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Liberty Syndicate 4472

Annual Report and Financial Statements for the year ended 31 December 2020

Contents

Directors and Administration

Managing Agent
Liberty Managing Agency Limited

Directors

Graham Brady	Executive Director
Nigel Davenport	Group Non-Executive Director
Christopher Hanks	Chairman & Independent Non-Executive Director
Philip Hobbs	Executive Director
Richard Hoskins	Independent Non-Executive Director
Steven McMurray	Executive Director
Matthew Moore	Chief Executive Officer & Executive Director
Cathryn Riley	Independent Non-Executive Director
Jane Warren	Executive Director

Company Secretary
Gina Tighe

Managing Agent's Registered Office
20 Fenchurch Street
London
EC3M 3AW

Managing Agent's Registered Number
3003606

Active Underwriter
Peter Smith

Investment Manager
Liberty Mutual Group Asset Management Inc.

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

Managing Agent's Report

The Directors of the Managing Agent present their report for Syndicate 4472 for the year ended 31 December 2020. The Syndicate's Managing Agent is a company registered in England and Wales.

Principal activity and review of the business

The Syndicate's principal activity is the transaction of general insurance and reinsurance business. The Syndicate trades through the Lloyd's worldwide licences and rating. Lloyd's has an A (Excellent) rating from A.M. Best, A+ (Strong) rating from S&P and AA- (Very strong) rating from Fitch.

There have not been any significant changes to the Syndicate's principal activity during the year.

The Syndicate is managed by Liberty Managing Agency Limited which is wholly owned by Liberty Mutual Group Incorporated (the Group), a diversified global insurer. The Group offers a wide range of insurance products and services to meet the needs of individuals, families and businesses. Functionally, the Group conducts substantially all of its business through two business units: Global Retail Markets and Global Risk Solutions. The Syndicate operates as part of the Liberty Specialty Markets (LSM) segment within the Global Risk Solutions business unit.

Underwriting performance

The Syndicate's underwriting result after expenses and excluding investment return, was a profit of \$17.2m (2019: \$82.9m loss). The combined ratio improved to 99% (2019: 108%). Overall, the result for the calendar year was a profit of \$201.5m (2019: \$165.2m) driven by an investment return of \$191.3m (2019: \$239.3m), an underwriting profit of \$17.2m (2019: \$82.9m loss), partially offset by a foreign exchange loss of \$7.0m (2019: \$8.8m gain).

	2020 $m	2019 $m
Gross Written Premium	1,750.2	1,687.2
Net Earned Premium	1,149.1	1,094.3
Underwriting Result	17.2	(82.9)
Profit/(loss) for the Financial Year	201.5	165.2
Claims ratio %	67%	75%
Expense Ratio %	32%	33%
Combined Ratio %	99%	108%

[i] The combined ratio is the sum of the ratios of net operating expenses and net incurred claims to net earned premiums. A combined ratio of less than 100% represents an underwriting profit. In calculating the claims, commission and expense ratios foreign exchange gains and losses have been excluded.

Gross written premium increased by 4% year on year. This was predominately driven by the Syndicate achieving higher than planned rate increases, partly offset by reduction in volume following remediation in the Liability and Property classes of business.

The Syndicate's underwriting result for 2020 represents an improvement of \$100.1m on 2019, largely driven by a reduction in the net loss ratio of 8%. A key factor is a reduction in the attritional loss ratio as a result of achieving strong premium rates in Reinsurance and Specialty classes and the impact of remediation of certain classes. Although the Syndicate has suffered from headline losses as a result of COVID-19, Hurricane Laura, Tennessee Tornadoes and the Australian Hailstorms, this exposure has been lower than the prior year which was impacted materially by Typhoon's Hagibis and Faxai.

Managing Agent's Report (continued)

Underwriting performance (continued)

The performance of the Syndicate's investment portfolios in 2020 generated a return of $191.3m. Although this was $48.0m less than the prior year, the strong performance was largely driven by unrealised gains as a result of falling risk free rates, following supportive central bank policies enacted globally in the wake of COVID-19.

The expense ratio has improved by 1% due to an increase in over-rider commission as a result of a change in scope of particular reinsurance contracts. This is partially offset by an increase in overseas operating costs from Lloyds and IT related costs as a result of project and developmental work. Operating costs continue to be closely monitored and managed.

There is no profit commission due on the closure of the 2018 year of account.

Review of financial position

Total assets and liabilities have increased by $613.4m. On the assets side, this is largely driven by a $283.6m increase in technical debtors. This is predominantly due to an increase in reinsurance recoverables due to COVID-19, D&O and Speciality claims activity. There has also been an increase in Reinsurers Share of Technical Provisions of $321.0m. This is driven by the underlying gross loss experience during the year and the improvement on the efficacy of the reinsurance contracts purchased. These increases are partially offset by a net decrease of $101.4m in Financial Investments and Cash, driven by Funds in Syndicate (FIS) releases during the year and net liquidation of investments to facilitate large reinsurance payments and general claims activity.

On the liability side, there has been an increase in Gross Technical Provisions of $232.5m. This is driven by loss experience due to exposure to significant events during the year such as COVID-19 and other catastrophes. Technical Creditors increased by $306.8m in the year relating to timing of settlements of reinsurance premium.

Investment performance

Overall, total investment return decreased to $191.3m (2019: $239.3m). Included in this return are unrealised gains driven by falling risk free rates. The investment portfolio is heavily weighted to US Dollars by virtue of the Syndicate writing a US Dollar dominant book of business.

Foreign exchange losses

Foreign exchange losses of $7.0m (2019: $8.8m gain) were driven by the translation of non-functional currencies to USD.

COVID-19

The ongoing COVID-19 global pandemic has made 2020 an exceptionally challenging period for our people, our customers and economies around the world. The Syndicate has demonstrated resilience and strength during this challenging time. We continue to pay out claims to our customers impacted, and internally continue to support our staff working from home. The pandemic has been treated as an event under LSM's Business Continuity Plan with effect from 24 February 2020.

Management has continuously monitored, reviewed and assessed the impacts of the disruption caused by COVID-19 on the Syndicate in respect of its financial statements as at 31 December 2020. Specifically, the Syndicate suffered c.$107m COVID-19 net losses during the year. The Syndicate remains well capitalised to withstand the impacts of the pandemic. Management will continue to monitor the pandemic closely, and pro-actively take action where necessary.

Managing Agent's Report (continued)

Part VII

Following the UK's departure from the European Union, the Syndicate transferred its European non-life insurance policies written between 1993 and 2020 to Lloyd's Insurance Company S.A. (LIC) on the 30 December 2020 in order to continue to access business located in Europe. On the same day, LIC subsequently reinsured the same liabilities back to the Syndicate. There was no gain or loss in this transaction and both the Syndicate and LIC were left in the same economic position prior to the transaction. Note 2 of the financial statements contains more details of the transfer and the accounting policies have been updated to reflect the accounting treatment followed.

Principal risks and uncertainties

The Managing Agent has established a risk management function for the Syndicate with clear terms of reference from the board of directors, its Committees and the associated executive management Committees. The board of directors approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. The Board sets risk appetite annually as part of the Syndicate's business planning and capital setting process. The risk management function is also responsible for reviewing the Syndicate's Own Risk and Solvency Assessment ('ORSA'), recommending the assessment to the Board for approval.

The principal risks and uncertainties facing the Syndicate are set out below, including references to the Notes where additional information relating to these risks are provided in the financial statement.

Insurance risk

Insurance risk incorporates premium risk and reserve risk. Premium risk is the variation of underwriting results from plan for reasons other than operational or insurance counterparty risk. This is influenced by the frequency and severity of claims events. Premium risk is mitigated through a diversified business plan operating within Board risk appetites and supported through the Syndicate's control environment, including underwriting controls. Reinsurance is utilised to mitigate against exposure to individual and correlated events.

Reserve risk is the variation in policyholder reserves for prior accident years required for reasons other than operational or insurance counterparty risk. This is influenced by uncertainty in the notification of claims and value of claims paid. Reserve risk is mitigated through the use of detailed analysis reviewed by Chief Financial Officer (CFO) Committee and the Audit Committee. There is regular assessment of the results of actuarial studies, claims analysis, underwriting reviews and benchmarking exercises. Reserve risk is also monitored by the Risk Management Committee which escalates any material matters to the Board. In addition, business plans are developed to ensure that the long-term reserve profile of the Syndicate remains stable.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factors. Market risk comprises three types of risk: currency risk (due to fluctuations in foreign exchange rates), interest rate risk (due to fluctuations in market interest rates) and price risk (due to fluctuations in market prices).

An investment management policy exists that sets out the assessment and determination of what constitutes market risk for the Syndicate and details how the company measures, monitors and mitigates the potential market risks posed by the investment portfolio. Compliance with the policy is monitored with exposures and any breaches reported to CFO Committee and the Risk Management Committee.

