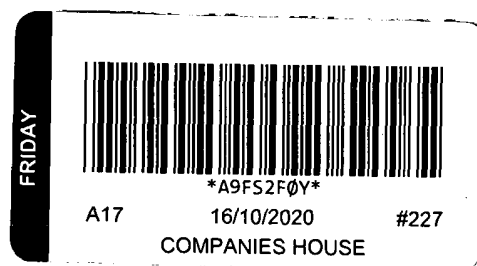


# **VIBE CORPORATE MEMBER LIMITED**

## **Annual Report and Financial Statements for the year ended 31 December 2019**

**Registered No: 5989679**



**Vibe Corporate Member Limited**  
**Annual Report and Financial Statements**  
**for the year ended 31 December 2019**

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**Directors and Advisers**

**Directors**

P S Donovan

J E England

A A Fridlyand

N G Kirk

A E Williams

(Appointed 8 April 2019, resigned 31 December 2019)

Non-Executive Director

(Appointed 13 January 2020)

**Company secretary**

P Box

**Registered office**

5th Floor

90 Fenchurch Street

London EC3M 4ST

**Bankers**

Lloyds TSB

P O Box 72

Bailey Drive

Gillingham Business Park

Gillingham

Kent ME8 0LS

**Auditors**

Ernst & Young LLP

25 Churchill Place

London E14 5EY

**Vibe Corporate Member Limited**  
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**Strategic Report**

The directors present their strategic report for the year ended 31 December 2019.

**Principal activity**

The company is an authorised Corporate Member of Lloyd's and provides capacity to Syndicate 5678, which is a Lloyd's syndicate, managed by a related company, Vibe Syndicate Management Limited ("VSM").

Vibe UK Holdings Limited owns 100% of the share capital of the Company.

Vibe UK Holdings is owned by Syndicate Re A.I ("SRAI"). SRAI provides the Funds at Lloyd's for Syndicate 5678.

The principal activity of the Syndicate during 2019 was the underwriting of general insurance and reinsurance business at Lloyd's. In November 2019 it was announced that the Syndicate would cease underwriting with effect from 31 December 2019 and commence a planned orderly run-off.

The Syndicate's allocated capacity for the 2019 year of account was £122.8m (2018: £114.1m).

The Syndicate had gross written premium in 2019 of £178.8m (2018: £120.9m).

During the year an additional two £1 shares were issued at a premium of £59.5m, which increased shareholders' funds by £59.5m.

Syndicate 5678 trades with the Lloyd's ratings of A+ Standard & Poor's, AA- Fitch and A A.M. Best.

**Results**

The result for calendar year 2019 is a loss of £37.9m (2018 loss of £22.1m).

**Review of the Business**

The Company's key financial indicators for 2019 were as follows:

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Syndicate capacity	122.8	114.1
Gross written premium	178.8	120.9
(Loss) for the financial year	(37.9)	(22.1)
Net claims ratio	70%	60%
Net expense ratio (including commission)	48%	50%
Combined ratio	118%	110%

**Gross written premiums**

Prior to the decision to cease underwriting Vibe continued to grow the business in a controlled and disciplined manner with gross written premium increasing from £121m in 2018 to £179m in 2019.

**Claims incurred**

Claims activity in 2019 has been impacted by higher than planned catastrophe activity (Hurricane Dorian, Storm Imelda) impacting the Property Direct and Facultative book as well as adverse experience and also reserve strengthening of the Casualty Treaty class.

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**Strategic Report (continued)**

**Review of the Business (continued)**

The net loss ratio was additionally impacted by reduced reinsurance recoveries for North American Specialty Programs, reflecting experience to date and relatively low reinsurance recoveries on gross claims incurred in the year.

**Other**

Investment return in 2019 was £6.0m (2018: £1.6m). The improved return was primarily a result of additional investment funds from business growth, additional share capital and falling yields which generated unrealised gains. Net operating expenses in 2019 were £65.9m (2018: £53.8m), with the increase reflecting premium growth and additional expenses accrued related to the Syndicate being placed into run-off.

**Balance Sheet**

Company assets have increased by £88.8m to £377.9m (2018: £289.1m) and the total liabilities have increased by £68.1m to £356.5m (2018: £288.4m) as a result of business growth and additional share capital injected during the year (£59.5m).

**Principal Risks and Uncertainties**

The principal risks and uncertainties facing the Company are the same as the Syndicate.

The Managing Agent has 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 approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies.

The Board sets its risk appetite annually. 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:

**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. The objective of the Syndicate is to ensure that sufficient reserves are available to cover these liabilities.

The Board manages insurance risk by agreeing its appetite for these risks annually through the business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. The Syndicate purchases reinsurance as part of its risk mitigation programme and the Agency uses catastrophe modelling software to model maximum probable losses from catastrophe-exposed business.

The Board monitors performance against the business plan on a quarterly basis. Reserve adequacy is monitored through quarterly review by the Actuarial function.

**Credit Risk**

Credit risk relates to the risk of default on the settlement of balances receivable by the Syndicate. The Syndicate's reinsurers and intermediaries from which gross written premiums are sourced represent the principal sources of this risk. This risk is actively managed by the policies, procedures and controls overseen by the Executive Management Committees.

**Vibe Corporate Member Limited**  
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**Strategic Report (continued)**

**Liquidity Risk**

Liquidity risk is the risk that the Syndicate will encounter difficulty in meeting obligations associated with financial instruments. 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.

A number of policies are implemented by the Agency to mitigate against the risk of the Syndicate being unable to settle its obligations as they fall due.

**Market Risk**

The key aspect of market risk is that the Syndicate incurs losses on foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. Currency matching is reviewed by Management quarterly. Where there is a significant mismatch, the Agency seeks to mitigate the risk through buying or selling currency, where this is appropriate.

**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 extent of any price fluctuation is driven by the portfolio duration. The investment portfolio duration is managed so to maintain a fairly short average duration period, principally due to current market conditions.

**Financial Instruments and Risk Management**

Information on the use of financial instruments by the Syndicate and its management of financial risk and in particular its exposure to interest rate risk, currency risk, credit risk and liquidity risk is disclosed in note 25 to the financial statements.

**Operational Risk**

This is the risk that errors caused by people, processes or systems lead to losses to the Syndicate. The Agency seeks to manage this risk through its governance structure and internal control framework and employs a structured programme of testing systems and controls which is carried out by the Internal Audit Function.

**Regulatory Risk**

The Agency is required to comply with the requirements of the Prudential Regulatory Authority (PRA) and Financial Conduct Authority (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. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Agency has a Compliance Function that monitors regulatory developments and assesses the impact on the Agency's policies.

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**Strategic Report (continued)**

**Conduct Risk**

Conduct risk is the risk that the Syndicate fails to pay appropriate regard to the interest of its customers and/or fails to treat them fairly at all times. Conduct risk is managed through the application of strong internal controls, compliance policies and procedures, and through the monitoring of various conduct risk metrics.

**Section 172 (1) Statement**

The directors are aware of their duty under s172 of the Companies Act 2006 to act in the way in which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and in doing so have regard (amongst other matters) to:

- The likely consequences of any decision in the long term;
- The interests of the Company's employees;
- The need to foster the Company's business relationships with brokers, policyholders and others; and
- The desirability of the Company maintaining a reputation for high standards of business conduct

Stakeholder engagement

The Board considers the following groups to be its key stakeholder groups:

- Ultimate investors – The ultimate investors provide the capital which allows the Company to operate. They are concerned with a broad range of issues including the Company's financial and operational performance. Executive management have regular catch-ups with the ultimate investors. They are consulted on significant decision making such as ongoing business plans for the Company and their views are taken into account when making relevant decisions.
- Employees – Employees are a key resource dedicated to the operation of the business. They are engaged through various forums including Company wide updates, manager briefings (which are cascaded to teams) and via the intranet. Feedback from these forums is communicated to the Board where relevant so as to assist in decision making.
- Policyholders and brokers – Policyholders and brokers are the central focus of the business. The Company has built lasting relationships with brokers (representing policyholders interests) and the aim of the Company is to honour all policies underwritten by the Company in accordance with their terms and conditions.

Principal decisions

In November 2019 a decision was made by the Board to cease underwriting with effect from 31 December 2019 and place the Syndicate into planned run-off.

Following a reconsideration of the Managing Agency's business plan the Board determined that the business was unable to meet the shareholder's expectation of returns on their capital.

The objectives of the Syndicate going forward are:

- honour all policies underwritten by the Syndicate in accordance with their terms and conditions
- manage all open and new claims in the normal way, paying all valid claims
- continue to provide a full customer service either directly or via the Syndicate's agents

**Vibe Corporate Member Limited**  
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**Strategic Report (continued)**

Additionally, the Board has assessed the ongoing resourcing needs of the Company as a consequence of the decision and put in place retention arrangements with employees (via Vibe Management Services Limited, the Service entity of the Company).

**By Order of the Board**



**P Donovan**  
Director  
14 October 2020



**Vibe Corporate Member Limited**  
**Annual Report and Financial Statements**  
**for the year ended 31 December 2019**

## **Directors' Report**

The directors present their Annual Report and the Financial Statements for the year ended 31 December 2019.

