MS Amlin Underwriting Limited
Syndicate 2001

Annual Report & Financial Statements
31 December 2020

Contents

Directors and administration

Managing agent
MS Amlin Underwriting Limited

Directors
G A M Bonvarlet
P J Calnan
A J Carrier
M Cronin
P J Green
J G Holland
M P Hudson
H Morimoto
S Imayoshi
J Slabbert
A Verga
T Yamada

Active Underwriter
A J Carrier

Company Secretary
F Moule

Managing agent's registered office
The Leadenhall Building
122 Leadenhall Street
London EC3V 4AG

Managing agent's registered number
02323018

Statutory auditor
KPMG LLP
15 Canada Square
London
E14 5GL

Seven year financial summary

£m	2020	2019	2018	2017	2016	2015	2014
Syndicate allocated capacity	1,600.0	1,850.0	1,850.0	1,850.0	1,400.0	1,400.0	1,400.0
Gross premium written	1,370.0	2,084.5	2,372.2	2,082.2	1,830.7	1,653.9	1,537.9
Net premium written	975.8	1,548.7	1,699.9	1,533.9	1,357.6	1,217.6	1,135.0
Net earned premium	1,271.9	1,724.6	1,621.9	1,395.5	1,294.9	1,107.8	1,101.9
Net claims	(971.0)	(1,101.1)	(1,119.7)	(1,330.8)	(813.5)	(538.4)	(605.2)
Expenses	(541.0)	(675.2)	(679.5)	(641.1)	(571.1)	(479.4)	(425.2)
Foreign exchange (loss)/gain	(1.5)	6.8	37.7	6.1	16.3	11.5	9.5
Investment return	63.5	114.1	25.6	70.6	38.3	32.8	38.9
(Loss)/profit for the financial year	(178.1)	69.2	(114.0)	(499.7)	(35.1)	134.3	119.8
Claims ratio	76%	64%	69%	95%	63%	49%	55%
Expense ratio	43%	39%	42%	46%	44%	43%	39%
Combined ratio	119%	103%	111%	141%	107%	92%	94%

Report of the directors of the managing agent

The directors of MS Amlin Underwriting Limited (the managing agent) present their managing agent's report for Syndicate 2001 (the Syndicate) for the year ended 31 December 2020.

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

Business review and principal activities
The Syndicate is, through MS Amlin Corporate Member Limited (the 'Corporate Member' or 'MS ACM'), a wholly aligned Syndicate of Mitsui Sumitomo Insurance Company, Limited (MSI). The ultimate parent company is MS&AD Insurance Group Holdings, Inc. (MS&AD). The principal activity of Syndicate 2001 is the transaction of general insurance and reinsurance business in the United Kingdom and Belgium, primarily through the Society of Lloyd's and its component parts.

The total premium income capacity, net of brokerage, of the Syndicate for each of the years of account open during 2020 was as follows:

	£m
2018 year of account	1,850.0
2019 year of account	1,850.0
2020 year of account	1,600.0

The total premium income capacity of the Syndicate in 2021 is £1,600.0 million.

The result for calendar year 2020 is a loss of £178.1 million (2019: £69.2 million profit). Further information on the Syndicate's performance is outlined below.

Restructuring and change
During 2019, the managing agent, along with the Corporate Member and MSI, undertook a strategic review of the business underwritten by the Syndicate. As a result of this strategic and other business reviews, the decisions were made to cease underwriting aviation insurance, domestic UK property and casualty, pro rata and international casualty lines of business. These classes have largely ceased to be written on and before 31 January 2020 except to fulfil customer conduct requirements.

The underwriting actions taken over the course of 2019 and 2020, together with the structural and management changes described below, enable the Syndicate to focus on its core markets of Reinsurance and Specialty. During 2021, management intends to improve the quality of the existing portfolio as well as establish a platform for future profitability and growth.

On 19 November 2019, MSI announced a reorganisation of its international business including the removal of the regional holding company framework across its European region, including the previous intermediate parent MS Amlin plc. This culminated on 1 January 2020 with the transfer of the entire shareholding of the managing agent and the Corporate Member to MSI. MSI and its subsidiaries are hereby collectively referred to as the Group.

During 2020, a review of shared services in the UK was undertaken. The outcome is that a number of support functions and activities would be federated to the insurance entities of the former MS Amlin Group, including the managing agent. A new executive and senior management team of the managing agent was implemented through this activity. This has included the appointment of a new Chief Executive Officer and bringing all underwriting operations under a single Chief Underwriting Officer. Upcoming additions including a new Chief Risk Officer, Chief Actuary and Director of Underwriting Performance.

These structural changes simplify the operating model and enhances strategic and operational oversight of the managing agent in managing the affairs of the Syndicate. This activity will complete in 2021 and offers greater opportunity for MS AUL to reduce costs.

In managing its liquidity risks, the Syndicate previously had access to a revolving credit facility organised by MS Amlin plc. Following the restructure above, this facility was lapsed and the managing agent, on behalf of the Syndicate, has entered into new facilities to directly manage its liquidity risks. These facilities include a cash based revolving credit facility for large claims and letter of credit facilities for trust fund collateral. Further details on these can be found in note 10(l).

Underwriting performance	2020 £m	2019 £m
Gross written premiums	1,370.0	2,084.5
Net written premiums	975.8	1,548.7
Net earned premiums	1,271.9	1,724.6
Claims ratio	76%	64%
Expense ratio	43%	39%
Combined ratio	119%	103%

The underwriting result is a loss of £240.1 million (balance on the technical account less allocated investment return) (2019: £51.7 million loss) with the overall combined ratio of 119% (2019: 103%).

Gross written premiums decreased to £1,370.0 million (2019: £2,084.5 million), a reduction of 34% primarily driven by the underwriting strategy review noted above. Net earned premiums decreased by £452.7 million to £1,271.9 million (2019: £1,724.6 million) for the same reason. The Syndicate's claims ratio deteriorated to 76% (2019: 64%), primarily reflecting the impact of the COVID pandemic, but also the impact of a large number of natural catastrophe events.

COVID has impacted all organisations in many ways. Operationally, we have adapted our ways of working such that the vast majority of our staff are able to work from home. The loss impact of COVID has been experienced across a number of classes, including our discontinued UK P&C classes for business interruption claims. These claims have been subject to court proceedings between a number of insurers (including MS AUL), the FCA and representative policyholder groups. These proceedings culminated in a Supreme Court ruling issued on 15 January 2021. This process has brought a degree of certainty to many, but not all, matters relating to coverage of this extremely unusual event and will enable the settlement of many of those claims. To date, only a small proportion of claims have been settled. As described in the notes to the financial statements, there is uncertainty in all loss reserves but, in the case of COVID, that uncertainty is extended by the nature of the loss event, the fact that the loss is ongoing and the possibility that further legal action may be required to resolve the coverage issues (both for insurers and reinsurers) that have been raised.

In terms of COVID losses, the Syndicate has recorded a gross best estimate loss of £229.0 million. After reinsurance recoveries of £93.0 million, the net best estimate loss of £136.0 million, representing 11% of the loss ratio. Management also incorporates a margin in excess of best estimate to consider the uncertainty of the loss estimates, including COVID.

The year 2020 also saw a large number of natural catastrophe events, with a record number of Atlantic hurricanes. However, the overall insured losses from these hurricanes is considerably lower than those in 2005 or 2017. Other losses have arisen from wildfires and severe convective storms (giving rise to tornados, floods and hail losses). These events have exceeded our loss expectations for this type of event and contributed 7% to the loss ratio.

The expense ratio has deteriorated by 4% to 43% (2019: 39%), primarily as a result of the significant reduction in net earned premium. Following the reorganisation of the business, management has been focussed on the appropriate structure of the business, as noted above.

Divisional Analysis

During 2020, the Syndicate operations were managed across two divisions, Reinsurance and Specialty, managed by a single underwriting management team following the appointment of A J Carrier as Active Underwriter. This section analyses the underwriting performance by these two divisions. The divisional split below into Reinsurance and Speciality on which the commentary is referring to is based on the managing agent's view of how the Syndicate is managed.

Reinsurance	2020 £m	2019 £m
Gross written premiums	447.7	655.8
Net written premiums	263.2	424.1
Net earned premiums	330.3	460.7
Claims ratio	99%	49%
Expense ratio (including personal expenses)	41%	34%
Combined ratio	140%	83%

Reinsurance generated £447.7 million of gross written premium, a decrease of £208.1 million on the prior year. The reduction in gross written premium is driven by strategic re-underwriting of the book including the removal of the Pro Rata class and significant reductions to MS ARMi and Credit & Surety reinsurance and decreases to LCP following capital constraints and a reduced contribution from prior YOAs by comparison with 2019. These decreases drive the reduction in net earned premiums of £130.4 million.

The claims ratio of 99% increased by 50 percentage points compared with 2019 driven by COVID losses (12%) and the natural catastrophe losses during 2020, in excess of the 2019 experience, the most material being Hurricanes Laura and Sally, Midwest Derecho and Oregon Wildfires and in total representing 18% of the claims ratio (6% for equivalent events in 2019). Additionally, the RI division benefitted from £45.0 million of net reserve releases in 2019 (driven by non-Cat loss ratio improvements in Cat NA and Risk XL, plus releases on other 2018 & prior accident year large losses), whilst in 2020 there was a net strengthening of £20.0 million, mainly due to increased estimates on 2019 large losses. The above were partially offset by net release in management margin during 2020.

The expense ratio has increased by 7 points primarily due to the impact of suppressed net earned premium, in absolute terms expenses have reduced by £24.6 million on the prior year, mainly due to the reduction in acquisition costs due to the reduced premium income.

Speciality	2020 £m	2019 £m
Gross written premiums	922.3	1,428.7
Net written premiums	712.6	1,124.7
Net earned premiums	941.6	1,263.9
Claims ratio	68%	69%
Expense ratio	43%	41%
Combined ratio	111%	110%

Specialty generated £922.3 million of gross written premium, a decrease of £506.4 million on the prior year. The reduction is driven by the strategic re-underwriting of the book (ceasing to write P&C UK classes, Aviation, and significant reductions to International Casualty, Bloodstock and Fixed Premium P&I).

The net claims ratio has reduced by 1% despite the impact of COVID (11%), with claims overall £233.1 million favourable, driven by the decrease in premium referred to above plus a material improvement in the non-cat claims ratio across the Specialty portfolio when comparing with FY 2019, these reductions were partially offset by net COVID losses (£100m), and other large and Cat losses during 2020, the most material being Hurricanes Laura and Sally, Tennessee Tornados and California Wildfires.

The expense ratio has increased by 2 points due to the impact of suppressed net earned premium, in absolute terms expenses are down £109.6 million on the prior year, mainly as a result of reduced acquisition costs from the reduction in income.

Investment performance

The Syndicate produced an investment return of £63.5 million in the year (2019: £114.1 million). Syndicate underwriting assets, predominantly bonds and overseas deposits, generated £22.3 million at a return of 1.2% (2019: £46.2 million and return of 2.5%). Corporate member capital (Funds in Syndicate) generated a gain of £41.2 million at a return of 8.7% (2019: £67.9 million and return of 11.5%).

Investment returns were strong for 2020 and ahead of initial estimates, with the portfolio rebounding well from losses in the first quarter following COVID. This came from a mixture of investment management (IM) team decisions (allocation changes) and the recovery in risk asset markets from the second quarter onwards. A large degree of policymaker support and vaccine developments were the key drivers of the recovery. Bonds zero duration produced decent returns and a consistently strong source of liquidity for the portfolios. Equity returns were positive, holding up well in the most challenging months, then participating in the upside phases of the year; full year results were pleasing against the extremely volatile backdrop. Property came in ahead of expectations that were reassessed in the midst of the pandemic. Good results in infrastructure, industrial, residential and farmland holdings offset softness in retail and offices, highlighting the divergence of conditions for commercial property sectors. Cash continues to offer little in terms of returns, and this is unlikely to change until interest rates are increased, which seems a distant prospect at this time.

At 31 December 2020, investments amounted to £2,204.1 million (2019: £2,311.5 million). Directly held bonds accounted for 38.5% of the portfolio (2019: 47.2%) with the residual of the portfolio held mostly in collective investment schemes and equities. The bond portfolio remains of a high quality with 23.3% of the portfolio government and government agency backed.

The principal risks and uncertainties of the business addressed within the notes to the financial statements on pages 16 to 47.

Future developments

Syndicate 2001's underwriting capacity for 2021 is £1,600 million (2020: £1,600 million). The Syndicate will continue to transact predominantly the current classes of general insurance and reinsurance business with the changes outlined on page 4.

Brexit

The UK left the EU on 31 January 2020, with a 'transition' period to the end of 2020 for negotiating a new trade deal between the UK and EU. This was completed and came into effect on 1 January 2021.

Having aligned our European business to the new Lloyd's Brussels subsidiary since 1 January 2019, we believe we have established the most effective foundation, to continue to support our clients throughout the UK and Europe with the same products and high level of service as we do today. This is considered to mitigate the uncertainty in place as to the final terms of the UK's new relationship with the EU for financial services.

On 30 December 2020, the Lloyd's mandated market wide Part VII transfer of historical, open EEA policies and claims, to the Lloyd's subsidiary in Brussels, was completed. Further details on this transfer can be found in note 11(a). By utilising this structure, MS Amlin and Lloyd's has a platform for which there will be no restrictions on servicing any policies, especially for those clients with multi-jurisdictional polices, that span either individual EU states or the UK, mitigating the loss of EU passporting rights. This allows MS Amlin to continue to support our clients throughout the UK and Europe to the same high standard as pre-Brexit.

Climate Change

The Board of the managing agent has taken note of future requirements for climate related financial disclosures as set by the Bank of England (through the Prudential Regulation Authority) in various announcements and consultation processes. This also applies to the Task Force on Climate-related Financial Disclosures.

