Important information about Syndicate Reports and Accounts

Access to this document is restricted to persons who have given the certification set forth below. If this document has been forwarded to you and you have not been asked to give the certification, please be aware that you are only permitted to access it if you are able to give the certification.

The syndicate reports and accounts set forth in this section of the Lloyd’s website, which have been filed with Lloyd’s in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005), are being provided for informational purposes only. The syndicate reports and accounts have not been prepared by Lloyd’s, and Lloyd’s has no responsibility for their accuracy or content. Access to the syndicate reports and accounts is not being provided for the purposes of soliciting membership in Lloyd’s or membership on any syndicate of Lloyd’s, and no offer to join Lloyd’s or any syndicate is being made hereby. Members of Lloyd’s are reminded that past performance of a syndicate in any syndicate year is not predictive of the related syndicate’s performance in any subsequent syndicate year.

You acknowledge and agree to the foregoing as a condition of your accessing the syndicate reports and accounts. You also agree that you will not provide any person with a copy of any syndicate report and accounts without also providing them with a copy of this acknowledgment and agreement, by which they will also be bound.

MUNICH RE SYNDICATE 1840

ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2021

Managed by Munich Re Syndicate Limited

CONTENTS

DIRECTORS AND ADMINISTRATION

MANAGING AGENT

Managing Agent
Munich Re Syndicate Limited ('MRSL') is the Managing Agent for Munich Re Syndicate 1840 (the 'Syndicate') and is authorised by the Prudential Regulation Authority ('PRA') and regulated by the Financial Conduct Authority ('FCA') and the Society of Lloyd's ('Lloyd's').

Directors

L F Allen	Non-Executive Director
E J Andrewartha	Non-Executive Chair
T E Artmann	Chief Executive Officer
R J Attwood	Group Chief Financial Officer
T J Carroll	Non-Executive Director
T Coskun	Director of Risk and Compliance
S H Herrmann	Non-Executive Director
M C Hewett	Non-Executive Director
D J R Hoare	Group Chief Underwriting Officer
A C Maxwell	Group Claims Director

Company Secretary
T Coskun

Registered Office
St. Helens, 1 Undershaft, London EC3A 8EE
Telephone: 020 7886 3900 • Facsimile: 020 7886 3901
E-mail: MRSL-central@munichre.com
Website: www.munichre.com

Registered Number
01328742

SYNDICATE

Active Underwriter
S Newcombe

Bankers
Citibank N.A.
Royal Bank of Scotland plc
Royal Bank of Canada

Registered Auditor
Ernst & Young LLP, London E14 5EY

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

This annual report is prepared using the annual basis of accounting as required by Statutory Instrument No 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ('the 2008 Regulations').

RESULTS

The loss for calendar year 2021 is £1.0m. Losses will be cash called by reference to the results of individual underwriting years.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

Munich Re Innovation Syndicate 1840 (MRI 1840) was established from the 1st January 2020 as the first Syndicate in a Box (SiaB) at Lloyd's dedicated to the design, launch and incubation of innovative insurance products. The syndicate wrote no standard lines of business which could easily be sourced, underwritten or distributed through existing channels. It focuses on emerging risks, products associated with supporting the development of green energy solutions, and mitigating the financial impact of extreme weather events.

The Syndicate's key financial indicators are as follows:

	2021	**2020**
Gross Written Premium	£3.9m	£1.0m
(Loss) for the financial year	£(1.0)m	£(0.9)m
Combined Ratio	207.8%	380.0%

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

2020 was an unprecedented year and the impact of Covid-19 rolled on into 2021. In person meetings with colleagues or business partners were not possible for much of the year, and neither was travel. This prevented us from conducting the face-to-face meetings and business travel essential to the development of a new account with key stakeholders in London, Germany, the USA and other areas. This was especially problematic for MRI 1840 because our business model is to rely on the expertise contained within the wider Munich Re Group for underwriting and pricing expertise and developing the innovative products which are a specific requirement of the Syndicate business plan. Many are derived from Munich Re innovation units around the world.

Nevertheless, a significant amount of success was achieved, especially in the parametric weather part of our business plan. We have continued to work on the areas of green energy and other emerging risks but unfortunately the pace of development was slower than we would have liked, resulting in us failing to achieve business plan in those areas. A large single parametric windstorm loss has had a detrimental effect on our combined ratio.

The Syndicate continues to support the Future at Lloyd's blueprint and innovation activities at Lloyd's seeking to combine data, technology and new ways of working with Lloyd's existing strengths to transform Lloyd's culture in all areas from placing risks to paying claims and developing new products. We remain focussed on innovative insurance products and distribution methods.

The gross written premium is accounted 99% in Property and 1% in Third Party Liability for 2021 (2020: 100% Property).

The Syndicate has a quota share arrangement of 75% across the book. This quota share reinsurance reduces the net exposures generated during the formative stages of the new syndicate, and allows a direct expense offset through the overrider charged on the premium ceded back to Munich Re. This proportional treaty structure will avoid the potential for punitive minimum and deposit premiums incurred under a non-proportional treaty reinsurance programme for these new lines of business.

The paid reinsurance premiums for 2021 are to EU companies.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board of MRSL ('the Board') sets risk appetite annually as part of the Syndicate's business planning and Solvency Capital Requirement process. Adherence to risk appetite is reviewed by the Board on a periodic basis.

Insurance Risk

Insurance risk, comprising underwriting risk and reserving risk, is the risk of loss arising from the inherent uncertainties about the occurrence, amount and timing of insurance premiums and liabilities. The Board manages insurance risk by agreeing its appetite for those risks annually through the business plan which sets out targets for volumes, pricing, line sizes and retention by class of business. The Board monitors performance against the business plan on a regular basis. The Managing Agency uses catastrophe modelling software to model maximum probable losses from catastrophe exposed business. The Group Actuary monitors reserve adequacy. Detailed independent reviews of underwriting areas are conducted on a quarterly basis.

Credit Risk

Credit risk relates to the risk of loss if another party fails to perform its financial obligations or fails to perform them in a timely fashion. Key counter-parties include reinsurers, brokers, insureds, reinsureds, coverholders and investment counter-parties. The Board's policy is that the Syndicate will only reinsure with businesses that have been approved for that purpose. An additional policy of the Board is that all brokers and coverholders have to be approved in advance of being permitted to produce business for the Syndicate. Certain Executive Directors of the Board assess and approve all new reinsurers before business is placed with them and are also responsible for approval and monitoring of the financial strength of brokers who remain on a risk transfer basis. The syndicates investments are all held in cash and overseas deposits.