### **Results and dividend**

The results for the year are set out in the technical and non-technical account on pages 15 and 16 respectively. The directors do not recommend a dividend for the year ended 31 December 2019 (2018: Nil).

### **Employees**

The company does not employ any staff (2018: Nil).

### **Directors and share interests**

The names of the directors who held office during the whole of 2019 are as shown on page 2.

The directors of the company do not hold any interests in the share capital of the company.

### **Future developments and important events since the end of the financial year**

#### *Syndicate Placed into Run-off*

In November 2019 a decision was made by the Board to cease underwriting with effect from 31 December 2019 and place the Syndicate into planned run-off.

Following a reconsideration of the Managing Agency's business plan the Board determined that the business was unable to meet the shareholder's expectation of returns on their capital.

The objectives of the Syndicate going forward are:

- honour all policies underwritten by the Syndicate in accordance with their terms and conditions
- manage all open and new claims in the normal way, paying all valid claims
- continue to provide a full customer service either directly or via the Syndicate's agents

Additionally, the Board will seek to reduce risk and explore options to enable the reinsurance to close of open years of account.

#### *Brexit*

The risks to UK economic growth remain significant not least because of the uncertainty created by the UK's decision to leave the European Union (Brexit). It is still difficult to anticipate the terms of the UK's exit from the EU. With the Syndicate now in run-off and given the territorial exposure of the business written, the direct impact of Brexit on the Agency is judged to be minimal.

### **Research and development**

The Syndicate has not participated in any research and development activity during the period.

### **Charitable and political donations**

During the year, the company made no charitable or political donations (2018: Nil).

**Vibe Corporate Member Limited**  
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**Directors' Report (continued)**

**Going Concern**

The financial statements have been prepared on a going concern basis. In assessing whether the going concern basis is appropriate, the directors have considered the information contained in the financial statements, the company's latest business plan, and the company's current solvency calculations.

In order to meet working capital needs there is a dependency on funds being provided by other members of the group owned by the ultimate holding company, Syndicate Holding Corp ("SHC"). To provide these funds there is a dependency on the proceeds from the sale of a fellow subsidiary, Inceptum Insurance Company Limited. An agreement to sell the fellow subsidiary was signed on 17 August 2020 but remains subject to regulatory approval. Whilst the directors have no reason to believe that regulatory approval will be withheld or settlement delayed beyond the first quarter of 2021, the likely impact of the either event occurring is that there would be significant risk that the Company would be unable to meet its liabilities as and when they fall due.

Subject to the above, the directors are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

The emergence of the Covid 19 global pandemic since the end of the year has created significant risks to global economic growth. As part of the going concern assessment, due consideration has been given to the impact of Covid 19 on the Company. While it is difficult to anticipate its full impact, the direct impact is not deemed to be significant. The key areas where we anticipate a potential impact on the Company are as follows:

- **Insurance Risk** – the Syndicate underwrites insurance and reinsurance policies which may give rise to claims for Covid 19 related losses. The estimated net cost of claims to the Syndicate for such claims is £5m. This cost is expected to be reflected in the 2020 results and is not reflected in the 2019 results or closing balance sheet.
- **Credit and liquidity risk** – The Company has significant investment balances which could be exposed to counterparty default. This risk is mitigated by the high quality of the investment portfolio and monitoring by the investment manager and the company. At present, we do not expect material defaults by investment counterparties.

Additionally, the Company has material reinsurance recovery balances which could expose the Company to counterparty default risk. The company assess this risk as low due to the high credit quality of the reinsurers.

- **Operational risk** – with measures being put in place to restrict the movement of people there is some operational risk. The Company has implemented its business continuity plan to address this and believes the measures to be adequate

**Vibe Corporate Member Limited**  
**Annual Report and Financial Statements**  
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**Directors' Report (continued)**

**Disclosure of information to the auditors**

The Directors at the time the report is approved confirm that:

- a) So far as each of them are aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware; and
- b) Having made enquiries with fellow directors and the auditor, each director has taken all steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

**Re-appointment of auditors**

In accordance with s485 of the Companies Act 2006, a resolution will be proposed at the Annual General Meeting for the re-appointment of Ernst & Young LLP as the auditor of the company.

**By Order of the Board**



**P Donovan**  
Director  
14 October 2020

**Vibe Corporate Member Limited**  
**Annual Report and Financial Statements**  
**for the year ended 31 December 2019**

**Statement of Directors' Responsibilities**

The directors are responsible for preparing the Strategic Report, Director's Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained within the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**By Order of the Board**



**P Box**  
Secretary  
14 October 2020

**Vibe Corporate Member Limited**  
**Annual Report and Financial Statements**  
**for the year ended 31 December 2019**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIBE CORPORATE MEMBER LIMITED**

**Opinion**

We have audited the financial statements of Vibe Corporate Member Limited for the year ended 31st December 2019 which comprise the Income Statement, Statement of Financial Position and Statement of Changes in Equity and the related notes 1 to 27, 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" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 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 Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements 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.

**Material uncertainty related to going concern**

We draw attention to note 1.2.1 in the financial statements, which indicates that the company cashflows are dependent on the completion of the sale of one of the fellow group subsidiaries and receiving of sale proceeds before 31 March 2021. As stated in note 1.2.1, these events or conditions, along with other matters as set forth in that note, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Emphasis of matter – Effects of COVID-19**

We draw attention to Note 1.2.2 and 27 of the financial statements, which describes the economic disruption the company is facing as a result of COVID-19. Our opinion is not modified in respect of this matter.

**Other information**

The other information comprises the information included in the annual report set out on pages 3 to 10, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

**Vibe Corporate Member Limited**  
**Annual Report and Financial Statements**  
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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIBE CORPORATE MEMBER LIMITED (continued)**

Our opinion on the financial statements 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of 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 Companies Act 2006**

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Vibe Corporate Member Limited**  
**Annual Report and Financial Statements**  
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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIBE CORPORATE MEMBER LIMITED (continued)**

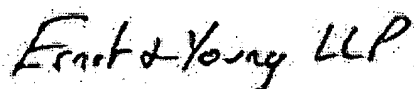
**Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the 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 company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

Ed Jervis (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
14 October 2020

**Vibe Corporate Member Limited**  
**Annual Report and Financial Statements**  
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**Income Statement**

**Technical account – general business**

For the year ended 31 December 2019

		2019	2018
	Notes	£000	£000
<b>Gross written premiums</b>	2	<b>178,842</b>	<b>120,878</b>
Outward reinsurance premiums		<u>(32,059)</u>	<u>(27,209)</u>
Net premiums written		<u><b>146,783</b></u>	<u><b>93,669</b></u>
<b>Change in the provision for unearned premiums</b>			
Gross amount		(11,137)	8,558
Reinsurers' share		<u>1,738</u>	<u>4,445</u>
Change in provision for unearned premiums	4	<u><b>(9,399)</b></u>	<u><b>13,003</b></u>
<b>Earned premiums – net of reinsurance</b>		<b>137,384</b>	<b>106,672</b>
Allocated investment return transferred from the non-technical account		3,930	1,215
<b>Claims paid</b>			
Gross amount		(65,166)	(48,081)
Reinsurers' share		<u>12,514</u>	<u>11,742</u>
Net paid claims	3	<u><b>(52,652)</b></u>	<u><b>(36,339)</b></u>
<b>Change in claims outstanding</b>			
Gross amount		(46,638)	(24,599)
Reinsurers' share		<u>3,000</u>	<u>(2,838)</u>
Change in the net provision for claims	3	<u><b>(43,638)</b></u>	<u><b>(27,437)</b></u>
<b>Claims incurred, net of reinsurance</b>		<b>(96,290)</b>	<b>(63,776)</b>
<b>Balance on technical account before expenses</b>		<u><b>45,024</b></u>	<u><b>44,111</b></u>
Net administrative expenses	6	(65,980)	(53,767)
Other technical charges	8	<u>(9,224)</u>	<u>(8,861)</u>
<b>Balance on the technical account - general business</b>		<u><b>(30,180)</b></u>	<u><b>(18,517)</b></u>



**Vibe Corporate Member Limited**  
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**Income Statement**

**Non – technical account**

For the year ended 31 December 2019

	<i>Notes</i>	<b>2019</b> <b>£000</b>	<b>2018</b> <b>£000</b>
<b>Balance on the technical account – general business</b>		<b>(30,180)</b>	<b>(18,517)</b>
Investment income	7	<b>4,881</b>	1,864
Unrealised gains / (losses) on investments	7	<b>1,225</b>	(75)
Investment expenses and charges	7	<b>(147)</b>	(146)
		<u><b>5,959</b></u>	<u>1,643</u>
Allocated investment return transferred to the general business technical account		<b>(3,930)</b>	(1,215)
		<u><b>(28,151)</b></u>	<u>(18,089)</u>
Other charges	9	<u><b>(2,488)</b></u>	<u>(2,752)</u>
		<b>(2,488)</b>	(2,752)
Loss on ordinary activities before tax		<b>(30,639)</b>	(20,841)
Tax on loss on ordinary activities	13	<u><b>(7,272)</b></u>	<u>(1,295)</u>
<b>Retained loss for the year</b>		<u><b>(37,911)</b></u>	<u><b>(22,136)</b></u>

All the amounts above are in respect of continuing operations.