The Board has overall responsibility for strategy, performance and risk management and only through careful management in each of these areas of our business can we achieve our strategic objectives and manage the risks and opportunities arising from climate change. We are committed to making transparent, sustainable financial decisions and to actively managing the long term financial risks of climate change, in partnership with our customers as we transition together towards to a low carbon future.

Given the central role of the Board in setting strategy, performance targets and risk appetite in relation to climate risks, a project team has been established to assess and develop capabilities to deliver our future requirements over the medium term. The Board also appointed a dedicated executive responsible for climate change. The MS AUL Strategy & Transformation Director represents MS Amlin on the ClimateWise Insurance Advisory Council, is Chairman of the newly formed Climate Change Forum and is the named executive with regulatory responsibility for climate change.

In addition, MS Amlin has been a signatory to the ClimateWise initiative since its inception in 2007. Our membership offers us a platform to collaborate and actively contribute towards the insurance industry's response, identifying new ways and approaches to confront climate change challenges. The most recent MS Amlin ClimateWise report is available via www.msamlin.com.

Directors

The current directors of the managing agent are shown on page 2. During the year and up to the date of signing, the following changes to the Board of Directors have occurred:

Name	Date of appointment	Date of resignation
A J Carrier	2 November 2020	
T C Clementi		4 December 2020
M R Clements		30 September 2020
M Cronin	1 January 2021	
M P Hudson	28 March 2020	
S Imayoshi	1 August 2020	
Y Koike		1 April 2020
J Slabbert	19 March 2020	
M J Taffs		9 March 2020
D Thornton		6 May 2020
P J Wooldridge		30 September 2020
A P Wright	9 April 2020	2 November 2020
T Yamada	3 September 2020	

Going concern

The Syndicate has financial resources to meet its financial needs and manages a mature portfolio of insurance risk through an experienced and stable team. The directors believe that the Syndicate is well positioned to manage its business risks successfully in the current economic environment. The directors have continued to review the business plans, liquidity and operational resilience of the Syndicate, particularly in light of the risks associated with COVID-19. In considering the potential of COVID-19 to impact the conclusion of this assessment the directors have had regard to changes in income and expenditure, including impacts arising from the effect of COVID-19 on related businesses, under reasonably plausible severe scenarios.

There is no intention to liquidate the Syndicate or to cease its operations. The 2021 year of account of Syndicate 2001 has opened and the directors have concluded, that the Syndicate has sufficient resources to, and a reasonable expectation that it will, open a 2022 year of account. There is also surplus capital available in the Corporate Member.

Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

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

Disclosure of information to the auditor
Each director who held office at the date of the approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Syndicate's auditor is unaware, and
- the director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

Statement of responsibilities of the directors of the managing agent
The directors of the managing agent are responsible for preparing the Syndicate financial statements in accordance with applicable law and regulations.

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

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Assess the Syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so.

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

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

On behalf of the Board

J Slabbert
Chief Executive Officer
4 March 2021

Independent auditor’s report to the member of Syndicate 2001

Opinion

We have audited the Syndicate financial statements of Syndicate 2001 (the “Syndicate”) for the year ended 31 December 2020 which comprise the Statement of Profit or Loss, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Members’ Balances, and related notes, including the accounting policies in note 3.

In our opinion the Syndicate financial statements:

- give a true and fair view of the state of the Syndicate’s affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Syndicate in accordance with, UK ethical requirements including the Financial Reporting Council (“FRC”) Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors of the managing agent have prepared the Syndicate financial statements on the going concern basis as they do not intend to liquidate the Syndicate or to cease its operations, and as they have concluded that the Syndicate’s financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the Syndicate financial statements (the “going concern period”).

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

Our conclusions based on this work:

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

Our risk assessment procedures at the Syndicate and managing agent included:

- Enquiring of directors, the audit committee, internal audit, compliance, legal and risk and inspection of policy documentation as to the Syndicate and managing agent’s high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Syndicate and managing agent’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, audit committee and risk and solvency committee minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any usual or unexpected relationships.
- Using our own forensic specialists to assist us in identifying fraud risks based on discussions of the circumstances of the Syndicate.

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

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

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

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

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

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

The potential effect of these laws and regulations on the Syndicate financial statements varies considerably.

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

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

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

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

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

Report of the directors of the managing agent

The directors are responsible for the Report of the directors of the managing agent. Our opinion on the Syndicate financial statements does not cover that report and we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the Report of the directors of the managing agent and, in doing so, consider whether, based on our Syndicate financial statements audit work, the information therein is materially misstated or inconsistent with the Syndicate financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in that report;
- in our opinion the information given in the Report of the directors of the managing agent is consistent with the Syndicate financial statements; and
- in our opinion the information given in the Report of the directors of the managing agent have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.
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Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Responsibilities of the directors of the managing agent

As explained more fully in their statement set out on page 8, the directors of the managing agent are responsible for: the preparation of the Syndicate financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of Syndicate financial statements that are free from material misstatement, whether due to fraud or error; assessing the Syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Timothy Butchart (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square,
London, E14 5GL

Date: 4 March 2021

Statement of profit or loss for the year ended 31 December 2020

Technical account – general business	Note	2020 £m	2019 £m
Earned premiums, net of reinsurance			
Gross written premiums	4	1,370.0	2,084.5
Outward reinsurance premiums		(394.2)	(535.8)
Net written premiums		975.8	1,548.7
Change in the provision for unearned premiums			
Gross amount	11(c)	363.0	186.5
Reinsurers' share	11(c)	(66.9)	(10.6)
Change in the net provision for unearned premiums	11(c)	296.1	175.9
Earned premiums, net of reinsurance		1,271.9	1,724.6
Allocated investment return transferred from the non-technical account		22.3	46.2
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	11(a)	(1,333.2)	(1,424.8)
Reinsurers' share	11(a)	399.2	476.7
Net claims paid	11(a)	(934.0)	(948.1)
Change in the provision for claims			
Gross amount	11(a)	(32.9)	11.0
Reinsurers' share	11(a)	(4.1)	(164.0)
Change in the net provision for claims	11(a)	(37.0)	(153.0)
Claims incurred, net of reinsurance	11(a)	(971.0)	(1,101.1)
Net operating expenses	5	(541.0)	(675.2)
Balance on the technical account for general business		(217.8)	(5.5)

Non-technical account – general business	Note	2020 £m	2019 £m
Balance on the general business technical account		(217.8)	(5.5)
Investment income	8	35.5	44.3
Realised losses on investments	8	(4.0)	(0.8)
Unrealised gains on investments	8	32.1	71.1
Investment expenses and charges	8	(0.1)	(0.5)
Allocated investment return transferred to general business technical account		(22.3)	(46.2)
Foreign exchange (losses)/gains		(1.5)	6.8
(Loss)/profit for the financial year		(178.1)	69.2

All operations of the Syndicate relate to continuing operations.

There were no amounts recognised in other comprehensive income in the current or preceding year other than those included in the Statement of profit or loss. Therefore, no Statement of other comprehensive income has been presented.

The accompanying notes on pages 16 to 47 form part of these financial statements.

Statement of financial position at 31 December 2020

	Note	2020 £m	2019 £m
Investments			
Financial investments	10(b)	2,204.1	2,311.5
Reinsurers' share of technical provisions			
Provision for unearned premiums	11(c)	124.1	190.8
Claims outstanding	11(a)	987.3	1,007.1
		1,111.4	1,197.9
Debtors			
Debtors arising out of direct insurance operations		500.6	624.3
Debtors arising out of reinsurance operations		698.0	733.1
Other debtors	10(c)	206.6	197.2
		1,405.2	1,554.6
Other assets			
Cash at bank and in hand	10(a)	106.6	102.3
Overseas deposits	12	139.4	148.5
		246.0	250.8
Prepayments and accrued income			
Deferred acquisition costs	11(d)	183.3	274.5
Other prepayments and accrued income		27.0	29.2
		210.3	303.7
Total assets		5,177.0	5,618.5
Capital and reserves			
Member's balance		471.6	590.6
Technical provisions			
Provision for unearned premiums	11(c)	776.2	1,139.5
Claims outstanding	11(a)	3,340.2	3,345.9
		4,116.4	4,485.4
Creditors			
Creditors arising out of direct insurance operations		157.0	217.3
Creditors arising out of reinsurance operations		361.1	287.4
Other creditors	10(d)	70.9	37.8
		589.0	542.5
Total liabilities		5,177.0	5,618.5

The accompanying notes on pages 16 to 47 form part of these financial statements.

The financial statements on pages 12 to 15 were approved by the Board of Directors of MS Amlin Underwriting Limited and were signed on its behalf by

P J Green
Chief Financial Officer
4 March 2021

Statement of cash flows for the year ended 31 December 2020

Cash flows from operating activities	Note	2020 £m	2019 £m
(Loss)/profit for the financial year		(178.1)	69.2
Decrease in gross technical provisions		(318.3)	(204.8)
Decrease in reinsurers' share technical provisions		68.4	176.1
Decrease in debtors		228.1	121.3
Increase in creditors		21.5	29.8
Increase in other assets/liabilities		112.9	101.9
Investment return		(63.6)	(114.1)
Foreign exchange gains		(95.2)	(83.4)
Net cash (outflow)/inflow from operating activities		(224.3)	96.0
Cash flows from investing activities			
Purchase of equity, debt instruments and derivatives		(3,443.6)	(8,147.9)
Sale of equity, debt instruments and derivatives		3,609.7	8,464.5
Investment income received		8.5	38.1
Net cash inflow from investing activities		174.6	354.7
Cash flows from financing activities			
Distribution of profit		(104.3)	(59.3)
Cash call		110.0	200.0
Funds in Syndicate additions/(releases)		53.4	(490.5)
Net cash inflow/(outflow) from financing activities		59.1	(349.8)
Net increase in cash and cash equivalents		9.4	100.9
Cash and cash equivalents at the beginning of the year		102.3	1.4
Effect of exchange rate on cash and cash equivalents		(5.1)	0.0
Cash and cash equivalents at the end of the year	10(a)	106.6	102.3

The accompanying notes on pages 16 to 47 form part of these financial statements.

Statement of changes in member's balance for the year ended 31 December 2020

	2020 £m	2019 £m
Member's balance brought forward at 1 January	590.6	860.8
(Loss)/profit for the financial year	(178.1)	69.2
Funding received from/(returned to) member	59.1	(339.4)
Member's balance carried forward at 31 December	471.6	590.6

Members participate on syndicates by reference to years of account. Assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a particular year. MS Amlin Corporate Member Limited is a wholly owned subsidiary of Mitsui Sumitomo Insurance Company, Limited.

The accompanying notes on pages 16 to 47 form part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2020

1. Basis of preparation

These financial statements have been prepared on a going concern basis, under the historical cost convention except for certain financial assets which are measured at their fair value. The directors consider the going concern basis appropriate because the Syndicate has opened a 2021 year of account and, after making appropriate enquiries, they expect to be in a position to open a 2022 year of account.

The financial statements have been prepared using the annual basis of accounting in accordance with Regulation 5 the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts Regulations 2008) applicable Accounting Standards in the United Kingdom and the Republic of Ireland, including Financial Reporting standard 102 (FRS 102). FRS 102 requires the application of Financial Reporting Standard 103 (FRS 103) in relation to insurance contracts. These requirements have been consistently applied to all years presented.

The financial statements are presented in pound sterling (GBP), which is the Syndicate's functional currency.

Going concern
The Syndicate has financial resources to meet its financial needs and manages a mature portfolio of insurance risk through an experienced and stable team. The directors believe that the Syndicate is well positioned to manage its business risks successfully in the current economic environment. The directors have continued to review the business plans, liquidity and operational resilience of the Syndicate, particularly in light of the risks associated with COVID-19. In considering the potential of COVID-19 to impact the conclusion of this assessment, the directors have had regard to changes in income and expenditure, including impacts arising from the effect of COVID-19 on related businesses, under reasonably plausible severe scenarios.

There is no intention to liquidate the Syndicate or to cease its operations. The 2021 year of account of Syndicate 2001 has opened and the directors have concluded that the Syndicate has sufficient resources to, and a reasonable expectation that it will, open a 2022 year of account. There is also surplus capital available in the Corporate Member.

Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 102 and FRS 103 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Syndicate's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below. The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Insurance claims outstanding
The most significant estimate made in the financial statements relates to unpaid insurance claim reserves and related loss adjustment expenses of the Syndicate. The methods, assumptions and estimates used by the Syndicate to estimate the insurance contract liabilities are described in note 11(i).

Unpaid claims reserves are estimated on an undiscounted basis. Provisions are subject to a detailed quarterly review where forecast future cash flows and existing amounts provided are reviewed and reassessed. Any changes to the amounts held are adjusted through the statement of profit or loss.

Details of the Syndicate's outstanding claims reserves and claims development are given in note 11(b).

Insurance contract premium
The significant accounting policy note on insurance contracts premiums details how the Syndicate accounts for insurance premiums including the estimates made by the Syndicate. In addition to this further information is included below to aid in the understanding of the potential significance of the impact of these estimations to the Syndicate.

With over supply of capital in recent years, particularly in the reinsurance market, clients have increasingly requested multi-year placements of their reinsurance programme. A number of contracts include cancellation clauses which can be enforced by the client. Judgement is therefore required to be applied in calculating the estimated total premium at the inception of these contracts.

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

The calculation of estimated premium income is inherently subjective and attained through a combination of underwriters' best estimates at a policy level and actuarial techniques at a portfolio level, based on observable historical trends. The estimated premium income in respect of facility contracts, for example binding authorities, is deemed to be written in full at the inception of the contract and estimates are made to allow for business incepted but not yet reported. These estimates are reviewed on a quarterly basis by underwriters and independently assessed by the actuarial and finance teams. Subsequent adjustments, based on reports of actual premium by the insureds, ceding companies, intermediaries or coverholders, or revisions in estimates, are recorded in the period in which they are determined.

