50,487</u>
		80,167	54,320
Debtors			
Debtors arising out of direct insurance operations	11	34,677	19,770
Debtors arising out of reinsurance operations	12	64,636	60,527
Other debtors	13	<u>7,285</u>	<u>6,283</u>
		106,598	86,580
Cash and other assets			
Cash at bank and in hand	17	45,919	14,583
Other assets	18	<u>11,987</u>	<u>10,411</u>
		57,906	24,994
Prepayments and accrued income			
Deferred acquisition costs	5	20,235	14,748
Other prepayments and accrued income		<u>1,138</u>	<u>1,384</u>
		21,373	16,132
Total assets		<u>343,857</u>	<u>238,328</u>

The notes on pages 23 to 51 form part of these financial statements.

Statement of Financial Position *(continued)*

As at 31 December 2021

	Notes	2021 £'000	2020 £'000
MEMBERS' BALANCES AND LIABILITIES			
Capital and reserves			
Members' balances		(46,418)	(44,793)
Liabilities			
Technical provisions			
Provision for unearned premiums	5	100,065	75,429
Claims outstanding	5	253,397	180,512
		353,462	255,941
Creditors			
Creditors arising out of direct insurance operations	14	487	983
Creditors arising out of reinsurance operations	15	31,964	22,195
Other creditors	16	2,368	2,381
		34,819	25,559
Accruals and deferred income		1,994	1,621
Total liabilities		390,275	283,121
Total members' balances and liabilities		343,857	238,328

The notes on pages 23 to 51 form part of these financial statements.

The financial statements on pages 18 to 22 were approved by the Board of Directors on 3 March 2022 and were signed on its behalf by:



S J Ingham
Director
3 March 2022

Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Cash flows from operating activities			
Loss on ordinary activities		(15,301)	(19,901)
Increase in gross technical provisions		97,521	42,192
Increase in reinsurers' share of gross technical provisions		(25,847)	(6,102)
Increase in debtors		(20,018)	(24,654)
Increase in creditors		9,260	8,324
Impairment of financial assets		94	-
Movement in other assets/liabilities/foreign exchange		(6,825)	(5,370)
Investment income		(190)	(531)
Net cash inflow/(outflow) from operating activities		38,694	(6,042)
Cash flows from investing activities			
Purchase of other financial investments		-	(2,666)
Investment income received		190	531
Net cash inflow/(outflow) from investing activities		190	(2,135)
Cash flows from financing activities			
Collection of losses		13,898	15,366
Net cash inflow from financing activities		13,898	15,366
Net increase in cash and cash equivalents		52,782	7,189
Cash and cash equivalents at beginning of year		67,592	61,342
Foreign exchange gain/(loss) on opening cash and cash equivalents		159	(939)
Cash and cash equivalents at end of year	17	120,533	67,592

The notes on pages 23 to 51 form part of these financial statements.

Notes to the Syndicate Annual Accounts

For the year ended 31 December 2021

1. Basis of preparation

Statement of compliance

The financial statements have been prepared in compliance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and FRS 102 and FRS 103, being applicable United Kingdom Generally Accepted Accounting Practice ("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 financial statements are prepared under the historical cost convention except for certain financial instruments which are measured at fair value. The Syndicate's functional currency is US Dollars, being the primary economic environment in which it operates. The accounts have been presented in Sterling ("GBP"), which is the Syndicate's presentation currency and rounded to the nearest £'000. The presentation currency is consistent with the Syndicate's Quarterly Monitoring Return.

2. Accounting policies

Significant accounting policies

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

Gross premiums

Gross premiums written comprise the total premiums receivable for the whole period of cover provided by the contracts entered into during the reporting period, regardless of whether these are wholly due for payment in the reporting period, together with any adjustments arising in the reporting period to such premiums receivable in respect of business written in prior reporting periods. They are recognised on the date on which the policy commences. Gross written premiums are stated gross of brokerage payable and exclude taxes and duties levied on them.

Reinsurance premiums

Reinsurance premiums comprise the total premiums payable for the whole cover provided by contracts entered in the period, including portfolio premiums payable, and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Claims incurred

Claims incurred comprise claims and settlement expenses (both internal and external) paid in the year and the movement in provision for outstanding claims and settlement expenses, including an allowance for the cost of claims incurred by the Statement of Financial Position date, but not reported until after the year end.

The provision for claims comprises amounts set aside for claims notified and Incurred But Not Reported ("IBNR").

Notes to the Syndicate Annual Accounts *(continued)*

2. Accounting policies *(continued)*

Claims incurred *(continued)*

The amount included in respect of IBNR is based on a combination of statistical techniques of estimation applied by the in-house actuaries and a detailed review of losses by management, further reviewed by external consulting actuaries. The statistical techniques generally involve projecting from past experience of the development of claims over time (using market data where Syndicate data is unavailable) 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. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

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

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

The Directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided.

Provision for unearned premiums

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

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the outwards reinsurance policy based on the underlying direct or inwards reinsurance business being reinsured.

Unexpired risks

A provision for unexpired risks is made where claims and related expenses are likely to arise after the end of the financial period in respect of contracts concluded before that date and 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 separately by reference to classes of business which are managed together, after taking into account relevant investment return.

Notes to the Syndicate Annual Accounts *(continued)*

2. Accounting policies *(continued)*

Deferred acquisition costs

Acquisition costs comprise costs arising from the conclusion of insurance contracts. They include both direct costs, such as intermediary commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio, and indirect costs, such as the advertising costs or the administrative expenses connected with the processing of proposals and the issuing of policies.

Deferred acquisition costs are costs arising from the conclusion of insurance contracts that are incurred during the reporting period, but which relate to a subsequent reporting period and which are carried forward to subsequent reporting periods.

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

Reinsurance assets

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

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Syndicate may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Syndicate will receive from the reinsurer. Any impairment loss is recorded in the Income Statement, however we do not expect any impairment losses as we maintain strong monthly controls and reviews over the reinsurance overdue balances to ensure that balances do not become overdue, or are fully collateralised where reinsurers do not meet the required minimum credit rating of A. Gains or losses on buying reinsurance are recognised in the Income Statement immediately at the date of purchase and are not amortised.

There were no such gains recognised in 2021 and 2020.

Ceded reinsurance arrangements do not relieve the Syndicate from its obligations to policyholders.

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

Notes to the Syndicate Annual Accounts *(continued)*

2. Accounting policies *(continued)*

Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method. Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

Foreign currencies

The Syndicate's functional currency is US Dollars being the primary economic environment in which it operates. The Syndicate's presentation currency is Sterling (GBP).

Transactions denominated in currencies other than the functional currency are initially recorded in the functional currency at the exchange rate ruling at the date of the transactions or appropriate average rate. 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 retranslated into the functional currency at the exchange rate ruling on the reporting date.

Exchange differences are recorded in the non-technical account.

In translating its results and financial position into the presentational currency, the Syndicate translates all assets and liabilities at the closing rates of exchange and translates all income and expense items at average rates, with all resulting exchange gains and losses recognised in other comprehensive income.

The following Statement of Financial Position rates of exchange have been used in the preparation of these accounts:

	2021 Year End	2020 Year End
AUD	1.86	1.77
CAD	1.71	1.73
EUR	1.19	1.12
JPY	155.72	141.11
USD	1.35	1.36

Financial assets and liabilities

In applying FRS 102, the Syndicate has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU).

Financial assets and financial liabilities at fair value through Income Statement comprise financial assets and financial liabilities held for trading and those designated as such on initial recognition.

Notes to the Syndicate Annual Accounts *(continued)*

2. Accounting policies *(continued)*

Financial assets and liabilities *(continued)*

Investments in shares and other variable yield securities, units in unit trusts, and debt and other fixed income securities are designated as at fair value through profit or loss on initial recognition, as they are managed on a fair value basis in accordance with the Syndicate's investment strategy.

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

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

Initially, financial assets and liabilities should be measured at fair value (including transaction costs, for assets and liabilities not measured at fair value through profit or loss).

Financial assets at fair value through profit or loss are measured at fair value with fair value changes recognised immediately in the income statement. Net gains or net losses on financial assets measured at fair value through profit or loss includes foreign exchange gains/losses arising on their translation to the functional currency but excludes interest and dividend income. At each reporting date the Syndicate assesses whether there is objective evidence that financial assets not measured at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of an asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Syndicate about any significant financial difficulty of the issuer, or significant changes in the technological, market, economic or legal environment in which the issuer operates.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss recognised reduces directly the carrying amount of the impaired asset. All impairment losses are recognised in the Income Statement. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in the Income Statement.

Notes to the Syndicate Annual Accounts *(continued)*

2. Accounting policies *(continued)*

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in fair value and are used by the Syndicate in the management of its short-term commitments. They also comprise collective investment schemes which are invested on a short-term basis. 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 to reflect the investment return on funds supporting underwriting business.

Fair value measurement of investments

Financial instruments that are classified as fair value through the profit or loss account are assigned a level using a fair value hierarchy that reflects the significance of the inputs used in these measurements.