**Vibe Corporate Member Limited**  
**Annual Report and Financial Statements**  
**for the year ended 31 December 2019**

**Statement of Financial Position**

As at 31 December 2019

<b>Assets</b>	<b>Notes</b>	<b>2019 £000</b>	<b>2018 £000</b>
<b>Non-current assets</b>			
Financial investments	14	178,449	131,301
<b>Current assets</b>			
<b>Reinsurers' share of technical provisions</b>			
Unearned premium	4	8,776	7,301
Claims outstanding	3	<u>40,425</u>	<u>38,576</u>
		49,201	45,877
<b>Debtors</b>			
Debtors arising out of insurance operations	15	24,346	16,838
Debtors arising out of reinsurance operations	16	34,564	30,757
Other debtors	17	<u>47,806</u>	<u>7,852</u>
		106,716	55,447
<b>Other assets</b>			
Cash at bank and in hand		12,378	28,565
Overseas deposits		<u>9,172</u>	<u>7,128</u>
		21,550	35,693
<b>Prepayments and accrued income</b>			
Deferred acquisition costs	5	19,899	17,703
Prepayments		<u>2,043</u>	<u>3,049</u>
		21,942	20,752
<b>Total assets</b>		<u>377,858</u>	<u>289,070</u>

**Vibe Corporate Member Limited**  
**Annual Report and Financial Statements**  
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**Statement of Financial Position**

As at 31 December 2019

<b>Equity &amp; liabilities</b>	<i>Notes</i>	<b>2019</b>	<b>2018</b>
		<b>£000</b>	<b>£000</b>
Called up share capital		-	-
Additional paid in capital		22,859	22,859
Share premium account	18	104,141	44,691
Profit and loss account		(105,634)	(67,723)
Shareholders' funds attributable to equity interests		<u>21,366</u>	<u>(173)</u>
Subordinated Loan	19	-	891
		<b>21,366</b>	<b>718</b>
<b>Liabilities</b>			
<b>Technical provisions</b>			
Unearned premium	4	76,699	67,960
Provision for claims outstanding	3	232,824	192,988
		<b>309,523</b>	<b>260,948</b>
<b>Creditors</b>			
Creditors arising out of direct insurance operations	20	233	1,688
Creditors arising out of reinsurance operations	20	23,795	10,499
Other creditors	21	22,150	14,546
		<b>46,178</b>	<b>26,733</b>
Accruals and deferred income		791	671
<b>Total liabilities</b>		<b>356,492</b>	<b>288,352</b>
<b>Total equity &amp; liabilities</b>		<b>377,858</b>	<b>289,070</b>

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**Statement of Changes in Equity**

For the year ended 31 December 2019

£000	Called up Capital	Share Premium Account	Profit & Loss Account	Subordinated Loan	Total Equity
As at 1 January 2019	22,859	44,691	(67,723)	891	718
Share premium	-	59,450	-	-	59,450
Movement in loan	-	-	-	(891)	(891)
Loss for the year	-	-	(37,911)	-	(37,911)
As at 31 December 2019	<u>22,859</u>	<u>104,141</u>	<u>(105,634)</u>	<u>-</u>	<u>21,366</u>

£000	Called up Capital	Share Premium Account	Profit & Loss Account	Subordinated Loan	Total Equity
As at 1 January 2018	22,859	-	(45,587)	870	(21,858)
Share premium	-	44,691	-	-	44,691
Movement in loan	-	-	-	21	21
Loss for the year	-	-	(22,136)	-	(22,136)
As at 31 December 2018	<u>22,859</u>	<u>44,691</u>	<u>(67,723)</u>	<u>891</u>	<u>718</u>

These financial statements were approved by the Board of Directors on 14 October 2020 and were signed on its behalf by:



**A Williams**  
Director  
14 October 2020

**Vibe Corporate Member Limited**  
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**Notes to the Financial Statements**

**1 Accounting policies**

**1.1 Statement of compliance**

Vibe Corporate Member Limited ("the Company") is a limited liability company incorporated in England. The Registered Office is 5th Floor, 90 Fenchurch Street, London EC3M 4ST. The financial statements are prepared as at 31 December 2019 and for the year ended 31 December 2019.

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

The Company has taken advantage of the reduced disclosures available for qualifying entities under paragraph 1.12 of FRS 102, including the exemption from preparing a cash flow statement. The Company is a qualifying entity under this exemption due to it being a wholly owned subsidiary of Syndicate Re AI ("SRAI"), a limited liability company incorporated in Puerto Rico which fully consolidates the Company's results into its Financial Statements.

The Company has also taken advantage of the exemption permitted by FRS 102 section 33, Related Party Disclosures, not to disclose amounts involved in contracts between members of a group where a party to the transaction is a wholly-owned subsidiary. However, the Company is required to disclose year end balances as per Note 23.

**1.2 Basis of preparation**

The financial statements for the year ended 31 December 2019 were authorised for issue by the Board of Directors on 14 October 2020.

The financial statements are prepared in sterling which is the functional and presentational currency of the Syndicate and rounded to the nearest £'000.

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

**1.2.1** The Directors consider that the going concern basis of preparation is appropriate. However, as described in the Director's Report, the Company is dependent upon additional funding being provided by other Group Companies. These other companies have committed to support the Company for a period not less than twelve months from the date of signing of these accounts, but their ability to do so is dependent upon the timely completion of the sale of a fellow subsidiary which is, in turn, dependent upon regulatory approval. The Directors therefore acknowledge that a material uncertainty exists which may cast significant doubt upon the ability of the Company to continue as a going concern. If the company were unable to continue as a going concern it is possible that adjustments might have to be made to the value of assets and liabilities. These adjustments might be material. These financial statements do not contain the adjustments that would result if the company was unable to continue as a going concern.

**Vibe Corporate Member Limited**  
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**Notes to the Financial Statements (continued)**

**1.2 Basis of preparation (continued)**

**1.2.2** In the first quarter of 2020, the World Health Organisation declared the COVID-19 outbreak to be a pandemic. Many governments, including the UK, have taken stringent measures to contain and/or delay the spread of the virus. Action taken in response to the spread of COVID-19 have resulted in severe disruption to business operations and a significant increase in economic uncertainty, with more volatile asset prices and currency exchange rates, and a marked decline in long-term interest rates in developed economies.

There remains significant uncertainty regarding the developments of the pandemic and the future economic recovery. In assessing going concern the directors have considered the uncertainties associated with Covid-19 including the different ways in which this could impact the cash flows, capital, solvency and liquidity position of the company and any mitigations management have within their control to implement.

Having assessed the principal risks on liquidity, credit risk and operational risk for the company, including potential impact of COVID-19, the directors have concluded there to be no significant impact of COVID-19 upon these financial statements. However, as disclosed in the Directors Report and note 1.2.1, a material uncertainty exists that may cast significant doubt about the company's financial ability to continue as a going concern.

The Company consolidates the results of Syndicate 5678. As such the Company has adopted accounting policies consistent with those applied by the Syndicate. The principal accounting policies, which have been applied consistently throughout the year, within both the Syndicate and the Company, are set out below.

**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. The following are the Syndicate's key sources of estimation uncertainty:

***Insurance contract 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 types 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.

**Vibe Corporate Member Limited**  
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**Notes to the Financial Statements (continued)**

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

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. The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported (IBNR) at the balance sheet date based on statistical methods. These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset. Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

Further details are given in Note 25.

***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.

**Run-off provision**

In arriving at the run-off provision, significant judgment is required to determine those costs which are committed in order to settle the claims of the syndicate. Some of those costs can be readily allocated to a claims handling provision, however, other costs, including contracts that are onerous, are indirectly required in order to support the broader operation of the business which, with the business in run-off, is to a significant extent all indirectly related to the settlement of claims. In order to quantify the additional provision over and above the claims handling provision, it has been necessary to make assumptions as to the length of the run-off period, the return on investments and the quantum of future expenses incurred and the restructuring costs. The ultimate cost of the run-off is dependent on future events and could be materially different from the amount provided and therefore the directors reassess the adequacy of the assumptions and the run-off provision annually.

The main assumptions underlying are:

- Expenses – committed planned run-off resourcing levels, systems and other expenses have been estimated based on expected activities at each point in the future.
- Underwriting profitability and return on investments – premium estimates associated with unexpired risk and facilities can be estimated from historical premium development.

**Vibe Corporate Member Limited**  
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**Notes to the Financial Statements (continued)**

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

- Additionally, historical claims and recovery experience can be used to determine the future claims and recovery associated with this premium. It is also assumed that past experience can be utilised in order to generate expected future cashflows from which future investment income is estimated.

**1.4 Significant accounting policies**

***Financial investments***

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

The Company classifies its financial investments as either financial assets at fair value through profit or loss, loans and receivables or available for sale. The Company determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value plus, in the case of instruments not at fair value through profit or loss, directly attributable transaction costs.