The estimation of earned premium uses judgement about the profile of risk over the coverage period of (re)insurance contracts. For premium written under facilities, the earned element is calculated based on the estimated inception date and coverage period of the underlying contracts. Some classes of business may be exposed to a seasonal pattern to the incidence of claims. Where this is the case, the earnings profile of the related premium is aligned.

Financial assets and financial liabilities
The Syndicate uses pricing vendor sources in determining the fair value of financial assets and financial liabilities. Depending on the methods and assumptions used (for example, in the fair valuation of Level 2 and Level 3 financial assets), the fair valuation of financial assets and financial liabilities can be subject to estimation uncertainty. Details of these methods and assumptions are described in note 10(e).

3. Significant accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the current and prior years.

Insurance contract premiums
Gross written premium comprise premium on insurance contracts incepting during the financial year together with adjustments to premium written in previous accounting years.

Premium is disclosed before the deduction of brokerage and taxes or duties levied on them. The proportion of gross written premium, gross of commission payable, attributable to periods after the reporting date is deferred as a provision for unearned premium. The change in this provision is taken to the statement of profit or loss in order that revenue is recognised over the period of the risk.

Premium is recognised as earned over the policy contract period. The earned element is calculated separately for each contract on a basis where the premium is apportioned over the period of risk.

Acquisition costs
Acquisition costs comprise brokerage incurred on insurance contracts written during the financial year. They are incurred on the same basis as the earned proportions of the premiums they relate to. Deferred acquisition costs are amortised over the period in which the related revenues are earned. Deferred acquisition costs are reviewed at the end of each reporting year and are impaired where they are no longer considered to be recoverable out of future margins in the related revenues.

Under FRS 103, deferred acquisition costs are monetary assets. These are therefore valued at closing exchange rates at the reporting period end and any foreign currency gains or losses are recognised in the statement of profit or loss.

Reinsurance premiums ceded
Reinsurance premiums ceded comprise premiums on reinsurance arrangements bought which incept during the financial year, together with adjustments to premium ceded in previous accounting years. The proportion of reinsurance premium ceded attributable to periods after the reporting date is deferred as reinsurers' share of unearned premium. Reinsurance premium ceded is earned over the policy contract period in accordance with the terms of the reinsurance contract.

Insurance contract liabilities

Claims paid are defined as those claims transactions settled up to the reporting date including internal and external claims settlement expenses allocated to those transactions.

Unpaid claims reserves are made for known or anticipated liabilities under insurance contracts which have not been settled up to the reporting date. Included within the provision is an allowance for the future costs of settling those claims. This is estimated based on past experience and current expectations of future cost levels. Management also include a margin above the estimate for the known and anticipated liabilities.

3. Significant accounting policies (Continued)

The unpaid claims reserves also include, where necessary, a reserve for unexpired risks where, at the reporting date, the estimated costs of future claims and related deferred acquisition costs are expected to exceed the unearned premium provision.

Some insurance contracts permit the Syndicate to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Syndicate may also have the right to pursue third parties for payment of some or all costs (for example, subrogation). Estimates of salvage recoveries and subrogation reimbursements are included as allowances in the measurement of the insurance liability for unpaid claims, and recognised in insurance and reinsurance receivables when the liability is settled.

Reinsurance recoveries
The benefits to which the Syndicate is entitled under its reinsurance contracts held are recognised as reinsurance assets.

These assets consist of short-term balances due from reinsurers, as well as longer-term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

Where there is objective evidence that a reinsurance asset is impaired, the Syndicate reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of profit or loss.

Financial assets
The Syndicate's financial assets are classified at fair value through profit and loss ('FVPL'). This classification requires all fair value changes to be recognised immediately within the investment return line in the statement of profit or loss. The Syndicate has availed itself of the option in FRS 102 to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement to its financial assets and financial liabilities.

Within the FVPL category, holdings in collective investment schemes, fixed income securities, equity securities, property funds and certain derivatives are classified as 'trading' as the Syndicate buys with the intention to resell.

All other assets at FVPL are classified as 'other than trading' within the FVPL category as they are managed, and their performance is evaluated, on a FVPL basis.

Purchases and sales of investments are recognised on the trade date, which is the date the Syndicate commits to purchase or sell the assets. These are initially recognised at fair value, and are subsequently re-measured at fair value based on quoted bid prices. Transaction costs are recognised directly in the statement of profit or loss when incurred. Changes in the fair value of investments are included in the statement of profit or loss in the year in which they arise. The uncertainty around valuation is discussed further in note 10(e).

Derivative financial instruments
Derivative financial instruments primarily include currency swaps, currency and interest rate futures, currency options and other financial instruments that derive their value mainly from underlying interest rates or foreign exchange rates. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into. They are subsequently measured at fair value, with their fair values obtained from quoted market prices or, where these are not available, by using valuation techniques such as discounted cash flow models or option pricing models. Changes in the fair value of derivative instruments are recognised immediately in the statement of profit or loss.

Investment return
The investment return comprises investment income, investment gains less losses, and is net of investment expenses and charges.

Realised gains or losses are calculated as the difference between the net sales proceeds and their purchase price in the financial year or their valuation at the commencement of the year. Unrealised gains and losses are calculated as the difference between the valuation of investments at the balance sheet date and their purchase price in the financial year and their valuation at the commencement of the year.

All of the investment return arising in the year is reported initially in the non-technical account. A transfer is then made from the non-technical account to the technical account to reallocate investment return relating to underwriting assets.

3. Significant accounting policies (Continued)

Tax
No provision has been made in respect of UK income tax on trading income. It is the responsibility of the member to settle their tax liabilities. Overseas taxation comprises US Federal Income tax and Canadian Federal Income tax. The amounts charged to the member are collected centrally through Lloyd's Members' Services Unit as part of the member's distribution process. The ultimate tax liability is the responsibility of the underwriting member.

Foreign currencies
The Syndicate maintains seven separate currency funds, namely pound sterling, US dollar, euro, Canadian dollar, New Zealand dollar, Australian dollar and Japanese yen.

(a) Functional and presentation currency
Items included in the financial statements of the Syndicate are measured in pound sterling (£) which is the functional currency of the primary economic environment in which the Syndicate operates. The financial statements are presented in pound sterling (£).

(b) Transactions and balances
Transactions denominated in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities are translated at the rates of exchange at the reporting date (insurance balances are considered to be monetary assets). Non-monetary assets and liabilities are translated at the rate prevailing on the date in which the asset or liability first arose or, where such items are revalued, at the latest valuation date. Exchange differences are recognised within the 'non-technical account'.

Loans and receivables
Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of profit or loss when there is evidence that the asset is impaired. These are reversed when the triggering event that caused the impairment is reversed.

Other payables
Other payables are initially recognised at fair value and subsequently measured at amortised cost. They represent liabilities to pay for goods or services that have been received or supplied in the normal course of business, invoiced by the supplier before the year end, but for which payment has not yet been made.

Insurance debtors and creditors
In the normal course of business, for the majority of contracts, settlement is required to be made with Lloyd's Central Accounting, the market settlement bureau, on the basis of the net balance due to or from insurance brokers in total rather than the amounts due to or from the individual parties which they represent. The legal status of this practice of net settlement is uncertain and in the event of insolvency it is generally abandoned. Accordingly, insurance debtors and creditors, as presented, in respect of both Lloyd's Central Accounting settled business and business that is settled direct with brokers and service companies comprise respectively the totals of all the Syndicate's individual outstanding debit and credit transactions before any offset. The resultant totals give no indication of future net cash flows.

Syndicate operating expenses
Costs incurred by the managing agent exclusively for the Syndicate are charged to the Syndicate on an accruals basis.

Expenses incurred jointly by the managing agent and the Syndicate are charged to the Syndicate and reflect the costs of services provided and does not include any profit element. The managing agent charges a management fee of 1.0% of syndicate capacity for 2019 and 2020 years of account (2018 year of account: 1.5%). The fee is earned over the 3 year cycle of each year of account.

Retirement benefit costs
Pension contributions payable by the Syndicate are charged to the statement of profit or loss when due.

Cash and cash equivalents
Cash and cash equivalents are carried in the statement of financial position at fair value. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held on call with banks and other short-term, highly liquid investments which are believed to be subject to insignificant risk of change in fair value.

4. Technical account analysis

An analysis of the underwriting result before investment return and net technical provisions is set out below:

2020	Gross written premiums £m	Gross earned premiums £m	Gross claims incurred £m	Net operating expenses £m	Reinsurance balance £m	**Total £m**	Net technical provisions £m	Commissions on gross premiums earned £m
Direct insurance								
Accident and health	28.5	30.1	(27.6)	(12.5)	1.8	**(8.2)**	62.5	(11.0)
Motor (third party liability)	6.3	8.9	(6.4)	(1.9)	1.9	**2.5**	24.3	(2.4)
Motor (other classes)	88.0	148.9	(98.4)	(42.8)	(3.0)	**4.7**	333.1	(35.8)
Marine, aviation and transport	191.1	222.4	(94.1)	(79.6)	(20.8)	**27.9**	409.1	(65.3)
Fire and other damage to property	272.2	352.6	(332.6)	(112.8)	13.7	**(79.1)**	593.5	(98.0)
Third party liability	155.9	239.7	(115.4)	(86.3)	(46.2)	**(8.2)**	437.8	(70.5)
Miscellaneous	33.6	28.8	(4.2)	(11.3)	(2.1)	**11.2**	56.3	(12.9)
	775.6	1,031.4	(678.7)	(347.2)	(54.7)	**(49.2)**	1,916.6	(295.9)
Reinsurance	594.4	701.6	(687.4)	(193.8)	(11.3)	**(190.9)**	1,088.4	(88.9)
Total	1,370.0	1,733.0	(1,366.1)	(541.0)	(66.0)	**(240.1)**	3,005.0	(384.8)

2019	Gross written premiums £m	Gross earned premiums £m	Gross claims incurred £m	Net operating expenses £m	Reinsurance balance £m	**Total £m**	Net technical provisions £m	Commissions on gross premiums earned £m
Direct insurance								
Accident and health	44.4	51.7	(31.4)	(19.3)	(4.4)	**(3.4)**	79.7	(19.3)
Motor (third party liability)	23.0	24.6	(25.1)	(6.5)	(0.1)	**(7.1)**	41.6	(2.7)
Motor (other classes)	238.2	257.0	(160.2)	(78.0)	(14.7)	**4.1**	426.8	(45.2)
Marine, aviation and transport	202.1	243.0	(217.5)	(76.1)	23.3	**(27.3)**	360.3	(53.7)
Fire and other damage to property	382.4	388.5	(315.5)	(135.8)	1.0	**(61.8)**	568.3	(103.3)
Third party liability	312.6	362.1	(230.7)	(122.8)	(29.4)	**(20.8)**	567.3	(107.9)
Miscellaneous	61.4	56.9	(18.6)	(21.7)	(9.0)	**7.6**	85.0	(14.5)
	1,264.1	1,383.8	(999.0)	(460.2)	(33.3)	**(108.7)**	2,129.0	(346.6)
Reinsurance	820.4	887.2	(414.8)	(215.0)	(200.4)	**57.0**	1,158.5	(169.4)
Total	2,084.5	2,271.0	(1,413.8)	(675.2)	(233.7)	**(51.7)**	3,287.5	(516.0)

All premiums are concluded in the UK. The above analysis is as per Lloyd's requirements and is different to how the managing agent views how the Syndicate is managed.

The geographical analysis of gross written premiums by location of client, as a proxy for risk location, is as follows:

	2020 £m	2019 £m
UK	290.6	600.6
European Union	131.3	180.0
USA	498.4	552.8
Other	449.7	751.1
Total	1,370.0	2,084.5

5. Net operating expenses

	Note	2020 £m	2019 £m
Acquisition costs		293.1	465.1
Change in deferred acquisition costs	11(d)	91.7	47.7
Administrative expenses		137.8	140.9
Managing agent's fees		20.8	30.8
Lloyd's charges		24.3	29.2
Reinsurance commission and profit participation		(26.7)	(38.5)
		541.0	675.2
Administrative expenses include:			
Fees payable to the Syndicate's auditor for:			
– Audit of the Syndicate's annual report		(0.8)	(0.8)
– Other audit-related services		(0.1)	(0.2)

Total commissions for direct insurance business for the year amounted to £215.0 million (2019: £314.6 million).

For MS Amlin Underwriting Limited the auditor's remuneration was £23,433 (2019: £15,995).

6. Staff costs

All staff are employed by either MS Amlin Corporate Services Limited or MS Amlin Corporate Member Limited. The following amounts were recharged to the Syndicate in respect of salary costs:

	2020 £m	2019 £m
Wages and salaries	45.5	54.4
Social security costs	5.1	6.9
Other pension costs	7.6	7.5
	58.2	68.8

Pension costs reflect contributions paid to the MS Amlin defined benefit scheme and defined contribution schemes. The defined benefit scheme covers a number of MS Amlin entities and is therefore expensed based on contributions paid. Further information can be found in the financial statements of the Corporate Member.

7. Directors' emoluments

Executive directors and certain non-executive directors are also directors or employees of other companies within the MSI Group. As such a proportion of the total emoluments have been allocated to the Syndicate. However, this is not necessarily a reflection of the amount, if any, charged to the Syndicate by the company employing the director. Only amounts in respect of qualifying services are disclosed in the table below.