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

Level 1 financial instruments comprise government bonds that are regularly traded, deposits with credit institutions and collective investment schemes which comprise Money Market Funds.

- Bonds have been valued at fair value using quoted prices in an active market.
- Deposits with credit institutions are included at cost plus accrued income.
- Money Market Funds are valued on a stable net asset value (“NAV”) basis. Money Market Funds are readily convertible into cash, are subject to an insignificant risk of changes in fair value and are used by the Syndicate in the management of its short-term commitments.

The Syndicate does not directly currently hold any level 1 financial instruments.

Level 2 financial instruments are less regularly traded government and agency bonds, supranational bonds, corporate bonds, currency derivatives, bond futures, and fund investments.

- Bonds are included in the Statement of Financial Position at bid price using prices supplied by the custodian or by the investment managers, who obtain market data from numerous independent pricing services. The prices used are reconciled against a common market pricing source.
- Currency derivatives and bond futures are included at market price.
- Investments in regulated collective investment schemes are valued on the NAVs of each of the individual funds as published publicly by the managers.

Notes to the Syndicate Annual Accounts *(continued)*

2. Accounting policies *(continued)*

Fair value measurement of investments *(continued)*

- Investments in pooled investments in unregulated investment schemes (hedge funds) are valued based on the underlying NAVs of each of the individual funds. Hedge fund NAVs are provided by the administrators of the schemes.
- Investments in investment pools are valued on the valuations supplied by the investment manager (Lloyd's).

Level 3 financial instruments have a fair value derived from inputs that are not based on observable market data.

Taxation

Under Schedule 19 of the Finance Act 1993, Managing Agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax (currently at 20%) deducted from 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 other overseas tax payable by members on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year have been included in the Statement of Financial Position under the heading 'Other debtors'.

Pension costs

The Managing Agent operates a defined contribution scheme. Pension contributions to Syndicate staff are charged to the Syndicate and included within net operating expenses.

3. Critical accounting judgements and key sources of estimation uncertainty

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

Critical accounting judgements

There have been no critical accounting judgements 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.

Key sources of estimation uncertainty

The key sources of estimation uncertainty at the Statement of Financial Position date that has a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Gross written premium

Gross premiums written is a key source of estimation uncertainty as it relies upon the underwriter's judgement of pipeline premium at policy level as well as actuarial projection of future premiums at portfolio level based, primarily on the assumption past premium development can be used to project future premium development.

Notes to the Syndicate Annual Accounts *(continued)***3. Critical accounting judgements and key sources of estimation uncertainty**
*(continued)***Gross written premium** *(continued)*

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates, primarily relating to binder business, are judgemental and could result in misstatements of revenue recorded in the financial statements.

Claims outstanding and related reinsurance recoveries

The measurement of the provision for claims outstanding involves assumptions and estimates about the future that have the most significant effect on the amounts recognised in the annual accounts.

The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the Statement of Financial Position date, whether reported or not. This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgement is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported to the Syndicate.

The ultimate cost of outstanding claims is estimated using a range of techniques including actuarial and statistical projections, benchmarking, case by case review and judgement. Statistical techniques assume that past claims development experience can be used as a basis to project ultimate claims costs. Judgement is used to assess the extent to which past trends may not apply in the future. Case estimates are generally set by skilled claims technicians applying their experience and knowledge to the circumstances of individual claims.

Whilst the Directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated based on the information currently available to them, the ultimate liability will vary as a result of subsequent information and events.

Notes to the Syndicate Annual Accounts (continued)

4. Analysis of underwriting result

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

	2021					
	Gross written premiums	Gross premium earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Direct Insurance						
Accident & Health	8,434	6,579	(1,821)	(2,757)	(423)	1,578
Energy – Non Marine	403	296	(668)	(77)	(126)	(575)
Fire and other damage to Property	85,491	77,855	(40,141)	(23,263)	(5,750)	8,701
Aviation	8,178	5,422	(3,609)	(1,335)	(848)	(370)
Motor (other classes)	4,908	3,347	(2,260)	(1,188)	(375)	(476)
Third party liability	-	-	-	-	-	-
Transport	2,697	1,549	(857)	(580)	(249)	(137)
Pecuniary Loss	9,003	4,223	(6,204)	(1,453)	719	(2,715)
	119,114	99,271	(55,560)	(30,653)	(7,052)	6,006
Reinsurance	166,436	161,703	(140,953)	(30,847)	(13,402)	(23,499)
Total	285,550	260,974	(196,513)	(61,500)	(20,454)	(17,493)
	2020					
	Gross written premiums	Gross premium earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Direct Insurance						
Accident & Health	4,545	3,649	(404)	(1,676)	(294)	1,275
Energy – Non Marine	253	170	42	(45)	(104)	63
Fire and other damage to Property	73,499	64,644	(35,480)	(19,629)	(11,406)	(1,871)
Aviation	2,929	2,586	(2,515)	(612)	(589)	(1,130)
Motor (other classes)	2,279	1,767	(1,063)	(614)	(399)	(309)
Third party liability	338	328	(53)	(122)	(59)	94
Transport	812	470	(185)	(174)	(127)	(16)
Pecuniary Loss	2,098	3,595	(29,202)	(1,019)	5,538	(21,088)
	86,753	77,209	(68,860)	(23,891)	(7,440)	(22,982)
Reinsurance	151,948	146,661	(107,004)	(29,749)	(6,369)	3,539
Total	238,701	223,870	(175,864)	(53,640)	(13,809)	(19,443)

Commissions on direct insurance gross premiums written during 2021 were £27.4m (2020: £19.9m). All premiums were concluded in the UK.

Notes to the Syndicate Annual Accounts (continued)

5. Technical provisions

	Gross provisions £'000	2021 Reinsurance assets £'000	Net provisions £'000
Claims outstanding			
Balance at 1 January	180,512	(50,487)	130,025
Change in claims outstanding	73,695	(21,127)	52,568
Effect of movements in exchange rates	(810)	(471)	(1,281)
Balance at 31 December	253,397	(72,085)	181,312
Claims notified	136,067	(33,216)	102,851
Claims incurred but not reported	117,330	(38,869)	78,461
Balance at 31 December	253,397	(72,085)	181,312
Unearned premiums			
Balance at 1 January	75,429	(3,833)	71,596
Change in unearned premiums	24,576	(4,556)	20,020
Effect of movements in exchange rates	60	307	367
Balance at 31 December	100,065	(8,082)	91,983
Deferred acquisition costs			
Balance at 1 January	14,748	-	14,748
Change in deferred acquisition costs	5,465	-	5,465
Effect of movements in exchange rates	22	-	22
Balance at 31 December	20,235	-	20,235
	Gross provisions £'000	2020 Reinsurance assets £'000	Net provisions £'000
Claims outstanding			
Balance at 1 January	151,557	(45,781)	105,776
Change in claims outstanding	30,213	(5,717)	24,496
Effect of movements in exchange rates	(1,258)	1,011	(247)
Balance at 31 December	180,512	(50,487)	130,025
Claims notified	100,809	(27,340)	73,469
Claims incurred but not reported	79,703	(23,147)	56,556
Balance at 31 December	180,512	(50,487)	130,025
Unearned premiums			
Balance at 1 January	62,192	(2,437)	59,755
Change in unearned premiums	14,831	(622)	14,209
Effect of movements in exchange rates	(1,594)	(774)	(2,368)
Balance at 31 December	75,429	(3,833)	71,596
Deferred acquisition costs			
Balance at 1 January	12,566	-	12,566
Change in deferred acquisition costs	2,404	-	2,404
Effect of movements in exchange rates	(222)	-	(222)
Balance at 31 December	14,748	-	14,748

There was no provision for unexpired risks at 31 December 2021 (31 December 2020: £nil).

Notes to the Syndicate Annual Accounts *(continued)*

6. Net operating expenses

	2021	2020
	£'000	£'000
Acquisition costs	48,333	39,887
Change in deferred acquisition costs	(5,465)	(2,404)
Administrative expenses	<u>18,632</u>	<u>16,157</u>
Net operating expenses	<u>61,500</u>	<u>53,640</u>

Members' standard personal expenses amounting to £4.7m (2020: £3.5m) are included in administrative expenses. Members' standard personal expenses include Lloyd's subscriptions, New Central Fund contributions, Managing Agent's fees and profit commission.

7. Staff costs and staff numbers

	2021	2020
	£'000	£'000
Wages and salaries	6,822	5,895
Social security costs	892	752
Pension costs	641	31
Other staff costs	<u>411</u>	<u>993</u>
	<u>8,766</u>	<u>7,671</u>

The average number of staff working for the Syndicate during the year is as follows:

	2021	2020
Underwriting and claims	21	21
Operations, finance and administration	<u>33</u>	<u>29</u>
	<u>54</u>	<u>50</u>

8. Auditor's remuneration

	2021	2020
	£'000	£'000
Audit of the Financial statements	209	125
Other services pursuant to Regulations and Lloyd's Byelaws	<u>60</u>	<u>60</u>
	<u>269</u>	<u>185</u>

Auditor's remuneration is included as part of the administrative expenses in Note 6 to the financial statements.