Group Risk

Group risk is the potential of risk events, of any nature, arising in or from membership of a corporate group. Munich Re is both the owner of the Managing Agent and the provider of underwriting capacity to the Syndicate. Munich Re provides reinsurance capacity for a number of classes. Close dialogue exists with the Integrated Risk Management ('IRM') division of Munich Re to discuss any necessary issues.

Liquidity Risk

Liquidity risk is the risk that sufficient financial resources are not maintained to meet liabilities as they fall due. The Finance Sub-Committee monitors liquidity on a regular basis and has an agreed minimum limit of readily realisable assets. The majority of S1840 assets are presently held in cash.

Market Risk

Market risk is the risk that arises from fluctuations in values of or income from assets, in interest rates or in exchange rates. The Syndicate settles 30% (2020: 87.5%) of its insurance business in United States dollars which gives rise to a potential exposure to currency risk while a substantial proportion of administrative and personal expenses are incurred in Sterling. The Syndicate mitigates this by adopting a policy of controlled matching of assets and liabilities.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external factors such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. The Syndicate's objective is to manage operational risks so as to balance the avoidance of financial losses and damage to the Syndicate's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. Risks are managed through the use of detailed procedures manuals and a structured programme of testing of processes and systems by internal audit.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Environmental Risk

Coronavirus 19 pandemic

On 11 March 2020, the World Health Organization (WHO) declared the coronavirus 19 (C19) outbreak as a pandemic and since then, C19 has escalated into an unprecedented global crisis with significant human and economic costs. As of 4 February 2022, the John Hopkins University C19 Resource Centre reported 388.2m positive cases of C19 infection and 5.7m deaths globally. In addition, most of the world's economies have been subjected to their deepest recessions with various Government measures introduced to limit the risk of transmission and infection, leading to a sharp decrease in economic activity in certain sectors. Whilst there remains a moderate level of high uncertainty regarding the future course of the pandemic and the recovery of the global economy, there is hope of a return to normal levels of economic activity given the high levels of vaccination and immunity across most regions.

The Board of the Managing Agency considers that the Syndicate has prepared well and is adequately positioned from an operational, financial and capital perspective. Since March 2020, the operational resilience of the Managing Agency and the Syndicate has been tested and deemed successful with all staff having the ability to work from the office or from home, under the Syndicate's new hybrid working model.

The Syndicate's underwriting performance and financial position are constantly monitored by the Board.

Post Brexit regulatory framework – the Future Regulatory Framework ("FRF") Review

On 24 December 2020, the European Commission and the UK Government reached an agreement on the terms of future trade and cooperation. The Trade and Cooperation Agreement (the TCA) provides for the free trade of goods and establishes a framework for cooperation on energy, transport, social security and standard-setting including climate change. However, the TCA does not extend to financial services firms. Rather, the TCA provides for the EU and the UK to establish a Memorandum of Understanding (MOU) by March 2021 for establishing a framework for structured regulatory cooperation on financial services. In addition, a brief UK-EU statement in the form of the Joint Declaration on Financial Services Regulatory Cooperation notes that there will be further discussion between the UK and EU on next steps regarding equivalence determinations between the parties.

Following an initial consultation published in October 2020, on 9 November 2021, the HM Treasury (HMT) published its proposals for reforming the UK's financial services regulatory framework (the FRF review). The current proposals include adopting a comprehensive FSMA (Financial Services Market Act) regulatory model that would delegate rulemaking powers to the FCA and the PRA; broadening the regulators' statutory objectives; and strengthening Parliament's scrutiny of the regulators.

Specifically, the HMTs proposals includes empowering the regulators to make rules to replace retained EU law. This will be achieved by tailoring regulatory requirements to UK and moving the requirements to the regulators' rulebooks via an extensive programme of secondary legislation. This is expected to take several years.

Whilst there is still some uncertainty as to the terms of final regulatory framework for financial services and the consequences that may subsequently arise, Syndicate 1840 and its Managing Agent, Munich Re Syndicate Ltd, have sought to mitigate the volatility of the resultant uncertainties where known. The Board is confident that Syndicate 1840's future performance should not be materially impacted by changes to the final regulatory framework for financial services.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Climate change related Risk

The Managing Agent and the Syndicate maintains abreast of climate change developments in its regulatory environment:

- On 24 June 2021, the HRH The Prince of Wales launched a new Sustainable Markets Initiative (SMI) Insurance Task Force, a platform for the insurance sector to collectively advance the world's progress towards a resilient, net-zero economy. The SMI Insurance Task Force, chaired by Lloyd's, is comprised of executives from many of the world's largest insurance and reinsurance companies including Munich Re Group.
- On 25 October 2021, Lloyd's published the "accelerating the transition to a more sustainable insurance and reinsurance marketplace" report. The Lloyd's report details guidance for Managing Agents, the Corporation's own approach for 2022, and how it plans to track the market progress towards transitioning to a more sustainable marketplace. Furthermore, as part of the new Lloyd's Principles oversight framework introduced during 2022, Lloyd's has published expectations of Managing Agents for implementing a broader ESG (Environmental Societal and Governance) strategy. With respect to climate change, the Syndicate will be expected to provide its own assessment for meeting Lloyd's expectations for implementing climate change specific strategies and considerations for underwriting, investments and operations.

Being part of the Munich Re Group, the Managing Agent and the Syndicate benefit from Munich Re Group policies and initiatives to meet its corporate responsibilities for ESG topics across its insurance business, investment activities and business operations. Specifically, Munich Re Group are committed towards supporting environmental initiatives and have voluntarily signed the Principles of Sustainable Insurance (PSI) and Principles for Responsible Investment (PRI) as established by the United Nations Environment Programme (UNEP). In December 2020, Munich Re Group also published new ambitious environmental protection targets for its core insurance business, investment and business operations. In addition, Munich Re has made significant developments in climate change from governance, strategy implementation, developing new products and services, investing in sustainable sectors and projects, and minimising its own CO2 footprint (see also Munich Re Group Corporate Responsibility Report, 2020).

In March 2021, the Board approved its Climate Change Strategy for the Managing Agent which is based on the targets previously published by Munich Re Group and Lloyd's (December 2020). The implementation of the MRSL strategy including transition towards sustainable insurance and investment activities, leverages from those activities of the Munich Re Group. During 2022, the Managing Agency and the Syndicate will accelerate its programme of activities to further expand upon its corporate responsibilities towards environmental issues in line with its Climate Change Strategy. Furthermore, the Managing Agency will continue to progress actions designed to meet the PRA's expectations of UK insurance firms to identify and manage financial risks from climate change. MRSL has a risk management programme to monitor and manage some elements of climate change related risks including aggregate exposure management. The Chief Underwriting Officer as the senior management function holder is deemed responsible for this programme with the support from the risk function. The Board is apprised of developments.