Managing Agent's Report (continued)

Principal risks and uncertainties (continued)

Credit risk

Credit risk is the risk of financial change in value due to actual credit losses deviating from expected credit losses due to the failure of another party to meet its contractual debt obligations. Identified risks are collated, monitored and assessed by the relevant first line Committee and escalated to the Risk Management Committee where appropriate.

Liquidity risk

Liquidity risk is the probability of loss arising from situations where the Syndicate either has insufficient cash to meet its financial obligations or is required to sell assets below their fair value to meet cash demands. Liquidity risk is mitigated through the use of asset-liability modelling and through the maintenance of a diversified and appropriately liquid portfolio of assets.

Operational risk

Operational risk is the risk of loss to the Syndicate resulting from the inadequate or failed internal processes, people and systems, or from external events. The agency seeks to manage this risk through the use of a defined risks and controls register, clear roles and responsibilities and a structured programme of testing of processes and systems by internal audit.

Group risk

Group risk is the risk of loss to the Syndicate arising from its membership of LSM, GRS, and the Liberty Mutual Group. This is mitigated through the monitoring of Liberty Mutual Group's financial strength and strategic developments, Key Risk Indicator (KRI) monitoring and a robust legal entity governance framework.

Strategic risk

Strategic risk is the risk of loss to the Syndicate arising from key business decisions, improper implementation of decisions or lack of responsiveness to industry changes. Strategic risk is mitigated through considering the risks and rewards during the development and implementation of the Syndicate's strategy.

These risks are covered in detail in Note 14 to the financial statements.

Directors

The current Directors are listed on page 3. Directors who held office between 1 January 2020 and the date of signing the financial statements were:

Graham Brady	Executive Director	
Nigel Davenport	Group Non-Executive Director	
Christopher Hanks	Independent Non-Executive Director	Appointed as Chairman 18 May 2020
Philip Hobbs	Executive Director	
Richard Hoskins	Independent Non-Executive Director	Appointed 7 October 2020
Steven McMurray	Executive Director	
Matthew Moore	Chief Executive Officer & Executive Director	
Keith Nicholson	Chairman & Independent Non-Executive Director	Resigned as Chairman 18 May 2020 Resigned 30 September 2020
Richard Reid	Independent Non-Executive Director	Resigned 30 September 2020
Cathryn Riley	Independent Non-Executive Director	Appointed 17 August 2020
Jane Warren	Executive Director	

None of the Directors has any participation on the syndicate.

Managing Agent's Report (continued)

Future developments

LSM is committed to the Syndicate writing sustainable, profitable business whist meeting the expectations of our customers and our stakeholders. The Lloyd's market remains highly competitive but rates are hardening in several key sectors. LSM will continue to take advantage of opportunities both within Lloyd's and the company market.

LSM's strategy is to transform into a high performing financial services company whilst committing to help people prosper. Growth opportunities will be sought where market conditions and opportunities allow. Enhanced data and analytics will be used to drive superior underwriting performance whilst operating in a way that delivers a sustainable and competitive expense ratio. Market conditions and underwriting cycle management are also central to this strategy. The remaining elements of the strategy are the careful management of costs coupled with a desire to reduce complexity and to improve efficiencies.

Auditors

Disclosure of Information to the Auditors

In the case of each of the persons who are Directors of the Managing Agent at the time the report was approved:

- So far as the director is aware, there is no relevant audit information, being information needed by the Syndicate auditor in connection with the auditor's report, of which the auditor is unaware; and

- Having made enquiries of fellow directors of the Managing Agent and the Syndicate's auditor, each director has taken all the steps that he or she ought to have taken as a director to become aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

Auditors

Ernst & Young LLP have indicated their willingness to continue in office as the Syndicate's auditors.

On behalf of the Board

Steve McMurray

Steven McMurray
Director
London

4 March 2021

Statement of Managing Agent's Responsibilities

The Managing Agent is responsible for preparing the Syndicate annual report and financial statements, including the Managing Agent's Report, in accordance with applicable laws and regulations.

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

In preparing the Syndicate financial statements, the Managing Agent is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the annual accounts; and
- prepare the Syndicate financial statements on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume that the Syndicate will do so.

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

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

Independent Auditor's Report

To the members of the Syndicate 4472

Opinion

We have audited the syndicate annual accounts of syndicate 4472 ('the syndicate') for the year ended 31 December 2020 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Members' Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the syndicate annual accounts and our auditor's report thereon. The directors of the managing agent are responsible for the other information contained within the annual report.

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

Independent Auditor's Report (continued)

Other information (continued)

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

We have nothing to report in this regard.

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

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the directors of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities as set out on page 9, the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor's Report (continued)

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

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

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

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

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

Our approach was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the syndicate and determined that the most significant are direct laws and regulations, related to elements of Lloyd's Byelaws and Regulations, and the financial reporting framework (UK GAAP), and requirements referred to by Lloyd's in the instructions. Our considerations of other laws and regulations that may have a material effect on the syndicate annual accounts included permissions and supervisory requirements of Lloyd's of London, the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').

- We obtained a general understanding of how the syndicate is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the syndicate. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the syndicate, Lloyd's of London and other UK regulatory bodies; reviewed minutes of the Board, Audit, Nomination, Investment and Risk Management Committee of the managing agent; and gained an understanding of the managing agent's approach to governance.

For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related syndicate annual accounts' items.

- For both direct and other laws and regulations, our procedures involved: making enquiries of the directors of the managing agent and senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the managing agent's methods of enforcing and monitoring compliance with such policies, inspecting significant correspondence with Lloyd's, the FCA and the PRA.

- The syndicate operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

Independent Auditor's Report (continued)

- We assessed the susceptibility of the syndicate's annual accounts to material misstatement, including how fraud might occur by considering the controls that the managing agent has established to address risks identified by the managing agent, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, including complex transactions, performance targets, economic or external pressures and the impact these have on the control environment. The fraud risk was considered to be higher within the valuation of gross and net IBNR reserves and the recognition of estimated premium income including pipeline premiums.

Our audit procedures included:

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

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

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

Use of our report

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

DocuSigned by:

Ernst + Young LLP

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Robert Bruce (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

4 March 2021

Income Statement: Technical Account - General Business

for the year ended 31 December 2020

	Notes	2020 $m	2019 $m
Gross premiums written	2	1,750.2	1,687.2
Outward reinsurance premiums		(634.0)	(645.0)
Net premiums written		**1,116.2**	1,042.2
Change in provision for unearned premiums:			
Gross amount	12	8.2	46.5
Reinsurers' share	12	24.7	5.6
Change in net provision for unearned premiums		**32.9**	52.1
Earned premiums, net of reinsurance		**1,149.1**	1,094.3
Allocated investment return transferred from the non-technical account	7	120.8	158.5
Claims incurred, net of reinsurance:			
Claims paid			
Gross amount		(1,260.8)	(1,300.7)
Reinsurers' share		369.2	364.3
Net claims paid		**(891.6)**	(936.4)
Change in the provision for claims			
Gross amount	13	(158.9)	(178.7)
Reinsurers' share	13	284.7	299.5
Change to the net provision for claims		**125.8**	**120.8**
Claims incurred, net of reinsurance		**(765.8)**	(815.6)
Net operating expenses	3	(366.1)	(361.6)
Balance on the general business technical account		**138.0**	**75.6**

All the amounts above are in respect of continuing operations.

Income Statement: Non-Technical Account - General Business

for the year ended 31 December 2020

	Notes	2020 $m	2019 $m
Balance on the general business technical account		**138.0**	**75.6**
Investment income	7	115.6	123.4
Unrealised gains on investments	7	80.2	120.8
Investment expenses and charges	7	(4.5)	(4.9)
Allocated investment return transferred to the general business technical account		(120.8)	(158.5)
Foreign exchange (losses)/gains		(7.0)	8.8
Profit for the financial year		**201.5**	**165.2**

There are no other comprehensive income or expense other than those reported in the Income Statement, thus no Statement of Comprehensive Income has been prepared.

