APOLLO

1969 at LLOYD'S

SYNDICATE 1969 ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2020

KEY PERFORMANCE INDICATORS

ANNUAL BASIS	2020 $'M	2019 $'M	CHANGE
GROSS PREMIUM WRITTEN	553.7	522.2	6%
NET PREMIUM WRITTEN	286.3	274.2	4%
NET PREMIUM EARNED	272.9	265.6	3%
PROFIT FOR THE FINANCIAL YEAR	9.4	4.3	
CLAIMS RATIO	63%	67%	(4)%
EXPENSE RATIO	36%	35%	1%
COMBINED RATIO	99%	102%	(3)%

UNDERWRITING YEAR BASIS	**2018**	2017	2016	2015	2014	2013	2012	2011
(LOSS) / PROFIT ON CAPACITY	**(1.0)%**	(26.4)%	(30.7)%	4.6%	7.4%	0.4%	9.1%	(0.7)%

THE FORECAST RANGE FOR THE 2019 YEAR OF ACCOUNT RESULT IS A PROFIT OF BETWEEN 2.5% TO 10% ON CAPACITY.

HIGHLIGHTS:

- Combined ratio improvement from 102% to 99% reflects Apollo's continued enhancements to both the balance and quality of the portfolio;
- Improved profitability and combined ratio achieved despite an unusually active North Atlantic wind season with Hurricane Sally and Laura estimated to cost $21.5m and adding 8% points to the combined ratio;
- Comparatively modest COVID-19 related losses with estimated net cost to Syndicate 1969 for the 2020 calendar year of $13.6m;
- Development of a strategic partnership with Compre to establish specialist legacy Syndicate 1994 for the 2021 year of account. The first deal written was the reinsurance to close of the 2017 and prior liabilities of Syndicate 1969, significantly reducing the risk of adverse claims development for the Syndicate 1969 members;
- Continued improvements to underlying underwriting margins with risk adjusted rate changes on renewal business of 17% for 2020;
- Improving market conditions expected to continue throughout 2021, with the syndicate's underwriters well placed to profitably grow portfolios in the hardening market.

"We are pleased that the syndicate has achieved a profitable result for 2020, despite the unusually active North Atlantic wind season and the impact of COVID-19 related losses. The syndicate is well placed to profitably grow underwriting portfolios in the hardening market, as we continue to invest in analytical capabilities that will provide ongoing support and enhance our ability to optimise the syndicate portfolio. We therefore look forward to working with our capital partners, insureds, reinsurers and brokers as we head into an opportunity-filled 2021."

David Ibeson

CONTENTS

Syndicate 1969

Directors and administration

Managing agent

Apollo Syndicate Management Limited

Registered office

One Bishopsgate
London, EC2N 3AQ

Company registration number

09181578

Company secretary

AJ Gray

Directors

JM Cusack	(Non-Executive Chairman)
MEL Goddard	(Non-Executive Director)
MP Hudson	(Non-Executive Director)
AP Hulse	(Non-Executive Director)
DCB Ibeson	(Chief Executive Officer)
NJ Burkinshaw	
JD MacDiarmid	
VVV Mistry	
SAC White	

Active Underwriter

NG Jones

Bankers

Citibank

Natwest

Royal Bank of Canada

Registered Auditor

Deloitte LLP
Statutory Auditor
Hill House, 1 Little New Street
London
EC4A 3TR

Syndicate 1969

Active Underwriter's report

Syndicate 1969 ("the syndicate") achieved premium growth in 2020 of 6% to $553.7m (2019: $522.2m), with the most significant growth areas being ibott ("Insuring Businesses of Tomorrow, Today") Rover ($17.9m) and Property Treaty ($9.3m). These two classes are supported by Special Purpose Arrangements ("SPA") 1971 and 6133, respectively. The underlying growth for other business was $4.3m, where growth across a number of lines was offset by reductions in other areas which had been impacted by economic slowdown and the effects of the COVID-19 pandemic. We consider the Apollo portfolio to be resilient and well positioned for profitable growth in 2021.

We saw positive pricing momentum across nearly all of our classes of business this year, which we anticipate will continue in 2021. Rate increases across the syndicate averaged 17% in 2020, following increases of 9% in 2019. The most significant were in Property D&F (19%), Non-Marine Liability (45%), Aviation (22%) and Marine Hull (18%).