The classification depends on the purpose for which the investments were acquired or originated. In general, financial assets are classified as fair value through profit or loss as the Company's documented investment strategy is to manage financial investments acquired on a fair value basis. The available for sale category is used only in cases when the investments are passively managed and the Syndicate held none of these at year end 2019 or 2018.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date the Company commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the time frame generally established by regulation or convention in the market place.

Financial assets at fair value through profit or loss has two sub categories namely financial assets held for trading and those designated at fair value through profit or loss at inception. All of the Company's assets are held for trading. These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value at each reporting date. Fair value adjustments and realised gains and losses are recognised in the statement of comprehensive income.

***Cash and cash equivalents***

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

***Fair value of financial assets***

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

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.



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**Notes to the Financial Statements (continued)**

**1.4 Significant accounting policies (continued)**

- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability

See Note 14 for details of financial instruments classified by fair value hierarchy.

***Derecognition of financial assets***

A financial asset is derecognised when the Company has transferred all the risks and rewards of the asset.

***Financial liabilities***

The Syndicate's financial liabilities include trade and other payables, borrowings and insurance payables. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Trade and other payables and loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in investment return in the profit or loss.

Derivative financial liabilities are subsequently measured at fair value through profit or loss.

A financial liability is derecognised when the obligation under the liability is discharged or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective amounts is recognised in profit or loss.

***Investment return***

Unrealised and realised gains and losses on financial investments are recognised based on the appropriate classification of financial investments and are covered in detail under the accounting policy for financial investments.

An allocation of actual investment return on investments supporting the general insurance technical provisions and associated member's balance is made from the non-technical account to the technical account. Investment return related to non-insurance business and member's balance is attributed to the non-technical account.

**Vibe Corporate Member Limited**  
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**Notes to the Financial Statements (continued)**

**1.4 Significant accounting policies (continued)**

***Insurance contracts***

Insurance contracts are those contracts when the Company (the insurer/reinsurer) has accepted significant insurance risk from another party (the policyholder/reinsured) by agreeing to compensate the policyholder if a specified uncertain future event (the re/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.

Any separable embedded derivatives within an insurance contract are separated and accounted for in accordance with IAS 39 unless the embedded derivative is itself an insurance contract (i.e., the derivative is not separated if the policyholder benefits from the derivative only when the insured event occurs).

***Gross written premiums***

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

Under some policies, written premiums are adjusted retrospectively in the light of claims experience or where the risk covered cannot be assessed accurately at the commencement of cover. Where written premiums are subject to an increase retrospectively, recognition of any potential increase is deferred until the additional amount can be ascertained with reasonable certainty. Where written premiums are subject to a reduction, a re-measurement taking account of such a reduction is made as soon as there is an obligation to the policyholder.

***Outwards reinsurance premiums***

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

Under some policies, outward reinsurance premiums payable are adjusted retrospectively in the light of claims experience or where the risk covered cannot be assessed accurately at the commencement of cover. Where written premiums are subject to an increase retrospectively, recognition of any potential increase is recognised as soon as there is an obligation to the reinsurer. Outwards reinsurance premiums are accounted for and earned in the same accounting period as the premiums for the related direct or inwards business being reinsured.

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**Notes to the Financial Statements (continued)**

**1.4 Significant accounting policies (continued)**

***Claims***

Claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, 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.

***Technical provisions***

Technical provisions comprise claims outstanding and provisions for unearned premiums.

***Claims outstanding***

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money.

***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. In respect of general insurance business, written premiums are recognised as earned over the period of the policy on a time apportionment basis having regard where appropriate, to the incidence of risk. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

***Provisions for unearned premiums (continued)***

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

***Unexpired risks***

A liability adequacy provision (the 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.

**Vibe Corporate Member Limited**  
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**Notes to the Financial Statements (continued)**

**1.4 Significant accounting policies (continued)**

The assessment of whether a provision is necessary is made by considering separately each category of business on the basis of information available at the reporting date, after offsetting surpluses and deficits arising on products which are managed together. Investment income is taken into account in calculating the provision.

At 31 December 2019 and 31 December 2018 the Syndicate did not have an unexpired risks provision.

***Deferred acquisition costs***

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

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

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

***Reinsurance assets***

The Syndicate cedes insurance risk in the normal course of business for all of its businesses. 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 indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company 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. The impairment loss is recorded in the income statement.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. There were no such gains recognised in 2019 or 2018.

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

***Insurance receivables***

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

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

**Vibe Corporate Member Limited**  
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**Notes to the Financial Statements (continued)**

**1.4 Significant accounting policies (continued)**

***Insurance payables***

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

***Foreign currencies***

The Company's functional currency and presentational currency is Sterling.

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. Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisition costs) denominated in foreign currencies are retranslated into the functional currency at the exchange rate ruling on the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. 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.

Exchange differences are recorded in the non-technical account.

***Taxation***

***Current tax***

Current tax liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted by the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the Income Statement.

***Deferred tax***

Deferred tax is recognised in respect of all timing differences, which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination a deferred tax liability/(asset) shall be recognised. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised; and

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**Notes to the Financial Statements (continued)**

**1.4 Significant accounting policies (continued)**

- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

*Run-off provision*

Provisions are recognised when the Syndicate has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

A run-off provision representing a provision for running off all years of account is based on the managing agent's estimate of the likely costs involved. Other than future claims handling costs, which are provided for in the claims outstanding provision, the managing agent has estimated expected future costs based on committed restructuring costs and onerous contracts. This expected future cost is offset by expected future underwriting profits and investment income and is discounted to present value using a discount rate that appropriately reflects management's current assessment of the time value of money and risks specific to the run-off provision.

The assessment is made based on the basis of information available at the reporting date. The managing agent reviews the run-off provision at each reporting date and adjusts to reflect current best estimate of the amount that would be required to settle the obligation at that reporting date.

**Vibe Corporate Member Limited**  
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**2 Segmental analysis**

An analysis of the underwriting result before other technical charges is set out below:

2019	Gross Written Premiums	Gross Earned Premiums	Gross Claims Incurred	Gross Operating Expenses	Reinsurance balance	Total
	£000	£000	£000	£000	£000	£000
Direct Insurance						
Accident and Health	7,369	6,807	(2,876)	(3,692)	(946)	(707)
Aviation	-	4	-	(2)	-	2
Fire and other damage to property	11,819	14,949	(15,978)	(6,378)	(3,455)	(10,862)
Marine	144	146	(42)	(66)	(9)	29
Motor (other classes)	4	4	(9)	(2)	3	(4)
Motor (third party liability)	2	1	16	-	(3)	14
Pecuniary loss	10,259	7,683	(4,780)	(2,907)	1,175	1,171
Third party liability	79,581	71,351	(38,502)	(28,737)	(6,616)	(2,504)
Transport	49	40	10	(18)	(55)	(23)
	<u>109,227</u>	<u>100,985</u>	<u>(62,161)</u>	<u>(41,802)</u>	<u>(9,906)</u>	<u>(12,884)</u>
Reinsurance	69,615	66,720	(49,643)	(24,178)	(4,901)	(12,002)
Total	<u>178,842</u>	<u>167,705</u>	<u>(111,804)</u>	<u>(65,980)</u>	<u>(14,807)</u>	<u>(24,886)</u>

2018	Gross Written Premiums	Gross Earned Premiums	Gross Claims Incurred	Gross Operating Expenses	Reinsurance balance	Total
	£000	£000	£000	£000	£000	£000
Direct Insurance						
Accident and Health	4,664	5,717	(3,520)	(3,081)	(289)	(1,173)
Aviation	9	8	(4)	(3)	27	28
Energy - Non Marine	0	0	90	0	(1)	89
Fire and other damage to property	16,127	16,407	(14,643)	(6,634)	(5,425)	(10,295)
Marine	29	51	(24)	(23)	84	88
Motor (other classes)	1	2	(46)	(1)	(1)	(46)
Motor (third party liability)	0	0	7	0	(15)	(8)
Pecuniary loss	5,047	4,648	(3,225)	(1,837)	(500)	(914)
Third party liability	42,483	48,562	(22,310)	(21,806)	1,225	5,671
Transport	(39)	(28)	114	13	(103)	(4)
	<u>68,321</u>	<u>75,367</u>	<u>(43,561)</u>	<u>(33,372)</u>	<u>(4,998)</u>	<u>(6,564)</u>
Reinsurance	52,557	54,069	(29,119)	(20,395)	(8,862)	(4,307)
Total	<u>120,878</u>	<u>129,436</u>	<u>(72,680)</u>	<u>(53,767)</u>	<u>(13,860)</u>	<u>(10,871)</u>

Commissions on direct insurance gross premiums earned during 2019 were £28,635k (2018: £16,565k).

All premiums were concluded in the UK.