Notes to the Syndicate Annual Accounts *(continued)*

9. Emoluments of the Directors of Blenheim Underwriting Limited and the Active Underwriter

The aggregate emoluments of the Directors and staff of the Syndicate are met by Blenheim Underwriting Limited and subsequently recharged to the Syndicate. These are disclosed within the financial statements of that company.

The emoluments of the Active Underwriter recharged to the Syndicate are set out as below;

	2021	2020
	£'000	£'000
Remuneration	299	295
Medical insurance	5	4
	<u>304</u>	<u>299</u>

10. Financial investments

	2021		2020	
	Carrying value	Purchase price	Carrying value	Purchase price
	£'000	£'000	£'000	£'000
Shares and other variable yield securities and units in unit trusts				
• Designated at fair value through profit or loss	77,813	78,315	56,302	56,302
	<u>77,813</u>	<u>78,315</u>	<u>56,302</u>	<u>56,302</u>

Amounts included within Shares and other variable securities include Collective Investment Schemes where funds are invested in a single vehicle which invests in investments.

There was no material change in fair value for financial instruments held at fair value attributable to own credit risk in the current period.

Notes to the Syndicate Annual Accounts *(continued)*

10. Financial investments *(continued)*

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31 December 2021				
Shares and other variable yield securities and units in unit trusts	-	74,614	3,199	77,813
Total	-	74,614	3,199	77,813

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31 December 2020				
Shares and other variable yield securities and units in unit trusts	-	53,009	3,293	56,302
Total	-	53,009	3,293	56,302

Included in the level 1 category are financial assets that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry syndicate, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Included in the level 2 category are financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. For example, assets for which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Syndicate's own models whereby the significant inputs into the assumptions are market observable.

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

Notes to the Syndicate Annual Accounts *(continued)*

10. Financial investments *(continued)*

The main asset classes in the level 3 category are unlisted equities, structured bond-type debt products and interest rate swaps.

- For unlisted equities, the non-observable inputs relate to assumptions regarding the price/equity ratio of the investee compared to those of comparable listed entities together with an illiquidity adjustment which typically ranges between 10-20%.
- For structured bond-type debt products, these are valued using an internally developed cash flow model using a discount rate with a non-observable illiquidity adjustment of between 5-10%.
- For interest rate swaps, these are valued from broker quotes which include non-observable discount rates based on the credit rating of the counterparty.

The Syndicate's level 3 financial investment are in respect of a loan to the Lloyd's Central Fund. Lloyd's considers the loans to meet the criteria to be recognised as a basic financial instrument under FRS 102 and be classified as level 3 in the fair value hierarchy. These loans are being valued using a model based on assumptions based on the third party inputs.

11. Debtors arising out of direct insurance operations

	2021	2020
	£'000	£'000
Due from intermediaries (within one year)	33,521	19,324
Due from intermediaries (after one year)	<u>1,156</u>	<u>446</u>
	<u>34,677</u>	<u>19,770</u>

12. Debtors arising out of reinsurance operations

	2021	2020
	£'000	£'000
Due from intermediaries (within one year)	64,345	60,394
Due from intermediaries (after one year)	<u>291</u>	<u>133</u>
	<u>64,636</u>	<u>60,527</u>

Notes to the Syndicate Annual Accounts *(continued)***13. Other debtors**

	2021	2020
	£'000	£'000
Members' agents fees due	2,053	1,817
Deposits with ceding undertakings	<u>5,232</u>	<u>4,466</u>
	<u>7,285</u>	<u>6,283</u>

14. Creditors arising out of direct insurance operations

	2021	2020
	£'000	£'000
Direct Business - intermediaries (within one year)	<u>487</u>	<u>983</u>
	<u>487</u>	<u>983</u>

15. Creditors arising out of reinsurance operations

	2021	2020
	£'000	£'000
Reinsurance accepted (within one year)	1,686	4,499
Reinsurance ceded (within one year)	<u>30,278</u>	<u>17,696</u>
	<u>31,964</u>	<u>22,195</u>

16. Other creditors

	2021	2020
	£'000	£'000
Expenses due to Blenheim (within one year)	2,272	2,269
Other (within one year)	<u>96</u>	<u>112</u>
	<u>2,368</u>	<u>2,381</u>

Notes to the Syndicate Annual Accounts *(continued)*

17. Cash and cash equivalents

	2021	2020
	£'000	£'000
Cash at bank and in hand	45,919	14,583
Holdings in collective investment schemes	<u>74,614</u>	<u>53,009</u>
	<u>120,533</u>	<u>67,592</u>

18. Other assets

	2021	2020
	£'000	£'000
Overseas deposits	<u>11,987</u>	<u>10,411</u>
	<u>11,987</u>	<u>10,411</u>

19. Related parties

Blenheim, Managing Agent of Syndicate 5886 since 6 August 2021 is a wholly owned subsidiary of WBC.

Asta was the Managing Agent for Syndicate 5886 up to and including 5 August 2021. From time to time up until 5 August 2021, Syndicates managed by Asta entered into (re)insurance contracts with one another. All such transactions involving Syndicate 5886 were subject to Asta's internal controls to ensure compliance with Lloyd's Related Party Byelaw provisions. All transactions were entered into on an arm's length basis.

The table below shows the transactions between Syndicate 5886 and the other Asta managed Syndicates occurring during the period 1 January 2021 up to and including 5 August 2021.

£'000	Gross Written Premium	RI Written Premium	Reinsurers' share of claims outstanding
Dale Syndicate 1729	-	(56)	(69)
Verto Syndicate 2689	-	(139)	-
Everest Syndicate 2786	103	-	62
Agora Syndicate 3268	396	(31)	-
Beat Syndicate 4242	51	(287)	138
Skuld Marine Agency	141	-	-
Total	<u>691</u>	<u>(513)</u>	<u>131</u>

Asta provided services and support to Syndicate 5886 in its capacity as Managing Agent for the period to 5 August 2021. During this period, managing agency fees of £1.5m (2020: £1.9m) were charged to the Syndicate. Asta also recharged £0.3m (2020: £0.9m) of service charges in the period.

Since Blenheim assumed management of Syndicate 5886 from Asta, Asta and their managed syndicates are no longer considered related parties.

Notes to the Syndicate Annual Accounts *(continued)*

19. Related parties *(continued)*

Blenheim incurs the majority of the Syndicate's operating expenses which it then recharges to the Syndicate without mark-up. Expenses incurred jointly for the Group are recharged to group companies on a basis representing the nature of the expenses and their usage by group companies. As at 31 December 2021, amounts owed to Blenheim relating to expense recharges totalled £2.3m (2020: £2.3m).

Managing agency fees of £1.0m (2020: £nil) were charged by Blenheim to the Syndicate during 2021. The balance owing as at 31 December 2021 is £nil (2020:£nil).

Blenheim receives fees for acting as a consortia manager on behalf of Syndicate 5886 which leads several consortia. No fees were charged to Syndicate 5886 by Blenheim for this service.

As part of the Group, WBC wholly owns White Bear Corporate Capital Limited, a Lloyd's corporate member which participates on Syndicate 5886 with the following participations – 2019 year of account £nil, 2020 year of account £0.9m and 2021 year of account £79.6m. Syndicate 5886 provided two binding authorities to White Bear Managers Ltd ("WBM"), a Lloyd's coverholder and member of the Group. During the financial year, WBM received total fees of £0.6m (2020: £0.1m) in respect of its services. Both companies have common Directors with Blenheim.

All transactions are entered into on an arm's length basis.

20. 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.

21. Bank facilities

At the start of the year, the Syndicate had the benefit of a revolving facility for US\$70m and a working capital overdraft facility of £7.5m, all with Barclays Bank Plc. All of these facilities, except for the overdraft facility, were subsequently renewed in December 2021 for the 12 months to 31 December 2022.

The Syndicate utilised US\$20m of the letter of credit facility throughout the 2021 calendar year.

Notes to the Syndicate Annual Accounts *(continued)*

22. Off-Statement of Financial Position items

As noted in Note 21, during the year, the Syndicate had the benefit of a combined letter of credit and revolving credit facility of US\$70m with Barclays Bank of which it utilised US\$20m for the purposes of regulated trust funding at 31 December 2021. This arrangement is considered to be off-Statement of Financial Position as neither the asset nor the liability are owned by the Syndicate.

23. Risk management

a) Governance framework

The Syndicate's risk and financial management framework aims to protect the Syndicate's members capital from events that might otherwise prevent the Syndicate from meeting its policyholder obligations, while maximising the returns to its members. The Directors recognise the critical importance of having efficient and effective risk management systems in place.