2020 calendar year result

The result for the 2020 calendar year is a profit of $9.4m (2019: $4.3m) with a combined ratio of 99% (2019: 102%). The 2020 calendar year result aggregates the performance during the year of all open years of account (2018, 2019 and 2020) and movements from prior closed years.

The 2020 calendar year result has been affected by the frequency of catastrophe losses, which some independent commentators believe are the fifth costliest on record in terms of insured losses. The North Atlantic hurricane season was the most active on record, with 30 named storms, although few of these made US landfall. The majority of catastrophe losses in North America came from a number of small and medium-sized events.

These natural catastrophes contributed to a significant extent to the syndicate's overall result for the year, as North America is where the syndicate has a significant proportion of its exposure. Hurricane Laura, Hurricane Sally and the Midwest Derecho event affected the Property Direct and Facultative ("Property D&F"), Property Binders and Property Treaty classes, whilst the wildfires in California, Oregon and Washington in the United States have further affected the Property Treaty class. The total net cost to Syndicate 1969 of these events for the 2020 calendar year was $23.4m, of which $20.9m was from Property D&F and Property Binders. The remaining $2.5m was incurred from the 10% net retained share of the Property Treaty class. This compares to $5.2m of natural catastrophe losses from Hurricane Dorian and Typhoons Faxai and Hagibis in 2019. The losses arising from the smaller hurricane events, including Delta and Zeta, are not expected to be significant for the syndicate.

The calendar year result was also impacted by COVID-19 related losses. The estimated net cost to Syndicate 1969 for the 2020 calendar year was $13.6m, of which $4.0m each is from Property D&F and International Treaty. The remaining $5.6m is spread across other classes in the syndicate. The estimate of the loss includes significant headroom in excess of paid and notified losses to date, which we consider sufficient to take into account recent UK legal decisions and other potential exposures. We do not have any material exposure to contingency related claims such as cancelled events, which appears to be a significant contributor to broader market loss estimates.

The earned result for the 2020 year of account in the calendar year was a loss of $12.3m (2019: profit $3.1m).

Our estimates for the 2019 catastrophe events for the syndicate have remained stable over the 2020 calendar year. The overall earned result for the 2019 and prior years of account in the calendar year was a profit of $21.7m, demonstrating the resilience of the syndicate portfolio and remediation actions taken in 2018 and 2019.

Active Underwriter's report

2018 closed year result

We are now closing the 2018 year of account at a loss of 1.0% on stamp capacity of $306.6m (£224.5m). This comprises losses of $13.8m on the 2018 pure year of account and a profit of $10.7m on the development of the 2017 and prior years of account during the 2020 calendar year.

This represents an improvement on the previous forecast for the 2018 year of account, due to the completion of a reinsurance to close ("RITC") of the liabilities associated with the 2017 and prior years of account to a newly formed legacy syndicate, 1994. Syndicate 1994 commenced underwriting RITC business in the Lloyd's market for the 2021 year of account. This syndicate has been established in partnership with legacy experts, Compre, who are also the sole capital provider, and Apollo is the managing agent.

In 2018, the syndicate underwrote thirteen classes of business, including Property D&F, Property Binders, Property Treaty and Specie & Cargo. These classes incurred significant losses from the natural catastrophe events that occurred in 2018, namely Hurricanes Florence and Michael, whilst Typhoons Jebi and Trami and the Californian wildfires further impacted the Property Treaty class.

The US Open Market sub-class of the Non-Marine Liability account was adversely affected by a number of individual large losses, due to an increase in the frequency of claims and a higher percentage of insureds making claims. Despite the adverse movement of the Non-Marine Liability reserves for the 2018 year during the 2020 calendar year, the 2019 and 2020 underwriting years are both forecast to be profitable for this class.

The Marine & Energy Liability account suffered losses from the adverse performance of one particular facility, whilst the performance of the core book was within expectations. The facility was non-renewed in 2020.