The directors of the managing agent received the following proportionate total emoluments during their time in office:

	2020 £'000	2019 £'000
Salaries and other short term benefits	3,555	2,876
Amounts received under cash based long-term incentive schemes	-	172
Employer's contribution to pension schemes	170	203
Termination benefits	2,288	263
	6,012	3,514

Payments were made to two directors (2019: two) in respect of defined benefit pension schemes and to eight directors (2019: seven) in respect of defined contribution schemes. During the year, nine directors were members of long term incentive schemes (2019: four).

The highest paid director received the following proportionate total emoluments during their time in office:

	2020 £'000	2019 £'000
Salaries and other short term benefits	391	203
Amounts received under cash based long-term incentive schemes	-	68
Employer's contribution to pension schemes	57	26
Termination benefits	623	263
	1,071	560

The highest paid director is (2019: is) a member of a long-term incentive scheme, did (2019: did) receive payments in respect of defined benefit pension scheme and did (2019: did) receive payment in respect of a defined contribution scheme.

The five (2019: three) active underwriters during the year received the following remuneration charged as a Syndicate expense for the period they were appointed:

	2020 £'000	2019 £'000
Salaries and other short term benefits	1,461	1,404
Amounts received under cash based long-term incentive schemes	-	104
Employer's contribution to pension schemes	100	83
Termination benefits	1,800	-
	3,361	1,591

8. Investment return

	2020 £m	2019 £m
Interest income on cash and cash equivalents	1.5	4.5
Interest income on overseas deposits	2.3	-
Income from financial assets at fair value through profit and loss	31.7	39.8
Investment Income	35.5	44.3
Net realised losses on financial assets measured at fair value through profit or loss	(4.0)	(0.8)
Net unrealised gains on financial assets measured at fair value through profit or loss	32.1	71.1
Investment expenses and charges	(0.1)	(0.5)
Total investment return	63.5	114.1

The above figures include investment return of £41.2 million (2019: £67.9 million) on cash, bonds, equity and property investments deposited by MS Amlin Corporate Member Limited into the Syndicate's Premium Trust Fund.

Calendar year investment yield	2020 £m	2019 £m
Average Syndicate funds available for investment during the year		
Pound sterling	186.0	173.7
Euro	150.6	124.5
US dollar	1,076.8	1,187.1
Canadian dollar	312.2	296.4
Australian dollar	12.0	38.3
New Zealand dollar	12.3	12.4
Japanese yen	37.2	54.5
Combined	1,787.1	1,886.9
Aggregate gross investment return on Syndicate investments for the year (excluding expenses and charges)	22.3	46.2
Gross calendar year investment yield:		
Pound sterling	3.9%	1.3%
Euro	(0.4%)	1.5%
US dollar	0.8%	2.8%
Canadian dollar	1.8%	1.8%
Australian dollar	4.4%	5.6%
New Zealand dollar	2.2%	3.9%
Japanese yen	0.9%	1.6%
Combined	1.2%	2.5%

The average amount of Syndicate funds available for investment has been calculated as the monthly average balance of investments and overseas deposits. The yield percentages exclude immaterial sources of income.

9. Foreign exchange risk

The Syndicate's functional and presentation currency is pound sterling. The Syndicate holds assets and liability balances in major base currencies of pound sterling, euro, US dollar and Canadian dollar, and additional currencies of New Zealand dollar, Japanese yen and Australian dollar. The Syndicate attempts to match the value of the assets held in these currencies with the equivalent liabilities to minimise foreign exchange exposure.

Foreign exchange exposure arises when business is written in non-functional currencies. These transactions are translated into the functional currency pound sterling at the prevailing spot rate once the premiums are received. Consequently, there is exposure to currency movements between the exposure being written and the premiums being received. Payments in non-base currencies are converted back into the underlying currency at the time a claim is to be settled; therefore, the Syndicate is exposed to exchange rate risk between the claim being made and its subsequent settlement.

9. Foreign exchange risk (Continued)

The closing rates of exchange used by the Syndicate are shown below

Currency	2020	2019
AUD	1.7739	1.8876
CAD	1.7434	1.7216
EUR	1.1175	1.1818
JPY	141.0340	144.0960
NZD	1.9007	1.9686
USD	1.3664	1.3268

The Syndicate will also occasionally transact currencies on a forward basis particularly when net monetary assets/liabilities exceed pre-agreed thresholds. All forward contracts are carried out with well-rated banks, so as to limit the counterparty risk. The investment managers also hold forward foreign exchange contracts in their portfolios at the year-end in order to hedge non-base currency investments. All forward contracts are marked to market in their valuations.

The table below presents the Syndicate's member's balance by major base currency before the effect of any hedging instruments. The amounts are stated in the pound sterling equivalent of the local currency using the exchange rates as disclosed in the table above. The financial investments are presented on a look through basis and include overseas deposits.

2020	GBP £m	USD £m	EUR £m	CAD £m	AUD £m	JPY £m	Other £m	Total £m
Financial investments	884.3	953.9	144.9	299.2	10.3	37.8	13.1	2,343.5
Reinsurers' share of technical provisions	260.6	727.7	85.7	37.4	-	-	-	1,111.4
Insurance and reinsurance receivables	213.3	879.1	58.7	22.4	20.9	(0.5)	4.7	1,198.6
Cash at bank	5.9	6.8	8.5	-	84.6	0.1	0.7	106.6
Other assets	214.0	163.7	10.9	9.4	8.4	0.6	9.9	416.9
Technical provisions	(937.3)	(2,321.9)	(266.9)	(209.3)	(167.9)	(35.3)	(177.8)	(4,116.4)
Insurance and reinsurance payables	(105.0)	(363.8)	(31.6)	(17.7)	-	-	-	(518.1)
Other creditors	(52.0)	(15.3)	(3.0)	(0.6)	-	-	-	(70.9)
Net assets	483.8	30.2	7.2	140.8	(43.7)	2.7	(149.4)	471.6

2019	GBP £m	USD £m	EUR £m	CAD £m	AUD £m	JPY £m	Other £m	Total £m
Financial investments	823.8	1,131.6	133.2	294.0	19.9	45.2	12.3	2,460.0
Reinsurers' share of technical provisions	297.7	768.4	86.5	45.3	-	-	-	1,197.9
Insurance and reinsurance receivables	268.9	962.5	41.9	18.4	33.0	2.2	30.5	1,357.4
Cash at bank	21.3	0.8	(0.1)	0.0	79.9	0.1	0.3	102.3
Other assets	240.6	202.8	7.3	15.2	15.0	1.5	18.5	500.9
Technical provisions	(1,061.5)	(2,466.8)	(258.6)	(230.4)	(183.8)	(35.5)	(248.8)	(4,485.4)
Insurance and reinsurance payables	(139.0)	(328.5)	(26.3)	(10.9)	-	-	-	(504.7)
Other creditors	(21.8)	(11.9)	(0.1)	(3.6)	-	-	(0.4)	(37.8)
Net assets	430.0	258.9	(16.2)	128.0	(36.0)	13.5	(187.6)	590.6

If the foreign currencies were to strengthen/weaken by 10% against pound sterling, the movement in the monetary net assets and liabilities of the Syndicate would result in the following gains/(losses) in the statement of profit or loss at 31 December 2020:

	31 December 2020		31 December 2019	
Currency	10% strengthening of currency against GBP £m	10% weakening of currency against GBP £m	10% strengthening of currency against GBP £m	10% weakening of currency against GBP £m
US dollar	3.3	(2.7)	28.7	(23.5)
Canadian dollar	15.6	(12.8)	14.2	(11.6)
Euro	0.8	(0.7)	(1.8)	1.5
	19.7	(16.2)	41.1	(33.6)

10. Financial assets and liabilities

a) **Cash and cash equivalents**

	2020 £m	2019 £m
Cash and cash in hand	106.6	102.3

Cash and cash equivalents represent cash at bank and in hand, short-term bank deposits and other short-term highly liquid investments that are subject to insignificant risk of changes in fair value.

b) **Net financial investments**

	At Valuation		At Cost	
	2020 £m	2019 £m	2020 £m	2019 £m
Financial assets at fair value through profit or loss				
Debt securities and other fixed income securities	888.3	1,090.4	937.9	1,121.5
Shares and other variable yield securities	27.5	5.4	30.7	7.7
Participation in investment pools	200.4	195.9	202.1	192.5
Holdings in collective investment schemes	1,080.6	1,012.7	969.4	980.1
Derivative financial instruments	6.4	-	-	-
Other investments	0.9	7.1	-	7.2
Total financial assets at fair value through profit or loss	2,204.1	2,311.5	2,140.1	2,309.0
Financial liabilities at fair value through profit or loss				
Net financial investments	2,204.1	2,311.5	2,140.1	2,309.0
Listed investments included above:				
Debt securities and other fixed income securities	888.3	1,090.4	937.9	1,121.5
Shares and other variable yield securities	-	-	-	-

Underwriting liabilities are matched by bonds, investment pools, collective investment schemes and cash. Other more volatile assets, including equities, represent capital. Included above are funds of £699.3 million (2019: £593.1 million) deposited by MS Amlin Corporate Member Limited and held as capital assets (Funds in Syndicate (FIS)).

Shares and other variable yield securities comprise minority shareholdings held by the Syndicate in unlisted companies and loans made to the Lloyd's Central Fund, which would be subject to variable interest rates. The classification of the loans is as per Lloyd's guidance.

10. Financial assets and liabilities (Continued)

The reconciliation of opening and closing net financial investments is as follows:

	2020 £m	2019 £m
At 1 January	2,311.5	2,504.7
Foreign exchange gains/(losses)	1.5	(47.4)
Net disposals	(137.0)	(216.1)
Net realised losses on assets	(4.0)	(0.8)
Net unrealised gains on assets	32.1	71.1
At 31 December	2,204.1	2,311.5

c) Other debtors

	2020 £m	2019 £m
Receivable from Group companies	153.8	155.6
Other	52.8	41.6
	206.6	197.2

Other than the second loan below to MS Amlin Corporate Services Limited (2019: both loans), all debtors are recoverable within 12 months.

Included in amounts receivable from Group companies are two loans to MS Amlin Corporate Services Limited (MS ACS). One is for £14.4 million (2019: £14.4 million) and was part of arrangements for an escrow account held by MS ACS for the Lloyd's Superannuation Fund. On 2 February 2021, the Corporate Member acquired this loan for cost as part of restructuring of those arrangements.

The other loan of £5.5 million (2019: £13.4 million) was part of past funding of acquisition of related companies. Repayments occurred during the year following disposals of those related companies. The loan is on a recurring 1 year term, repayable after a 6 month notice period and charges interest at the Bank of England base rate plus 1%.

All other amounts owed are unsecured, have no fixed date of repayment, are payable on demand and are non-interest bearing.

d) Other creditors

	2020 £m	2019 £m
Payable to Group companies	20.6	3.0
Accruals and deferred income	13.3	19.5
Other	37.0	15.3
	70.9	37.8

Amounts owed to Group undertakings are unsecured, have no fixed date of repayment, are payable on demand and are non-interest bearing.

Other creditors are all current, both in the current and prior years.

10. Financial assets and liabilities (Continued)

e) Fair value hierarchy

For financial instruments carried at fair value the Syndicate has categorised the measurement basis into a fair value hierarchy as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market is one in which transactions for the assets occur with sufficient frequency and volume to provide readily and regularly available quoted prices.

Level 2: Inputs to a valuation model other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs to a valuation model for the asset or liability that are not based on observable market data (unobservable inputs) and are significant to the overall fair value measurement. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date (or market information for the inputs to any valuation models). As such, unobservable inputs reflect the assumptions it is considered that market participants would use in pricing the asset.

Shares and other variable yield securities
Listed equities traded on a primary exchange in an active market are classified as Level 1. Minority shareholdings held by the Syndicate in unlisted companies are classified as Level 3.

Variable yield securities are represented by loans to the Lloyd's Central Fund, are classified as Level 1 on the strength of the Lloyd's guarantee and on the advice provided by Lloyd's to managing agents in the Lloyd's market.

Debt and other fixed income securities
The fair value is based upon quotes from pricing services where available. These pricing services derive prices based on an average of quotes provided by brokers. Where multiple quotes are not available, the fair value is based upon evaluated pricing services, which typically use proprietary cash flow models and incorporate observable market inputs, such as credit spreads, benchmark quotes and other trade data. If such services do not provide coverage of the asset, then fair value is determined manually using indicative broker quotes, which are corroborated by recent market transactions in similar or identical assets. Where there is an active market for these assets and their fair value is the unadjusted quoted market price, these are classified as Level 1. This is typically the case for government bonds. Level 1 also includes bond funds, where fair value is based upon quoted prices. Where the market is inactive or the price is adjusted, but significant market observable inputs having been used by the pricing sources, then these are considered to be Level 2. This is typically the case for government agency debt, corporate debt, mortgage and asset-backed securities and catastrophe bonds. Certain assets, for which prices or other market inputs are unobservable, are classified as Level 3.

Participation in investment pools
These are units held in money market funds and the value is based upon unadjusted, quoted and executable prices provided by the fund manager and classified as Level 1.

Holdings in collective investment schemes
These represent investments in open-ended investment unit trusts. The fair value of the investment in unlisted open-ended investments is determined using an unadjusted net asset value, which results in a Level 2 valuation. The unadjusted net asset value is used as the units are redeemable at the reportable net asset value at the measurement date. Level 3 investments in collective investment schemes are valued using net asset statements provided by independent third parties.

Derivatives
Listed derivative contracts, such as futures, that are actively traded are valued using quoted prices from the relevant exchange and are classified as Level 1. Over the counter currency options are valued by the counterparty using quantitative models with multiple market inputs such as foreign exchange rate volatility. The market inputs are observable, and the valuation can be validated through external sources. These are classified as Level 2.