Blenheim maintains a risk management function for the Syndicate with clear terms of reference from the Board and its committees. The RiC, established in July 2021, is the predominant committee to consider risk management within the governance structure. The RiC is a non-executive committee formed by and at the direction of the Board. The RiC is intended to act as a governance body for ensuring Blenheim maintains an accurate and up to date risk management framework to enable monitoring of the risks to which the business and syndicates under management are, or could be exposed to, and the appropriateness and effectiveness of the strategies and the control environment used to mitigate them.

The Board, on the recommendation of the RiC, approves Blenheim's core risk management policies and any commercial, regulatory and organisational requirements of such policies. The Board places significant emphasis on the assessment and documentation of risks and controls, including the articulation of the Syndicate's risk appetite.

b) Capital management objectives, policies and approach

Capital framework at Lloyd's

Lloyd's is a regulated undertaking and subject to the supervision of the PRA under the Financial Services and Markets Act 2000.

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

Although Lloyd's capital setting processes use a capital requirement set at Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at Syndicate level. Accordingly, the capital requirement in respect of Syndicate 5886 is not disclosed in these financial statements.

Notes to the Syndicate Annual Accounts *(continued)*

23. Risk management *(continued)*

b) Capital management objectives, policies and approach *(continued)*

Capital framework at Lloyd's *(continued)*

A Syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the Syndicate on which it participates but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate SCR 'to ultimate'. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment ("ECA"). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2021 was 35% (2020: 35%) of the members' SCR 'to ultimate'. An additional 20% loading is also applied to new Syndicates for their first three years of underwriting. This additional loading no longer applies to the open year of account for the Syndicate.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (FAL), held within and managed within a Syndicate (funds in Syndicate) or as the member's share of the members' balances on each Syndicate on which it participates. Accordingly, the ending member's balances reported on the Statement of Financial Position on page 21, represent resources available to meet members' and Lloyd's capital requirements.

c) 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. Further details are set out in the Managing Agent's Report on pages 5 to 11.

The Syndicate purchases reinsurance as part of its risk mitigation strategies. Reinsurance ceded is placed largely on a non-proportional basis. Non-proportional reinsurance is excess-of-loss reinsurance designed to mitigate the Syndicate's net exposure to large losses. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. 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.

Notes to the Syndicate Annual Accounts *(continued)*

23. Risk management *(continued)*

c) Insurance risk *(continued)*

The RC, a Board committee, oversees the management of reserving risk. The use of standardised and internal modelling techniques, as well as benchmarking and the review of claims development are key in mitigating reserving risk. The purpose of these underwriting, reinsurance and reserving strategies is to limit exposure to catastrophes or large losses based on the Syndicate's risk appetite as decided by the Board.

In terms of COVID-19 claims, management have considered all policies exposed and potential coverages. The validity of each potential claims advice was assessed and any provision made on a case by case basis. Many issues are yet to be clarified from a legal perspective and to date few cases, particularly as they relate to reinsurance, have reached either arbitration or court. On this basis, we believe that the loss reserves are sufficient to reflect the uncertainties of COVID-19.

The Syndicate uses both its own and commercially available 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 un-modelled event are greater than those arising from a modelled event.

The Syndicate models various loss scenarios and runs specific realistic disaster scenarios ("RDS") in accordance with Lloyd's franchise guidelines to enable it to monitor its exposures. Given the nature of the risks underwritten, the loss estimates may be materially different from those that arise depending on the size and nature of the event.

Based on the July 2021 Lloyd's RDS submission, the largest RDS was a Florida (Pinellas) windstorm event with an industry loss estimate of US\$134.0bn. This equates to a loss to the Syndicate of US\$225.2m gross and US\$72.9m net of reinsurance recoveries and reinstatement costs (2020: North-east US windstorm event US\$215.8m gross and US\$42.2m net of reinsurance recoveries and reinstatement costs).

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 average claim costs, claim handling costs, claim inflation factors and claim numbers for each 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 occurrence; changes in market factors such as public attitude to claiming and 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 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.

Notes to the Syndicate Annual Accounts *(continued)***23. Risk management** *(continued)***c) Insurance risk** *(continued)***Sensitivities** *(continued)*

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on net liabilities, profit and members' balances. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions can be non-linear.

	2021	2020
	£'000	£'000
Gross		
Five percent increase in claim liabilities	(12,670)	(9,026)
Five percent decrease in claim liabilities	12,670	9,026
Net		
Five percent increase in claim liabilities	(9,066)	(6,501)
Five percent decrease in claim liabilities	9,066	6,501

Notes to the Syndicate Annual Accounts *(continued)*

23. Risk management *(continued)*

c) Insurance risk *(continued)*

Claims development table gross of reinsurance

The table below and on the following page show the Syndicate's cumulative incurred claims development, including both claims notified and IBNR for each underwriting year, together with the cumulative payments to date on a gross and net of reinsurance basis at the Statement of Financial Position date.

The Syndicate has elected to translate estimated claims and claims payments at a consistent rate of exchange as determined by the Statement of Financial Position date.

	Underwriting Year				
	2017	2018	2019	2020	2021
Estimate of cumulative GAAP gross claims incurred:	£'000	£'000	£'000	£'000	£'000
At end of first underwriting year	114,344	86,128	79,092	110,070	145,730
One year later	139,426	122,973	135,948	155,233	-
Two years later	145,809	125,256	143,214	-	-
Three years later	145,962	123,521	-	-	-
Four years later	146,756	-	-	-	-
Less cumulative gross paid	(136,864)	(103,949)	(101,117)	(89,066)	(30,061)
Liability for gross outstanding claims	9,892	19,572	42,097	66,167	115,669
Total gross outstanding claims (all years)					253,397

Notes to the Syndicate Annual Accounts *(continued)*

23. Risk management *(continued)*

c) Insurance risk *(continued)*

Claims development table net of reinsurance

The table below show the Syndicate's cumulative incurred claims development, including both claims notified and IBNR for each underwriting year, together with the cumulative payments to date on a net of reinsurance basis at the Statement of Financial Position date.

	Underwriting Year				
	2017	2018	2019	2020	2021
Estimate of cumulative GAAP net claims incurred:	£'000	£'000	£'000	£'000	£'000
At end of first underwriting year	62,777	59,400	62,364	77,933	110,422
One year later	77,250	90,368	107,028	115,137	-
Two years later	79,451	93,726	112,511	-	-
Three years later	77,627	91,493	-	-	-
Four years later	77,435	-	-	-	-
Less cumulative gross paid	(71,612)	(78,818)	(82,657)	(62,820)	(29,779)
Liability for gross outstanding claims	5,823	12,675	29,854	52,317	80,643
Total gross outstanding claims (all years)					181,312

The uncertainty associated with the ultimate claims experience of an underwriting year is greatest when the underwriting year is at an early stage of development and the margin for future experience potentially being more adverse than assumed is at its highest. As claims develop, and the ultimate cost of the claims becomes more certain, the relative level of margin should decrease. Due, however, to the uncertainty inherent in the claims estimation process, initial reserves may not always be in a surplus.

Notes to the Syndicate Annual Accounts *(continued)*

23. Risk management *(continued)*

d) Financial risk

The focus of financial risk management for the Syndicate is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance contracts. Currently, the financial assets of the Syndicate are only held in cash and cash equivalents. In due course, the goal of the investment management process is to optimise the risk-adjusted investment income and risk-adjusted total return by investing in a diversified portfolio of securities, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis

1. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the exposure to credit risk:

- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits. If the counterparty has no credit rating, then collateral is sought to mitigate any risk. This is monitored by the RISBC, a management committee.

The table below shows the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through collateral agreements.

31 December 2021	£'000			
	Neither past due or impaired	Past due but not impaired	Impaired	Total
Shares and other variable yield securities	77,813	-	-	77,813
Overseas Deposits	11,987	-	-	11,987
Reinsurers share of claims outstanding	72,085	-	-	72,085
Debtors arising out of direct insurance operations	24,290	10,387	-	34,677
Debtors arising out of reinsurance operations	-	3,006	-	3,006
Other assets	98,370	-	-	98,370
Cash at bank and in hand	45,919	-	-	45,919
Total	330,464	13,393	-	343,857

Notes to the Syndicate Annual Accounts *(continued)*

23. Risk management *(continued)*

d) Financial risk *(continued)*

1. Credit risk *(continued)*

31 December 2020	£'000			
	Neither past due or impaired	Past due but not impaired	Impaired	Total
Shares and other variable yield securities	56,302	-	-	56,302
Overseas Deposits	10,411	-	-	10,411
Reinsurers share of claims outstanding	50,487	-	-	50,487
Debtors arising out of direct insurance operations	12,952	6,818	-	19,770
Debtors arising out of reinsurance operations	-	11,764	-	11,764
Other assets	75,011	-	-	75,011
Cash at bank and in hand	14,583	-	-	14,583
Total	219,746	18,582	-	238,328

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2021 by classifying assets according to independent credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BB are classified as speculative grade and have not been rated, debtors, other than amounts arising from reinsurance contracts ceded, have been excluded from the table as these are not rated.