Statement of Changes in Member's Balances

for the year ended 31 December 2020

	Notes	2020 $m	2019 $m
Balance due to member brought forward at 1 January		**1,084.0**	**1,046.2**
Profit for the financial year		201.5	165.2
Net release of Funds in Syndicate		(58.9)	(127.4)
Balance due to member carried forward at 31 December		**1,226.6**	**1,084.0**

Statement of Financial Position - Assets

as at 31 December 2020

	Notes	2020 $m	2019 $m
Investments			
Financial investments	8	3,589.7	3,841.4
Reinsurers' share of technical provisions			
Claims outstanding	13	1,621.6	1,326.9
Provision for unearned premiums	12	288.2	261.9
Total		**1,909.8**	**1,588.8**
Debtors			
Debtors arising out of direct insurance operations		332.9	263.4
Debtors arising out of reinsurance operations		867.9	653.8
Other debtors		126.4	26.0
		1,327.2	**943.2**
Other assets			
Cash at bank and in hand	11	255.4	105.1
Other assets	10	108.1	98.8
		363.5	**203.9**
Prepayments and accrued income			
Accrued interest		19.5	23.2
Deferred acquisition costs	9	176.3	177.4
Other prepayments and accrued income		6.0	0.7
		201.8	**201.3**
Total Assets		**7,392.0**	**6,778.6**

Statement of Financial Position - Liabilities

as at 31 December 2020

	Notes	2020 $m	2019 $m
Member's balances			
Profit and loss account		1,226.6	1,084.0
Technical provisions			
Claims outstanding	13	4,427.1	4,199.6
Provision for unearned premiums	12	801.7	796.7
		5,228.8	**4,996.3**
Creditors			
Creditors arising out of direct insurance operations		11.4	9.2
Creditors arising out of reinsurance operations		659.1	354.5
Other creditors		166.9	238.2
		837.4	**601.9**
Accruals and deferred income		99.2	96.4
Total Liabilities		**7,392.0**	**6,778.6**

The financial statements on pages 14 to 50 were approved by the Board of Liberty Managing Agency Limited and were signed on its behalf by:

Steve McMurray

Steven McMurray
Director

4 March 2021

Statement of Cash Flows

for the year ended 31 December 2020

	Notes	2020 $m	2019 $m
Cash flows from operating activities			
Operating result		201.5	165.2
Increase/(decrease) in gross technical provisions		232.5	167.3
(Increase) in reinsurers' share of gross technical provisions		(321.0)	(316.9)
(Increase)/decrease in debtors		(384.0)	(45.7)
Increase/(decrease) in creditors		238.3	146.3
(Decrease) in other assets		(9.3)	(12.7)
Investment return		(191.3)	(239.3)
Foreign exchange		(26.0)	(72.0)
Net cash flows from operating activities		**(259.3)**	**(207.8)**
Cash flows from investing activities			
Purchase of equity and debt instruments		(3,061.4)	(4,021.3)
Sale of equity and debt instruments		3,427.1	4,302.2
Investment income received		121.0	119.7
Other		(20.2)	(5.6)
Net cash flows from investing activities		**466.5**	**395.0**
Cash flows from financing activities			
Distribution of closed year profits		97.5	31.5
Closed year profits released to member		(156.4)	(158.9)
Net cash flows from financing activities		**(58.9)**	**(127.4)**
Net increase/(decrease) in cash and cash equivalents		**148.3**	**(59.8)**
Cash and cash equivalents at beginning of year		127.8	68.5
Foreign exchange on cash and cash equivalents		3.9	(0.5)
Cash and cash equivalents at end of year		**280.0**	**127.8**
Cash at bank and in hand		255.4	105.1
Short term deposits with credit institutions		24.6	22.7
Cash and cash equivalents at end of year	11	**280.0**	**127.8**

Notes to the Financial Statements

1. Accounting Policies

1.1. Statement of compliance

The Syndicate is the vehicle on which (re)insurance business is conducted at Lloyd's on behalf of the corporate capital provider, Liberty Corporate Capital Limited (LCCL). The Syndicate is managed by Liberty Managing Agency Limited (LMAL). Registered details for the managing agent can be found on page 3. The financial statements cover those of the Syndicate and are prepared as at, and for the year ended, 31 December 2020.

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

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

1.2. Basis of preparation

The financial statements for the year ended 31 December 2020 were approved for issue by the Board of Directors on 4 March 2021.

The financial statements are prepared in United States Dollar (USD) which is the presentation and functional currency of the Syndicate and rounded to the nearest $0.1 million, unless otherwise stated.

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

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

1.3. Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Notes to the Financial Statements (continued)

1. Accounting Policies (continued)

1.3. Judgements and key sources of estimation uncertainty (continued)

1.3.1. Technical provisions

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

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by underwriting years by significant lines of business. Large/catastrophe claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g. to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Similar judgements, estimates and assumptions are employed in the assessment of ultimate premiums.

Further details are given in Note 14.

1.3.2. Estimates of future premiums

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

1.3.3. Fair value of financial assets determined using valuation techniques

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

Changes in the assumptions about these factors could affect the reported fair value of the financial instruments. Further details are given in Note 8.

1. Accounting Policies (continued)

1.4. Significant accounting policies

1.4.1. Financial investments

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

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

Financial assets at fair value through profit or loss

Redeemable debt securities and other fixed-income securities are classified as fair value through profit or loss and are initially measured at fair value. Subsequent to initial recognition, these investments are re-measured at fair value at each reporting date. Fair value adjustments and realised gains and losses are recognised in the income statement.

Deposits with credit institutions are also classified at fair value through profit or loss and are held at cost as the best measure for fair value. These typically consist of callable on-demand deposits, which are and cash letters of credit (LOCs).

Shares and other variable yield securities and units in unit trusts consist of collective investment schemes and private equity investments. These are also designated on initial recognition as an asset to be measured at fair value with fair value changes recognised in profit or loss account at subsequent reporting periods. Realised gains and losses are also recognised through profit and loss account.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if there is a current enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, realise the assets and settle the liabilities simultaneously.

1.4.2. Cash and cash equivalents

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

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

Note 11 to the cash flow statement discloses both cash at bank as well as short-term deposits with credit institutions.

1. Accounting Policies (continued)

1.4. Significant accounting policies (continued)

1.4.3. Fair value of financial assets

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

- Level 1: the unadjusted quoted prices in active market for identical assets or liabilities. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted price is usually the bid price.

- Level 2: when quoted prices are unavailable the instrument is valued using inputs that are observable either directly or indirectly including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets.

- Level 3: when observable inputs are not available, unobservable inputs are used to measure fair value by use of valuation techniques. The objective of using the valuation technique is to estimate what the fair value would have been on the measurement date.

Note 8 illustrates the fair value hierarchy as applied to the Syndicate's financial assets.

A financial asset or, when applicable, a part of a financial asset is derecognised when:

- The rights to the cash flows from the asset have expired; or
- when the Company has transferred its rights to receive cash flows from the asset and has transferred substantially all the risks and rewards of ownership.

1.4.4. Investment return

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

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

Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price if acquired during the year. In the period in which investment disposals take place, any associated unrealised gains and losses are also reversed.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account in respect of actual investment return on investments supporting the general insurance technical provisions and member balances.

1. Accounting Policies (continued)

1.4. Significant accounting policies (continued)

1.4.5. Financial liabilities

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

All financial liabilities are recognised initially at fair value. Intercompany balances are repayable on demand. Financial liabilities are subsequently measured at amortised cost and are derecognised when the obligation under the liability is discharged or expires.

1.4.6. Insurance contracts

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

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

1.4.7. Premium

Gross written premium comprises the total premium receivable for the whole period of cover provided by the contracts entered into during the reporting period, regardless of whether these are wholly due for payment in the reporting period, together with any adjustments arising in the reporting period to such premium receivable in respect of business written in prior reporting periods. Additional or return premium are treated as a re-measurement of the initial premium. Gross written premium is stated gross of commission.

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

Written premium is earned over the period of the policy (usually 12 months) on a straight-line basis except for certain inwards reinsurance contracts where there is a marked unevenness in the incidence of risk over the period of cover, in which case the premium is earned on a basis which reflects the profile of risk.

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

On 30 December 2020, the Syndicate transferred its EEA non-life insurance policies written between 1993 and 2020 to Lloyd's Insurance Company S.A. ('Lloyd's Brussels'). On the same day, Lloyds Brussels subsequently reinsured the same liabilities back to the Syndicate. The reinsurance premium received from Lloyds Brussels was of the same amount as the portfolio claims payment made to Lloyds Brussels on the transfer of liabilities from the Syndicate, both the portfolio claims payment of $340.4m and the portfolio premium receipt of $340.4m have been included in reported gross written premium for 2020 (2019: nil). This approach reflects the economic substance of transaction, which has no impact on the overall equity of the Syndicate.

1. Accounting Policies (continued)
1.4. Significant accounting policies (continued)
1.4.8. Managing Agent profit commission

Profit commission is charged by the managing agent based on annual accounting result for certain years of account and is charged to the Syndicate as incurred but and does not become payable until after the year of account closes at 36 months. No profit commission has been charged by the managing agent.

1.4.9. Claims

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

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

1.4.10. Claims outstanding

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

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

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

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

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

1. Accounting Policies (continued)

1.4. Significant accounting policies (continued)

1.4.10. Claims outstanding (continued)

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

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

The provision for claims outstanding is based on information available at the balance sheet date and is estimated to give a result within a normal range of outcomes. To the extent that the ultimate cost falls outside this range, for example, where assumptions over claims inflation may alter in future, there is a contingent liability in respect of this uncertainty. Provisions are calculated allowing for reinsurance recoveries and a separate asset is recorded for the reinsurers' share, having regard to collectability.

The reinsurers' share of provisions for claims is based on the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year, and the current security rating of the reinsurance companies involved.

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

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

1.4.11. Provisions for unearned premiums

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

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

1.4.12. Provisions for unexpired risks

Provision is made where the cost of claims and expenses arising after the end of the financial year from contracts concluded before that date, is expected to exceed the provision for unearned premiums, net of deferred acquisition costs. The overall assessment of whether a provision is necessary is made based on all categories of business. No account is taken of future investment income.