10. Financial assets and liabilities (Continued)

e) Fair value hierarchy (continued)

Net financial investments by fair value grouping:

	2020				2019			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets								
Financial assets held for trading at fair value through profit or loss	-	-	-	-	-	-	-	-
Debt and other fixed income securities	522.9	365.4	-	888.3	869.0	221.4	-	1,090.4
Shares and other variable yield securities	23.0	-	4.5	27.5	-	-	5.4	5.4
Participation in investment pools	200.4	-	-	200.4	195.9	-	-	195.9
Holdings in collective investment schemes	-	897.6	183.0	1,080.6	1.9	824.5	186.3	1,012.7
Derivative financial instruments	-	6.4	-	6.4	-	-	-	-
Other	0.9	-	-	0.9	7.1	-	-	7.1
Total financial assets	747.2	1,269.4	187.5	2,204.1	1,073.9	1,045.9	191.7	2,311.5
Liabilities								
Financial liabilities held for trading at fair value through profit or loss	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-
Total financial liabilities	-	-	-	-	-	-	-	-
Net financial investments	747.2	1,269.4	187.5	2,204.1	1,073.9	1,045.9	191.7	2,311.5

The table above excludes the Syndicate's holdings of cash and cash equivalents of £106.6 million (2019: £102.3 million). These are measured at fair value and are categorised as Level 1.

The majority of the Syndicate's investments are valued based on quoted market information or other observable market data. The Syndicate holds 8.5% (2019: 8.4%) of its net financial investments at a fair value based on estimates and recorded as Level 3 investments. Level 3 investments in collective investment schemes are valued using net asset statements provided by independent third parties, and therefore no sensitivity analysis has been prepared. Where estimates are used, these are based on a combination of independent third party evidence and internally developed models, calibrated to market observable data where possible.

There have been no transfers between the different levels during the year.

10. Financial assets and liabilities (Continued)

f) Financial risk management

The following section describes the Syndicate's investment risk management from a quantitative and qualitative perspective.

The Syndicate has two main categories of assets:
- Underwriting assets – premium received and held to meet future insurance claims.
- Capital assets – capital required by Lloyd's to support the underwriting business. These represent funds deposited by MS Amlin Corporate Member Limited as FIS plus working capital and surplus funds.

Investment governance

The managing agent manages the Syndicate's investments in accordance with the investment governance framework that is set by the Board of the managing agent. The framework is reviewed on a regular basis to ensure that the Board's fiduciary and regulatory responsibilities are being met. Oversight of investments is delegated to the Investment Governance Committee (IGC) and day-to-day management of the investments is delegated to the Investment Management (IM) team.

The IGC comprises a non-executive director acting as Chairman, the Chief Finance Officer and Chief Risk Officer. The Chief Investment Officer and Head of Investment Management also attend. The IGC meets quarterly and supports the Board and Risk & Solvency Committee in carrying out investment related responsibilities. IM is responsible for asset allocation, within guidelines approved by the IGC, and the appointment of external investment managers and custodians. The IGC is kept updated on relevant issues.

Risk tolerance

Investment risk tolerances are set by the Risk Committee with recommendation from the IGC. The investment process is driven from the risk tolerance which is determined by the independent Risk function with reference to factors such as the underwriting cycle and the requirements of the capital providers. In a hard underwriting market, capital preservation is paramount in order to support the insurance business and, therefore, the risk tolerance for the capital assets will be low. Conversely, the risk tolerance for the underwriting assets under these circumstances will be relatively high due to the strong cash flow. In a soft underwriting market, the opposite applies. Investment risk is monitored by Investment Management using a market-recognised third-party risk model. Risk reporting is generated by Investment Management and an independent review conducted by the Risk function. These reports are then circulated to the IGC and the Risk Committee.

Asset allocation

A Value at Risk (VaR) budget is provided by the Board to the IM team consistent with the company risk appetite that maintains the solvency levels in a 1-in-200 year event. The IM team have discretion to set the asset allocation that they judge will provide the appropriate risk/reward balance, whilst respecting the VaR, asset class, liquidity and counterparty limits in the investment guidelines set by the Board. The expected timescale for future cash flows in each currency is calculated by the Actuarial team for policyholder portfolios; the average of these forms the basis of our asset liability duration management. The IGC reviews/challenges the IM asset allocation and investment risk stance on a quarterly basis. The IGC also reviews the investment guidelines approved by the board.

Investment management
Investments are managed on a multi-asset, multi-manager basis. Exposure to the asset classes is achieved using physical holdings of the asset class or derivative instruments and may be managed by the Investment Management team or by outsourced managers, on a segregated, pooled or commingled basis. Manager selection is based on a range of criteria that leads to the expectation that they will add value to the funds over the medium to long-term. The managers have discretion to manage the investments on a day-to-day basis within investment guidelines and / or prospectuses applicable to their portfolios that ensure that they comply with the investment frameworks. The managers' performance, compliance and risk are monitored on an on-going basis.

10. Financial assets and liabilities (Continued)

f) Financial risk management (continued)

The asset allocation of the Syndicate's investments is set out below.

	31 December 2020				31 December 2019			
	Underwriting assets £m	Capital assets £m	Total assets £m	Total %	Underwriting assets £m	Capital assets £m	Total assets £m	Total %
Government securities	507.7	-	507.7	23.0	867.6	-	867.6	37.5
Government agencies/ guaranteed bonds	29.5	-	29.5	1.3	49.5	-	49.5	2.1
Asset-backed securities	45.8	-	45.8	2.1	28.9	-	28.9	1.3
Mortgage-backed securities – Prime	19.4	-	19.4	0.9	1.5	-	1.5	0.1
Corporate bonds	285.9	-	285.9	13.0	142.9	-	142.9	6.2
Debt and other fixed income securities	888.3	-	888.3	40.3	1,090.4	-	1,090.4	47.2
Share and other variable yield securities	27.5	-	27.5	1.2	5.4	-	5.4	0.3
Pooled vehicles	366.5	475.2	841.7	38.3	400.8	368.9	769.7	33.2
Property funds	-	183.0	183.0	8.3	-	186.3	186.3	8.1
Other liquid investments & cash	221.6	41.1	262.7	11.9	215.2	37.4	252.6	11.0
Other	0.9	-	0.9	0.0	-	7.1	7.1	0.3
Total	1,504.8	699.3	2,204.1	100.0	1,711.8	599.7	2,311.5	100.0

g) Market risk

Market risk concerns the risks associated with valuation, interest rates, liquidity and counterparty credit. Foreign exchange risk is described in note 9.

Valuation risk
The Syndicate's earnings are directly affected by changes in the valuations of the investments held in the portfolios. These valuations vary according to the movements in the underlying markets. The Syndicate's assets are marked to market at bid price. Prices are supplied by the custodians, whose pricing processes are covered by their published annual audits. In accordance with their pricing policies, prices are sourced from market recognised pricing vendor sources. These pricing sources use closing trades, or where more appropriate in illiquid markets, pricing models. Property funds are based on the most recent price available, which in some instances may be a quarter in arrears. Where a property transaction has taken place the transaction price is used if it is the most recent price available.

The managing agent operates an established control framework with respect to fair value measurement which ensures the valuation of financial assets and financial liabilities meets the requirements of FRS 102. As part of this process, the managing agent reviews the valuation policies of its custodians along with the evidence provided by the custodians to support fair value measurement. The prices are also reconciled to the fund managers' records to check for reasonableness. Further details of the fair value measurement of financial assets and financial liabilities are included in note 10(e).

The valuation of investments is sensitive to equity risk. The impact on profit before tax of a 5% improvement/deterioration in the total market value of shares would be a £6.1 million gain/loss (2019: £2.3 million gain/loss) when applying a consistent methodology to the previous year.

Interest rate risk
Investors' expectations for interest rates will impact bond yields. The value of the Syndicate's bond holdings is therefore subject to fluctuation as bond yields rise and fall. If the yield falls the capital value will rise, and vice versa. The sensitivity of the price of a bond is indicated by its duration. The greater the duration of a security the greater its price volatility. Typically, the longer the maturity of a bond the greater its duration.

10. Financial assets and liabilities (Continued)

g) Market risk (continued)

The maturity bands of the Syndicate's debt and fixed income securities holdings as at 31 December 2020 are shown below.

Underwriting assets	2020 £m	2019 £m
Less than 1 year	573.9	762.6
1-2 years	179.9	268.6
2-3 years	97.3	55.0
3-4 years	9.4	2.9
4-5 years	0.6	0.1
Over 5 years	27.2	1.2
	888.3	1,090.4

The liabilities are not currently discounted and therefore their value is not impacted by interest rate movements. Cash is raised, or the duration of the portfolio reduced, if it is believed that yields may rise and therefore capital values will fall. Included in the above is £2.1 million (2019: £4.0 million) of accrued interest.

The average durations of the bond and cash portfolios for the underwriting assets and associated insurance liabilities as at 31 December were as follows:

	2020		2019	
Underwriting assets/liabilities	Assets Years	Liabilities Years	Assets Years	Liabilities Years
Pound sterling	0.1	2.6	0.1	3.1
US dollar	0.7	3.2	0.9	3.1
Euro	0.2	2.9	0.1	4.4
Canadian dollar	0.5	3.9	1.2	4.0

10. Financial assets and liabilities (Continued)

h) Liquidity risk

It is important to ensure that claims are paid as they fall due. Levels of cash are therefore managed on a daily basis and buffers of liquid assets are also held in excess of the immediate requirements. This is to reduce the risk of being forced sellers of any of the Syndicate's assets, which may result in realising prices below fair value, especially in periods of below normal investment market activity. The policy of limiting the extent of duration divergence between the policyholders' assets and the liabilities helps to reduce the risk of a cash flow mismatch.

The following table indicates the contractual timing of cash flows arising from assets and liabilities for management of insurance contracts at 31 December 2020:

	Contractual cash flows (undiscounted)					
31 December 2020 Financial assets	No stated maturity £m	0-1 yr £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	Carrying amount £m
Debt and other fixed income securities	-	578.4	271.9	20.0	26.8	888.3
Shares and other variable yield securities	27.5	-	-	-	-	27.5
Participation in investment pools	200.4	-	-	-	-	200.4
Holdings in collective investment schemes	1,080.6	-	-	-	-	1,080.6
Derivative financial instruments		6.4				6.4
Other investments	0.9	-	-	-	-	0.9
Other debtors	-	1,365.1	-	-	-	1,365.1
Cash	106.6	-	-	-	-	106.6
Total financial assets	1,416.0	1,949.9	271.9	20.0	26.8	3,675.8
Financial liabilities						
Derivative financial instruments	-	-	-	-	-	-
Total financial liabilities	-	-	-	-	-	-
Net financial assets	1,416.0	1,949.9	271.9	20.0	26.8	3,675.8

	Expected cash flows (undiscounted)					
Insurance liabilities	No stated maturity £m	0-1 yr £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	Carrying amount £m
Outstanding claims	-	1,270.5	1,132.4	493.5	443.8	3,340.2
Less reinsurers' share of outstanding claims	-	(375.5)	(334.7)	(145.9)	(131.2)	(987.3)
Creditors	-	575.7	-	-	-	575.7
Total	-	1,470.7	797.7	347.6	312.6	2,928.6
Difference in contractual cash flows	1,416.0	479.2	(525.8)	(327.6)	(285.8)	747.2

Notes to the financial statements (continued)
For the year ended 31 December 2020

10. Financial assets and liabilities (Continued)

h) Liquidity risk (continued)

31 December 2019 Financial assets	No stated maturity £m	Contractual cash flows (undiscounted) 0-1 yr £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	Carrying amount £m
Debt and other fixed income securities		785.6	315.6	4.9	1.3	1,090.4
Shares and other variable yield securities	5.4	-	-	-	-	5.4
Participation in investment pools	195.9	-	-	-	-	195.9
Holdings in collective investment schemes	1,012.7	-	-	-	-	1,012.7
Other investments	7.1	-	-	-	-	7.1
Other debtors	-	1,115.4	-	-	-	1,115.4
Cash	102.3	-	-	-	-	102.3
Total financial assets	1,323.4	1,901.0	315.6	4.9	1.3	3,529.2
Financial liabilities						
Derivative financial instruments	-	-	-	-	-	-
Total financial liabilities	-	-	-	-	-	-
Net financial assets	1,323.4	1,901.0	315.6	4.9	1.3	3,529.2

Insurance liabilities	No stated maturity £m	Expected cash flows (undiscounted) 0-1 yr £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	Carrying amount £m
Outstanding claims	-	1,215.6	1,160.3	526.9	443.1	3,345.9
Less reinsurers' share of outstanding claims	-	(365.9)	(349.3)	(158.6)	(133.3)	(1,007.1)
Creditors	-	523.1	-	-	-	523.1
Total	-	1,372.8	811.0	368.3	309.8	2,861.9
Difference in contractual cash flows	1,323.4	528.2	(495.4)	(363.4)	(308.5)	667.3

Liquidity in the event of a major disaster is tested regularly using internal cash flow forecasts and realistic disaster scenarios. In addition, the policyholders' funds investment guidelines require at least 25% of the funds to be held in government bonds and/or cash equivalents, which are highly liquid. If a major insurance event occurs the investment strategy is reviewed to ensure that sufficient liquidity is also available in the corporate funds.

The current and non-current portions of the other non-derivative financial liabilities are available in note 11(c)

i) Credit risk

Credit risk is the risk that the Syndicate becomes exposed to loss if a specific counterparty fails to perform its contractual obligations in a timely manner impacting the Syndicate's ability to meet its claims as they fall due. Credit risk can also arise from underlying causes that have an impact upon the creditworthiness of all counterparties of a particular description or geographical location. The Syndicate's credit risk is mitigated by the collateral received from counterparties, details of which are given in note 11(g). The Syndicate is exposed to credit risk in its investment portfolio and with its premium and reinsurance debtors. Collateral of £531.3 million (2019: £377.9 million) is held in third party trust funds to guarantee the Syndicate against certain reinsurance counterparties.