Cyber Risk

Cyber threats and consequentially cyber risk, has noticeably increased in the pandemic crisis as cyber-criminals seek to exploit the potential vulnerability of businesses and remote working environments. Munich Re remains resilient in extending and maintaining a secure platform to incorporate remote working whilst recognising an increased threat of phishing attacks, ransomware and fraud on its business. Security controls are based on Munich Re Group defined standards and are continuously improved to keep pace with the evolving Cyber threat, including regular Security and social engineering awareness communications, additional security training and new phishing reporting tools.

There have been no material Cyber Security or Data Protection breaches identified in 2021, and no incidents or successful intrusions detected as a result of the Log4J vulnerability widely publicised during December 2021. Whilst there continues to be an increase in phishing attempts, these have not been successful. The Cyber threat intelligence is shared within Munich Re and expert security resource is available should there be an information security incident. Munich Re undertakes a regular programme of patching, Vulnerability and Penetration Testing (VAPT) of IT systems and appropriate actions are taken to address any vulnerabilities identified. Security controls

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

are regularly assessed for control design and performance effectiveness as coordinated by the Munich Re Group IT & Risk Security team, with the results reported to Munich Re Integrated Risk Management. In the event of a breach there are established security incident response protocols and processes to ensure the incident is contained, resolved and reported appropriately.

Culture including Diversity & Inclusion (D&I)

As specific elements of ESG, Culture including D&I, is trending high on the agenda of boards and the regulators. In its FCA publications (DP18/2: Transforming culture in financial services (2018) and DP2/21 – Diversity and inclusion in the financial sector – working together to drive change (2021), the FCA raised the profile of Culture and D&I as key tenets of its regulatory agenda and considered 'good culture' and increased 'D&I' in firms as essential to mitigating non-financial misconduct and more sustainable business models. In addition, Lloyd's has published a specific principle for Culture in its new Principles oversight framework introduced during 2022 which applies to all managing agents

MRSL, as part of MRSGUKS, has been active in in its response to the challenges of Culture related topics. Culture is sponsored by the MRSL Board and remains a standing agenda item on the MRSL Board and Executive Committee. Since 2019, MRSGUKS has established a Culture Committee, which aims to improve and develop a diverse and inclusive culture and working environment for all employees. The Culture Committee supports the Executive Committee by providing a voice of all employees and supporting culture initiatives across themes including D&I and talent development.

Notable developments during 2021 on Culture related topics includes

- The introduction of Munich Re Specialty Group Limited's (MRSG) values and behaviours which are considered integral to Culture and demonstrate what the company believes is important and expect of all employees.
- The introduction of a new Hybrid Working Model which empowers staff to blend working from different locations including in the home or at the office to suit both personal and work needs.
- The publication of the first MRSGUKS first gender pay figures since the UK Government introduced the new requirement in 2017. As part of this publication, MRSGUKS has committed to working towards narrowing the gender pay gap and create an inclusive organisation that appeals to the best people.
- An increase in female representation at the senior levels of MRSL.
- Pilot of a new Inclusion training course which has approval to be compulsory.

MRSGUKS also benefits from MR Group driven strategies and initiatives on ESG. A new ESG Committee has been established at a Board of Management of MR Group level, which has a remit to set Group wide ambitions on HR related topics including D&I, training and development, and employee engagement and well-being. During 2022, MRSGUKS will continue to engage and adopt MR Group wide initiatives across its organisation.

DIRECTORS

The Directors of the Managing Agent who held office during the year ended 31 December 2021 were as follows:

L F Allen (Non-executive)

E J Andrewartha (Non-executive Chair)

T E Artmann

R J Attwood (Appointed 11th November 2021)

T J Carroll (Non-executive)

T Coskun

G Guelfand (Resigned 30th March 2021)

S H Herrmann (Non-executive)

M C Hewett (Non-executive)

D J R Hoare

A C Maxwell

COMPANY SECRETARY

The Company Secretaries of the Managing Agent who held office during the year ended 31 December 2021 were as follows:

T Coskun (Appointed 3rd March 2021)

L M Hargreaves (Resigned 3rd March 2021)

INVESTMENTS

Investment Policy and Managers

The Syndicate presently has all its assets in cash.

FUTURE DEVELOPMENTS

The global interest in ESG related insurance, and more specifically parametric insurance products continues to grow. However, 2022 is the last year of the initial 3-year approval granted to 1840. A decision will need to be made during 2022 on whether we intend to seek approval from Munich Re and Lloyd's to extend for a further three years or incorporate the business lines into Syndicate 457.

The 2022 SBF has been approved by Lloyd's to write with a capacity of £18.5m (2021: £19.4m).

SYNDICATE ALLOCATED CAPACITY AND MEMBERSHIP OF THE SYNDICATE

The capacity of the Syndicate is based on Gross Net premiums and for the 2021 account is £19.4m (2020: £19.4m). All of the capacity of the Syndicate is provided by Munich Re Capital Limited ('MRCL'), an indirect subsidiary of Munich Re.

Going Concern

After making enquiries, the directors of the Managing Agent have a reasonable expectation that continued capital support will be in place such that the Syndicate is able to write new business in future underwriting years of account. Accordingly, they continue to adopt the going concern basis in preparing the annual accounts.

DISCLOSURE OF INFORMATION TO THE AUDITORS

The directors of the Managing Agent who held office at the date of approval of this Managing Agent's report confirm that, so far as they are each aware, there is no relevant audit information of which the Syndicate's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

AUDITORS

In accordance with section 14(2) of Schedule 1 of the Lloyd's Regulations 2008, the auditors, Ernst & Young LLP, will be deemed to be reappointed and therefore continue in office.

Approved by a resolution of the Board of Directors of Munich Re Syndicate Limited and signed on its behalf.

E J Andrewartha
Non-Executive Chair

3 March 2022

S Newcombe, ACII
Active Underwriter

3 March 2022

STATEMENT OF MANAGING AGENT'S DIRECTORS' RESPONSIBILITIES

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

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

In preparing the Syndicate annual accounts, the Managing Agent is required to:

- 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 notes to the Syndicate accounts; and
- Prepare the Syndicate accounts on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume that the Syndicate will do so.

The Managing Agent is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Managing Agent is responsible for the maintenance and integrity of the corporate and financial information included on the business' website. Legislation in the United Kingdom governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

On behalf of the Board
E J Andrewartha
Non-Executive Chair

3 March 2022

Opinion

We have audited the syndicate annual accounts of syndicate 1840 ('the syndicate') for the year ended 31 December 2021 which comprise the Statement of Profit and Loss, the Balance Sheet, the Statement of Changes in Members' Balances, the Statement of Cash Flows and the related notes 1 to 25, 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 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's 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 as applied to other entities of public interest, 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 12 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 Accounts, 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 Accounts.