31 December 2021	£'000						
	AAA	AA	A	BBB	BB or less	Not Rated	Total
Shares and other variable yield securities	-	-	77,813	-	-	-	77,813
Overseas Deposits	6,662	1,352	1,365	1,149	981	478	11,987
Reinsurers share of claims outstanding	-	51,606	5,227	-	464	14,788	72,085
Cash at bank and in hand	-	-	45,919	-	-	-	45,919
Total	6,662	52,958	130,324	1,149	1,445	15,266	207,804

Notes to the Syndicate Annual Accounts *(continued)*

23. Risk management *(continued)*

d) Financial risk *(continued)*

1. Credit risk *(continued)*

31 December 2020	£'000						
	AAA	AA	A	BBB	BB or less	Not Rated	Total
Shares and other variable yield securities	-	-	56,302	-	-	-	56,302
Overseas Deposits	5,883	1,089	939	881	1,179	440	10,411
Reinsurers share of claims outstanding	-	29,832	14,094	-	-	6,551	50,487
Cash at bank and in hand	-	-	14,583	-	-	-	14,583
Total	5,883	30,921	85,918	881	1,179	7,001	131,783

Of the £15.3m currently not rated at 31 December 2021, £3.0m is fully collateralised, £0.5m relates to overseas deposits and £6.2m relates to general reinsurance IBNR that has not been allocated to any specific loss. (2020: of the £7.0m not rated, £2.9m was fully collateralised, £0.4m related to overseas deposits with £2.7m relates to general reinsurance IBNR).

Maximum credit exposure

It is the Syndicate's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business.

During the year, no credit exposure limits were exceeded.

2. Liquidity risk

Liquidity risk is the risk that the Syndicate may not have enough cash to pay insurance claims and other liabilities. The Syndicate tries to reduce this risk by reviewing its expected cash obligations on a quarterly basis and keeping adequate cash on deposit to meet those obligations and utilising available banking facilities.

Notes to the Syndicate Annual Accounts *(continued)***23. Risk management** *(continued)***d) Financial risk** *(continued)***2. Liquidity risk** *(continued)*

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

31 December 2021		£'000				
	No stated maturity	0-1 Year	1-3 Years	3-5 Years	More than 5 years	Total
Creditors	-	34,819	-	-	-	34,819
Claims outstanding	-	117,342	89,508	26,335	20,212	253,397
Total	-	152,161	89,508	26,335	20,212	288,216

31 December 2020		£'000				
	No stated maturity	0-1 Year	1-3 Years	3-5 Years	More than 5 years	Total
Creditors	-	25,559	-	-	-	25,559
Claims outstanding	-	86,119	63,325	18,584	12,484	180,512
Total	-	111,678	63,325	18,584	12,484	206,071

3. Market risk

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

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

a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Syndicate's functional currency is US Dollars and its exposure to foreign exchange risk arises primarily with respect to transactions in Sterling, Euro, Japanese Yen, Canadian Dollars and Australian Dollars.

Notes to the Syndicate Annual Accounts *(continued)***23. Risk management** *(continued)***d) Financial risk** *(continued)*3. Market risk *(continued)*a) Currency risk *(continued)*

The table below summarises the exposure of the financial assets and liabilities to foreign currency exchange risk at the reporting date, as follows:

	CNV £'000						Total
	GBP	USD	EUR	CAD	AUD	JPY	
31 December 2021							
Total Assets	18,308	265,250	9,525	30,683	17,273	2,818	343,857
Total Liabilities	(29,867)	(278,727)	(39,495)	(18,106)	(15,795)	(8,285)	(390,275)
Net Assets/(Liabilities)	(11,559)	(13,477)	(29,970)	12,577	1,478	(5,467)	(46,418)

	CNV £'000						Total
	GBP	USD	EUR	CAD	AUD	JPY	
31 December 2020							
Total Assets	19,467	173,233	6,625	22,196	14,271	2,536	238,328
Total Liabilities	(29,359)	(196,180)	(13,485)	(16,580)	(10,990)	(16,527)	(283,121)
Net Assets/(Liabilities)	(9,892)	(22,947)	(6,860)	5,616	3,281	(13,991)	(44,793)

The Syndicate holds assets and liabilities in these six main currencies. The Syndicate for the most part aims to ensure its assets and liabilities match in currency as closely as possible to mitigate the currency risk. The currency shortfall in Japanese Yen is partly driven by the gross claims for Typhoons Hagibis, Faxai and Jebi being mainly in Japanese Yen but any recoveries being in US Dollars. However, it should be noted that there is a degree of currency mitigation because the reinsurance collections made on these losses are based on the gross loss in Japanese Yen being converted to sterling at the prevailing exchange rate to mitigate the currency risk.

Notes to the Syndicate Annual Accounts *(continued)*

23. Risk management *(continued)*

d) Financial risk *(continued)*

3. Market risk *(continued)*

a) Currency risk *(continued)*

Sensitivity to changes

The table below gives an indication of the impact on profit of a percentage change in the relative strength of Sterling against the value of the US Dollar, Canadian Dollar, Australian Dollar, Japanese Yen and Euro simultaneously. The analysis is based on the information as at 31 December 2021.

	Impact on profit and members' balance	
	2021	2020
	£'000	£'000
Sterling weakens		
10% against other currencies	(3,486)	(3,490)
20% against other currencies	(6,972)	(6,980)
Sterling strengthens		
10% against other currencies	3,486	3,490
20% against other currencies	6,972	6,980

b) Interest rate risk

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

Floating rate instruments expose the Syndicate to cash flow interest risk, whereas fixed rate instruments expose the Syndicate to fair value interest risk.

The Syndicate has no significant concentration of interest rate risk. Insurance liabilities are not discounted and therefore not exposed to interest rate risk.

24. Post Statement of Financial Position events

The Syndicate will collect the 2019 underwriting year loss of £8.6m before personal expenses in US Dollars from members in June 2022.

The exposure to Ukraine and Russia is currently being assessed. At this point, the exposure is not expected to be material to the Syndicate overall.

Blenheim

Blenheim Underwriting Limited

**Syndicate Underwriting Year Accounts
For the 2019 Year of Account
Closed at 31 December 2021**

Directors and Administration

Managing Agent

Blenheim Underwriting Limited

Directors

Nicholas Joseph Destro
Derek Charles Grainger
John Charles Hamblin*
Sharon Julia Ingham
John Anthony Lynch
Peter David Scales
Christopher Norman Clark*
Lawrence Albert Holder (Chair)*
Michael James Leonard*
Anthony Stirling Minns*

*Non-Executive Directors

Company Secretary

Tessa Helen Mijatovic

Managing Agent's Registered Office

7th Floor
70 Mark Lane
London
EC3R 7NQ

Managing Agent's Registered Company Number

10254215

Active Underwriter

N J Destro

Bankers

Barclays Bank
Citibank N.A.
RBC Dexia

Registered Auditors

BDO LLP

Managing Agent's Report for the 2019 Closing Year of Account

For the 36 months ended 31 December 2021

The Directors of Blenheim Underwriting Limited ("Blenheim") present their report at 31 December 2021 for the 2019 closed year of account.

This report is prepared in accordance with the Lloyd's Syndicate Bylaw (No 8 of 2005). It accompanies the underwriting year accounts prepared on an underwriting year basis of accounting as required by Statutory Instrument No 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Business Review

A summary of the 2019 year of account performance is given in the accompanying Underwriter's Report within the Syndicate Annual Accounts.

Underwriting year results

The Syndicate generated a loss of £6.5m after standard personal expenses on gross written premiums of £203.0m for the 2019 underwriting year.

Principal activities and review of the business

The Syndicate's principal activity is the underwriting of direct insurance and reinsurance business in the Lloyd's market.

Gross written premium income by class of business for the year of account was as follows;

	2019 £'000
Property Treaty	89,871
Direct and Facultative Property	72,638
Contingency	5,807
Accident & Health	7,444
Specialty Treaty	27,252
	<u>203,012</u>

The Syndicate's key financial performance indicators for the year of account were as follows;

	2019 £'000
Gross premiums written	203,012
Loss for the closed year of account	(6,453)
Total comprehensive loss	(8,560)
Net combined ratio	105.5%

The net combined ratio is the ratio of claims incurred, net of reinsurance and net operating expenses to earned premiums, net of reinsurance.

Managing Agent's Report for the 2019 Closing Year of Account *(continued)*

Disclosure of Information to the Auditor

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 auditors in connection with their 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 he/she aware of any relevant audit information and to establish that the auditors are aware of that information.

The board of directors of the Managing Agent has overall responsibility for the establishment and oversight of the Syndicate's risk and capital management.

Approved by the Board of Directors and signed on behalf of the Board.

A handwritten signature in black ink, appearing to read 'J A Lynch', is written over a light grey rectangular background.