The performance of the Aviation class in this year of account was a marginal loss, due to claims from a General Aviation binder, which has subsequently been non-renewed. All other classes of business in the 2018 year of account contributed positively to the overall 2018 pure year result. Further commentary on the business is provided in the Managing Agent's report to these annual accounts and in the Managing Agent's report to the underwriting year accounts.

Whilst the 2018 closed year result is a marginal loss, we remain positive that the extensive remedial actions commenced in 2018 and that continued through the 2019 underwriting year will deliver profitable performance going forward.

Business Review

2020 portfolio

Following approval of the 2020 business plans by Lloyd's, the syndicate stamp was set at $317.5m (£250.0m at the planning exchange rate of £1:$1.27). The portfolio is split into Property, Casualty and Specialty lines. Property lines make up approximately 37% of the gross premium, Casualty lines 26% and Specialty lines 37%. The Property Treaty class continued to develop in 2020. 90% of this class is ceded under a quota share reinsurance to Syndicate 6133. The stamp capacity for Syndicate 6133 was increased to $76.2m (£60.0m) for the 2020 year of account, from $66.0m (£50.0m) for the 2019 year of account. The ibott proposition evolved further in 2020, with the introduction of the ibott General Liability class to complement the ibott Rover class which commenced in 2018. For 2020, 90% of the account is ceded to Syndicate 1971 under a quota share reinsurance agreement. Stamp capacity for Syndicate 1971 was $146.1m (£115.0m) for the 2020 year of account, bringing total stamp capacity for Apollo managed syndicates to $539.8m (£425.0m).

The initial Lloyd's approved plan for 2020 was to write gross premium of $615.2m (£484.4m), although our current expectation is now $565.9m at the closing rate of exchange.

Our premium forecast is lower than the approved plan due to active capacity management in the ibott classes, where we have been disciplined in our underwriting and only accepting business which meets our risk appetite for pricing and exposure. We have been able to redeploy some of the income to other classes of business where we have seen continued price improvements throughout 2020, most notably to Property D&F and Crisis Management.

Active Underwriter's report

Our focus in the Property D&F class has been on US catastrophe-exposed business where rates are evidencing continuing improvements. The remedial actions taken during 2018 and 2019 have resulted in the class being focused in the US, with limited Puerto Rican and international exposures and no Mexican exposures. The remediation plan has now been executed and we consider the actions taken provide sustainable underwriting profit going forward assuming a normalised level of catastrophe losses. Across the year, the Property D&F class saw a 19% increase in rates following the loss experience of previous years of account. We anticipate 2021 to be the fourth consecutive year of positive risk adjusted rate change.

The Property Binder book gives the syndicate exposure to a spread of US property risks that cannot be accessed efficiently via the open market. Further underwriting actions have been taken this year within the portfolio and also within each account to improve underlying attritional performance. These actions will continue into 2021 resulting in reductions in the planned income for the class. The class achieved rating increases of over 8% in 2020 and we expect this trend will continue in 2021.

Our approach to assuming risk in the International Treaty account has continued to be extremely selective, in light of a relatively soft rating environment. The territorial scope remained unchanged, targeting regionally specific accounts in Canada, UK, Western Europe, South Africa, Japan (quake only), Australia and New Zealand. The account is expecting to incur modest losses from claims relating to COVID-19 business interruption.

The Non-Marine Liability portfolio has undergone significant change in 2019 and 2020. The remediation strategy we implemented has now been completed. We have reduced line sizes and reduced attrition by non-renewing certain delegated underwriting authorities and primary US business (other than construction accounts). These actions include non-renewing all utility companies and all California vegetation management firms in order to remove exposure to US wildfires. We have seen strong momentum for rate increases in the US account as the year progressed. The current rate improvements are being driven by capacity restrictions and re-underwriting efforts across the market, which are continuing despite the current macro-economic situation. Across the year, the class achieved overall rate increases of 44%, and we expect positive rate momentum will continue during 2021.

The aviation market in 2020 has seen consistent rate improvement beyond the forecast rate change included in our plans. Notwithstanding the economic situation, the airline segment, on average, is seeing positive risk adjusted rate change of 20% to 25%. This is encouraging following the steady hardening market conditions experienced in 2019 and is promising for 2021. This upward momentum saw the class achieve overall rate increases of 22% in 2020. We anticipate a broadly similar plan for 2021 in terms of our presence and appetite in the various class segments but we expect to steadily increase our penetration as the rating environment continues to improve.