10. Financial assets and liabilities (Continued)

i) Credit risk (continued)

31 December 2020	Debt securities £m	%	Participation in investment pools £m	%	Insurance and reinsurance receivables £m	%	Reinsurers' share of outstanding claims £m	%
AAA	590.7	66.5	-	-	-	-	-	-
AA	69.2	7.8	-	-	-	-	98.4	10.0
A	192.7	21.7	-	-	89.0	7.4	575.5	58.3
BBB	33.9	3.8	-	-	-	-	-	-
Less than BBB	1.8	0.2	-	-	-	-	-	-
Not Rated	-	-	200.4	100	1,109.6	92.6	313.4	31.7
	888.3	100	200.4	100	1,198.6	100	987.3	100

31 December 2019	Debt securities £m	%	Participation in investment pools £m	%	Insurance and reinsurance receivables £m	%	Reinsurers' share of outstanding claims £m	%
AAA	925.4	84.9	-	-	-	-	-	-
AA	43.2	4.0	-	-	-	-	133.6	13.3
A	107.1	9.8	-	-	109.7	8.1	634.9	63.0
BBB	14.7	1.3	-	-	-	-	-	-
Less than BBB	-	-	-	-	-	-	0.2	0.0
Not Rated	-	-	195.9	100.0	1,247.7	91.9	238.4	23.7
	1,090.4	100.0	195.9	100.0	1,357.4	100.0	1,007.1	100.0

Insurance and reinsurance
The table above includes premium receivables, representing amounts due from policyholders. The quality of these receivables is not graded, but based on historical experience there is limited default risk relating to these amounts. Credit risk in respect of premium debt is overseen by the Syndicate's Broker Committee and managed through a number of controls that include broker approval, annual financial review and internal rating of brokers and regular monitoring of premium settlement performance.

Also included are reinsurance receivables, which represent the amounts due at 31 December 2020, as well as amounts, expected to be recovered on unpaid outstanding claims (including IBNR) in respect of earned risks. These are stated net of provisions for impairment. The credit risk in respect of reinsurance receivables, including reinsurers' share of outstanding claims, is primarily managed by review and approval of reinsurance security by the Reinsurance Security Committee prior to the purchase of the reinsurance contract. Guidelines are set, and monitored, that restrict the purchase of reinsurance security based on the internal ratings for each reinsurer and Standard & Poor's ratings.

The Syndicate holds collateral from certain reinsurers including those that are non-rated as security against potential default. The details of reinsurance collaterals held and placed with third party trust funds are provided in note 10(k). Provisions are made against the amounts due from certain reinsurers, depending on the age of the debt and the current rating assigned to the reinsurer. The impact on profit for the financial year of a 1% variation in the reinsurance assets would be £9.9 million (2019: £10.0 million). The details of overdue reinsurance assets and insurance receivables are provided in notes 11(a) and 11(e).

Investments
As well as actual failure of a counterparty to perform its contractual obligations, the price of corporate bond holdings will be affected by investors' perception of a borrower's credit worthiness. Credit risk within the investment funds is managed through the credit research carried out by the investment managers. The investment guidelines are designed to mitigate credit risk by ensuring diversification of the holdings. For each portfolio there are limits to the exposure to single issuers and to the total amount that can be held in each credit quality rating category, as determined by reference to credit rating agencies. At 31 December 2020, directly held bonds accounted for 38.5% of the portfolio (2019: 47.2%), the residual of the portfolio was held mostly in collective investment schemes. The credit ratings on debt securities are BNP Paribas composite ratings based on Standard & Poor's, Moody's and Fitch.

10. Financial assets and liabilities (Continued)

j) Offsetting financial assets and financial liabilities

The Syndicate's derivative transactions with respect to over-the-counter options and currency forwards are subject to International Swaps and Derivatives Association (ISDA) master netting agreements. Transactions under such agreements meet the criteria for offsetting in the Syndicate's statement of financial position. The Syndicate also receives and pledges collateral in the form of cash in respect of the derivative transactions. The fair value of the Syndicate's options and currency forwards are not offset by such collaterals as they create a right of set-off that is enforceable only following an event of default, insolvency or bankruptcy of the Syndicate or the counterparties.

The Syndicate listed futures are transacted under Global Principal Clearing agreements and are not subject to offsetting in the statement of financial position.

The disclosure provided in the tables below include derivatives that are set off in the Syndicate's statement of financial position at 31 December 2020, there is no designated hedge accounting relationship (2019: no).

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

31 December 2020 £m	Gross amounts of recognised financial assets/ (liabilities)	Gross amounts of recognised financial (liabilities)/ assets set off in the statement of financial position	Net amounts presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net Amount
				Financial instruments	Cash collateral movements	
Derivative instruments held for trading asset	578.9	(563.3)	15.6	0.3	(20.7)	(4.8)
Derivative instruments held for trading liability	(140.3)	149.5	9.2	4.4	27.2	40.8
Net	438.6	(413.8)	24.8	4.7	6.5	36.0

31 December 2019 £m	Gross amounts of recognised financial assets/ (liabilities)	Gross amounts of recognised financial (liabilities)/assets set off in the statement of financial position	Net amounts presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net Amount
				Financial instruments	Cash collateral movements	
Derivative instruments held for trading asset	411.2	(406.9)	4.3	0.2	(4.6)	(0.1)
Derivative instruments held for trading liability	(209.8)	205.5	(4.3)	(2.5)	17.3	10.5
Net	201.4	(201.4)	-	(2.3)	12.7	10.4

k) Restricted funds held by the Syndicate

At 31 December 2020, the Syndicate holds restricted funds in the form of trust fund investments, letter of credit (LOC) collaterals, initial margin calls on derivative financial instruments and collateral received from reinsurance counterparties.

Trust funds
The Syndicate holds gross assets of £5,177.0 million (2019: £5,618.5 million), offset by gross liabilities of £4,705.4 million (2019: £5,027.9 million), which are held within individual trust funds. The assets cannot be obtained or used until such time as each Syndicate underwriting year is closed and profits are distributed, or an advance profit release is made. The Funds in Syndicate, as set out on page 15 in the Statement of changes in member's balance as funds deposited by MS Amlin Corporate Member Limited, represent the restricted capital for regulatory purposes.

Letter of Credit (LOC) collateral
The Syndicate holds AU$150 million (£84.6 million) (2019: AU$150 million) in a National Australia Bank Limited account as cash collateral for Letters of Credit issued by National Australia Bank Limited to the Lloyd's Australian Trust Fund. This is to enable the Syndicate to transact business in Australia.

10. Financial assets and liabilities (Continued)

k) Restricted funds held by the Syndicate (continued)

Derivative margins and collateral
Derivative instruments traded give rise to collateral being placed with, or received from, external counterparties. At 31 December 2020, included in other receivables and other payables are £10.3 million (2019: £9.5 million) margins and collaterals pledged, and £nil (2019: £nil) margins and collaterals held in relation to listed futures margins and other derivatives respectively.

Reinsurance collateral received
Collateral of £942.4 million (2019: £1,326.0 million) is held in third party trust funds to guarantee the Syndicate against reinsurance counterparties.

Insurance collateral placed
The Syndicate holds £773.1 million (2019: £978.3 million) of collateral in a US trust fund to meet US regulatory requirements, which is recognised as an asset to the Syndicate.

l) Borrowings

Revolving Credit Facility
On 9 October 2020 the Syndicate, through the managing agent, entered into an unsecured £160.0 million multi-currency revolving credit facility with a syndicate of banks led by National Westminster Bank plc. This is a two year facility. An accordion clause is included, where the facility could be increased to £250.0 million, if required.

As at 31 December 2020, no amounts have been drawn on this facility.

Letter of Credit Facility
The Syndicate, through the managing agent, has access to two Letter of Credit (LOC) facilities detailed below.

1. National Australia Bank Limited – AU$150.0 million

On 12 April 2019, this facility was entered into that provides letters of credit that be issued as collateral for Lloyd's Australian Trust Fund (LATF). This is a one year facility, with two one year extension options at the end of the original term. An accordion clause is included, where the facility could be increased to AU$175.0 million, if required. There were no changes to the facility during the year apart from availing the option to extend the facility by one more year.

As at 31 December 2020, AU$150.0 million (2019: AU$150.0 million) of LOCs have been lodged with the trustees of the LATF.

2. ING Bank N.V. – $150.0 million

On 20 October 2020, this facility was entered into that provides letters of credit that be issued as collateral for US Credit for Reinsurance Trust Fund (Situs fund). This is a two year facility, with two one year extension options at the end of the original term. An accordion clause is included, where the facility could be increased to $300.0 million, if required.

As at 31 December 2020, $150.0 million of LOCs have been lodged with the trustees of the Situs fund.

11. Insurance liabilities and reinsurance assets

a) **Net outstanding claims**

	2020			2019		
	Insurance liabilities £m	Reinsurer's share £m	Net liabilities £m	Insurance liabilities £m	Reinsurer's share £m	Net liabilities £m
At 1 January	3,345.9	(1,007.1)	2,338.8	3,458.9	(1,200.6)	2,258.3
Claims incurred during the current year	1,377.6	(391.2)	986.4	1,362.4	(276.8)	1,085.6
Movements arising from prior year claims	(11.5)	(3.9)	(15.4)	51.4	(35.9)	15.5
	1,366.1	(395.1)	971.0	1,413.8	(312.7)	1,101.1
Claims paid during the year	(1,333.2)	399.2	(934.0)	(1,424.8)	476.7	(948.1)
Change in provision for claims	32.9	4.1	37.0	(11.0)	164.0	153.0
Foreign exchange (gains)/losses	(38.6)	15.7	(22.9)	(102.0)	29.5	(72.5)
At 31 December	3,340.2	(987.3)	2,352.9	3,345.9	(1,007.1)	2,338.8

Further information on the calculation of outstanding claims and the risks associated with them is provided in note 11(i). Outstanding claims are further analysed between notified outstanding claims and claims incurred but not reported below:

	2020			2019		
	Insurance liabilities £m	Reinsurer's share £m	Net liabilities £m	Insurance liabilities £m	Reinsurer's share £m	Net liabilities £m
Notified outstanding claims	1,625.8	(334.5)	1,291.3	1,726.7	(455.6)	1,271.1
Claims incurred but not reported	1,714.4	(652.8)	1,061.6	1,619.2	(551.5)	1,067.7
	3,340.2	(987.3)	2,352.9	3,345.9	(1,007.1)	2,338.8

The total reinsurers' share of outstanding claims is set out in the table below:

	2020 £m	2019 £m
Reinsurers' share of outstanding claims	988.4	1,007.5
Less provision for impairment of receivables from reinsurers	(1.1)	(0.4)
	987.3	1,007.1

The managing agent assesses the Syndicate's reinsurers' share of outstanding claims for impairment on a quarterly basis by reviewing counterparty payment history and credit grades provided by rating agencies. The credit ratings of the Syndicate's reinsurers' share of outstanding claims are shown in note 10(i).

At 31 December 2020 and 2019 the reinsurers' share of outstanding claims was not overdue. The Syndicate holds collateral of £942.4 million (2019: £1,326.0 million) in relation to £301.2 million (2019: £218.7 million) of reinsurers' share of outstanding claims.

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

Following the sanction of the scheme by the High Court on 25 November 2020, the scheme took effect on 30 December 2020 and the Members and former Members of the Syndicate transferred the impacted EEA policies and related liabilities to Lloyd's Brussels, together with cash of $225.0 million (c. £165.4 million). On the same date, under the Reinsurance Agreement, Lloyd's Brussels reinsured the same risks back, together with an equal amount of cash of $225.0 million (c. £165.4 million). The combined effect of the two transactions had no economic impact for the Syndicate, and accordingly there is no impact on the Syndicate's income statement or balance sheet.

11. Insurance liabilities and reinsurance assets (continued)

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

b) **Claims development**

The tables below illustrate the development of the estimates of cumulative claims for the Syndicate on an underwriting year basis, illustrating how amounts booked have developed from one reporting period to the next. All tables are prepared on an undiscounted basis. Non-pound sterling balances have been converted using 2020 year end exchange rates to aid comparability.