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**Notes to the Financial Statements (continued)**

**2 Segmental analysis (continued)**

The geographical analysis of net premiums by risk is as follows:

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
UK	<b>58,261</b>	42,932
Other EU countries	<b>4,124</b>	3,179
US	<b>93,762</b>	56,717
Other	<b>22,695</b>	18,050
	<b><u>178,842</u></b>	<b><u>120,878</u></b>

**3 Claims outstanding**

<b>2019</b>	<b>Gross</b>	<b>Reinsurers'</b>	<b>Net</b>
	<b>£000</b>	<b>Share</b>	<b>£000</b>
At 1 January 2019	<b>192,988</b>	<b>(38,576)</b>	<b>154,412</b>
Claims incurred in current underwriting year	<b>45,476</b>	<b>(9,584)</b>	<b>35,892</b>
Claims incurred in prior underwriting year	<b>66,328</b>	<b>(5,930)</b>	<b>60,398</b>
Claims paid during the year	<b>(65,166)</b>	<b>12,514</b>	<b>(52,652)</b>
Foreign exchange	<b>(6,802)</b>	<b>1,151</b>	<b>(5,651)</b>
At 31 December 2019	<b><u>232,824</u></b>	<b><u>(40,425)</u></b>	<b><u>192,399</u></b>
<b>2018</b>	<b>Gross</b>	<b>Reinsurers'</b>	<b>Net</b>
	<b>£000</b>	<b>Share</b>	<b>£000</b>
At 1 January 2018	<b>160,397</b>	<b>(39,690)</b>	<b>120,707</b>
Claims incurred in current underwriting year	<b>42,320</b>	<b>(6,981)</b>	<b>35,339</b>
Claims incurred in prior underwriting year	<b>30,360</b>	<b>(1,923)</b>	<b>28,437</b>
Claims paid during the year	<b>(48,081)</b>	<b>11,742</b>	<b>(36,339)</b>
Foreign exchange	<b>7,992</b>	<b>(1,724)</b>	<b>6,268</b>
At 31 December 2018	<b><u>192,988</u></b>	<b><u>(38,576)</u></b>	<b><u>154,412</u></b>



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**4 Provision for unearned premium**

2019	Gross £000	Reinsurer's Share £000	Net £000
At 1 January 2019	67,960	(7,301)	60,659
Premiums written in the year	178,842	(32,059)	146,783
Premiums earned in the year	(167,705)	30,321	(137,384)
Foreign exchange	(2,398)	263	(2,135)
At 31 December 2019	<u>76,699</u>	<u>(8,776)</u>	<u>67,923</u>
2018	Gross £000	Reinsurer's Share £000	Net £000
At 1 January 2018	73,635	(2,551)	71,084
Premiums written in the year	120,878	(27,209)	93,669
Premiums earned in the year	(129,436)	22,764	(106,672)
Foreign exchange	2,883	(305)	2,578
At 31 December 2018	<u>67,960</u>	<u>(7,301)</u>	<u>60,659</u>

**5 Deferred acquisition costs**

	2019 £000	2018 £000
At 1 January	17,703	19,933
Change in deferred acquisition costs	2,614	(3,434)
Foreign exchange	(418)	1,204
At 31 December	<u>19,899</u>	<u>17,703</u>

**6 Net administrative expenses**

	2019 £000	2018 £000
Acquisition costs	46,461	30,960
Change in deferred acquisition costs	<u>(2,614)</u>	<u>3,434</u>
	43,847	34,394
Administrative expenses	<u>22,133</u>	<u>19,373</u>
Total	<u>65,980</u>	<u>53,767</u>

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**7 Investment return**

	2019 £000	2018 £000
Income from other financial investments	4,336	2,324
Net losses on realisation of investments		
Fair value through profit or loss designated upon initial recognition	545	(460)
Total investment income	4,881	1,864
Net unrealised losses on investments		
Financial instruments at fair value through profit and loss	1,225	(75)
Investment expenses and charges	(147)	(146)
Total investment return	5,959	1,643

**8 Other technical charges**

	2019 £000	2018 £000
Letters of credit fees	1,797	2,065
Charges related to the provision and guaranteeing Funds at Lloyd's	7,427	6,796
	9,224	8,861

The above costs were incurred in the provision and guaranteeing of Funds at Lloyd's.

**9 Other charges – expenses**

	2019 £000	2018 £000
Interest on subordinated loan	7	390
Loss on exchange	1,278	1,076
Legal and professional fees	352	161
Other expenses	-	22
Recharges from service company	851	1,066
	2,488	2,752

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**10 Auditors' remuneration**

	<b>2019</b>	2018
	<b>£000</b>	£000
Fees payable for the audit of the company's annual accounts	22	21
Audit of syndicate annual accounts	230	202
Audit related assurance services	50	49
Actuarial services	82	45
	<u>384</u>	<u>317</u>

The Auditors' remuneration in respect of the Company's and the Syndicate's annual accounts, audit related assurance services and other non-audit services is included within the administrative expenses.

**11 Staff costs**

There were no staff employed by the company. Staff are employed by Vibe Services Management Limited, a fellow group company and then recharged.

**12 Directors' emoluments**

	<b>2019</b>	2018
	<b>£000</b>	£000
Remuneration	782	1,440
Company contributions to pension schemes	13	22

The amounts set out above include remuneration of the highest paid director as follows:

	<b>2019</b>	2018
	<b>£000</b>	£000
Remuneration	472	941
Company contributions to pension schemes	-	-

Directors (excluding AA Fridlyand) are paid by Vibe Services Management Limited (VSML), a fellow group company, and a recharge based on the proportion of time spent on fellow companies is made by VSML.

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**13 Taxation**

**13.1 Analysis of the tax (credit) for the year**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>Current Tax</b>		
UK corporation tax charge/(credit)	-	-
Group relief payable/(receivable)	(317)	(389)
Prior year charge/(credit)	32	190
Total current tax credit	<u>(285)</u>	<u>(199)</u>
<b>Foreign Tax</b>	<b>71</b>	<b>-</b>
<b>Deferred tax</b>		
Current year charge/(credit)	8,367	2,014
Prior year charge/(credit)	-	(174)
Effect of change in tax rate	(881)	(346)
Total deferred tax charge/(credit)	<u>7,486</u>	<u>1,494</u>
Total tax expense/(credit)	<u><b>7,272</b></u>	<u><b>1,295</b></u>

**13.2 Factors affecting the total tax (credit)/charge for period:**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Loss on ordinary activities before tax	(30,639)	(20,841)
UK corporation tax at 19%	(5,821)	(3,960)
Effects of:		
Expenses not allowable for tax purposes	18	419
Adjustment in respect of prior period	32	15
Foreign Tax	71	-
Deferred tax not recognised	13,853	5,167
Impact of change in tax rate	(881)	(346)
Total tax expense/(credit)	<u><b>7,272</b></u>	<u><b>1,295</b></u>

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**13 Taxation (continued)**

**13.3 Deferred tax (asset)/liability:**

	2019	2018
	£000	£000
Opening balance	(7,500)	(8,994)
Origination and reversals of timing differences	8,367	1,840
Impact of reduction in corporation tax rate	(881)	(346)
Closing balance	<u>(14)</u>	<u>(7,500)</u>

The company's profits are taxable in the UK under the standard rate of corporation tax being 19% for 2019 (2018: 19%).

Legislation was passed on 18 November 2015 to reduce the UK corporation tax rate to 19% from 1 April 2017. A further reduction to the UK corporation tax rate to 17% from 1 April 2020 was enacted as part of the Finance Bill 2016.

In addition to the recognised deferred tax asset of £14k (2018: £7,500k) is an amount £17,279k (2018: £4,505k) that has not been recognised. Within the amount not recognised are crystallised gross tax losses of £24,594K (2018: £13,166k). Deferred tax asset has been calculated at the substantively enacted rate of 17%.

	2019	2018
	£000	£000
Underwriting results	(14)	(7,500)
Tax profit/(losses)	-	-
Closing deferred tax (asset)/liability	<u>(14)</u>	<u>(7,500)</u>

On 11 March 2020 it was announced (and substantively enacted on 17 March 2020) that the UK corporation tax rate would remain at 19% and not reduce to 17% (the previously enacted rate) from 1 April 2020. The deferred tax balances included within the accounts have been calculated with reference to the rate of 17%, as required under FRS 102. However, following the substantive enactment of the rate of 19%, it is anticipated that the reversal of timing differences will occur at this rate and that the maximum impact on the quantum of the net recognised deferred tax asset will be £2k and on the unrecognised deferred tax asset will be £2,048k.

**14 Investments**

	2019	
	Carrying value	Purchase price
	£000	£000
Shares and other variable yield securities and units in unit trusts	14,342	14,342
Debt securities and other fixed income securities designated at fair value through profit or loss	161,120	159,943
Loans and deposits with credit institutions	2,987	2,987
	<u>178,449</u>	<u>177,272</u>
		<u>175,462</u>

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**14 Investments (continued)**

	Carrying value £000	2018 Purchase price £000	Listed £000
Shares and other variable yield securities and units in unit trusts	9,419	9,419	9,419
Debt securities and other fixed income securities designated at fair value through profit or loss	119,091	118,543	119,091
Loans and deposits with credit institutions	2,791	2,791	-
	<u>131,301</u>	<u>130,753</u>	<u>128,510</u>

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

	2019			Total £000
	Level 1 £000	Level 2 £000	Level 3 £000	
Shares and other variable yield securities and units in unit trusts	14,342	-	-	14,342
Debt securities and other fixed income securities	-	161,120	-	161,120
Loans and deposits with credit institutions	2,492	-	495	2,987
Total	<u>16,834</u>	<u>161,120</u>	<u>495</u>	<u>178,449</u>

	2018			Total £000
	Level 1 £000	Level 2 £000	Level 3 £000	
Shares and other variable yield securities and units in unit trusts	9,419	-	-	9,419
Debt securities and other fixed income securities	-	119,091	-	119,091
Loans and deposits with credit institutions	2,791	-	-	2,791
Total	<u>12,210</u>	<u>119,091</u>	<u>-</u>	<u>131,301</u>

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

Included in the Level 2 category are financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions.