At 31 December 2020 and in the comparative year, the Syndicate did not have an unexpired risks provision.

1. Accounting Policies (continued)
1.4. Significant accounting policies (continued)
1.4.13. Deferred acquisition costs

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

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

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

1.4.14. Reinsurance assets

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

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

1.4.15. Debtors arising from direct insurance and reinsurance operations

Debtors arising from direct insurance and reinsurance operations are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest rate method.

The carrying value of debtors are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of profit or loss. They are derecognised when the de-recognition criteria for financial assets have been met.

1.4.16. Creditors arising from direct insurance and reinsurance operations

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

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

1.4.17. Pension costs

Liberty Specialty Markets Limited (LSML) operates a defined contribution pension scheme. Pension contributions relating to managing agency staff working on behalf of the Syndicate, as seconded from LSML are charged to the Syndicate and included within net operating expenses.

LMAL operates a defined benefit pension scheme, which provides benefits based on final pensionable pay for all qualifying employees. Costs in respect of the scheme relating to managing agency staff working on behalf of the Syndicate are charged to the Syndicate.

1. Accounting Policies (continued)

1.4. Significant accounting policies (continued)

1.4.18. Foreign currencies

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

Transactions denominated in currencies other than the functional currency are initially recorded in the functional currency at the exchange rate ruling at the date of the transactions, or at an appropriate average rate. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the exchange rate ruling on the reporting date. Non-monetary items denominated in a foreign currency, measured at fair value are translated into the functional currency using the exchange rate ruling at the date when the fair value was determined.

Foreign exchange differences are recorded in the non-technical account.

1.4.19. Taxation

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

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

No provision has been made for any overseas tax payable by the corporate member on underwriting results.

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2. Segmental analysis

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

	Gross premiums written $m	Gross premiums earned $m	Gross claims incurred $m	Gross operating expenses $m	Re insurance balance $m	Total $m
2020						
Direct insurance:						
Accident & health	42.7	46.2	(33.4)	(23.0)	5.0	(5.2)
Motor (third-party liability)	(1.9)	(1.4)	7.3	0.5	(0.6)	5.8
Motor (other classes)	-	-	-	-	-	-
Marine aviation & transport	251.2	237.9	(148.9)	(75.9)	1.5	14.6
Fire & other damage to property	195.5	186.7	(115.5)	(58.2)	19.7	32.7
Third party liability	337.3	331.9	(571.9)	(87.2)	158.7	(168.5)
Miscellaneous	39.5	35.0	(37.0)	(8.7)	(0.6)	(11.3)
Energy – Marine	4.7	3.8	(0.8)	(0.8)	(0.6)	1.6
Energy – Non Marine	18.3	16.9	(4.2)	(3.2)	(5.9)	3.6
	887.3	857.0	(904.4)	(256.5)	177.2	(126.7)
Reinsurance	862.9	901.4	(515.3)	(244.8)	2.6	143.9
Total	**1,750.2**	**1,758.4**	**(1,419.7)**	**(501.3)**	**179.8**	**17.2**

	Gross premiums written $m	Gross premiums earned $m	Gross claims incurred $m	Gross operating expenses $m	Re insurance balance $m	Total $m
2019						
Direct insurance:						
Accident & health	12.1	13.1	(9.2)	(4.0)	(1.3)	(1.4)
Motor (third-party liability)	(3.0)	(3.9)	1.3	1.6	1.6	0.6
Motor (other classes)	2.1	2.2	(1.2)	(0.7)	(0.2)	0.1
Marine aviation & transport	128.2	137.8	(103.1)	(45.1)	9.8	(0.6)
Fire & other damage to property	275.0	282.5	(187.2)	(91.3)	2.6	6.6
Third party liability	263.5	257.9	(406.7)	(65.5)	66.0	(148.3)
Miscellaneous	137.5	121.6	(57.7)	(38.8)	(15.7)	9.4
	815.4	811.2	(763.8)	(243.8)	62.8	(133.6)
Reinsurance	871.8	922.5	(715.6)	(275.6)	119.4	50.7
Total	**1,687.2**	**1,733.7**	**(1,479.4)**	**(519.4)**	**182.2**	**(82.9)**

Reinsurers' commissions and profit participations are included in the reinsurance balance.

Commissions on direct insurance gross premiums written during 2020 were $210.8m (2019: $211.3m). All premiums were concluded in the UK.

On 30 December 2020, the Syndicate transferred its EEA non-life insurance policies written between 1993 and 2020 to Lloyd's Insurance Company S.A. ('Lloyd's Brussels') pursuant to Part VII of the Financial Services and Markets Act 2000.

The value of the net liabilities transferred was $340.4m. The Syndicate transferred cash of the same amount to Lloyd's Brussels. Lloyd's Brussels subsequently reinsured the same liabilities back to the Syndicate on the same day. The reinsurance premium received was of the same amount of $340.4m. There was no gain or loss arising on either transaction.

2. Segmental analysis (continued)

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

Current year underwriting results for the transferred policies have been reported in the same classes of business as in prior years, as the effective date of the transfer was 30 December 2020, and in line with Society of Lloyd's guidance no movements were processed on these policies on 31 December 2020. In future years, results relating to these risks will be reported under the Inwards Reinsurance class of business, reflecting the new contractual arrangement with Lloyd's Brussels. The transaction has no impact on equity. On the balance sheet, debtors in relation to Part VII policies of $0.1m which were previously disclosed as Direct are now reported as Inward Reinsurance.

The geographical analysis of premiums by destination is as follows:

	2020 $m	2019 $m
UK	243.9	211.3
Other EU Countries	129.8	190.1
Americas	693.2	674.9
Worldwide	683.3	610.9
Total	**1,750.2**	**1,687.2**

3. Net operating expenses

	2020 $m	2019 $m
Acquisition costs	(349.1)	(381.2)
Change in deferred acquisition costs	(3.3)	(8.5)
Administrative expenses	(148.9)	(129.7)
Gross operating expenses	**(501.3)**	**(519.4)**
Reinsurance commissions receivable	135.2	157.8
Net operating expenses	**(366.1)**	**(361.6)**

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

4. Staff costs and Directors' remuneration

4.1 Staff costs

All UK staff are employed by Liberty Specialty Markets Limited (LSML). Non UK staff are employed by Liberty Managing Agency Limited (LMAL). Employees are seconded to the Managing Agent to perform work on the Syndicate, for and on behalf of the member. The following amounts were recharged by LSML and LMAL to the Syndicate in respect of salary costs:

	2020 $m	2019 $m
Wages and salaries	51.8	51.5
Social security costs	4.9	4.4
Pension costs	4.4	3.5
Other	2.0	1.9
Total	**63.1**	**61.3**

The average number of employees seconded to the Managing Agent by Liberty Specialty Markets Limited to work on the Syndicate during the year was as follows:

	2020 Number	2019 Number*
Administration and Finance	171	179
Underwriting	107	98
Claims	23	26
Total	**301**	**303**

* *2019 employee numbers have been adjusted to bring it in line with the cost allocation methodology which was implemented during 2019.*

4.2 Directors' remuneration

	2020 $m	2019 $m
Emoluments	1.3	1.0

During the year the directors of the Managing Agent provided services to the Syndicate. The amounts shown above are the full amounts recharged to the Syndicate in respect of directors' emoluments for these services.

5. Active underwriter emoluments

The position of Active Underwriter received remuneration of $408,000 (2019: $379,000) charged to the Syndicate and included within net operating expenses.

6. Auditors' remuneration

Auditors' remuneration is included as part of the administrative expenses in note 3 to the financial statements.

	2020 $m	2019 $m
Auditor's remuneration:		
- Audit of Syndicate annual accounts	0.9	0.8
- Other services pursuant to Regulations and Lloyd's Byelaws	0.4	0.4
- Other non-audit services	0.2	0.3
Total	**1.5**	**1.5**

7. Investment return

	Technical account General business		Non-Technical account		Total	
	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
Income from other financial investments	47.8	64.7	29.4	36.8	77.2	101.5
Net gains on realisation of investments	24.2	20.7	14.2	1.2	38.4	21.9
Total investment income	72.0	85.4	43.6	38.0	115.6	123.4
Net unrealised gains on investments	51.5	76.0	28.7	44.8	80.2	120.8
Investment expenses and charges	(2.7)	(2.9)	(1.8)	(2.0)	(4.5)	(4.9)
Total investment return	**120.8**	**158.5**	**70.5**	**80.8**	**191.3**	**239.3**

8. Financial investments

2020	Carrying Value $m	Purchase Price $m	Listed $m
Shares and other variable yield securities and units in trust	97.2	95.3	6.9
Debt securities and other fixed income securities	3,467.9	3,327.5	99.0
Loans secured by mortgage	-	-	-
Deposits with credit institutions	24.6	24.6	24.6
Total	**3,589.7**	**3,447.4**	**130.5**

2019	Carrying Value $m	Purchase Price $m	Listed $m
Shares and other variable yield securities and units in trust	103.2	101.8	46.2
Debt securities and other fixed income securities	3,715.4	3,649.6	334.0
Loans secured by mortgage	-	-	-
Deposits with credit institutions	22.8	22.8	22.8
Total	**3,841.4**	**3,774.2**	**403.0**

All shares and other variable yield securities, debt securities and loans and deposits with credit institutions are designated at fair value through profit & loss.