The Specie class is seeing rate increases between 5 to 10% on all business and the best market conditions for 10 to 15 years. We have recently employed two recognised market leaders to develop and grow this class of business alongside our existing team, coinciding with a hardening market following contraction of capacity.

The Cargo account in 2020 has continued to build on the base established in 2019, which has been focussed on six clearly-defined segments with the objective of maintaining a small, well-defined and profitable core book. The account has met income expectations for 2020 and we are seeing opportunities for income growth as the market trading environment improves.

Active Underwriter's report

The reduction in the oil price following the advent of COVID-19 has meant the expected increases in activity in the oil and gas industry that we had planned for did not occur. The result was that the 2020 planned income for the Energy account was reduced by 16% as drilling well programmes were cancelled or delayed, rigs laid-up and construction plans shelved. The energy market continued to see small positive rate changes in 2020 of 3%, that may increase in 2021.

The Marine & Energy Liability class is now seeing the start of improved trading conditions through increased rating levels and importantly more attention to coverage and wordings. With signs of an improving rating environment ahead, we are looking to deliver more balance and diversity to the book, particularly in the Marine liability sector. Following on from rate increases of 6% in 2019, the class achieved rate increases of 13% in 2020. We expect this momentum to continue, if not increase, during 2021.

The Marine Hull market is now hardening, after many years of soft underwriting conditions. The withdrawal of key players from the class and the subsequent reduction in capacity has had an effect on pricing. There has been a withdrawal of approximately 40% of the Lloyd's Marine Hull market capacity. The overall rate rise for the class in 2020 was 18% following 29% in 2019. The syndicate is well positioned to take advantage of this and we have therefore been able to write more business in 2020. The account is well balanced with the largest sectors being blue water, yachts, brown water and offshore. A consortium was put in place during 2019 and has been renewed again for 2021.

In Crisis Management, we added a new political risk class in 2019 as a next step to developing a suite of crisis management products. The class is written by an experienced specialist class underwriter and the portfolio is focussed on contract frustration, with very limited appetite for credit risk. The underwriter has achieved plan for 2020 and further growth is anticipated in 2021. For the terrorism class, the account has continued to grow in 2020 in line with expectations, with rating conditions being flat. The syndicate has received minimal loss notifications for the terrorism class on the 2020 year of account.

The Property Treaty account, supported by Syndicate 6133, increased its capacity for 2020. Growth has been achieved through a combination of new business and expanding our position on existing programmes. The account is expected to be loss making due to the catastrophe losses in 2020. Rates in the market continued to rise in 2020 in response to these losses, and we anticipate further rating increases in 2021 as opportunities in this market are considerable.

Syndicate 1971 was established at the beginning of 2019 as the dedicated vehicle for underwriting auto liability sharing economy risks through the ibott Rover class of business. Exposures are protected by quota share reinsurance. Apollo has seen further premium growth in the class in 2020 compared to 2019, with growth through new business and organic growth of existing risks. In 2020, there has been a move to increase the Delivery segment, which now makes up nearly 45% of the class. The other main segment is Rideshare, which makes up approximately 20% of the class. We have seen the 2020 portfolio benefit from a positive rating environment, which is driven by wider insurance market conditions rather than any loss experience. The ibott Rover class achieved overall rate increases of 19% for the year. For the non-auto General Liability ibott business, overall rate increases were 25% for the year. As a new proposition, the timing and quantum of written premium income is uncertain and we continue to be highly selective in the new opportunities that we have accepted. We consider this is the correct approach, but it has resulted in a shortfall in premium against plan. Notified claims experience in the calendar year has been minimal. We recognise that a range of outcomes is possible for the ultimate result for this class, and have therefore made a substantial provision for claims that have been incurred at the reporting date but have not yet been reported ("IBNR") in the calendar year to allow for this reserving uncertainty. This provision is in excess of our best estimate for claims costs, which remains in line with our original business plan.

Active Underwriter's report

2021 and future years

The Lloyd's approved plan for 2021 is to underwrite $668.6m of premium income (£539.2m at the planning foreign exchange rate of £1:$1.24). This equates to $541.5m (£436.7m) net of commission. The total stamp capacity of Apollo for 2021 is $589.0m (£475.0m).