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**Notes to the Financial Statements (continued)**

**14 Investments (continued)**

Level 3 category are financial assets measured using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. At year end 2019 these represent the loan to the Lloyd's Central Fund. No further Level 3 disclosure is provided on the grounds of materiality. The Syndicate did not hold any of these at year end 2018.

**15 Debtors arising out of direct insurance operations**

	2019 £000	2018 £000
Due from intermediaries	<u>24,346</u>	<u>16,838</u>

There were no debtors arising out of direct insurance operations falling due after more than one year.

**16 Debtors arising out of reinsurance operations**

	2019 £000	2018 £000
Due from ceding insurers and intermediaries under reinsurance business	29,523	28,919
Due from reinsurers and intermediaries under reinsurance contracts ceded	<u>5,041</u>	<u>1,838</u>
	<u>34,564</u>	<u>30,757</u>

There were no debtors arising out of reinsurance operations falling due after more than one year.

**17 Other debtors**

	2019 £000	2018 £000
Deferred tax	14	7,500
Amounts due from group companies	47,696	108
Corporation tax asset	-	30
Other	<u>96</u>	<u>214</u>
	<u>47,806</u>	<u>7,852</u>

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**18 Share premium account**

	2019 £000	2018 £000
Share premium account	<u>104,141</u>	<u>44,691</u>
	<u>104,141</u>	<u>44,691</u>

During the year an additional two £1 shares were issued at a premium of £59,450k, which increased shareholders' funds by £59,450k.

**19 Subordinated Loan**

	2019 £000	2018 £000
Subordinated loan	<u>-</u>	<u>891</u>
	<u>-</u>	<u>891</u>

The company had the benefit of a subordinated loan from its intermediate holding company, Syndicate Re A.I. a company registered in Puerto Rico. Interest is payable on the facility at LIBOR plus 2%. The facility is subordinated to all other creditors of the company. The company incurred interest of £7k on the loan in 2019 (2018: £23k). The loan and interest totalling £898k was repaid during the year.

**20 Creditors arising out of direct insurance and reinsurance operations**

	2019 £000	2018 £000
Creditors arising out of direct insurance operations		
Due to intermediaries within one year	<u>233</u>	<u>1,688</u>
Creditors arising out of reinsurance operations		
Reinsurance ceded	23,060	10,427
Reinsurance accepted	<u>735</u>	<u>72</u>
	<u>23,795</u>	<u>10,499</u>



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**21 Other creditors including tax and social security**

	2019 £000	2018 £000
<b>Amounts falling due within one year</b>		
Run-off provision	4,254	-
Amounts owed to Vibe Services Management Ltd	17,322	8,493
Amounts owed to Vibe UK Holdings Ltd	-	5,649
Amounts owed in respect of letters of credit	255	260
Other	319	144
	<u>22,150</u>	<u>14,546</u>

**22 Run-off provision**

	2019 £000	2018 £000
<i>Undiscounted</i>		
Net underwriting profit	15,596	-
Expenses	(33,676)	-
Investment income	13,520	-
	<u>(4,560)</u>	<u>-</u>
 Run off provision (discounted expected future losses)	 <u>4,254</u>	 <u>-</u>

A run-off cost provision of £4.3m has been provided at 31 December 2019. This represented a provision for running off all years of account and was based on the managing agent's estimate of the likely costs involved.

Net underwriting profit has been estimated based on insurance contracts that were either in place at year end or estimated to be written after year end as part of a facility that was in place at year end.

Expenses are the anticipated committed costs other than those allocated to claims handling provision, including contracts that are onerous, required to support the run-off of the syndicate.

The projected investment return has been based on applying expected yields on investments resulting from forecast future cashflows.

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**23 Related party transactions**

At year end 2019, the company had the following related party balances.

	2019 £000	2018 £000
<b>Amounts owed by fellow group subsidiaries</b>		
Inceptum Insurance Company Limited	-	56
Vibe Syndicate Management Ltd	-	52
	<u>-</u>	<u>108</u>
<b>Amounts owed to fellow group subsidiaries</b>		
Vibe Services Management Ltd	<u>17,322</u>	<u>8,493</u>
<b>Amounts owed by parent company</b>		
Syndicate Re A.I. (intermediary)	<u>47,696</u>	<u>-</u>
<b>Amounts owed to parent company</b>		
Vibe UK Holdings Ltd (immediate)	-	5,649
Syndicate Re A.I. (intermediary)	-	891
	<u>-</u>	<u>6,540</u>

**24 Contingent Liabilities**

Under the terms of a Lloyd's Security and Trust Deed (in the case of a letter of credit or bank guarantee) or the Lloyd's Deposit Trust Deed (in the case of cash or investments lodged as Funds at Lloyd's ("FAL")), Lloyd's has been given a first fixed charge over the FAL and a floating charge over company assets in case of default on the pledged FAL amount of £216.8m (2018: £188m).

**25 Risk Management**

**25.1 Governance framework**

The primary objective of the Syndicate's risk management framework is to protect the Syndicate's members from events that hinder the sustainable achievement of objectives, including failing to exploit opportunities. Key management recognises

The Managing Agent has established a risk management function and governance arrangements for the Syndicate with clear terms of reference from the board of directors to its committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to committees and senior managers.

Lastly, a Syndicate risk appetite framework and associated policies which set out the risk profiles for the Syndicate, risk management, control and business conduct standards for the Syndicate's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Syndicate.

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**Notes to the Financial Statements (continued)**

**25.1 Governance framework (continued)**

The board of directors approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies and associated strategy and business plans to ensure that they remain aligned. The Syndicate regularly undertakes an Own Risk and Solvency Assessment (ORSA) which is reviewed and approved by the board.

**25.2 Capital management objectives, policies and approach**

*Capital framework at Lloyd's*

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

Within 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, license 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.

*Lloyd's capital setting process*

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.

A Syndicate may be comprised of one or more underwriting members of Lloyd's. Syndicate 5678 only has one underwriting member whose SCR is determined by the sum of the member's share of the Syndicate SCR 'to ultimate'. The SCR reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2019 was 35% (2018: 35%) of the member's SCR 'to ultimate'. A further capital uplift of 10% is applied for inactive members (members of only run-off syndicates).

*Provision of capital by members*

The Company provides its capital to Lloyd's by arranging for its parent company, Syndicate Re A.I. (SRAI) to procure the capital. SRAI levies VCM with charges in respect of this.

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**25.3 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 purchases reinsurance as part of its risk mitigation programme in respect of the business. Reinsurance ceded is a mixture of quota share and excess of loss reinsurance designed to mitigate the Syndicate's net exposure to catastrophe and large 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. The Syndicate's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations substantially dependent upon any single reinsurance contract.

Prior to entering run-off, the Syndicate principally issued the following types of general insurance and reinsurance contracts: accident and health, casualty treaty, credit, surety, political risk & terror, financial institutions, North American specialty programs, professional indemnity, property D&F and property treaty. Risks usually cover twelve months duration.

The most significant risks arise from climate changes, natural disasters and terrorist activities. For longer tail claims that take some years to settle, there is also inflation risk.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Furthermore, 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.

The Syndicate has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage) and large losses.

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Syndicate's risk appetite as decided by the Board.

The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

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**Notes to the Financial Statements (continued)**

**25.3 Insurance risk (continued)**

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

As a further guide to the level of catastrophe exposure written by the Syndicate, the following table shows hypothetical claims arising for various realistic disaster scenarios based on the Syndicate's average risk exposures during 2019.