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual accounts or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to 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 Managing Agent

As explained more fully in the Statement of Managing Agent's Responsibilities 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.

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

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

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

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

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

Our approach was as follows:

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

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

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

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

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

- We assessed the susceptibility of the syndicate's annual accounts to material misstatement, including how fraud might occur by considering the controls that the Managing Agent has established to address risks identified by the Managing Agent, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement and the risk that these judgements may be subject to management bias. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk, including the risk of fraud in valuation of gross incurred but not reported reserves. These procedures included testing manual journals and were designed to provide reasonable assurance that the syndicate Annual Accounts are materially free from fraud or error.

  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 the Managing Agent used a mix of operating remotely and hybrid working throughout 2021.

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

B5A84ED2BD2D4CF...

Angus Millar (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

3 March 2022

STATEMENT OF PROFIT OR LOSS: TECHNICAL ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
Earned premiums, net of reinsurance			
Gross premiums written	5	3,878	1,046
Outward reinsurance premiums		(2,083)	(615)
Net premiums written		1,795	431
Change in the provision for unearned premiums			
Gross amount	14	(1,759)	(248)
Reinsurers' share	14	897	134
Change in the net provision for unearned premiums	14	(862)	(114)
Earned premiums, net of reinsurance		**933**	**317**
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(1,817)	-
Reinsurers' share		1,417	-
Net claims paid		(400)	-
Change in the provision for claims			
Gross amount	14	(309)	(26)
Reinsurers' share	14	177	19
Change in the net provision for claims	14	(132)	(7)
Claims incurred, net of reinsurance		**(532)**	**(7)**
Net operating expenses	6	**(1,405)**	**(1,197)**
Balance on the technical account – general business		**(1,004)**	**(887)**

All operations relate to continuing activities.

The notes on pages 19 to 41 form an integral part of these annual accounts.

STATEMENT OF PROFIT OR LOSS: NON-TECHNICAL ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
Balance on the technical account – general business		(1,004)	(887)
Profit/(Loss) on foreign exchange		8	(5)
(Loss)/Profit for the financial year		(996)	(892)

All operations relate to continuing activities.

There were no recognised gains and losses in the year other than those reported in the Statement of Profit and Loss and hence no Statement of Other Comprehensive Income has been presented.

The notes on pages 19 to 41 form an integral part of these annual accounts.

BALANCE SHEET – ASSETS AT 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
Investments			
Other financial investments	9	72	-
Deposits with ceding undertakings		-	-
Other loans		-	-
		72	-
Reinsurers' share of technical provisions			
Provision for unearned premiums	14	1,012	104
Claims outstanding	14	213	8
		1,225	**112**
Debtors			
Debtors arising out of direct insurance operations	10	1,548	63
Debtors arising out of reinsurance operations		-	-
Other debtors	11	1	1
		1,549	**64**
Other assets			
Cash at bank and in hand		**11,817**	**10,466**
Prepayments and accrued income			
Deferred acquisition costs	12	**618**	**54**
Total assets		**15,281**	**10,696**

The notes on pages 19 to 41 form an integral part of these annual accounts.

BALANCE SHEET – LIABILITIES AT 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
Capital and reserves			
Members' balances		**7,392**	**8,388**
Technical provisions			
Provision for unearned premiums	14	1,968	192
Claims outstanding	14	279	12
Provision for other risks and charges		-	-
		2,247	**204**
Creditors			
Creditors arising out of direct insurance operations	16	-	-
Creditors arising out of reinsurance operations	16,17	1,307	68
Other creditors	16,18	4,260	2,036
		5,567	**2,104**
Accruals and Deferred income		75	-
Total liabilities and equity		**15,281**	**10,696**

The notes on pages 19 to 41 form an integral part of these annual accounts.

The Syndicate annual accounts on pages 13 to 41 were approved by the Board of Munich Re Syndicate Limited on 3 March 2022 and were signed on its behalf by

E J Andrewartha
Non-Executive Chair

3 March 2022

STATEMENT OF CHANGES IN MEMBERS' BALANCES
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
Members' balance at 1 January		8,388	9,280
(Loss)/Profit for the financial year		(996)	(892)
Net transfer to members' personal reserve funds		-	-
Members' balance carried forward at 31 December		**7,392**	**8,388**

Members participate on syndicates by reference to years of account and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a particular year.

The notes on pages 19 to 41 form an integral part of these annual accounts.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
Cash Flow from operating activities			
Operating result		(996)	(892)
Adjustments:			
Increase/(Decrease) in gross technical provisions		2,069	204
(Increase)/Decrease in reinsurers' share of gross technical provisions		(1,075)	(112)
(Increase)/Decrease in debtors		(2,002)	(117)
Increase/(Decrease) in creditors		3,457	2,104
Investment return		-	-
Other		(24)	-
Net cash flow from operating activities		*1,429*	*1,187*
Cash flow from investing activities			
Purchase of equity and debt instruments		-	-
Sale of equity and debt instruments		-	-
Investment income received		-	-
Foreign exchange		-	-
Other		(76)	-
Net cash flow from investing activities		*(76)*	-
Cash flow from financing activities			
Distribution profit		-	-
Profits etc added to FIS		-	9,280
FIS released to member		-	-
Net cash flow from financing activities		-	*9,280*
Net increase/(decrease) in cash and cash equivalents		1,353	10,466
Cash and cash equivalents at beginning of the year		10,466	-
Foreign exchange on cash and cash equivalents		1	-
Cash and cash equivalents at end of year		11,820	10,466
Cash at bank and in hand		11,817	10,466
Short term deposits with credit institutions		3	-
Cash and cash equivalents at end of year	20	11,820	10,466

The notes on pages 19 to 41 form an integral part of these annual accounts.

1. BASIS OF PREPARATION

The Syndicate comprises a single corporate member of Lloyd's, Munich Re Capital Limited, that underwrites insurance business in the London Market.

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS102") and Financial Reporting Standard 103, "Insurance Contracts". Furthermore they also comply with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies. The directors of the Managing Agent have prepared the financial statements on the basis that the Syndicate will continue to write future business.

The financial statements have been prepared on the historical cost basis, except for financial assets categorised as fair value through profit or loss that are measured at fair value.

The financial statements are presented in Pound Sterling ('GBP'), which is the Syndicate's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The address of the Syndicate's Managing Agent is St. Helens, 1 Undershaft, London EC3A 8EE.

2. USE OF JUDGEMENTS AND ESTIMATES

In preparing these financial statements, the directors of the Managing Agent have made judgements, estimates and assumptions that affect the application of the Syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results will differ from these estimates, and estimates along with the underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) Claims Reserving

The measurement of the provision for claims outstanding involves judgments and assumptions about the future that have a very significant effect on the amounts recognised in the financial statements.