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

	Fair Value Hierarchy			
2020	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Shares and other variable yield securities and units in trust	6.9	37.7	52.6	97.2
Debt securities and other fixed income securities	99.0	3,368.9	-	3,467.9
Loans and deposits with credit institutions (incl. overseas deposits)	63.3	69.4	-	132.7
Total	**169.2**	**3,476.0**	**52.6**	**3,697.8**

8. Financial investments (continued)

	Fair Value Hierarchy			
	Level 1	**Level 2**	**Level 3**	**Total**
2019	**$m**	**$m**	**$m**	**$m**
Shares and other variable yield securities and units in trust	46.2	25.1	31.9	103.2
Debt securities and other fixed income securities	334.0	3,381.4	-	3,715.4
Loans and deposits with credit institutions (incl. overseas deposits	64.7	56.9	-	121.6
Total	**444.9**	**3,463.4**	**31.9**	**3,940.2**

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

Included within the Level 1 category are unadjusted quoted prices in active markets for identical assets that the Syndicate's asset manager has the ability to access at the measurement date. A quoted price in an active market provides the most reliable evidence of fair value and is used to measure fair value whenever available, except as noted below.

If the Syndicate holds a large number of similar assets that are required to be measured at fair value, a quoted price in an active market might be available but not readily accessible for each of those assets individually. In that case, fair value may be measured using an alternative pricing method that does not rely exclusively on quoted prices (for example, matrix pricing) as a practical expedient. However, the use of an alternative pricing method renders the fair value measurement a lower level in the fair value hierarchy.

In some situations, a quoted price in an active market might not represent fair value at the measurement date. That might be the case if, for example, significant events (principal-to-principal transactions, brokered trades, or announcements) occur after the close of a market but before the measurement date.

If the quoted price is adjusted for new information, the adjustment renders the fair value measurement a lower level in the fair value hierarchy.

Level 2 inputs are inputs other than quoted prices that are either directly or indirectly observable in the market. If the asset has a specified contractual term, a Level 2 input must be observable for substantially the full term of the asset.

Adjustments to Level 2 inputs may vary depending on factors specific to the asset type. Those factors include the condition and/or location of the asset, the extent to which the inputs relate to items that are comparable to the asset, and the volume and level of activity in the markets within which the inputs are observed. An adjustment that is significant to the fair value measurement in its entirety might render the measurement a Level 3 measurement, depending on the level in the fair value hierarchy within which the inputs used to determine the adjustment fall.

Level 3 inputs are unobservable inputs for the asset. Unobservable inputs are 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 at the measurement date. Unobservable inputs reflect the Syndicate's own assumptions about the assumptions that market participants would use in pricing the asset or liability including assumptions about risk. Unobservable inputs are developed based on the best information available in the circumstances. No further Level 3 disclosures have been provided on the grounds of materiality.

8. Financial investments (continued)

All manually priced broker quotes are non-binding. The Portfolio Manager makes an assessment of the reasonableness of the broker quote received. Based on the Portfolio Manager's assessment, additional quotes may be obtained to support the fair value of an investment, in which case, the average of those quotes is used as the fair value of the investment. The Portfolio Manager provides support for the manual price and the Investments team determines the appropriate level (level 2 or level 3) for the security. Manually priced broker quotes obtained on an individual case basis that cannot be substantiated to represent an executable/ exit price are classified as level 3. If the security was actively traded (with significant volume) within a thirty-day period from the last day it was manually priced, evidence of the active trade with a broker quote is appropriate documentation to classify the security a level 2. When the average of multiple broker quotes is used, the level (2 or 3) is determined based on whether or not those quotes can be substantiated.

The Syndicate asset portfolio includes Private Equity investments and the Syndicate Loan to central fund. These have all been classified as Level 3 based on the criteria above. The Group Portfolio Manager receives partnership statements / financial statements for each investment from which the residual values are recorded, and then potentially adjusted when combined with adjusted ending value reports. The Group Portfolio Manager then recommends a valuation for each position, based on these statements and their own assessment/judgement.

9. Deferred acquisition costs

	2020 $m	2019 $m
At 1 January	177.4	183.7
Change in deferred acquisition costs	(3.3)	(8.5)
Foreign exchange	2.2	2.2
At 31 December	**176.3**	**177.4**

10. Other Assets

Other assets comprise overseas deposits which are lodged as a condition of conducting underwriting business in certain countries.

11. Cash and cash equivalents

	2020 $m	2019 $m
Cash at bank and in hand	255.4	105.1
Short-term deposits with credit institutions	24.6	22.7
Total	**280.0**	**127.8**

12. Provisions for Unearned Premiums

2020	Gross $m	Reinsurers' Share $m	Net $m
At 1 January 2019	796.7	(261.9)	534.8
Premiums written in the year	1,750.2	(634.0)	1,116.2
Premiums earned in the year	(1,758.4)	609.3	(1,149.1)
Foreign exchange	13.2	(1.6)	11.6
At 31 December 2020	**801.7**	**(288.2)**	**513.5**

2019	Gross $m	Reinsurers' Share $m	Net $m
At 1 January 2019	839.7	(253.3)	586.4
Premiums written in the year	1,687.2	(645.0)	1,042.2
Premiums earned in the year	(1,733.7)	639.4	(1,094.3)
Foreign exchange	3.5	(3.0)	(0.5)
At 31 December 2019	**796.7**	**(261.9)**	**534.8**

13. Claims Outstanding

2020	Gross $m	Reinsurers' Share $m	Net $m
At 1 January 2019	4,199.6	(1,326.9)	2,872.7
Claims incurred during the year	1,419.7	(653.9)	765.8
Claims paid during the year	(1,260.8)	369.2	(891.6)
Foreign exchange	68.6	(10.0)	58.6
At 31 December 2020	**4,427.1**	**(1,621.6)**	**2,805.5**

2019	Gross $m	Reinsurers' Share $m	Net $m
At 1 January 2019	3,989.3	(1,018.6)	2,970.7
Claims incurred during the year	1,479.4	(663.8)	815.6
Claims paid during the year	(1,300.7)	364.3	(936.4)
Foreign exchange	31.6	(8.8)	22.8
At 31 December 2019	**4,199.6**	**(1,326.9)**	**2,872.7**

14. Risk Management
14.1. Governance framework

LMAL has established a risk management function for the Syndicate and has delegated the responsibility for day-to-day oversight of risk to the LMAL RMC.

The Risk Management framework (RMF) provides a structure through which the risk management strategy, approach, and practices are set. The RMF also provides a consistent process by which the risk profile of LMAL can be identified, assessed, monitored and reported, with appropriate risk mitigation plans as necessary.

The LMAL RMF outlines all risk management processes including support, advice, business partnering and challenge from the Risk Management team ("Risk Management"), to enable risks to be managed effectively across LMAL.

In addition, a policy framework which each category of risk profiles to which the Syndicate is exposed has been put in place. Each risk category has a member of senior management charged with overseeing compliance with the policy throughout the Syndicate.

The RMC approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the identification of risk and its interpretation to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the Syndicate goals, and specify reporting requirements. Significant emphasis is placed on assessment and documentation of risks and controls, including the articulation of 'risk appetite'.

14.2. Capital management objectives, policies and approach

14.2.1. 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, and in accordance with the Solvency II framework.

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

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

14.2.2. Lloyd's capital setting process

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

Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2020 was 35% of the member's SCR 'to ultimate'.

14. Risk Management (continued)

14.2. Capital management objectives, policies and approach (continued)

14.2.3. 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), held within and managed within a Syndicate (Funds in Syndicate) or as the member's share of the members' balances on each Syndicate on which it participates.

Accordingly, all assets less liabilities of the Syndicate, as represented in the members' balances reported on the statement of financial position, represent resources available to meet members' and Lloyd's capital requirements.

14.3. Insurance risk

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

The Syndicate issues general insurance contracts referenced in note 2 segmental analysis. These risks typically cover twelve months' duration.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, which are designed to ensure that risks are diversified in terms of industry sectors, type of risk and level of insured benefits.