J A Lynch
Director
3 March 2022

Statement of Managing Agent's Responsibilities

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the Managing Agent to prepare Syndicate underwriting year accounts at 31 December in respect of any underwriting year which is being closed by reinsurance to close which give a true and fair view of the result of the underwriting year at closure. Detailed requirements in respect of the underwriting year accounts are set out in the Lloyd's Syndicate Accounting Byelaw (No 8 of 2005).

In preparing the Syndicate underwriting year accounts, the Managing Agent is required to:-

- select suitable accounting policies and apply them consistently throughout each underwriting year and from one underwriting year to the next. Where items affect more than one underwriting year, the Managing Agent must ensure that the Syndicate treats the affected member equitably. In particular, the premium charged for reinsurance to close should be equitable between the reinsured and reinsuring members of the Syndicate;
- 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 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 2008 and Syndicate Accounting Byelaw. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Managing Agent is responsible for the maintenance and integrity of the corporate and financial information included on the business website. Legislation in the UK governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Syndicate 5886 - 2019 Closed Year of Account

Opinion

In our opinion, the Syndicate underwriting year accounts:

- give a true and fair view of the loss for the 2019 closed year of account;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicates 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 of Syndicate 5886 ('the Syndicate') for the three years ended 31 December 2021 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Members' Balances, the Statement of Cash Flows and notes to the Syndicate underwriting year accounts, 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 Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Financial Reporting Standard 103 "Insurance Contracts" (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 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 ("FRC") Ethical Standard, and we have fulfilled our 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 audit opinion.

Other information

The Managing Agent is responsible for the 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. Our opinion on the Syndicate underwriting year accounts 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 underwriting year accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Syndicate underwriting year accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Independent Auditor's Report to the Members of Syndicate 5886 - 2019 Closed Year of Account *(continued)*

Other information *(continued)*

We have nothing to report in this regard.

Matters on which we are required to report by exception

Under the 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 accounting records; or
- the Syndicate underwriting year accounts are not in agreement with the accounting records.

We have nothing to report in this regard.

Responsibilities of the Managing Agent

As explained more fully in the Statement of Managing Agent's responsibilities out on page 5, the Managing Agent is responsible for the preparation of the Syndicate underwriting year accounts and for being satisfied that they give a true and fair view of the results for the 2019 closed year of account, 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 year accounts, the Managing Agent is responsible for assessing the Syndicate's ability to realise its assets and discharge its liabilities in the normal course of business, disclosing, as applicable, any matters that impact its ability to do so.

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

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

Independent Auditor's Report to the Members of Syndicate 5886 - 2019 Closed Year of Account *(continued)*

Extent to which the audit was 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:

- Obtaining an understanding of the legal and regulatory framework applicable to the Syndicate's operations and the control environment in monitoring compliance with laws and regulations;
- Review of correspondence with the Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA");
- Our responses to significant audit risks over technical provisions and management override of controls are intended to sufficiently address the risk of fraudulent manipulation. Specially we engaged an actuary as auditors expert to review the assumptions and methodology applied by the Syndicate in the valuation of technical provisions and to carry out their own independent reprojections of a significant proportion of the Syndicate's book of business;
- Enquiries of management;
- Review of minutes of board meetings throughout the period; and
- Agreement of the Syndicate underwriting year accounts disclosures to underlying supporting documentation


Our audit procedures were designed to respond to risks of material misstatement in the Syndicate underwriting year accounts, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Syndicate underwriting year accounts the less likely we are to become aware of it.

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

Independent Auditor's Report to the Members of Syndicate 5886 - 2019 Closed Year of Account (continued)

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 Syndicates 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.

DocuSigned by:

0FD4E1FFA52549F...

Alexander Barnes *Senior Statutory Auditor*

For and on behalf of BDO LLP, Statutory Auditor

London, UK

3 March 2022

BDO LLP is a limited liability partnership registered in England and Wales
(Registered number OC305127).

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Income Statement

Technical account – General business

For the 36 months ended 31 December 2021

	Notes	£'000	£'000
Earned premiums, net of reinsurance			
Gross premiums written	5	203,012	
Outward reinsurance premiums		<u>(46,295)</u>	156,717
Change in the provision for unearned premiums			
Gross amount		126	
Reinsurers' share		<u>(180)</u>	<u>(54)</u>
			156,663
Reinsurance to close premium receivable net of reinsurance	7		26,214
Allocated investment return transferred from the non-technical account			594
Claims incurred, net of reinsurance			
Claims paid - Gross amount		(120,170)	
- Reinsurers' share		<u>25,697</u>	
Net claims paid		(94,473)	
Reinsurance to close premium payable net of reinsurance	8	<u>(46,113)</u>	(140,586)
Net operating expenses	9		(50,896)
Balance on the technical account – general business			<u>(8,011)</u>

The underwriting year closed and therefore all items relate to discontinued operations.

The notes on pages 67 to 77 form part of these financial statements.

Income Statement *(continued)***Non-technical account – General business**

For the 36 months ended 31 December 2021

	Notes	£'000
Balance on the technical account – general business	6	(8,011)
Investment Income	10	725
Net realised losses on investments	10	(131)
		<u>594</u>
Allocated investment return transferred to general business technical account		(594)
Exchange gain		1,558
Loss for the closed year of account		<u>(6,453)</u>

Statement of Comprehensive Income

For the 36 months ended 31 December 2021

	£'000
Loss for the closed year of account	(6,453)
Currency translation differences	(2,107)
Total comprehensive loss for the closed year of account	<u>(8,560)</u>

The underwriting year closed and therefore all items relate to discontinued operations.

The notes on pages 67 to 77 form part of these financial statements.

Statement of Financial Position

As at 31 December 2021

	Notes	£'000	£'000
ASSETS			
Investments	11		14,525
Debtors			
Debtors arising out of direct insurance operations	12	1,492	
Debtors arising out of reinsurance operations	13	4,039	
Other debtors, prepayments and accrued income		<u>2,196</u>	7,727
Reinsurance recoveries anticipated on gross reinsurance premiums payable to close the account			19,094
Other Assets			
Cash at bank and in hand	16	22,398	
Overseas deposits		<u>3,097</u>	25,495
Total assets			<u>66,841</u>
LIABILITIES			
Amounts due from members			(9,154)
Reinsurance to close premiums payable to close the account – gross amount			65,207
Creditors			
Creditors arising out of direct insurance operations	14	52	
Creditors arising out of reinsurance operations	15	1,298	
Inter-year loans		8,883	
Other creditors, accruals and deferred income		<u>555</u>	10,788
Total liabilities			<u>66,841</u>

The notes on pages 67 to 77 form part of these financial statements.

The Syndicate underwriting year accounts were approved by the Board on 3 March 2022 and were signed on its behalf by



S J Ingham
Director
3 March 2022

Statement of Members' Balances

For the 36 months ended 31 December 2021

	£'000
Total comprehensive loss for the closed year of account	(8,560)
Collection from members	-
Members' agents' fees paid on behalf of members	(594)
Members' balances carried forward at 31 December 2021	<u>(9,154)</u>

The notes on pages 67 to 77 form part of these financial statements.

Statement of Cash Flows

	Notes	£'000
Cash flows from operating activities		
Loss for the closed year of account		(6,453)
Increase in debtors		(5,897)
Increase in creditors		10,233
Movement in other assets/liabilities/foreign exchange		(3,382)
Investment income		(594)
RITC premium payable, net of reinsurance		46,113
Net cash inflow from operating activities		<u>40,020</u>
Cash flows from investing activities		
Investment income received		594
Increase in overseas deposits		(3,097)
Net cash outflow from investing activities		<u>(2,503)</u>
Cash flows from financing activities		
Members' agents fees paid on behalf of members		(594)
Net cash outflow from financing activities		<u>(594)</u>
Net increase in cash and cash equivalents		36,923
Cash and cash equivalent at 1 January 2019		-
Cash and cash equivalent at end of the year of account	16	<u>36,923</u>

The notes on pages 67 to 77 form part of these financial statements.

Notes to the Syndicate Underwriting Year Accounts

For the 36 months ended 31 December 2021

1. Basis of preparation

The Syndicate underwriting year accounts have been prepared under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Lloyd's Regulations") and in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005) and applicable Accounting Standards in the United Kingdom, including relevant disclosures of Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK ("FRS 102") and Financial Reporting Standard 103 Insurance Contracts ("FRS 103").

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

The Syndicate's functional currency is US Dollars, being the primary economic environment in which it operates. The accounts have been presented in Sterling (GBP), which is the Syndicate's presentation currency and rounded to the nearest £'000.

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 2019 year of account which has been closed by reinsurance to close ("RITC") at 31 December 2021. Consequently the Statement of Financial Position represents the assets and liabilities of the 2019 year of account at the date of closure and the Income Statement reflects the transactions for that year of account during the 36 months period until closure. As each Syndicate year of account is a separate annual venture, there are no comparative figures.

The 2019 underwriting year has now closed. The Directors of the Managing Agent have prepared the underwriting year accounts on a non-going concern basis. There was no effect of this on the amounts reported in the accounts.