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

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate Managing Agent's in house actuaries. The techniques used generally involve projecting the development of claims over time from past experience, with adjustment for more recent underwriting, having regard to variations in business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of business accepted and assessments of underwriting conditions.

In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate so no adverse run-off deviation is envisaged.

(b) Premium Estimates

The amount included in respect of premium is based on statistical techniques of estimation applied by the Syndicate Managing Agent's in house actuaries.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Gross Premiums Written

Gross Premiums Written comprise premiums on contracts incepted during the 12 months to 31 December, together with any adjustments made in the year to premiums relating to prior accounting periods. Premiums are shown gross of commission payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due to the Syndicate not yet notified.

(b) Unearned Premiums

Written premiums are recognised as earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

(c) Reinsurance Premium Ceded

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

(d) Claims Provisions and Related Recoveries

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

The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date. The provision also includes the estimated cost of claims IBNR at the balance sheet date based on statistical methods.

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

(e) Unexpired Risks Provision

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

Unexpired risk surplus and deficits are offset where in the opinion of the directors the business classes concerned are managed together and in such cases a provision for unexpired risks is made only where there is an aggregate deficit.

At 31 December 2021 the Syndicate did not have an unexpired risks provision (31 December 2020: £Nil).

(f) Acquisition Costs

Acquisition costs, which represent commission and other expenses related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the balance sheet date. In addition to third party brokerage, a proportion of Syndicate costs including all box rent, underwriters' employment costs and an allocation of accommodation and IT costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Foreign Currencies

Transactions in foreign currencies are translated to the functional currency using the exchange rates at the date of the transactions. The Syndicate's monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historic cost are translated to the functional currency using the exchange rate at the date of the transaction. For the purposes of foreign currency translation, unearned premiums and deferred acquisition costs are treated as if they are monetary items.

Differences arising on translation of foreign currency amounts relating to the insurance operations of the Syndicate are included in the non-technical account.

(h) Financial assets and liabilities

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

Classification
The accounting classification of financial assets and liabilities determines the way in which they are measured and changes in those values are presented in the Statement of Profit and Loss. Financial assets and liabilities are classified on their initial recognition. Subsequent reclassifications are permitted only in restricted circumstances.

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

Deposits with credit institutions, debtors, and accrued interest are classified as loans and receivables.

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

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

Measurement
A financial asset or financial liability is measured initially at fair value plus, for a financial asset or financial liability not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue.

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

Loans and receivables and non-derivative financial liabilities are measured at amortised cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial assets and liabilities (continued)

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

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

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

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

Off-setting
Financial assets and financial liabilities are set off and the net amount presented in the balance sheet when, and only when, the Syndicate currently has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

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

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting underwriting business.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in fair value, and are used by the Syndicate in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the Balance Sheet.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Taxation

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

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate 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 member on underwriting results.

(j) Pension Costs

The Managing Agent offers a Group Self Invested Pension Scheme. Pension contributions relating to Syndicate staff are charged to the Syndicate and included within net operating expenses.

(k) Profit Commission

The Managing Agent does not charge any profit commission.

4. RISK AND CAPITAL MANAGEMENT

Framework

This note presents information about the nature and extent of insurance and financial risks to which the Syndicate is exposed, the Managing Agent's objectives, policies and processes for measuring and managing insurance and financial risks, and for managing the Syndicate's capital.

Munich Re Syndicate Limited's Board ("the Managing Agent") sets risk appetite annually as part of the Syndicate's business planning and Solvency Capital Requirement process. Risk appetite is subsequently reviewed by the Managing Agent on a periodic basis. The Managing Agent has a Risk Forum which meets monthly to review and update the risk register and to monitor performance against risk appetite. The Risk & Capital Committee, a sub-committee of the Managing Agent's Board, met throughout the year to review and challenge risk management and the use of the internal model for capital calculation purposes.

The Managing Agent is required to comply with the requirements of the PRA, the FCA and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US Situs business. The Compliance Officer monitors regulatory developments and assesses the impact on Managing Agent policy. The principal risks and uncertainties, in addition to the regulatory and compliance risk facing the Syndicate and consequently Munich Re Capital Limited are monitored in line with the six risk groups, of which Insurance Risk is by far the most significant to the Syndicate.

4. RISK AND CAPITAL MANAGEMENT (continued)

Insurance Risk

Insurance risk, comprising underwriting risk and reserving risk, is the risk of loss arising from the inherent uncertainties about the occurrence, amount and timing of insurance premiums and liabilities.

The annual business plan sets out the classes of business, the territories, average line size and type of assured. These plans are approved by the Board and monitored by the Underwriting and Claims Sub-Committee.

It is the policy of the Managing Agent to purchase appropriate reinsurance to support the business plan taking into consideration the MRSL Board's risk appetite and risk retention as well as a review of risk accumulation. With security being of paramount importance, the Syndicate places as much of the programme as possible with reinsurers of the highest calibre, subject to availability and market conditions. The Syndicate purchased quota share reinsurance as part of its risk management strategy.

The following table provides an analysis of the geographical breakdown of its gross written premium.

2021	USA £000	UK £000	Canada £000	Australia £000	Rest of World £000	Total £000
Direct insurance						
Fire and other damage to property	626	1,394	3	-	1,805	3,828
Third party liability	-	-	50	-	-	50
	626	1,394	53	-	1,805	3,878
Reinsurance	-	-	-	-	-	-
Total	626	1,394	53	-	1,805	3,878

2020	USA £000	UK £000	Canada £000	Australia £000	Rest of World £000	Total £000
Direct insurance						
Fire and other damage to property	-	-	-	-	1,046	1,046
Third party liability	-	-	-	-	-	-
					1,046	1,046
Reinsurance	-	-	-	-	1	1
Total	-	-	-	-	1,047	1,047

4. RISK AND CAPITAL MANAGEMENT (continued)

Sensitivity to insurance risk
The liabilities established could be significantly lower or higher than the ultimate cost of settling the claims arising. A five percent increase or decrease in total claims liabilities would have the following effect on profit or loss and equity:

	2021 £000		2020 £000	
	5 percent increase	5 percent decrease	5 percent increase	5 percent decrease
Gross claims outstanding	(3)	3	(1)	1
Net claims outstanding	(1)	1	-	-

The Syndicate uses both its own and commercially available proprietary risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from an unmodelled event are greater than those arising from a modelled event.

Financial Risk

The focus of financial risk management for the Syndicate is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance contracts. The main components of Financial Risk are Credit, Liquidity and Market risks.

a) Credit Risk

Credit risk relates to the risk of loss if another party fails to perform its obligations or fails to perform them in a timely fashion.