The Syndicate purchases reinsurance as part of its risk's mitigation programme. Reinsurance ceded is placed on both a proportional and non–proportional basis. The majority of proportional reinsurance is quota–share reinsurance which is taken out to reduce the overall exposure to certain classes of business. Non–proportional reinsurance is primarily excess–of–loss reinsurance designed to mitigate the Syndicate's net exposure to catastrophe losses. Retention limits for the excess–of–loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Syndicate has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

Strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Syndicate. The Syndicate further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

14. Risk Management (continued)
14.3. Insurance risk (continued)

The Syndicate continues to have exposure to the Ogden Discount Rate primarily through Motor XL business. In terms of new emerging risks during the year, COVID-19 as a pandemic has been unusual from other significant losses that the Syndicate has exposure to. Management continue to constantly monitor, review and assess the impacts of COVID-19 on the Syndicate which is well placed to withstand its impact.

Exposure to concentrations arising from the insurance contracts is a material risk to the Syndicate. The Board risk appetites include specific exposure management limits; these are cascaded down to individual underwriting portfolios. The Syndicate supports its internal quantification of exposure concentrations by utilising external, commercially available exposure management models.

The following table shows the Syndicate's exposure to its three largest natural catastrophe perils on active policies in 2020:

	Industry Loss	Syndicate Loss Gross	Syndicate Loss Final Net
Peril Region	**$m**	**$m**	**$m**
North American Hurricane	220,338.6	1,078.7	533.0
North American Earthquake	80,712.7	900.8	389.8
European Wind	39,196.0	547.8	296.9

The following table sets out the concentration of outstanding claim liabilities by type of contract:

	31 December 2020			31 December 2019		
	Gross liabilities	Reinsurance of liabilities	Net liabilities	Gross liabilities	Reinsurance of liabilities	Net liabilities
	$m	$m	$m	$m	$m	$m
Commercial	1,069.5	(584.7)	484.8	912.7	(438.7)	474.0
Specialty	1,523.9	(670.1)	853.8	1,449.5	(594.3)	855.2
Reinsurance	2,635.4	(655.0)	1,980.4	2,634.1	(555.8)	2,078.3
Total	**5,228.8**	**(1,909.8)**	**3,319.0**	**4,996.3**	**(1,588.8)**	**3,407.5**

The geographical concentration of the outstanding claim liabilities is also noted below. The disclosure is based on the countries where business is written.

	31 December 2020			31 December 2019		
	Gross liabilities	Reinsurance of liabilities	Net liabilities	Gross liabilities	Reinsurance of liabilities	Net liabilities
	$m	$m	$m	$m	$m	$m
UK	4,092.1	(1,441.5)	2,650.6	3,999.3	(1,237.3)	2,762.0
Other EU countries	416.8	(204.2)	212.6	355.7	(186.8)	168.9
USA	126.2	(76.7)	49.5	47.7	(16.7)	31.0
Worldwide	593.7	(187.4)	406.3	593.6	(148.0)	445.6
Total	**5,228.8**	**(1,909.8)**	**3,319.0**	**4,996.3**	**(1,588.8)**	**3,407.5**

The principal assumption underlying the liability estimates is that the future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of paid and incurred claims, claim handling costs and claim inflation factors for each underwriting year.

14. Risk Management (continued)
14.3. Insurance risk (continued)

Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future and are also used to assess the extent to which external factors such as judicial decisions and government legislation affect estimates.

There is a wide range of possible outcomes in assessing the technical provisions due to the uncertainty associated in estimating ultimate claims and premiums for the business written.

For all actuarial projections the final outcome will depend on the actual development of claims which in turn relies upon the appropriateness of the historic data to predict the likely development by class. Unforeseen changes may affect the suitability of that data and would be expected to have an impact on the accuracy of the results and increased uncertainty in the projections. In general, the uncertainty associated with the ultimate claims experience in an underwriting year is greatest when the underwriting year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherent in the estimation process, the actual overall claim provision may not always be in surplus.

The results and accuracy of some underwriting classes can be sensitive to the performance of certain key contracts, either through large exposures or through a large volume of business being written under the contract, relative to the size of the account. Additionally, ultimate claims are highly dependent on exposure to and the future incidence of catastrophe events, either natural or man-made.

A large proportion of the technical provisions are in long-tail casualty classes, which increases the uncertainty relative to other classes of business. Estimates make no provision for potential and uncertainty of future claims arising from new latent causes or classes of claims not yet materially recognised in the historical experience.

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

	2020 **$m**	**2019** **$m**
1% increase in claims reserves	(28.1)	(28.7)
1% decrease in claims reserves	28.1	28.7

14.4. Financial risk

14.4.1. Credit risk

Credit risk is the risk of financial change in value due to actual credit losses deviating from expected credit losses due to the failure of another party to meet its contractual debt obligations.

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

- A credit risk policy and procedure document setting out the framework for what constitutes credit risk for the Syndicate. The policy and procedure document is regularly reviewed for pertinence and for changes in the credit risk environment and compliance with Syndicate policies and procedures is monitored.

14. Risk Management (continued)
14.4. Financial risk (continued)
14.4.1. Credit risk (continued)

- Ensuring counterparties are within risk appetite by dealing with companies that have a good credit rating or financial standing and active mitigation of credit risk by obtaining collateral or financial guarantees where necessary.

- From an investment perspective, credit risk captures the potential loss due to default or migration to a lower rating. An Investment Management Policy sets out the assessment and determination of what constitutes credit risk (as a subset of market risk). Compliance with the policy is monitored; exposures and any breaches are reported to the Risk Management Committee. The policy is reviewed regularly. Limits are set for financial investments; a minimum overall average credit rating must be maintained in addition to minimum rating requirements per asset.

The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position. More than 90% of the past due balance is up to 12 months overdue, with the remaining balance over 12 months overdue. All overdue balances are deemed to be fully recoverable; as such no impairment has been recognised against these assets.

14. Risk Management (continued)
14.4. Financial risk (continued)
14.4.1. Credit risk (continued)

2020	Neither due nor impaired $m	Financial assets that are past due but not impaired $m	Financial assets that have been impaired $m	Total $m
Shares and other variable yield securities and unit trusts	97.2	-	-	97.2
Debt securities	3,467.9	-	-	3,467.9
Loans with credit institutions	-	-	-	-
Deposits with credit institutions	24.6	-	-	24.6
Overseas deposits as investments	108.1	-	-	108.1
Reinsurers' share of claims outstanding	1,621.6	-	-	1,621.6
Reinsurance debtors	-	178.0	-	178.0
Cash at bank and in hand	255.4	-	-	255.4
Insurance debtors	287.0	45.9	-	332.9
Other debtors	1,306.3	-	-	1,306.3
Total credit risk	**7,168.1**	**223.9**	**-**	**7,392.0**

2019	Neither due nor impaired $m	Financial assets that are past due but not impaired $m	Financial assets that have been impaired $m	Total $m
Shares and other variable yield securities and unit trusts	103.2	-	-	103.2
Debt securities	3,715.4	-	-	3,715.4
Loans with credit institutions	-	-	-	-
Deposits with credit institutions	22.8	-	-	22.8
Overseas deposits as investments	98.8	-	-	98.8
Reinsurers' share of claims outstanding	1,326.9	-	-	1,326.9
Reinsurance debtors	-	52.4	-	52.4
Cash at bank and in hand	105.1	-	-	105.1
Insurance debtors	212.3	51.1	-	263.4
Other debtors	1,090.6	-	-	1,090.6
Total credit risk	**6,675.1**	**103.5**	**-**	**6,778.6**

Insurance debtors represent amounts due from intermediaries under direct business of which 13.8% ($45.9m) of the total balance are over-due more than 12 months. The insurance debtors are not rated. All overdue balances are deemed to be fully recoverable; as such no impairment has been recognised against these assets.

Other debtors include amounts due from ceding insurers and debtors from reinsurance inwards business, which represents 52.8% ($689.9m) of the total balance. These assets are not rated.

Loans with credit institutions have been reclassified as debt securities due to their coupon rate and fixed cash inflow.

The tables below provide information regarding the credit risk exposure of the Syndicate at 31 December 2020. Assets have been classified by way of a waterfall approach and three rating agents are used in this analysis where possible. Internal ratings are then applied for those instances where an external rating does not exist.