Estimate of cumulative claims	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	Total £m
	528.6	491.0	443.8	497.3	428.2	546.5	1,266.9	944.0	554.6	527.1	
One year later	851.7	803.1	838.6	870.3	915.9	1,226.9	2,138.7	1,669.1	1,215.8		
Two years later	845.4	816.2	832.0	941.8	973.4	1,350.4	2,223.4	1,795.4			
Three years later	856.9	796.1	896.2	985.7	1,031.5	1,339.3	2,226.4				
Four years later	858.6	800.0	870.6	948.0	972.7	1,311.7					
Five years later	847.7	811.7	886.0	934.6	981.4						
Six years later	869.2	812.9	876.9	928.1							
Seven years later	861.0	806.9	862.9								
Eight years later	858.7	804.1									
Nine years later	858.7										
Cumulative payments	824.7	778.0	825.3	849.0	815.1	1,014.5	1,555.0	1,050.5	440.5	127.1	
Estimated balance to pay	34.0	26.1	37.6	79.2	166.4	297.2	671.4	744.8	775.3	400.0	3,232.0
Gross claim reserve 2010 & prior											108.2
Gross claim reserve											3,340.2

Estimate of cumulative claims	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	Total £m
At end of first year	333.9	358.4	332.1	373.4	330.7	420.2	644.0	561.1	410.6	353.1	
One year later	587.8	599.4	615.6	654.6	707.6	912.2	1,197.7	1,132.6	894.4		
Two years later	589.5	610.6	619.2	710.5	691.8	965.5	1,285.6	1,214.0			
Three years later	624.7	590.5	676.6	800.2	772.4	981.9	1,287.8				
Four years later	626.0	621.8	644.7	758.8	719.8	962.7					
Five years later	615.2	633.8	667.6	751.2	733.9						
Six years later	627.3	629.4	657.1	741.3							
Seven years later	621.5	624.6	647.4								
Eight years later	631.5	625.6									
Nine years later	632.3										
Cumulative payments	606.9	603.8	617.0	673.0	593.6	717.9	852.9	708.1	342.1	89.7	
Estimated balance to pay	25.5	21.8	30.4	68.4	140.2	244.8	434.9	505.9	552.3	263.5	2,287.7
Net claim reserve 2010 & prior											65.2
Net claim reserve											2,352.9

11. Insurance liabilities and reinsurance assets (Continued)

c) **Net unearned premium**

	2020			2019		
Unearned premium	Insurance liabilities £m	Reinsurers' share £m	Net liabilities £m	Insurance liabilities £m	Reinsurers' share £m	Net liabilities £m
At 1 January	1,139.5	(190.8)	948.7	1,369.2	(216.3)	1,152.9
Change in provision for unearned premium	(363.0)	66.9	(296.1)	(186.5)	10.6	(175.9)
Foreign exchange (gains)/losses	(0.3)	(0.2)	(0.5)	(43.2)	14.9	(28.3)
At 31 December	776.2	(124.1)	652.1	1,139.5	(190.8)	948.7

The current and non-current portions for unearned premium are expected to be as follows:

	2020			2019		
Unearned premium	Insurance liabilities £m	Reinsurers' share £m	Net liabilities £m	Insurance liabilities £m	Reinsurers' share £m	Net liabilities £m
Current portion	683.1	(105.5)	577.6	1,056.0	(183.3)	872.7
Non-current portion	93.1	(18.6)	74.5	83.5	(7.5)	76.0
At 31 December	776.2	(124.1)	652.1	1,139.5	(190.8)	948.7

d) **Deferred acquisition costs**

The reconciliation of opening and closing deferred acquisition costs is as follows:

	Note	2020 £m	2019 £m
At 1 January		274.5	332.6
Change in deferred acquisition costs	5	(91.7)	(47.7)
Foreign exchange		0.5	(10.4)
At 31 December		183.3	274.5

The current and non-current portions are expected to be as follows:

	2020 £m	2019 £m
Current portion	159.5	239.4
Non-current portion	23.8	35.1
	183.3	274.5

11. Insurance liabilities and reinsurance assets (Continued)

e) **Insurance and reinsurance receivables and payable**

Insurance and reinsurance receivables

	2020 £m	2019 £m
Due from policyholders	500.6	624.3
Due from intermediaries	719.2	752.0
Less provision for impairment of receivables from contract holders and agents	(21.2)	(18.9)
Insurance and reinsurance receivables	1,198.6	1,357.4

All insurance and reinsurance receivables are all current, both in the current and prior years.

Receivables arising from reinsurance contracts are comprised principally of amounts recoverable from reinsurers in respect of paid claims and premium receivables on inward reinsurance business, including reinstatement premium.

The managing agent assesses the Syndicate's insurance and reinsurance receivables for impairment on a quarterly basis by reviewing counterparty payment history and for circumstances which may give rise to a dispute or default. At 31 December 2020, insurance and reinsurance receivables at a nominal value of £46.0 million (2019: £47.1 million) were greater than three months overdue and provided for on the basis of credit rating to the value of £21.2 million (2019: £18.9 million).

The carrying amounts disclosed above are reasonably approximate to the fair value at the reporting date.

The ageing analysis of insurance and reinsurance receivables overdue, before impairment provision, is as follows:

	2020 £m	2019 £m
Not overdue or less than 3 months	1,173.8	1,329.2
3 to 6 months	7.9	20.3
6 months to 1 year	11.0	8.7
Greater than 1 year	27.1	18.1
	1,219.8	1,376.3

Movements on the Syndicate's provision for impairment of receivables from contract holders and agents are as follows:

	2020 £m	2019 £m
At 1 January	18.9	15.5
Increase in the provision	2.3	3.4
At 31 December	21.2	18.9

Insurance and reinsurance payables

	2020 £m	2019 £m
Creditors arising out of direct insurance operations	157.0	217.3
Creditors arising out of reinsurance operations	361.1	287.4
Insurance and reinsurance payables	518.1	504.7

Insurance and reinsurance payables are all current, both in the current and prior years, However, the nature of claims negotiations and broker relationships may mean some of these payables result in non-current settlement. The carrying amounts disclosed above are reasonably approximate to the fair value at the reporting date. Insurance payables are comprised principally of premium payable for reinsurance, including reinstatement premium.

11. Insurance liabilities and reinsurance assets (Continued)

f) **Underwriting risk**
The Syndicate accepts underwriting risk in a range of classes of business through two underwriting divisions. The bias of the portfolio is towards short-tail property and accident risk, but liability coverage is also underwritten.

In underwriting insurance or reinsurance policies the underwriters use their skill and knowledge to assess each risk. Exposure information and data on past claims experience is used to evaluate the likely claims cost and therefore the premiums that should be sufficient (across a portfolio of risks) to cover claims costs, expenses and to produce an acceptable profit. However, due to the nature of insurance risk there is no guarantee that the premiums charged will be sufficient to cover claims costs. This shortfall may originate either from insufficient premiums being calculated and charged or result from an unexpected, or unprecedented, high level of claims.

A number of controls are deployed to limit the amount of insurance exposure underwritten. Each year a business plan is prepared and agreed which is used to monitor the amount of premium income, and exposure, to be written in total and for each class of business. Progress against this plan is monitored during the year. These premiums and exposures can be exceeded in exceptional circumstances but only with the approval of senior management. Apart from the UK, and some of the international, comprehensive motor liability portfolio, which has unlimited liability, all policies have a per loss limit which caps the size of any individual claims. For larger sum insured risks reinsurance coverage may be purchased. The managing agent uses line guides that determine the maximum liability per policy that can be written for each class (on a gross or net of facultative reinsurance basis) by each underwriter. The Syndicate is also exposed to catastrophe losses which may impact many risks in a single event. Reinsurance is purchased to limit the impact of loss aggregation from such events. These reinsurance arrangements are described below.

Insurance liabilities are written through individual risk acceptances, reinsurance treaties or through facilities whereby the Syndicate is bound by other underwriting entities. Facility arrangements delegate underwriting authority to other underwriters, or to agents acting as coverholders, that use their judgement to write risks on the Syndicate's behalf under clear authority levels.

The insurance liabilities underwritten by the Syndicate are reviewed on an individual risk, or contract, basis and through review of portfolio performance. All claims arising are reserved upon notification. Each quarter the entire portfolio of business is subject to a reserving process whereby levels of paid and outstanding (advised but not paid) claims are reviewed. Potential future claims are assessed with a provision for incurred but not reported (IBNR) claims being made. Whilst a detailed and disciplined exercise is carried out to provide for claims notified, it is possible that known claims could develop and exceed the reserves carried.

Furthermore, there is increased uncertainty in establishing an accurate provision for IBNR claims and there is a possibility that claims may arise which, in aggregate, exceed the reserve provision established. This is partly mitigated by the reserving policy adopted by the Syndicate which is to carry reserves in excess of the mean actuarial best estimate.

The review of claims arising may result in underwriters adjusting pricing levels to cater for an unexpectedly higher trend of claims advices or payments. However, this may not be possible in a competitive market and underwriters may respond either by accepting business with lower expected profit margins or declining to renew policies and thus reducing income. Also, there is a portfolio of risk already underwritten which cannot be re-priced until renewal at the end of the policy period.

The Syndicate is exposed to the impact of large catastrophe events such as windstorms, earthquakes or terrorist incidents. Exposure to such events is controlled and measured through loss modelling. It is possible that a catastrophe event could exceed the maximum expected event loss. This is particularly the case for the direct property proportion of the loss exposure, where models are used to calculate a damage factor representing the amount of damage expected to exposed aggregate insured values from a particular scenario. Errors, or incorrect assumptions in the damage factor calculation, can result in incurred catastrophe event claims higher, or lower, than predicted due to unforeseen circumstances, inadequacies in data, or shortcomings in the models used.

g) Reinsurance and other risk mitigation arrangements
The Syndicate purchases proportional reinsurance to supplement line size and to reduce exposure on individual risks. A part of the premiums ceded under such facilities is placed with MS Amlin AG and Amlin Insurance SE under variable quota share agreements. The Syndicate also purchases a number of excess of loss reinsurances to protect itself from severe frequency or size of losses. The structure of the programme and type of protection bought will vary from year to year depending on the availability and price of cover.

Additionally, a 17.5% whole account quota share arrangement of the net book of the Syndicate, excluding the P&C UK Business, is written by MS Amlin AG (Bermuda branch) each year, commuting after three years in line with the three-year Lloyd's YoA reporting cycle.

11. Insurance liabilities and reinsurance assets (Continued)

h) Realistic Disaster Scenario (RDS) analysis
The Syndicate has a defined event risk tolerance, which determines the maximum net loss that the Syndicate intends to limit its exposure to major catastrophe event scenarios. At 31 December 2020 the maximum net loss was £119.6 million (2019: £148.7 million). The aforementioned numbers are based on the reporting period's closing FX rates.

These maximum losses are expected only to be incurred in extreme events – with an estimated occurrence probability for the elemental losses of approximately 1 in 50 years for each relevant natural peril region. The Syndicate also adopts risk tolerance maximum net limits for a number of other non-elemental scenarios including aviation collision, North Sea rig loss, terrorism, cyber and casualty events.

The risk tolerance policy recognises that there may be circumstances in which the net event limit could be exceeded. Such circumstances include changes in rates of exchange, reduced order amount or delay in renewal of reinsurance protection, reinsurance security failure, or regulatory and legal requirements.

Detailed deterministic and probabilistic analyses of catastrophe exposures are carried out every quarter and measured against the event risk tolerances, the business plan, and regulatory guidelines e.g. Lloyd's Franchise Guidelines. The following assumptions and procedures are used in the process:

- The data used reflects the information supplied to the Syndicate by insureds and ceding companies. We check for any limitations with the data e.g. data completeness, data quality, and exposures that could develop during the period e.g. binders. Adjustments are made in accordance with the underwriters that are subsequently reviewed and ratified by the Catastrophe Risk Management Committee (CRMC).
- Exposures are modelled using a mixture of stochastic models and underwriter input to arrive at damage factors – these factors are then applied to the assumed aggregate exposure to produce gross loss estimates. The damage factors are reviewed on a continual basis to ensure assumptions remain appropriate.
- Once Gross numbers are gathered, the in force reinsurance programme is then applied – a provision for reinsurer counterparty failure is analysed to ensure we capture any risks from this perspective.
- Reinstatement premiums both payable and receivable are included in our loss estimates.

Due to the severe nature of these events, there is no guarantee that the assumptions and techniques deployed in calculating the impact of these event are 100% accurate. We review our assumptions when new information comes to light, e.g. post event analysis, scientific or academic research.

Notwithstanding, there could be a situation where the Syndicate experiences a loss from a severe event that exceeds the loss estimate or tolerance. The likelihood of a very severe catastrophe is considered to be remote e.g. beyond the 1 in 100, however these scenarios are modelled simulated events that have considerable uncertainty associated with them but are captured within the probabilistic modelling numbers.

i) Claims reserving and IBNR
The Syndicate adopts a rigorous process in the calculation of an adequate provision for insurance claim liabilities. The overriding aim is to establish reserves which are expected to be at least adequate and that there is consistency from year to year. Therefore, the reserves are set at a level above the mean actuarial 'best estimate' position. However, there is a risk that, due to unforeseen circumstances, the reserves carried are not sufficient to meet insurance claim liabilities reported in future years on policy periods which have expired.

Process and methodology
The reserving process commences with the proper recording and reporting of claims information which consists of paid and notified or outstanding claims. For the Lloyd's market most claims notifications are received through the Lloyd's market bureau (operated by DxC Technology Company on behalf of Lloyd's), with others received directly. Claims records are maintained for each policy and class. For notified or outstanding claims, a case reserve is established based on the views of underwriting management and claims managers, using external legal or expert advice where appropriate. This reserve is expected to be sufficient to meet the claim payment when it is finally determined. For some classes of business, particularly liability business, settlement may be several years after the initial notification of the claim, as it may be subject to complexities or court action. For claims received from the Lloyd's market bureau, the market reserve is generally set by the lead underwriter, but there are circumstances with larger claims where the Syndicate will post higher reserves than those notified.

To assist with the process of determining the reserves, triangulation statistics for each class are produced which show the historical development of premium, as well as paid and incurred losses, for each underwriting year. In all cases, the different potential development of each class of business is fully recognised. The development period varies by class, by method of acceptance and is also determined by the deductible of each policy written. For casualty business, the policy form will determine whether claims can be made on a claims made (as advised) or on a loss occurring (determined by date of loss) basis. This has a significant impact on the reporting period in which claims can be notified.

11. Insurance liabilities and reinsurance assets (Continued)

Management obtained a Statement of Actuarial Opinion from an external provider which also assists in the challenge of best estimate reserves.