There are counterparty limits in place for each of the cash accounts held with Citibank NA, Bank of Scotland plc and Royal Bank of Canada. These are monitored daily and reported on a weekly basis. Reinsurance is placed with counterparties that have a good credit rating. There is a limited pool of approved reinsurers and any reinsurance that is placed with reinsurers not within this pool requires the approval of certain Executive Directors. All reinsurance is subject to regular internal review.

The following table analyses the credit rating by investment grade of financial investments, reinsurers' share of technical provisions, debtors arising out of direct insurance and reinsurance operations, cash at bank and in hand, and other debtors and accrued interest that are neither past due, nor impaired.

4. RISK AND CAPITAL MANAGEMENT (continued)

Credit rating relating to financials assets that are neither due nor impaired

2021	AAA £000	AA £000	A £000	BBB £000	<BBB £000	Not rated £000	Total £000
Deposits with credit institutions	45	10	7	7	-	3	72
Insurance Debtors				-	-	1,548	1,548
Reinsurer' share of claims outstanding	-	-	213	-	-		213
Other debtors						1	1
Cash at bank and in hand	-	34	11,783	-	-		11,817
Total credit risk	45	44	12,003	7	-	1,552	13,651

Credit rating relating to financials assets that are neither due nor impaired

2020	AAA £000	AA £000	A £000	BBB £000	<BBB £000	Not rated £000	Total £000
Deposits with credit institutions	-	-	-	-	-	-	-
Insurance Debtors	-	-	-	-	-	63	63
Reinsurer' share of claims outstanding	-	8	-	-	-	-	8
Other debtors	-	-	-	-	-	1	1
Cash at bank and in hand	-	-	10,257	-	-	209	10,466
Total credit risk	-	8	10,257	-	-	273	10,538

4. RISK AND CAPITAL MANAGEMENT (continued)

An analysis of the carrying amounts of past due or impaired debtors is presented in the tables below.

2021

	Neither due nor impaired	Financials assets that are past due but not impaired: Up to three months	Three to six months	Six months to one year	Greater than one year	Impaired	Total
	£000	£000	£000	£000	£000	£000	£000
Insurance debtors	1,548	-	-	-	-	-	1,548
Other debtors	1						1
Total credit risk	1,549	-	-	-	-	-	1,549

2020

	Neither due nor impaired	Financials assets that are past due but not impaired: Up to three months	Three to six months	Six months to one year	Greater than one year	Impaired	Total
	£000	£000	£000	£000	£000	£000	£000
Insurance debtors	63	-	-	-	-	-	63
Other debtors	1	-	-	-	-	-	1
Total credit risk	64	-	-	-	-	-	64

b) Liquidity Risk

Liquidity risk is the risk that the Syndicate will not have sufficient financial resources to meet liabilities as they fall due. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected reinsurance recoveries and an associated risk of gross funding of US Situs losses.

A liquidity risk policy exists that sets out the assessment and determination of what constitutes liquidity risk. Compliance with the policy is monitored and exposures and breaches are reported to the Risk and Capital Committee.
The table below summarises the maturity profile of the Syndicate's financial assets and liabilities.

4. RISK AND CAPITAL MANAGEMENT (continued)

2021	No stated maturity	0-1 year	1-3 years	3-5 years	>5 years	Total
	£000	£000	£000	£000	£000	£000
Financial assets						
Deposits with credit institutions	3	-	33	31	5	72
Insurance debtors	-	1,548	-	-	-	1,548
Other debtors	-	1	-	-	-	1
Cash at bank and in hand	-	11,817	-	-	-	11,817
Total	**3**	**13,366**	**33**	**31**	**5**	**13,438**
Financial liabilities						
Creditors	-	5,567	-	-	-	5,567
Provision	-	-	-	-	-	-
Total	-	**5,567**	-	-	-	**5,567**

2020	No stated maturity	0-1 year	1-3 years	3-5 years	>5 years	Total
	£000	£000	£000	£000	£000	£000
Financial assets						
Insurance debtors	-	63	-	-	-	63
Other debtors	-	1	-	-	-	1
Cash at bank and in hand	-	10,466	-	-	-	10,466
Total	-	**10,530**	-	-	-	**10,530**
Financial liabilities						
Creditors	-	2,105	-	-	-	2,105
Provision	-	-	-	-	-	-
Total	-	**2,105**	-	-	-	**2,105**

c) 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 prices. Market risk comprise of currency and interest risk.

For assets backing outstanding claims provisions, market risk is managed by matching the duration and profile of the assets to the technical provisions they are backing, referred to as Asset-Liability Matching. This helps manage market risk to the extent that changes in the values of assets are matched by a corresponding movement in the values of the technical provisions.

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.

4. RISK AND CAPITAL MANAGEMENT (continued)

The Syndicate's functional currency is Sterling and its exposure to foreign exchange risk arises primarily with respect to transactions in United States dollars. The Syndicate seeks to mitigate the risk by matching the estimated 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 currency exchange risk at the reporting date, as follows:

2021	**GBP**	**USD**	**EUR**	**CAD**	**Other**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Total assets	12,476	2,331	339	66	69	**15,281**
Total liabilities	(5,128)	(2,384)	(311)	(66)	-	**(7,889)**
Net assets	**7,348**	**(53)**	**28**	**-**	**69**	**7,392**

2020	**GBP**	**USD**	**EUR**	**CAD**	**Other**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Total assets	9,888	808				**10,696**
Total liabilities	(1,686)	(622)				**(2,308)**
Net assets	**8,202**	**186**				**8,388**

The table below shows the impact on the Syndicate's net assets of a 5% appreciation or depreciation in each currency relative to Sterling, as at the Balance Sheet date.

2021	**GBP £000**	**USD £000**	**Eur £000**	**CAD £000**	**Other £000**	**Total £000**
5 percent appreciation	-	(3)	1	-	3	1
5 percent depreciation	-	3	(1)	-	(3)	(1)

2020	**GBP £000**	**USD £000**	**Eur £000**	**CAD £000**	**Other £000**	**Total £000**
5 percent appreciation	-	9	-	-	-	9
5 percent depreciation	-	(9)	-	-	-	(9)

4. RISK AND CAPITAL MANAGEMENT (continued)

Capital Management

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 Directive.

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

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

Lloyd's capital setting process
In order to meet Lloyd's requirements, each Syndicate is required to calculate its Solvency Capital Requirement (SCR) for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). 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. As Syndicate 1840 is a Syndicate-In-A-Box, it does not have an approved Internal Model. Therefore the SCR calculations are performed centrally by Lloyd's using a standard model, based on planned business volumes, catastrophe aggregations and reinsurance arrangements for the prospective underwriting year.