2. Accounting policies

Significant accounting policies

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

Underwriting transactions

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 that 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 RITC premium to the successor year of account.

Gross premiums are allocated to years of account on the basis of the inception date of the policy. Commission and brokerage are charged to the year of account to which the relevant policy is allocated. Policies written under binding authorities, lineslips or consortium arrangements are allocated to the year of account into which the arrangement incepts. Additional and return premiums follow the year of account of the original premium. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due, but not yet notified to the Syndicate year of account.

Notes to the Syndicate Underwriting Year Accounts *(continued)*

2. Accounting policies *(continued)*

Underwriting transactions *(continued)*

Written premium is earned over the period of the policy on a time apportionment basis having regard, where appropriate, to the incidence of risk. Unearned premiums represent the balance of premiums written in the period to the Statement of Financial Position date that are not earned.

Outwards reinsurance premiums ceded are attributed to the same year as the original risk being protected.

Gross claims paid are allocated to the same year of account as that to which the corresponding premiums are allocated and include internal and external claims settlement expenses. Reinsurance recoveries are allocated to the year of account to which the claim was charged.

The RITC premium is determined by reference to the outstanding technical provisions (including those for outstanding claims and unearned premiums, net of deferred acquisition costs and unexpired risks and annual reinstatement premiums) relating to the closed year and to all previous closed years reinsured therein. Although this estimate of net outstanding liabilities is considered to be fair and reasonable, it is implicit in the estimation procedure that the ultimate liabilities will be at variance from the premium so determined. The RITC premium transfers the liability in respect of all claims, reinsurance premiums, return premiums and other payments in respect of the closing year (and previous closed years reinsured therein) to the members of the successor year of account and gives them the benefit of refunds, recoveries, premiums due and other income in respect of those years in so far as they have not been credited in these accounts.

The outstanding claims comprise amounts set aside for claims notified and claims IBNR.

Notified claims are estimated on a case by case basis with regard to the circumstances as reported, any information available from loss adjusters and previous experience of the cost of settling claims with similar characteristics. The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate's external consulting actuaries. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. The provision for claims includes amounts in respect of internal and external claims handling costs.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, 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.

The Syndicate uses a number of statistical techniques to assist in making the above estimates. The two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred. The methods used, and the estimates made, are reviewed regularly.

Notes to the Syndicate Underwriting Year Accounts *(continued)*

2. Accounting policies *(continued)*

Underwriting transactions *(continued)*

A provision for unexpired risks is created where claims, related expenses and deferred acquisition costs, likely to arise after the Statement of Financial Position date in respect of contracts relating to the closing year of account, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

Acquisition costs, comprising commission and other internal and external costs related to the acquisition of new insurance contracts are deferred to the extent that they are attributable to premiums at the Statement of Financial Position date.

Financial assets and liabilities

In applying FRS 102, the Syndicate has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU).

Financial assets and financial liabilities at fair value through Income Statement comprise financial assets and financial liabilities held for trading and those designated as such on initial recognition. Investments in shares and other variable yield securities, units in unit trusts, and debt and other fixed income securities are designated as at fair value through profit or loss on initial recognition, as they are managed on a fair value basis in accordance with the Syndicate's investment strategy.

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

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

Initially, financial assets and liabilities should be measured at fair value (including transaction costs, for assets and liabilities not measured at fair value through profit or loss).

Financial assets at fair value through profit or loss are measured at fair value with fair value changes recognised immediately in profit or loss. Net gains or net losses on financial assets measured at fair value through profit or loss includes foreign exchange gains/losses arising on their translation to the functional currency, but excludes interest and dividend income.

At each reporting date the Syndicate assesses whether there is objective evidence that financial assets not at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of an asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

Notes to the Syndicate Underwriting Year Accounts *(continued)*

2. Accounting policies *(continued)*

Financial assets and liabilities *(continued)*

Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Syndicate about any significant financial difficulty of the issuer, or significant changes in the technological, market, economic or legal environment in which the issuer operates.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss recognised reduces directly the carrying amount of the impaired asset. All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

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.

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Interest income on financial assets measured at amortised cost is recognised using the effective interest method. For the purpose of separately presenting investment income and unrealised gains and losses for financial assets at fair value through profit or loss, interest income is recognised as it accrues on the next coupon payment.

For investments at fair value through profit or loss, realised gains and losses represent the difference between the net proceeds on disposal and the purchase price. For investments measured at amortised cost, realised gains and losses represents the difference between the net proceeds on disposal and the latest carrying value (or if acquired after the last reporting date, the purchase price).

Unrealised gains and losses on investments represent the difference between the fair value at the Statement of Financial Position date and their purchase price. Movements in unrealised investment gains and losses comprise the increase/decrease in the reporting period in the value of the investments held at the reporting date and the reversal of unrealised investment gains and losses recognised in earlier reporting periods in respect of investment disposals of the current period, or the valuation at the beginning of the year; as well as the reversal of previously recognised unrealised gains and losses in respect of investment disposed of in the current period.

Investment return is initially recorded in the non-technical account. The return is transferred in full to the general business technical account to reflect the investment return on funds supporting underwriting business.

Notes to the Syndicate Underwriting Year Accounts *(continued)*

2. Accounting policies *(continued)*

Syndicate operating expenses

Costs incurred by the Managing Agent in respect of the Syndicate are recharged to the Syndicate and included within the relevant Income Statement account heading. Where expenses do not relate to any specific year of account they are apportioned between years of account on a basis which reflects the benefit obtained by each year of account from each type of expense.

Where expenses are incurred jointly by the Managing Agent and the Syndicate, they are apportioned as follows:

- Salaries and Related Costs
 - According to time of each individual spent on Syndicate matters.
- Accommodation Costs
 - According to number of personnel.
- Other Costs
 - As appropriate in each case.
- Pensions
 - The Managing Agent operates a defined contribution scheme. Pension contributions to Syndicate staff are charged to the Syndicate and included within net operating expenses.

Amounts recharged by the Managing Agent include costs arising from the use of assets in the period. These rental costs are expensed in full in the period to which the recharge relates.

Offsetting

The Syndicate sets off and presents its financial assets and liabilities net where:

- (i) each it and another party owes the other determinable amounts,
- (ii) it has the right to set off the amount owed with the amount owed by the other party,
- (iii) it intends to set off, and
- (iv) the right of set off is enforceable at law.

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 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. It is the responsibility of members to agree and settle their individual tax liabilities with HM Revenue & Customs.

Members resident overseas for tax purposes are responsible for agreeing and settling any tax liabilities with the taxation authorities of their country of residence.

Notes to the Syndicate Underwriting Year Accounts *(continued)*

2. Accounting policies *(continued)*

Foreign currencies

The Syndicate's functional currency is US Dollars being the primary economic environment in which it operates. The Syndicate's presentation currency is Sterling (GBP).

Transactions denominated in currencies other than the functional currency are initially recorded in the functional currency at the exchange rate ruling at the date of the transactions or appropriate average rate. 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 retranslated into the functional currency at the exchange rate ruling on the reporting date.

Exchange differences are recorded in the non-technical account.

In translating its results and financial position into the presentational currency, the Syndicate translates all assets and liabilities at the closing rates of exchange and translates all income and expense items at average rates, with all resulting exchange gains and losses recognised in other comprehensive income.

3. Critical accounting judgements and key sources of estimation uncertainty

Significant accounting estimates and judgements

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

Critical accounting judgements

There have been no critical accounting judgements 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.

Key sources of estimation uncertainty

The key sources of estimation uncertainty at the Statement of Financial Position date that has a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Gross written premium

Gross premiums written is a key source of estimation uncertainty as it relies upon the underwriter's judgement of pipeline premium at policy level as well as actuarial projection of future premiums at portfolio level based, primarily on the assumption past premium development can be used to project future premium development.

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates, primarily relating to binder business, are judgemental and could result in misstatements of revenue recorded in the financial statements.

Notes to the Syndicate Underwriting Year Accounts *(continued)*

3. Critical accounting judgements and key sources of estimation uncertainty *(continued)*

Key sources of estimation uncertainty *(continued)*

Claims outstanding and related reinsurance recoveries

The measurement of the provision for claims outstanding involves assumptions and estimates about the future that have the most significant effect on the amounts recognised in the annual accounts.

The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the Statement of Financial Position date, whether reported or not. This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgement is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported to the Syndicate.

The ultimate cost of outstanding claims is estimated using a range of techniques including actuarial and statistical projections, benchmarking, case by case review and judgement. Statistical techniques assume that past claims development experience can be used as a basis to project ultimate claims costs. Judgement is used to assess the extent to which past trends may not apply in the future. Case estimates are generally set by skilled claims technicians applying their experience and knowledge to the circumstances of individual claims.

Whilst the Directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated based on the information currently available to them, the ultimate liability will vary as a result of subsequent information and events.