IBNR
To establish a provision for IBNR claims, the actuarial team uses their experience and knowledge of the classes of business to estimate the potential future development of the incurred claims for each class for each underwriting year. This is known as the 'best estimate'. In setting the IBNR provision, estimates are made for the ultimate premium and ultimate gross claims value for each underwriting year. Allowance is then made for anticipated reinsurance recoveries to reach a net claim position. Reinsurance recoveries are calculated for outstanding and IBNR claims, sometimes through the use of historical recovery rates or statistical projections, and provisions are made as appropriate for bad debt or possible disputes. The component of ultimate IBNR provision estimates and reinsurance recoveries that relates to future events occurring to the existing portfolio is removed in order to reflect generally accepted accounting practice. Meetings are initially held for each business unit in which underwriters and actuaries discuss the initial proposed estimates and revise them if it is felt necessary. At the next round of meetings, management discuss reserving issues with the actuaries and underwriters and challenge the proposed estimates. At this meeting, management propose the 'margin' for risk to be added to the best estimate, assisted by diagnostics produced from the internal model. The reserves are finally challenged at the audit committee meeting which will recommend approval by the Board.

Areas of uncertainty
The reserves established can be more or less than adequate to meet eventual claims arising. The level of uncertainty varies significantly from class to class but can arise from inadequate case reserves for known large losses and catastrophes or from inadequate provision for IBNR claims. The impact on profit of a 1% improvement/deterioration in the total net claims reserves would be £23.5 million gain/loss (2019: £23.4 million).

Property catastrophe claims, such as earthquake or hurricane losses can take several years to develop as adjusters visit damaged property and agree claim valuations. Until all the claims are settled it requires an analysis of the area damaged, contracts exposed and the use of models to simulate the loss against the portfolio of exposure in order to arrive at an estimate of ultimate loss to the Syndicate. There is uncertainty over the adequacy of information and modelling of major losses for a period that can range from several months to a number of years after a catastrophe loss. Account should also be taken of factors which may influence the size of claims such as increased repair cost inflation or a change in law.

The long tail liability classes represent the most difficult classes to project because often claims are notified and settled several years after the expiry of the policy concerned. This is particularly the case for liability business written on a loss occurring basis.

The use of historical development data is fundamental to reserving these classes. It is used in conjunction with the advice of lawyers and third party claims adjusters on material single claims. Known changes to wordings or the claims environment are also considered.

The allocation of IBNR to the reinsurance programme is an uncertain exercise as there is limited knowledge of the size or number of future claims advices. The assumption over future reinsurance recoveries may be incorrect and unforeseen disputes could arise which would reduce recoveries made.

The estimated premium income in respect of facility contracts, for example, binding authorities and line slips, are deemed to be written in full at the inception of the contract but actual premium may exceed or fail to meet initial estimates. The magnitude of claims arising from such facilities may differ from estimates as a result of differences between estimated and actual premium.

COVID-19
All of the uncertainties above apply in the case of the COVID loss estimates, particularly as only a small number of claims have been quantified to date. However, the nature of the event is unusual and therefore there are a number of specific uncertainties around the best estimate that forms part of the result and reserves within the balance sheet. The gross best estimate loss recorded within the income statement is £229.0 million. After reinsurance recoveries of £93.0 million, the net loss recorded is £136.0 million. The best estimate reserves held at year end are £209.0 million gross and £121.0 million net.

Using expert judgement from personnel in Claims, Underwriting and other functions together with external expert advice where appropriate, we believe that we have identified all likely impacted policies. However, it is possible that claims will arise in ways that we have not anticipated and therefore further valid claims are identified. This may manifest itself in the following ways:

- For parts of our P&C business we have estimated the number of policies affected and the average cost per claim. These assumptions could prove to be inaccurate.
- For our inwards reinsurance business, where we are reliant on the insured for information, it will take some time before we receive an accurate assessment of the actual loss.

11. Insurance liabilities and reinsurance assets (Continued)

Our estimate of the claims to be settled reflects our judgment of how policy wordings should respond, taking into account legal opinion, including the findings of the FCA Test Case and subsequent appeal. It is possible that some policyholders will seek to challenge those judgments and interpretations further and therefore uncertainty remains in respect of these estimates.

There is uncertainty over how reinsurers will respond to claims, it being noted that at this stage a formal claim has not yet been made.

The Board believes that the COVID loss included within these financial statements represents a reasonable best estimate based upon the information available at this time. Were any of the estimates to prove inaccurate in relation to the above uncertainties, the gross and net COVID loss estimate would decrease or increase, possibly materially.

12. Overseas deposits

Overseas deposits represent balances held with overseas regulators to permit underwriting in certain territories. These assets are managed by Lloyd's on a pooled basis and are predominantly invested in debt and other fixed income securities.

13. Capital

Capital framework at Lloyd's
The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000.

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

Although, as described below, 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 2001 is not disclosed in these financial statements.

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

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicate(s) on which it participates but no other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operate 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 a 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 capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2020 was 35% (2019: 35%) of the member's SCR 'to ultimate'.

Provision of capital by members
Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (Funds at Lloyd's, 'FAL'), held within and managed within a syndicate (Funds in Syndicate, 'FIS') or as the member's share of the members' balances on each syndicate on which it participates.

Accordingly, all of the assets less liabilities of the Syndicate, as represented in the member's balance reported on the statement of financial position on page 13, represent resources available to meet the member's and Lloyd's capital requirements. The Syndicate has only one member, MS Amlin Corporate Member Limited, and all of its capital for the 2020 and prior years of account is provided as FIS and FAL.

14. Other risk disclosures

a) **Regulatory risk**
Regulatory risk is the risk that the Syndicate fails to meet the regulatory requirements of the Financial Conduct Authority, Prudential Regulation Authority and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. The managing agent has a Compliance Officer who monitors regulatory developments and assesses the impact on agency policy.

b) **Operational risk**
Operational risk is the risk that failure of people, systems or processes leads to losses to the Syndicate. These risks are managed through the use of detailed procedure manuals and monitoring of compliance. In addition, the MSI Group has both a Risk and Internal Audit function which assist the managing agent to meet the strategic and operational objectives for the Syndicate through the provision of independent appraisal of the adequacy and effectiveness of internal controls in operation and to provide reasonable assurance as to the adequacy of systems and procedures to enable compliance with all relevant regulatory and legal requirements.

15. Related parties

Ultimate parent company
The smallest group of undertakings of which the managing agent is a member and for which group financial statements are prepared is Mitsui Sumitomo Insurance Company, Limited, a company incorporated in Japan. The ultimate parent company and controlling party is MS & AD Insurance Group Holdings, Inc., a company incorporated in Japan and is the largest group of undertakings in which the managing agent is a member and for which group financial statements are prepared.

Consolidated financial statements for the smallest and largest group undertakings are available to the public and may be obtained from the Company Secretary at The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AG.

The ultimate parent company address is Tokyo Sumitomo Twin Building (West Tower), 27-2, Shinkawa 2 Chome, Chuo-ku, Tokyo, Japan. The address of Mitsui Sumitomo Insurance Company, Limited is 9, Kanda-Surugadai 3 Chome, Chiyoda-ku, Tokyo, Japan.

Mitsui Sumitomo Insurance Company, Limited
Mitsui Sumitomo Insurance Company, Limited ('MSI') provides capital in support of the Syndicate through FAL. The amount provided was £716.5 million (2019: £755.5 million). The change in the year was related to foreign exchange movements as, aside from £165.0 million (2019: £165.0 million) in sterling letters of credit issued by a number of Japanese banks, the FAL is provided as Japanese corporate bonds.

MS Amlin Corporate Member Limited
MS Amlin Corporate Member Limited (the 'Corporate Member') is the sole corporate member to the Syndicate. As per note 13, it provides capital to the Syndicate as FAL and FIS.

The amount provided as FIS as at 31 December 2020 was £719.1 million (2019: £621.6 million), including accrued income. The net increase is due to movements occurring through Coming into Line processes offset by cash calls releases to settle losses in open years of account. The amount provided as FAL as at 31 December 2020 was £238.8 million (2019: £nil). This is provided through letters of credit to the value of $326.5 million, sourced from a new syndicated £550.0 million letter of credit facility led by Barclays Bank plc.

MS Amlin Underwriting Limited
Managing agent's fees of £20.8 million (2019: £30.8 million) were charged to the Syndicate during the year, of which £nil (2019: £nil) was outstanding as at 31 December 2020.

There have been no transactions entered into or carried out during the year by the managing agent on behalf of the Syndicate in which it or any of its executives had directly or indirectly a material interest.

MS Amlin Corporate Services Limited
MS Amlin Corporate Services Limited ('MS ACS') was paid £141.3 million during the year (2019: £139.1 million) for expenses incurred directly and indirectly on behalf of the Syndicate. This included a management charge of £78.7 million (2019: £88.2 million) for central costs of the MSI Group that are attributable to the Syndicate. These expenses are shown in administrative expenses net of the allocation to claims handling costs. There is no profit element in the amounts paid to MS ACS. At 31 December 2020 the amount receivable from MS ACS was £1.0 million (2019: £13.5 million payable). These amounts do not include the loans receivable from MS ACS as disclosed in note 10(c).

15. Related parties (continued)

MS Amlin AG (Bermuda branch)
The Syndicate placed a 17.5% whole account quota share reinsurance contract (WAQS) with MS Amlin AG (Bermuda branch) (AB) for the 2020 year of account excluding P&C UK Business. (2019: 17.5%).

All reinsurance contracts are agreed on an arm's length basis with terms that are consistent with those negotiated with third parties. The total premiums (less commissions retained) payable to AB in respect of 2020 were £117.2 million (2019: £170.9 million), of which £43.9 million (2019: £36.7 million) were outstanding as at 31 December 2020. The share of claims incurred receivable from AB in respect of 2020 was £ 123.6 million (2019: £153.7 million), of which £81.6 million (2019: £112.0 million) were outstanding as at 31 December 2020.

MS Amlin AG (Zurich branch)
During 2020, P&C UK renewed a quota share arrangement of 100% of its Employee's Liability and General Liability books with MS Amlin AG Zurich. The total premiums for the year were £1.1 million (2019: £21.9 million) with £nil (2019: £1.9 million) outstanding as at 31 December 2020.

The share of claims incurred receivable in respect of 2020 was £2.9 million (2019: £1.9 million), of which £4.2 million (2019: £1.9 million) were outstanding as at 31 December 2020.

MS Amlin Insurance SE
During the year, all arrangements with MS Amlin Insurance S.E. (AISE), which already were in run-off, were commuted. The Syndicate received a payment of £12.0 million in final settlement of all remaining claims.

Leadenhall Capital Partners LLP
The Syndicate wrote £67.1 million (2019: £214.8 million) of gross premium and received £3.0 million (2019: £9.7 million) of commissions through this arrangement during 2020. As at 31 December 2020, the Syndicate had £229.3 million (2019: £152.0 million) receivable, all of which is collateralised, and £277.1 million payable to LCP (2019: £221.9 million).

Eagle Underwriting Limited (Eagle)
During the year Eagle wrote £5.2 million premiums (2019: £0.5 million) (net of original brokerage) on behalf of the Syndicate, of which £nil million (2019: £0.3 million) remains receivable at 31 December 2020.

The Syndicate recognised claims from Eagle of £1.3 million (2019: £1.7 million), of which £0.2 million (2019: £0.3 million) remains payable at 31 December 2020.

Service companies and brokers

Service companies and brokers and the income received, and expenses incurred by the Syndicate are summarised below.

Service company	2020 Gross written premium £m	2019 Gross written premium £m	2020 Claims incurred £m	2019 Claims incurred £m	2020 Net balance receivable £m	2019 Net balance receivable £m
Amlin UK Limited	(3.8)	5.06	0.4	0.2	1.4	(0.2)
AUA Insolvency Risk Services Limited	9.2	10.8	1.7	0.9	0.9	0.2
MS Amlin (MENA) Limited	5.5	6.7	3.7	5.6	0.4	(1.1)
MS Amlin Asia Pacific Pte Limited	35.0	44.5	29.4	45.7	127.7	129.2
MS Amlin Labuan Limited	4.7	3.4	0.3	1.8	7.1	5.4
MS Amlin Marine N.V.	36.7	9.8	7.5	11.4	2.5	0.5
MS Amlin Reinsurance Managers Inc.	(8.9)	85.4	64.4	50.8	3.5	2.7
MS Amlin Underwriting Services Limited	0.9	32.8	22.9	39.2	1.8	1.7

On 1 October 2020, AUA Insolvency Risk Services Limited was acquired by Specialist Risk Group. The entire share capital of the remaining companies is held by MSI Group and its subsidiaries.

No fees are paid by these companies to any of the directors of the managing agent.

Toro Prism Trust
During the year, the Syndicate invested in the Toro Prism Trust (the 'Trust') which is an open-ended investment unit trust authorised by the Central Bank of Ireland as a UCITS (Undertakings for Collective Investment in Transferable Securities) regulated by the European Union. The Trust is controlled by the MSI Group. The market value of the investments in the Trust at December 2020 is £897.6 million (2019: £824.8 million), and accrued distribution receivable from the Trust amounts to £6.7 million (2019: £8.4 million).

16. Events after the reporting period

COVID-19
On 15 January 2021, the UK Supreme Count delivered its ruling on the test business interruption case brought by the Financial Conduct Authority for the impacts of the COVID-19 on certain policy wordings. The impacts of this ruling has been determined as an adjusting post balance sheet event by management and included in setting the best estimate reserves as at 31 December 2020. Further detail can be found in the Report of the managing agent and note 11(i).

Due to the run off of P&C UK business, it is not expected that the third lockdown in the UK will have a material impact on COVID-19 claims reserves.

Winter Storm Uri (Texas, USA)
Management has been following the development of loss exposures to winter storm Uri in Texas, USA during February 2021. As the event occurred after the balance sheet date, no adjustment has been made to the result presented in these accounts. Given the nature of the event, claims are expected from both Specialty lines and reinsurance exposures. At the date of this report, there is little available information and therefore uncertainty in the likely impact to the Syndicate’s 2021 result, which may have a material impact on 2021 profits, but is considered unlikely to impact capital at this stage.