Over and above the SCR 'to ultimate', Lloyd's applies an uplift to the capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2021 was 35% of the member's SCR 'to ultimate'.

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

Accordingly all of the assets less liabilities of the Syndicate with the exception of FIS balance held, as represented in the members' balances reported on the Balance Sheet on page 15, represent resources available to meet members' and Lloyd's capital requirements.

5. ANALYSIS OF UNDERWRITING RESULT

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

2021	Gross Written Premiums £000	Gross Premiums Earned £000	Gross Claims Incurred £000	Gross Operating Expenses £000	Re-insurance Balance £000	Total £000
Direct insurance						
Fire and other damage to property	3,828	2,102	(2,115)	(1,464)	490	(989)
Third party liability	50	17	(11)	(19)	(2)	(15)
	3,878	2,119	(2,126)	(1,483)	488	(1,004)
Reinsurance	-	-	-	-		
Total	**3,878**	**2,119**	**(2,126)**	**(1,483)**	**488**	**(1,004)**

2020	Gross Written Premiums £000	Gross Premiums Earned £000	Gross Claims Incurred £000	Gross Operating Expenses £000	Re-insurance Balance £000	Total £000
Direct insurance						
Fire and other damage to property	1,046	798	(26)	(1,245)	(414)	(887)
Third party liability	-	-	-	-	-	-
	1,046	798	(26)	(1,245)	(414)	(887)
Reinsurance	-	-	-	-	-	-
Total	**1,046**	**798**	**(26)**	**(1,245)**	**(414)**	**(887)**

All premiums are written through Lloyd's platform.

Brokerage and commission on direct business written was £1.1m.

The geographical analysis of premiums by destination is as follows:

	2021 £000	2020 £000
United Kingdom	3,878	1,046
Total	**3,878**	**1,046**

6. NET OPERATING EXPENSES

	2021 £000	2020 £000
Acquisition costs	1,435	510
Change in deferred acquisition costs	(563)	(64)
Administrative expenses	611	799
Gross Operating Expenses	1,483	1,245
Reinsurance Commission	(78)	(48)
Net Operating Expense	**1,405**	**1,197**

Administrative expenses include:

	2021 £000	2020 £000
Fees payable to the Syndicate auditor for the audit of the Syndicate Annual Accounts	57	25
Fees payable to the Syndicate auditor and its associates for other services		
Other services pursuant to Regulations and Lloyd's Byelaws	35	35
Actuarial valuation services	18	18
Total	**110**	**78**

Members' standard personal expenses are included within administrative expenses.

7. STAFF NUMBERS AND COSTS

All staff are employed by the MRSG UK Services Limited. The following amounts were recharged to the Syndicate in respect of salary costs:

	2021 £000	2020 £000
Wages and salaries	518	544
Social security costs	35	34
Other pension costs	25	27
Total	**578**	**605**

The average number of employees employed by the MRSG UK Services Limited but working for the Syndicate during the year was as follows:

	2021	2020
Underwriting	1	2
Claims	0	0
Other	3	1
Total	**4**	**3**

8. KEY MANAGEMENT PERSONNEL COMPENSATION

Five directors of Munich Re Syndicate Limited received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2021 £000	2020 £000
Directors' Emoluments	117	307
Contributions to pension scheme	1	19
Total	**118**	**326**

The comparative above is on a different basis and includes the active underwriter salary in 2020.

No other compensation was payable to key management personnel. For the purposes of this disclosure, key management personnel are taken to be the Directors of the Managing Agent.

The active underwriting officer received the following remuneration charged as a Syndicate expense:

	2021 £000	2020 £000
Emoluments	194	191
Contributions to pension scheme	15	18
Total	**209**	**209**

9. OTHER FINANCIAL INVESTMENTS

	Fair value		Cost	
	2021 £000	**2020 £000**	**2021 £000**	**2020 £000**
Deposits with credit institutions	72	-	72	-
Total	**72**	**-**	**72**	**-**

Included within Deposits with credit institutions are Overseas deposits of £72k (2020: Nil) held at fair value (see note 13).

Valuation hierarchy

The Syndicate classifies its financial instruments held at fair value in its Statement of Financial Position using a fair value hierarchy, as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – Inputs for the assets or liability that are not based on observable market data (unobservable inputs).

9. OTHER FINANCIAL INVESTMENTS (continued)

The table below analyses financial instruments held at fair value in the Syndicate's balance sheet at the reporting date by its level in the fair value hierarchy.

2021	Fair value hierarchy			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Deposits with credit institutions	3	69	-	72
Total	**3**	**69**	**-**	**72**

2020	Fair value hierarchy			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Deposits with credit institutions	-	-	-	-
Total	**-**	**-**	**-**	**-**

10. DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2021 £000	2020 £000
Due from intermediaries		
Due within one year	1,548	63
Due after one year	-	-
Total	**1,548**	**63**

11. OTHER DEBTORS

	2021 £000	2020 £000
Due within one year		
Due from others	1	1
Total	**1**	**1**

12. DEFERRED ACQUISITION COSTS

	2021 £000	2020 £000
Balance at 1 January	54	-
Movement in deferred acquisition costs	563	64
Effect of movements in exchange rates	1	(10)
Balance at 31 December	**618**	**54**

13. OVERSEAS DEPOSITS

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries and for local regulatory requirements. Of the total balance below, £72k (2020: Nil) is recognised as Other Financial Investments.

	2021 £000	2020 £000
Additional Securities Limited	3	-
Australian Trust Fund	69	-
Overseas Deposits	**72**	-

The Additional Securities Limited deposits are lodged as a condition of conducting underwriting business in Switzerland and other countries.

The Australian Trust Fund is required to enable the Syndicate to underwrite business arising in Australia. The Syndicate's contribution to the fund is calculated by reference to the premium income and estimated exposure to outstanding liabilities arising from business written in Australia.

14. TECHNICAL PROVISIONS

	2021			2020		
	Gross Provisions £000	Reinsurance assets £000	Net £000	Gross Provisions £000	Reinsurance assets £000	Net £000
Claims outstanding						
Balance at 1 January	12	(8)	4	-	-	-
Change in claims outstanding	309	(177)	132	26	(19)	7
Effect of movements in exchange rates	(42)	(28)	(70)	(14)	11	(3)
Balance at 31 December	**279**	**(213)**	**66**	**12**	**(8)**	**4**
Claims notified	50	(38)	12	-	-	-
Claims incurred but not reported	229	(175)	54	12	(8)	4
Balance at 31 December	**279**	**(213)**	**66**	**12**	**(8)**	**4**
Unearned premiums						
Balance at 1 January	192	(104)	88	-	-	-
Change in unearned premiums	1,759	(897)	862	248	(134)	114
Effect of movements in exchange rates	17	(11)	6	(56)	30	(26)
Balance at 31 December	**1,968**	**(1,012)**	**956**	**192**	**(104)**	**88**

15. CLAIMS DEVELOPMENT

Claims development is shown in the tables below, both gross and net of reinsurance ceded, on an underwriting year basis. Balances have been translated at exchange rates prevailing at 31 December 2021 in all cases.