**Average Risk Exposures during 2019**

<b>Scenario £m</b>	<b>Average Gross RDS</b>	<b>Average Net RDS</b>
San Francisco Earthquake	60.5	5.6
Cyber – Major Security Breach	55.3	19.6
Los Angeles Earthquake	55.2	5.6
Terrorism – One World Trade Center	44.5	13.8
Florida Windstorm – Pinellas	37.3	3.7
Florida Windstorm – Miami Dade	34.0	3.7
Two Events – Carolinas Windstorm	30.7	3.6
Terrorism - Rockefeller Center	27.3	3.6
Madrid Earthquake	23.4	5.5
Japanese Earthquake	18.9	3.5

**Average Risk Exposures during 2018**

<b>Scenario £m</b>	<b>Average Gross RDS</b>	<b>Average Net RDS</b>
Cyber – Major Security Breach	61.3	31.3
Los Angeles Earthquake	52.2	8.9
San Francisco Earthquake	51.7	8.9
Gulf of Mexico Windstorm	41.8	7.5
Two Events – North East Windstorm	35.0	7.5
Terrorism - Rockefeller Center	31.3	5.8
Florida Windstorm – Miami Dade	30.8	7.5
Florida Windstorm – Pinellas	30.6	7.5
Madrid Earthquake	24.2	6.0
Two Events – Carolinas Windstorm	21.5	7.3

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**Notes to the Financial Statements (continued)**

**25.3 Insurance risk (continued)**

The table below sets out the concentration of outstanding claim liabilities by type of contract for 2019:

£000	Gross Liabilities	Reinsurance of Liabilities	Net liabilities
Accident & Health	13,216	1,721	11,495
Aviation	5	-	5
Energy – non marine	58	22	36
Fire and other property damage	12,464	2,662	9,802
Marine	525	41	484
Motor (other classes)	296	24	272
Motor (third party liability)	138	0	138
Pecuniary loss	5,366	1,784	3,582
Third Party liability	98,528	19,080	79,448
Transport	91	20	71
Reinsurance Acceptance	102,137	15,071	87,066
Total	232,824	40,425	192,399

The table below sets out the concentration of outstanding claim liabilities by type of contract for 2018:

£000	Gross Liabilities	Reinsurance of Liabilities	Net liabilities
Accident & Health	14,249	2,738	11,511
Aviation	6	-	6
Energy – non marine	60	23	37
Fire and other property damage	15,169	6,134	9,035
Marine	521	34	487
Motor (other classes)	308	25	283
Motor (third party liability)	164	2	162
Pecuniary loss	2,758	291	2,467
Third Party liability	74,008	17,065	56,943
Transport	116	23	93
Reinsurance Acceptance	85,629	12,241	73,388
Total	192,988	38,576	154,412

All of the business is written in the UK.

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**Notes to the Financial Statements (continued)**

**25.3 Insurance risk (continued)**

*Key assumptions*

The principal assumption underlying the liability estimates is that the future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each underwriting year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: once-off occurrence; changes in market factors such as public attitude to claiming; economic conditions; as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

The claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

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

31 December 2019	Change in assumptions	Impact on gross liabilities £000's	Impact on net liabilities £000's	Impact on profit £000's	Impact on member's balance £000's
Average claim cost	+ 10% severity	23,282	19,240	(19,240)	(19,240)
Average number of claims	+ 10% frequency	23,282	19,240	(19,240)	(19,240)
Average claim settlement period	6 month reduction in settlement period	(25,759)	(25,759)	(80)	(80)
31 December 2018	Change in assumptions	Impact on gross liabilities £000's	Impact on net liabilities £000's	Impact on profit £000's	Impact on member's balance £000's
Average claim cost	+ 10% severity	19,299	15,441	(15,441)	(15,441)
Average number of claims	+ 10% frequency	19,299	15,441	(15,441)	(15,441)
Average claim settlement period	6 month reduction in settlement period	(18,121)	(17,719)	(109)	(109)

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**Notes to the Financial Statements (continued)**

**25.3 Insurance risk (continued)**

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

***Claims development table***

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, together with cumulative payments to date. The cumulative claims estimates and cumulative payments are translated to sterling at the rate of exchange that applied at the end of the underwriting year.

The Syndicate has taken advantage of the transitional rules of FRS 103 that permit only five years of information to be disclosed upon adoption. The claims development information disclosed is being increased from five years to ten years over the period 2016–2020.

In setting claims provisions the Syndicate gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty.

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.

Claims incurred during the year, net of reinsurance, include adverse prior year development of £1.5m (2018: £11.5m positive development).



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**Notes to the Financial Statements (continued)**

**25.3 Insurance risk (continued)**

Gross insurance contract outstanding claims provision as at 31 December 2019:

<b>2019 Gross £000</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Total</b>
Estimate of cumulative claims incurred at end of underwriting year	918	5,838	19,042	69,681	42,770	44,285	
12 months later	2,232	11,854	36,005	106,828	96,838		
24 months later	3,043	12,728	33,393	117,423			
36 months later	2,408	11,115	35,668				
48 months later	1,744	12,489					
60 months later	1,648						
<b>Current estimate of cumulative claims incurred</b>	<b>1,648</b>	<b>12,489</b>	<b>35,668</b>	<b>117,423</b>	<b>96,838</b>	<b>44,285</b>	<b>308,351</b>
<b>Less: gross claims paid</b>	<b>1,512</b>	<b>6,396</b>	<b>19,806</b>	<b>69,668</b>	<b>28,358</b>	<b>2,206</b>	<b>127,946</b>
<b>Gross outstanding claims – 2011-2019</b>	<b>136</b>	<b>6,093</b>	<b>15,862</b>	<b>47,755</b>	<b>68,480</b>	<b>42,079</b>	<b>180,405</b>
<b>Gross outstanding claims – 2010 &amp; prior</b>							<b>52,419</b>
							<b>232,824</b>

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**Notes to the Financial Statements (continued)**

**25.3 Insurance risk (continued)**

<b>2019 Net</b>							
<b>£000</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Total</b>
Estimate of cumulative claims incurred at end of underwriting year	732	4,728	16,559	48,154	35,720	34,968	
12 months later	2,041	11,262	31,693	82,374	81,230		
24 months later	2,926	12,130	30,007	92,958			
36 months later	2,255	10,871	32,304				
48 months later	1,708	11,148					
60 months later	1,639						
<b>Current estimate of cumulative claims incurred</b>	<b>1,639</b>	<b>11,148</b>	<b>32,304</b>	<b>92,958</b>	<b>81,230</b>	<b>34,968</b>	<b>254,247</b>
<b>Less: net claims paid</b>	<b>1,512</b>	<b>6,396</b>	<b>17,481</b>	<b>52,215</b>	<b>24,206</b>	<b>1,947</b>	<b>103,757</b>
<b>Net outstanding claims – 2011-2019</b>	<b>127</b>	<b>4,752</b>	<b>14,823</b>	<b>40,743</b>	<b>57,024</b>	<b>33,021</b>	<b>150,490</b>
<b>Net outstanding claims – 2010 &amp; prior</b>							<b>41,909</b>
							<b>192,399</b>

Years of account 2011 to 2013 have not been presented above as the Syndicate did not participate on these years of account.

**25.4 Financial risk**

**25.4.1 Credit risk**

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

**Non-Syndicate**

The Company manages credit risk by ensuring that cash and cash equivalent deposits are placed only with highly rated credit institutions. The Company is not exposed to material credit risk in respect of its debtor balances. The Company did not hold any collateral as security against its debtors, or have any other credit enhancements at the reporting dates.

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**Notes to the Financial Statements (continued)**

**25.4 Financial risk (continued)**

**Syndicate**

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

- A credit risk policy setting out the assessment and determination of what constitutes credit risk for the Syndicate. Compliance with the policy is monitored and exposures and breaches are reported to the Syndicate Audit and Risk Committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Net exposure limits are set for each counterparty or Syndicate of counterparties, geographical and industry segment (i.e., limits are set for investments and cash deposits, and minimum credit ratings for investments that may be held).
- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits and is subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and ascertaining suitable allowance for impairment.

The tables below show the Syndicate's maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through collateral agreements and the use of credit derivatives.

31 December 2019	Neither past due nor impaired £'000	Past Due £'000	Impaired £'000	Total £'000
Shares and other variable yield securities and unit trusts	14,342	-	-	14,342
Debt securities	161,120	-	-	161,120
Loans and deposits with credit institutions	2,987	-	-	2,987
Overseas deposits	9,172	-	-	9,172
Reinsurer' share of claims outstanding	40,425	-	-	40,425
Reinsurance debtors	2,882	2,159	-	5,041
Cash at bank and in hand	10,058	-	-	10,058
Insurance debtors	21,378	2,968	-	24,346
Other debtors	53,975	4,245	-	58,220
<b>Total credit risk</b>	<b>316,339</b>	<b>9,372</b>	<b>-</b>	<b>325,711</b>

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**Notes to the Financial Statements (continued)**

**25.4 Financial risk (continued)**

31 December 2018	Neither past due nor impaired £'000	Past Due £'000	Impaired £'000	Total £'000
Shares and other variable yield securities and unit trusts	9,419	-	-	9,419
Debt securities	119,091	-	-	119,091
Deposits with credit institutions	2,791	-	-	2,791
Overseas deposits	7,128	-	-	7,128
Reinsurer' share of claims outstanding	38,576	-	-	38,576
Reinsurance debtors	-	1,838	-	1,838
Cash at bank and in hand	5,742	-	-	5,742
Insurance debtors	2,987	13,851	-	16,838
Other debtors	45,720	8,216	-	53,936
Total credit risk	231,454	23,905	-	255,359

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2019 by classifying assets according to Standard & Poor's credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade and have not been rated. Debtors, other than amounts due from reinsurers, have been excluded from the table as these are not rated.