14. Risk Management (continued)
14.4. Financial risk (continued)
14.4.1. Credit risk (continued)

	Credit rating relating to financial assets that are neither past due nor impaired						
	AAA	**AA**	**A**	**BBB**	**<BBB**	**Not Rated**	**Total**
2020	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Shares and other variable yield securities and unit trust	44.7	-	25.7	-	-	26.8	97.2
Debt securities	342.1	990.6	991.5	1,074.5	41.5	27.7	3,467.9
Loans with credit institutions	-	-	-	-	-	-	-
Deposits with credit institutions	-	-	24.6	-	-	-	24.6
Overseas deposits as investments	45.7	7.1	7.7	6.4	14.0	27.2	108.1
Reinsurer' share of claims outstanding	-	41.3	1,555.7	-	-	24.6	1,621.6
Reinsurance debtors	-	-	-	-	-	-	-
Cash at bank and in hand	-	-	255.4	-	-	-	255.4
Total credit risk	**432.5**	**1,039.0**	**2,860.6**	**1,080.9**	**55.5**	**106.3**	**5,574.8**

	Credit rating relating to financial assets that are neither past due nor impaired						
	AAA	**AA**	**A**	**BBB**	**<BBB**	**Not Rated**	**Total**
2019	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Shares and other variable yield securities and unit trust	71.3	-	5.6	-	-	26.3	103.2
Debt securities	391.9	1,269.4	899.9	1,085.3	41.2	27.7	3,715.4
Loans with credit institutions	-	-	-	-	-	-	-
Deposits with credit institutions	-	-	22.8	-	-	-	22.8
Overseas deposits as investments	37.8	5.8	8.5	6.2	11.0	29.5	98.8
Reinsurer' share of claims outstanding	-	84.4	1,208.4	-	-	34.1	1,326.9
Reinsurance debtors	-	-	-	-	-	-	-
Cash at bank and in hand	-	-	105.1	-	-	-	105.1
Total credit risk	**501.0**	**1,359.6**	**2,250.3**	**1,091.5**	**52.2**	**117.6**	**5,372.2**

Maximum Credit Exposure

It is the Syndicate's policy to maintain accurate and consistent risk ratings across its credit risk portfolio. This enables management to focus on the applicable risks and comparison of credit exposures. During the year there have been no breaches of credit rating tolerances.

The amount of change during the period in the fair value of financial instruments held at fair value through profit and loss attributable to changes in credit risk was $2.0m (2019: $0.4m).

Collateral

Credit Risk is also mitigated by entering into collateral agreements. Collateral was mainly held in the form of Letters of Credit and funds held within designated accounts. At 31 December 2020, the Syndicate held collateral to the value of $108.6m (2019: $96.4m).

14. Risk Management (continued)
14.4. Financial risk (continued)
14.4.2. Liquidity risk

Liquidity risk is the probability of loss arising from situations where the Syndicate either has insufficient cash to meet its financial obligations or is required to sell assets below their fair value to meet cash demands. The Syndicate maintains sufficient liquidity to meet liabilities as they fall due. Cash will only be held for routine cash flow purposes, or where there is a specific regulatory requirement, as the Syndicate accepts liquidity risk to maximise invested assets.

The Syndicate will maintain a diversified and appropriately liquid portfolio aimed at minimising the mismatch in cash flows between the assets and net-liabilities. Illiquid investments will be considered on a case-by-case basis depending on the supporting justification; these securities will be subject to regular review to ensure the impact on liquidity risk is immaterial.

The table below summarises the maturity profile of the Syndicate's financial liabilities based on remaining contractual obligations, including interest payable, and outstanding claim liabilities based on the estimated timing of claim payments resulting from recognised insurance liabilities. With the exception of $40.8m (2019: $39.6m) of discount credit relating to Motor XL PPOs, the contractual obligations are undiscounted.

	No stated maturity	0-1 year	1-3 years	3-5 years	>5 years	Total
2020	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Outstanding claim liabilities	-	486.8	2,307.1	609.0	1,024.2	4,427.1
Creditors	837.4	-	-	-	-	837.4
Total credit risk	**837.4**	**486.8**	**2,307.1**	**609.0**	**1,024.2**	**5,264.5**

	No stated maturity	0-1 year	1-3 years	3-5 years	>5 years	Total
2019	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Outstanding claim liabilities	-	313.1	2,359.1	588.1	939.3	4,199.6
Creditors	601.9	-	-	-	-	601.9
Total credit risk	**601.9**	**313.1**	**2,359.1**	**588.1**	**939.3**	**4,801.5**

14.4.3. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factors. Market risk comprises three types of risk: currency risk (due to fluctuations in foreign exchange rates), interest rate risk (due to fluctuations in market interest rates) and price risk (due to fluctuations in market prices).

An investment management policy exists that sets out the assessment and determination of what constitutes market risk for the Syndicate and details how the company measures, monitors and mitigates the potential market risks posed by the investment portfolio. Compliance with the policy is monitored with exposures and any breaches reported to the Risk Management Committee.

14. Risk Management (continued)
14.4. Financial risk (continued)
14.4.4. Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Syndicate's functional currency is the USD and its exposure to foreign exchange risk arises primarily with respect to transactions in Euro, GBP and Canadian dollars. The Syndicate seeks to mitigate the risk by matching foreign currency denominated liabilities with assets denominated in the same currency.

The table below summarises the exposure of the financial assets and liabilities to foreign exchange rate risk at the reporting date:

2020	GBP $m	USD $m	EUR $m	CAD $m	Total $m
Total assets	1,067.6	5,518.0	463.5	342.9	7,392.0
Total liabilities	(1,258.5)	(4,104.6)	(630.2)	(172.1)	(6,165.4)
Net assets	**(190.9)**	**1,413.4**	**(166.7)**	**170.8**	**1,226.6**

2019	GBP $m	USD $m	EUR $m	CAD $m	Total $m
Total assets	1,087.4	4,897.0	505.1	289.1	6,778.6
Total liabilities	(1,418.1)	(3,458.8)	(661.9)	(155.8)	(5,694.6)
Net assets	**(330.7)**	**1,438.2**	**(156.8)**	**133.3**	**1,084.0**

The table below gives an indication of the impact on net asset value of a percentage change in the relative strength of the USD against GBP, Canadian dollar and the Euro simultaneously.

	2020 $m	2019 $m
Dollar weakens		
10% against other currencies	18.9	31.4
20% against other currencies	49.8	84.8
Dollar strengthens		
10% against other currencies	(26.0)	(46.3)
20% against other currencies	(42.9)	(75.4)

14.4.5. Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Syndicate is exposed to interest rate risk through its investment portfolio, cash and cash equivalents.

Liabilities in respect of Motor XL PPOs are sensitive to the level of market interest rates, as they are discounted. The remaining insurance liabilities are not sensitive to fluctuations in the level of market interest rates and are contractually non-interest-bearing.

The analysis below is performed for reasonably possible movements in interest rates, with all other variables held constant, showing the impact on profit and members' balance of the effects of changes in interest rates on fixed rate and variable rate financial assets.

14. Risk Management (continued)
14.4. Financial risk (continued)
14.4.5. Interest rate risk (continued)

This measures the impact on profit or loss for the year (for items recorded at fair value through profit or loss) that would arise from a reasonably possible change in interest rates on financial instruments at the period end.

Changes in variables	Impact on result $m	Impact on Member's balances $m
At 31 December 2020		
+ 50 basis points	(57.0)	(57.0)
- 50 basis points	69.1	69.1
At 31 December 2019*		
+ 50 basis points	(62.5)	(62.5)
- 50 basis points	64.5	64.5

** The sensitivity analysis for the prior year has been adjusted to bring it in line with the sensitivity analysis for the year ended 31 December 2020.*

14.4.6 Equity price risk

Equity risk arises from the level or volatility of market prices for equities.

The Syndicate's equity risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities.

The investment management policy governs the management of equity risk by setting limits on equity investments which are regularly monitored.

There is no significant concentration of equity risk.

The analysis below is performed for reasonably possible movements in market indices on financial instruments, insurance assets and liabilities with all other variables held constant, showing the impact on profit before tax due to changes in fair value of financial assets and liabilities (whose fair values are recorded in the income statement) and equity (that reflects adjustments to profit before tax and changes in fair value of available for sale financial assets that are equity instruments).

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

		2020		2019	
	Change in variables	Impact on result	Impact on equity	Impact on result	Impact on equity
Changes in variables - market indices		$m	$m	$m	$m
Shares and other variable - yield securities	+5%	1.3	1.3	1.3	1.3
Shares and other variable - yield securities	-5%	(1.3)	(1.3)	(1.3)	(1.3)

14.5. Climate change risk

Climate change risk arises from the potential impacts associated with an increase in global average temperatures, measured against pre-industrial levels. The risk has the potential to manifest in three distinctive forms: physical risks, transitional risks and litigation risks.

- Physical risks result from the impacts of increasingly frequent and severe extreme weather events and longer-term shifts in climatic conditions.

- Transitional risks arise from global and local economic transitions to carbon neutrality, which are likely to include large-scale market, technological and policy changes.

- Litigation risks stem from parties seeking legal redress against those deemed to be responsible for the impacts of physical and transitional risks. The Syndicate has classified climate change as a cross-cutting risk, meaning it impacts a number of different risk areas within the business, and it is being addressed within the existing Risk Management Framework.

The Syndicate has enhanced its internal approach to the management of climate change risk throughout 2020. Individual and sub-Committee responsibilities have been updated, and these have been supported by the creation of a cross-departmental Climate Change Forum to identify, assess and escalate climate change risks. The Syndicate has conducted an initial assessment of the breadth of climate change risks within current underwriting policies and developed an internal Climate Change Risk Assessment to assess and monitor these risks. To enhance its ability to track climate change risks, the Syndicate has conducted scenario analysis within its Own Risk and Solvency Assessment (ORSA) and sourced third-party climate data tools to meet identified data gaps. These improvements will continue throughout 2021 with teams continuing to provide the Board and its sub-Committees with regular climate change risk information.