Claims development table gross of reinsurance

	2020 £000	2021 £000	Total £000
Estimate of cumulative claims			
At end of underwriting year	12	2,129	
After one year	-		
Less gross claims paid	-	(1,850)	
Gross claims reserve	-	279	279
Total gross claims reserve			279

Claims development table net of reinsurance

	2020 £000	2021 £000	Total £000
Estimate of cumulative claims			
At end of underwriting year	4	532	
After one year	-		
Less net claims paid	-	(466)	
Net claims reserve	-	66	66
Total net claims reserve			66

16. FINANCIAL LIABILITIES AT AMORTISED COST

	2021 £000	2020 £000
Creditors arising out of direct insurance operations	-	-
Creditors arising out of reinsurance operations	1,307	68
Other creditors	4,260	2,036
Total	**5,567**	**2,104**

17. CREDITORS ARISING OUT OF REINSURANCE OPERATIONS

	2021 £000	2020 £000
Arising out of reinsurance insurance operations intermediaries		
Due within one year	1,307	68
Due after one year	-	-
Total	**1,307**	**68**

18. OTHER CREDITORS

	2021 £000	2020 £000
Due within one year		
Amount due to Managing Agent	4,260	2,036
Other Creditors	-	-
Total	**4,260**	**2,036**

19. GROSS DISTRIBUTION PAYABLE

To come into line with Lloyd's solvency requirements, £9.3m of the Funds in Syndicate were in place from the 1st January 2020. As this has remained as cash throughout 2021 no additional income has been generated.

Members participate on Syndicates by reference to years of account and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a particular year.

20. CASH AND CASH EQUIVALENTS

	2021 £000	2020 £000
Cash at bank and in hand	11,817	10,466
Other Financial Investments	3	-
Total	**11,820**	**10,466**

Only Other Financial Investments comprising of call deposits with maturities of three months from the acquisition date that are used by the Syndicate in the management of its short-term commitments are included in cash and cash equivalents.

21. RELATED PARTIES

Münchener Rückversicherungs–Gesellschaft Aktiengesellschaft in München ('Munich Re')

Munich Re Syndicate Limited is wholly owned by Munich Re Specialty Group Ltd (MRSGL), which is wholly owned by Munich Re. The Syndicate placed a total of £1.8m (2020: £0.6m) outwards reinsurance premium with its ultimate parent undertaking under 1 contract for the 2021 year of account. This contract provided the Syndicate with cover within the normal course of business and the transactions were carried out at arm's length.

Munich Re Capital Limited ('MRCL')

MRCL is the corporate member of the Syndicate. MRCL's immediate parent company is MRSGL.

T E Artmann, R J Attwood and D J R Hoare are directors of MRCL.

Munich Re Syndicate Limited ('MRSL')

During the year, the Syndicate has paid fees to MRSL, the Managing Agent of the Syndicate, amounting to £39k (2020: £39k). MRSL's immediate parent company is MRSGL. As at year end, there was an outstanding balance of £4,260k (2020: 2,036k) due from the Syndicate.

The Managing Agent has paid £778k (2020: £890k) in shared service recharges for the ordinary day to day running costs related to the Syndicate.

MRSG UK Services Limited ('MRSGUKS')

MRSGUKS is a wholly owned subsidiary of MRSGL which was set up to become the sole employer within the sub group.

T E Artmann, T Coskun and R J Attwood are directors of MRSGUKS.

Munich RE Specialty Insurance (UK) Limited (MRSI) formerly NMU (Specialty) Limited ('NMU')

MRSI is a non-profit making international distribution company (IDC), wholly owned by MRSGL and produces predominantly UK provincial Marine business.

T E Artmann, R J Attwood, T Coskun and D J R Hoare are directors of MRSI.

Groves, John & Westrup Limited ('GJW')

GJW is a non-profit making IDC, wholly owned by MRSGL and produces UK Yacht and Private Client related business.

R J Attwood, T Coskun and D J R Hoare are directors of GJW.

Munich Re Syndicate Singapore Pte Limited ('MRSS')

MRSS is a non-profit making IDC owned by MRSGL and produces Marine business from S.E. Asia exclusively.

T E Artmann and R J Attwood are directors of MRSS.

21. RELATED PARTIES (continued)

Roanoke International Brokers (MENA) Limited (RIBML) – Formerly known as Munich Re Syndicate Middle East Limited ('MRSMEL')

RIBML is an IDC owned by MRSGL and produces Marine business from the Middle East

D J R Hoare resigned on 5th January 2022 as a director of RIBML.

Munich Re Syndicate Labuan Limited ('MRSLAB')

MRSLAB is a non-profit making IDC owned by MRSGL and produces Marine business from Malaysia.

There were no directors in common between the Syndicate and MRSLAB for 2021.

Munich Re Specialty Group N.A Inc. ('Roanoke US')

Munich Re Specialty Group N.A. Inc. is a directly wholly owned company by MRSGL and produces Marine business from the USA

T E Artmann, R J Attwood and D J R Hoare are directors of Munich Re Specialty Group N.A.

Roanoke International Brokers Limited ('RIBL')

RIBL is an insurance broker wholly owned by MRSGL.

There were no directors in common between the Syndicate and RIBL for 2021.

Munich Re Risk Solutions Ireland Limited ('MRRSI')

MRRSI is a wholly owned subsidiary of MRSGL

T Coskun and R J Attwood are directors of MRRSI.

22. FUNDS AT LLOYD'S

Every member is required to hold capital at Lloyd's, which is held in trust and known as Funds at Lloyd's ('FAL'). These assets are in the form of letters of credit from Munich Re. These funds are intended primarily to cover circumstances where Syndicate assets prove insufficient to meet participating members' underwriting liabilities.

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

23. FUNDS IN SYNDICATE

MRCL holds cash in the Syndicate used to support the Syndicate's capital requirements of FAL.

24. FOREIGN EXCHANGE RATES

The following foreign currency exchange rates have been used for principal foreign currency transactions:

	2021 Year-end rate	2021 Average rate	2020 Year-end rate	2020 Average rate
Euro	1.19	1.16	1.12	1.12
US dollar	1.35	1.38	1.37	1.28
Canadian dollar	1.71	1.72	1.74	1.72

25. POST BALANCE SHEET EVENTS

There are no post balance sheet events to note.