31 December 2019	AAA £'000	AA £'000	A £'000	BBB £'000	<BBB £'000	Not rated £'000	Total £'000
Shares and other variable yield securities and unit trusts	4,543	1,182	7,806	-	-	811	14,342
Debt securities	17,087	65,322	66,143	12,221	347	-	161,120
Loans and deposits with credit institutions	-	-	2,987	-	-	-	2,987
Overseas deposits	4,435	866	962	580	611	1,718	9,172
Reinsurer' share of claims outstanding	-	10,361	28,231	155	1	1,677	40,425
Reinsurance debtors	-	-	2,882	-	-	-	2,882
Cash at bank and in hand	-	-	10,058	-	-	-	10,058
Total credit risk	26,065	77,731	119,069	12,956	959	4,206	240,986

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**Notes to the Financial Statements (continued)**

**25.4 Financial risk (continued)**

31 December 2018	AAA £'000	AA £'000	A £'000	BBB £'000	<BBB £'000	Not rated £'000	Total £'000
Shares and other variable yield securities and unit trusts	2,559	844	5,860	-	-	156	9,419
Debt securities	12,091	48,328	48,771	9,703	198	-	119,091
Loans and deposits with Credit Institutions	-	-	2,791	-	-	-	2,791
Overseas deposits	3,703	771	565	347	143	1,599	7,128
Reinsurer' share of claims outstanding	-	13,952	23,003	159	2	1,460	38,576
Cash at bank and in hand	266	-	5,476	-	-	-	5,742
Total credit risk	18,619	63,895	86,466	10,209	343	3,215	182,747

**Maximum credit exposure**

It is the Syndicate's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories. The attributable risk ratings are assessed and updated regularly.

During the year, no credit exposure limits were exceeded. The Syndicate actively manages its product mix to ensure that there is no significant concentration of credit risk.

**25.4.2 Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial instruments. 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.

**Non-Syndicate**

The company manages liquidity risk by continuously monitoring forecast and actual cash flows, and by matching maturity profiles of assets and liabilities.

**Syndicate**

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

- 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 Audit and Risk Committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

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**Notes to the Financial Statements (continued)**

**25.4 Financial risk (continued)**

- Guidelines on asset allocation, portfolio limit structures and maturity profiles of assets are set, in order to ensure that sufficient funding is available to meet insurance and investment contracts obligations.
- Contingency funding plans are set to meet emergency funding in the event of a large demand on cash.

**Maturity profiles**

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

<b>31 December 2019</b>	<b>No stated maturity</b>	<b>0-1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Claims outstanding	-	58,742	74,553	44,465	55,064	232,824
Creditors	-	34,836	1,259	2,995	-	39,090
<b>Total credit risk</b>	<b>-</b>	<b>93,578</b>	<b>75,812</b>	<b>47,460</b>	<b>55,064</b>	<b>271,914</b>

<b>31 December 2018</b>	<b>No stated maturity</b>	<b>0-1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Claims outstanding	-	41,153	61,932	32,668	57,235	192,988
Creditors	-	14,649	-	-	-	14,649
<b>Total credit risk</b>	<b>-</b>	<b>55,802</b>	<b>61,932</b>	<b>32,668</b>	<b>57,235</b>	<b>207,637</b>

**25.4.3 Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk:

- Currency risk;
- Interest rate risk; and
- Equity price risk (there are no equity instruments in the portfolio)

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

- An investment policy exists that sets out the assessment and determination of what constitutes market risk for the Syndicate. Compliance with the policy is monitored and exposures and breaches are reported to the Audit and Risk Committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.
- Strict control over derivative instruments (there are no derivative contracts).

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**Notes to the Financial Statements (continued)**

**25.4 Financial risk (continued)**

**a) Currency risk**

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

**Non-Syndicate**

The Company's functional currency is sterling. The Company manages currency risk by ensuring that exchange rate exposures are managed within approved policy parameters. The Company does not use derivative financial instruments to manage exposure to currency risk. The Company is not exposed to material currency risk in respect of non-syndicate business.

**Syndicate**

The Syndicate's functional currency is Sterling and its exposure to foreign exchange risk arises primarily with respect to transactions in Euro, US and Canadian 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 Syndicate's exposure of the financial assets and liabilities to foreign currency exchange risk at the reporting date, as follows:

<b>31 December 2019</b>	<b>GBP</b>	<b>USD</b>	<b>EUR</b>	<b>CAD</b>	<b>AUD</b>	<b>JPY</b>	<b>Total</b>
<b>Converted £'000</b>							
<b>Total assets</b>	<b>31,893</b>	<b>246,682</b>	<b>12,983</b>	<b>18,984</b>	<b>7,554</b>	<b>7,615</b>	<b>325,711</b>
<b>Total liabilities</b>	<b>(78,266)</b>	<b>(229,138)</b>	<b>(11,623)</b>	<b>(11,480)</b>	<b>(7,512)</b>	<b>(11,385)</b>	<b>(349,404)</b>
<b>Net Assets</b>	<b>(46,373)</b>	<b>17,544</b>	<b>1,360</b>	<b>7,504</b>	<b>42</b>	<b>(3,770)</b>	<b>(23,693)</b>

<b>31 December 2018</b>	<b>GBP</b>	<b>USD</b>	<b>EUR</b>	<b>CAD</b>	<b>AUD</b>	<b>JPY</b>	<b>Total</b>
<b>Converted £'000</b>							
<b>Total assets</b>	<b>23,385</b>	<b>191,928</b>	<b>12,615</b>	<b>17,938</b>	<b>7,333</b>	<b>2,160</b>	<b>255,359</b>
<b>Total liabilities</b>	<b>(48,871)</b>	<b>(195,306)</b>	<b>(11,800)</b>	<b>(10,963)</b>	<b>(6,212)</b>	<b>(3,116)</b>	<b>(276,268)</b>
<b>Net Assets</b>	<b>(25,486)</b>	<b>(3,378)</b>	<b>815</b>	<b>6,975</b>	<b>1,121</b>	<b>(956)</b>	<b>(20,909)</b>

The non-Sterling denominated net assets of the Syndicate may lead to a reported loss (depending on the mix relative to the liabilities), should Sterling strengthen against these currencies. Conversely, reported gains may arise should Sterling weaken.

The Syndicate matches its currency position so holds net assets across a number of currencies. The Syndicate takes into consideration the underlying currency of the Syndicate's required capital and invests its assets proportionately across these currencies so as to protect the solvency of the Syndicate,

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**25.4 Financial risk (continued)**

against variation in foreign exchange rates. As a result, the Syndicate holds a significant proportion of its assets in foreign currency investments.

**Sensitivity to changes in foreign exchange rates**

The table below gives an indication of the impact on profit of a percentage change in the relative strength of Sterling against the value of the US dollar, Canadian dollar and Euro simultaneously. The analysis is based on the information as at 31st December 2019.

Impact on profit and member's balances:

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Sterling weakens		
10% against other currencies	<b>2,520</b>	<b>508</b>
20% against other currencies	<b>5,670</b>	<b>1,144</b>
 Sterling strengthens		
10% against other currencies	<b>(2,062)</b>	<b>(416)</b>
20% against other currencies	<b>(3,780)</b>	<b>(763)</b>

**(b) Interest rate risk**

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

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 financial assets and liabilities.

Impact on profit and member's balances:

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>Changes in variables</b>		
+ 50 basis points on result	<b>(1,691)</b>	<b>(820)</b>
- 50 basis points on result	<b>1,691</b>	<b>820</b>

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



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**Notes to the Financial Statements (continued)**

**26 Ultimate parent and controlling undertaking**

The company's immediate parent undertaking is Vibe UK Holdings Limited, a company registered in the United Kingdom. The smallest highest group which the company is consolidated is Syndicate Re A.I., a company registered in Puerto Rico. The company's ultimate parent undertaking is Syndicate Holding Corp., a company registered in Puerto Rico. The financial statements of Syndicate Re A.I., and Syndicate Holding Corp. are available to the public and may be obtained from 802 Fernandez Juncos Avenue, Miramar, San Juan, Puerto Rico, 00907.

**27 Subsequent Events**

Covid 19 has emerged since the end of the year. The Directors have made key assessments on liquidity risk, credit risk and operational risk for the company and have concluded there to be no significant impact of COVID-19 upon these financial statements. The Syndicate underwrites insurance and reinsurance policies which may give rise to claims for Covid 19 related losses. The estimated net cost of claims to the Syndicate for such claims is £5m.

The company has also taken steps to keep staff safe, by having them work from home and using all available technology to keep day-to-day operations going. The directors continue to monitor the impact of the COVID 19 situation on the Company closely and will take all appropriate steps to manage the impact on employees and other stakeholders as the situations develops further.

The directors consider Covid-19 to be a non-adjusting post balance sheet event and as such no adjustments have been made to the measurement of assets and liabilities as at 31 December 2019. Refer to note 1.2.2 for the director's assessment of the impact on the Company.

Syndicate 5678 ceased underwriting on 31 December 2019 and commenced a planned and orderly run-off. Whilst the company's managed syndicate will no longer be writing new business from 01 January 2020, the company continues to have an obligation to manage the syndicate during the run-off of prior years of account.