The Syndicate recognises the pivotal role insurers have in supporting the economic transition through their products, asset holdings and disclosures. The Syndicate has expanded its renewable energy insurance products and set thermal coal thresholds within underwriting and investments to support this shift. In 2021 the Syndicate's membership of ClimateWise will be leveraged to develop transparent public climate risk disclosures, that will look to provide our policyholders and counterparties with improved decision-making information.

15. Claims Development

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive underwriting year at each reporting date. The cumulative claims estimates and cumulative payments are translated into USD at the period end rate as at 31 December 2020. The claims development information disclosed is being increased from five years to ten years over the period 2016 - 2020.

Gross Insurance contract outstanding claims provision as at 31 December 2020:

Estimate of cumulative claims	2010 and prior $m	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 underwriting year		669.4	506.7	506.2	517.1	465.3	547.2	1,071.9	679.5	621.9	489.0	
One year later		1,033.6	915.8	1,030.2	1,027.5	923.9	1,170.1	1,617.2	1,362.5	1,097.5		
Two years later		1,077.3	952.5	1,033.6	1,123.9	1,022.2	1,211.3	1,754.2	1,647.9			
Three years later		1,036.2	958.3	1,009.2	1,140.9	1,062.9	1,314.8	1,845.4				
Four years later		1,000.5	920.6	1,008.1	1,126.9	1,098.3	1,322.8					
Five years later		989.5	912.0	1,014.1	1,134.4	1,153.4						
Six years later		977.8	911.6	988.4	1,144.0							
Seven years later		992.8	898.0	964.4								
Eight years later		995.9	860.3									
Nine Year later		981.6										
Cumulative payments		849.0	749.2	851.2	920.7	865.3	902.7	1218.4	831.5	267.3	85.1	
Estimated balance to pay	**461.2**	**132.6**	**111.1**	**113.2**	**223.3**	**288.1**	**420.1**	**627.0**	**816.4**	**830.2**	**403.9**	**4,427.1**

Net insurance contract outstanding claims provision as at 31 December 2020:

Estimate of cumulative claims	2010 and prior $m	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 underwriting year		542.6	432.7	460.0	469.4	406.7	440.2	794.8	535.4	456.6	320.1	
One year later		863.1	829.2	935.7	930.1	785.0	895.2	993.3	864.7	721.2		
Two years later		901.7	857.8	927.8	985.4	869.6	840.3	984.9	1,092.6			
Three years later		873.3	870.0	886.0	989.4	869.4	905.4	934.7				
Four years later		849.1	836.4	876.9	940.7	837.4	803.9					
Five years later		830.8	833.6	882.4	924.3	815.1						
Six years later		818.1	832.1	856.3	911.1							
Seven years later		826.4	821.8	827.9								
Eight years later		828.9	783.9									
Nine Year later		814.9										
Cumulative payments		689.4	673.8	745.5	738.8	667.8	612.4	669.0	632.8	191.5	52.5	
Estimated balance to pay	**453.6**	**125.5**	**110.1**	**82.4**	**172.3**	**147.3**	**191.5**	**265.7**	**459.8**	**529.7**	**267.6**	**2,805.5**

16. Related parties

Liberty Corporate Capital Limited (LCCL) is the corporate member of the Syndicate. LCCL's immediate parent company is Liberty International Holdings Inc.

Liberty Managing Agency Limited (LMAL) is the managing agent of the Syndicate. LMAL's immediate parent company is Liberty UK and Europe Holdings Limited. The Agency charged a managing agency fee of $14.7m (2019: $16.0m) to the Syndicate for its services, which is within the pre-determined percentage by year of account. The Agency did not charge the Syndicate a profit commission (2019: $nil). At the balance sheet date, the Syndicate owed LMAL $20.5m (2019: $61.4m).

Liberty Specialty Markets Limited (LSML) is a service company from which employees are seconded to the LMAL to perform Syndicate duties for and behalf of the corporate member, for which costs are incurred and re-charged to the Syndicate. During the year, LSML charged a total of $89.9m to the Syndicate (2019: $82.5m). At year end, LSML owed the Syndicate $2.6m (2019: Syndicate owed $0.4m). LSML's immediate parent company is Liberty UK and Europe Holdings Limited.

Liberty Specialty Markets Europe (LSME) is a European-based coverholder for Syndicate 4472. During the year, LSME charged a total of $2.6m (2019: $15.2m) to the Syndicate in recharged expenses. At Balance Sheet date LSME owed the Syndicate $5.5m (2019: $5.0m).

Liberty Specialty Markets Europe Two (LSME 2) is a European-based coverholder for Syndicate 4472. LSME2 also charged a total of $5.9m (2019: $0m) to the Syndicate in recharged expenses. At year end LSME2 owed the Syndicate $34.8m (2019: $0m).

Liberty Specialty Services Limited (LSSL) acts as a coverholder for the Syndicate and its related UK insurer Liberty Mutual Insurance Europe SE (see below). The company also acts as a broker in certain reinsurance transactions for the Syndicate. During the year, LSSL charged the Syndicate $0.2m (2019: $13.1m) in commissions. At year end, LSSL owed the Syndicate $30.2m (2019: the Syndicate owed $58.7m). The ultimate parent company is Liberty Mutual Holdings Company Inc.

Liberty Mutual Insurance Europe SE (LMIE) is a company domiciled in Luxembourg that operates under the LSM umbrella underwriting insurance and reinsurance business from London and its branches across Europe. During the year, the Syndicate did not place any reinsurance with LMIE (2019: $2.6m). The Syndicate did not recover any losses from LMIE during the year (2019: $0.3m). At year end the Syndicate also has a reinsurance reserve with LMIE of $16.4m (2019: $17.4m). Its ultimate parent company is Liberty Mutual Holding Company Inc.

Liberty International Group (LIG) constitutes all other entities and affiliates to the Syndicate's ultimate parent company, Liberty Mutual Holdings Company. During the year, the Syndicate placed outwards reinsurance protection of $576.4m (2019: $565.2m) with LIG. The losses recovered from LIG during the year amounted to $233.8m (2019: $250.4m). At year end the Syndicate also has a reinsurance reserve with LIG of $1,325.8m (2019: $941.0m).

Liberty Specialty Markets MENA Limited (LSM MENA) also acts as a coverholder for the Syndicate and LMIE, for which it charges a fee for its services. The amount charged during the period was $0.6m (2019: $2.1m). The Syndicate has an outstanding balance due to LSM MENA of $0.1m at year end (2019: $6.2m). LSM MENA's immediate parent company is Liberty UK and Europe Holdings Limited.

17. Member's Funds
17.1. Funds at Lloyd's

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

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

17.2. Funds in Syndicate (FIS)

The member participates on the Syndicate by reference to years of accounts' ultimate results, and assets and liabilities are assessed with reference to policies incepting in that year of account in respect of its membership of a particular year. The balance due to the member is payable when a year of account closes, usually after three years. Syndicate's which are wholly aligned are able to retain closed year profits as capital to support their underwriting activities. This is known as Funds in Syndicate (FIS).

LCCL holds investments of the Syndicate to be used to support the Syndicate's capital requirements of Funds at Lloyd's. This gives the Syndicate the ability to manage these funds under the same Investment Management Agreement as the other funds of the Syndicate that are held within the premiums trust funds. The value of FIS as at the balance sheet date was $1,231.2m (2019: $1,307.1m).

The 2006 year of account balance was retained within the Syndicate at its time of closure. Subsequently, the Syndicate also retained the results of the 2007 to 2016 years of account at their time of closure. There was a release of FIS during the year of $156.3m, of which $116.3m was used to settle the 2017 year of account loss. This resulted in a net distribution to the member of $40.0m (2019: net distribution of $127.4m) during the calendar year.

18. Off-balance sheet arrangements

The Syndicate benefits from collateral pledged by ceded reinsurance counterparties, which is not held on the balance sheet. The collateral is held in segregated funds, and acts as additional security in the event of failure of those counterparties to meet their contractual obligations.

The Syndicate has not been party to any other arrangements, which is not reflected in its statement of financial position, where material risk and benefits arise for the Syndicate.

19. Ultimate parent company

The ultimate parent company of both LCCL and LMAL is Liberty Mutual Holding Company Inc. of Boston, 175 Berkeley Street, Boston, Massachusetts 02117, U.S.A. a company incorporated in the United States of America. The smallest higher group of companies for which group accounts are drawn up, and of which these companies are members, is Liberty International Holdings LLC.

Copies of the group accounts of Liberty International Holdings Inc., Liberty International Holdings LLC and Liberty Mutual Holding Company Inc. are available from the company's office, 175 Berkeley Street, Boston, Massachusetts 02117, U.S.A.

20. Post Balance Sheet Events

On the 4th January 2021, the Syndicate transferred across $29.4m to Lloyd's Brussels as advance claims settlement funds as part of the Part VII arrangements. This transaction will be reflected as a Deposit with Ceding Undertakings on the Syndicate balance sheet going forward.