4. Risk management

Effective from 31 December 2021, the RITC process means that Insurance, Financial, Credit, Liquidity, Market and Capital risks for the Syndicate's 2019 and prior years of account are transferred to the accepting 2020 year of account of the Syndicate. Accordingly, these underwriting year accounts do not have any associated disclosures as required by section 34 of FRS 102 and FRS 103. Full disclosures relating to these risks are provided in the main annual accounts of the Syndicate.

Notes to the Syndicate Underwriting Year Accounts *(continued)*

5. Particulars of business written

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

	Gross premiums written £'000	Gross premium earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000
Direct Insurance;						
Accident & Health	3,382	3,343	(1,357)	(1,501)	(303)	182
Motor (other)	1,750	1,744	(977)	(595)	(366)	(194)
Aviation and Transport	3,136	3,120	(3,206)	(791)	(109)	(986)
Fire and other damage to property	56,682	56,608	(25,500)	(17,381)	(11,551)	2,176
Third party liability	269	267	(84)	(101)	(54)	28
Credit and suretyship	6,013	6,031	(24,132)	(1,843)	5,334	(14,610)
	71,232	71,113	(55,256)	(22,212)	(7,049)	(13,404)
Reinsurance acceptances	131,780	132,025	(89,489)	(28,684)	(9,053)	4,799
Total	203,012	203,138	(144,745)	(50,896)	(16,102)	(8,605)

6. Analysis of result by year of account

	2017 Pure Year £'000	2018 Pure Year £'000	2019 Pure Year £'000	2019 Total £'000
Technical account balance before allocated investment return and net operating expenses	289	877	41,125	42,291
Brokerage and commission on gross premium	(7)	259	(33,066)	(32,814)
	282	1,136	8,059	9,477
Other acquisition costs	-	-	(2,491)	(2,491)
Change in deferred acquisition costs	-	-	41	41
Net other expenses	-	-	(15,632)	(15,632)
Investment income	-	6	588	594
	-	6	(17,494)	(17,488)
Balance on technical account	282	1,142	(9,435)	(8,011)

Notes to the Syndicate Underwriting Year Accounts *(continued)*

7. Reinsurance to close premium receivable net of reinsurance

	Reported £'000	IBNR £'000	Total £'000
Gross outstanding losses	32,754	12,322	45,076
Reinsurance recoveries anticipated	<u>(11,130)</u>	<u>(5,488)</u>	<u>(16,618)</u>
Net outstanding losses	<u>21,624</u>	<u>6,834</u>	<u>28,458</u>
Future gross premium reinstatements			(4,444)
Future reinsurance premium reinstatements			<u>2,200</u>
Reinsurance to close premium payable			<u>26,214</u>

8. Reinsurance to close premium payable net of reinsurance

	Reported £'000	IBNR £'000	Total £'000
Gross outstanding losses	(51,185)	(20,377)	(71,562)
Reinsurance recoveries anticipated	<u>14,969</u>	<u>8,240</u>	<u>23,209</u>
Net outstanding losses	<u>(36,216)</u>	<u>(12,137)</u>	<u>(48,353)</u>
Future gross premium reinstatements			6,355
Future reinsurance premium reinstatements			<u>(4,115)</u>
Reinsurance to close premium payable			<u>(46,113)</u>

9. Net operating expenses

	£'000
Acquisition costs	35,305
Change in deferred acquisition costs	(41)
Standard personal expenses	3,044
Administration expenses	<u>12,588</u>
	<u>50,896</u>

The closed year loss is stated after charging:

	£'000
Auditor's remuneration:	
Audit of the Financial statements	106
Other services pursuant to Regulations and Lloyd's Byelaws	<u>17</u>
	<u>123</u>

The auditor did not receive any other remuneration other than that stated above.

Notes to the Syndicate Underwriting Year Accounts *(continued)***10. Investment income**

	£'000
Income from investments	725
Realised gains on investments	43
Realised losses on investments	<u>(174)</u>
	<u>594</u>

11. Investments

	Fair Value £'000	Cost £'000
Holdings in collective investment schemes	<u>14,525</u>	<u>14,534</u>
	<u>14,525</u>	<u>14,534</u>

There was no material change in fair value for financial instruments held at fair value (other than derivatives) attributable to own credit risk in the current or comparative period.

All financial investments are recorded at fair value and have been categorised within the level 2 and 3 categories of the fair value hierarchy. The level 2 category are financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. The level 3 category financial assets relate to the Lloyd's Central Fund Loans.

There are no financial investments directly held within level 1 of the fair value hierarchy.

12. Debtors arising out of direct insurance operations

	£'000
Due within one year – Intermediaries	<u>1,492</u>
	<u>1,492</u>

13. Debtors arising out of reinsurance operations

	£'000
Due within one year – Intermediaries	<u>4,039</u>
	<u>4,039</u>

14. Creditors arising out of direct insurance operations

	£'000
Due within one year – Intermediaries	<u>52</u>
	<u>52</u>

Notes to the Syndicate Underwriting Year Accounts *(continued)***15. Creditors arising out of reinsurance operations**

	£'000
Due within one year – Reinsurance accepted	353
Due within one year – Reinsurance ceded	945
	<u>1,298</u>

16. Cash and cash equivalents

	£'000
Cash at bank and in hand	22,398
Holdings in collective investment schemes	14,525
	<u>36,923</u>

17. Related parties

Blenheim, Managing Agent of Syndicate 5886 since 6 August 2021 is a wholly owned subsidiary of WBC.

Blenheim incurs the majority of the Syndicate's operating expenses which it then recharges to the Syndicate without mark-up. Expenses incurred jointly for the Group are recharged to group companies on a basis representing the nature of the expenses and their usage by group companies. As at 31 December 2021, amounts owed to Blenheim relating to expense recharges totalled £2.3m (2020: £2.3m).

Managing agency fees of £1.0m (2020: £nil) were charged by Blenheim to the Syndicate during 2021. The balance owing as at 31 December 2021 is £nil (2020:£nil).

Blenheim receives fees for acting as a consortia manager on behalf of Syndicate 5886 which leads several consortia. No fees were charged to Syndicate 5886 by Blenheim for this service.

As part of the Group, WBC wholly owns White Bear Corporate Capital Limited, a Lloyd's corporate member which participates on Syndicate 5886 with the following participations –2019 year of account £nil, 2020 year of account £0.9m and 2021 year of account £79.6m. Syndicate 5886 provided two binding authorities to White Bear Managers Ltd ("WBM"), a Lloyd's coverholder and member of the Group. During the financial year, WBM received total fees of £0.6m (2020: £0.2m) in respect of its services. Both companies have common Directors with Blenheim.

All transactions are entered into on an arm's length basis.

18. Post Statement of Financial Position event

The 2019 underwriting year loss, including members' agents' fees, equates to £9.2m. This will be collected from members in US Dollars during June 2022.

Summary of Closed Year Results *(unaudited)*

As at 31 December 2021

	2017 £'000	2018 £'000	2019 £'000
Syndicate allocated capacity	149,904	179,796	214,760
Number of Underwriting members	1,378	1,359	1,327
Aggregate net premiums (£'000)	71,414	118,516	156,717
Results for an illustrative share of £10,000			
	£	£	£
Gross premiums written	6,907	8,620	9,453
Net earned premiums	4,641	6,712	7,295
Reinsurance to close from an earlier account	-	796	1,221
Net claims	(4,572)	(4,657)	(4,399)
Reinsurance to close	(954)	(1,458)	(2,147)
(Loss)/gain on exchange	(7)	(47)	73
Syndicate operating expenses	(1,678)	(2,097)	(2,228)
Balance on technical account	(2,570)	(751)	(185)
Investment income less investment expenses and charges and investment gains less losses	35	63	28
Loss on ordinary activities	(2,535)	(688)	(157)
Currency translation differences	74	58	(98)
Loss before illustrative personal expenses	(2,461)	(630)	(255)
Illustrative personal expenses			
Managing Agents' fee	(75)	(75)	(75)
Other personal expenses (excluding member's agents fees)	(79)	(68)	(67)
	(154)	(143)	(142)
Loss after illustrative personal expenses	(2,615)	(773)	(397)
Total of Syndicate operating expenses, Managing Agent's fee and profit commission	(1,753)	(2,172)	(2,303)
Capacity utilised	69.1%	86.2%	94.5%
Net capacity utilised	47.6%	65.9%	73.0%
Loss ratio	119.1%	81.4%	76.9%

Notes

1. The summary of closed year results has been prepared from the audited accounts of the Syndicate. This summary however is not audited.
2. Personal expenses have been stated at the amount which would be incurred pro rata by individual Names writing the illustrative premium income in the Syndicate irrespective of any minimum charge applicable. Corporate members may be charged at different rates. Foreign tax, which may be treated as a credit for personal tax purposes, has been excluded.
3. As regards the 2019 year of account, an illustrative share of £10,000 represents 0.0047% of the respective allocated capacity.
4. The loss ratio is net claims paid plus the reinsurance to close divided by net earned premiums plus reinsurance to close received.