We have added a new class to the plan for 2021; a niche collection of complementary Specialty Disruption Insurance products. The products are underwritten by an experienced, innovative and well-respected partnership of underwriters that bring a profitable trading history and reputation as recognised leaders in the Lloyd's and international niche markets. The class will include General Contingency and Agricultural/Commercial Contingency products. Premium income from this class in 2021 is anticipated to be up to $10.0m.

Our aims for 2021 are to maximise the opportunities we are currently seeing in the market. This will include seeking to control more business. We will also continue to focus on increasing the specialty insurance business classes in the syndicate, and ensuring that these classes are appropriately balanced with the property and the casualty classes, in order to reduce volatility and deliver sustainable profits over time for capital providers. The continued investment in analytical capabilities will provide ongoing support and enhance our ability to optimise the syndicate portfolio.

We expect rates to continue to rise in 2021 in most classes of business.

For Property D&F, premium income is planned to increase by 26% as we anticipate another year of positive rate increases. The remediation plan executed in 2019 and 2020 will continue in 2021 and the account will be focused in the US, with limited international exposures (and no Mexican exposures).

In the Non-Marine Liability class, the plan for 2021 is a small increase in premium income of 7% compared to the 2020 plan. This reflects the changes made in 2019 to implement a new strategy and to reduce the large loss volatility observed over recent years. We anticipate in 2021 there will be strong rate rises in the class in response to these factors which have affected the whole market.

We have planned for significant growth and development in our specialty classes in 2021 of 35%. This growth is anticipated from new business opportunities, rating increases and the introduction of the new Specialty Disruption class.

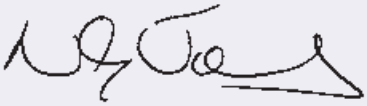
The ibott proposition will be further developed in Syndicate 1971 in 2021, as the 2020 portfolio has benefited from positive rate increases. The class will continue to be underwritten by Syndicate 1969 which will cede 90% under a quota share reinsurance to Syndicate 1971. The ibott classes are further protected by a 50% quota share with a major AA rated European reinsurer.

The plan for Property Treaty in 2021 is further growth in income written of 17%, supported by strong rate rises in the market as it continues to react to market dislocation. The operational partnership and capital support arrangement that we have entered into with Pelican Ventures and JC Flowers should send a positive message to our clients and brokers that we have a strong capital base in place to take advantage of the market conditions in property catastrophe reinsurance. We are considering a number of options for the strategic development of the Property Treaty account with Pelican for the 2022 year of account.

Active Underwriter's report

We recognise that the calendar year result is below our original forecast due to the exceptionally active hurricane season and the COVID-19 related impacts which have made 2020 a challenging year. However, the underlying portfolio has had the benefits of rate rises and continues to perform well with a combined ratio of 86% excluding losses from the four largest catastrophe events and COVID-19. This is a significant improvement on the 2019 year, which reported a combined ratio of 102%, including 2% points from the three most costly catastrophe events in that year (Typhoons Faxai and Hagibis and Hurricane Dorian). We are seeing already that rates for renewals are increasing more than we expected in our 2021 Syndicate Business Plan. We are well positioned to benefit from the positive momentum in the market and to deliver an improved underwriting performance for the 2019 year of account when it closes later this year and in the 2021 calendar year.

Once again I would like to thank you for your on-going support for Apollo and look forward to updating you with our progress in the future.



NG Jones
Active Underwriter
4 March 2021

Syndicate 1969

Report of the directors of the managing agent

The directors of the managing agent present their audited report, which incorporates the strategic review, for Syndicate 1969 for the year ended 31 December 2020.

This Annual Report is prepared using the annual basis of accounting as required by Statutory Instrument No. 1950 of 2008, The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("Lloyd's Regulations 2008") and applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ('FRS102') and Financial Reporting Standard 103: Insurance Contracts ('FRS103').

Underwriting year accounts for the closed 2018 account of Syndicate 1969 are included following these annual accounts.

Principal activity

There have not been any significant changes to the syndicate's principal activity during the year, which continues to be the transaction of general insurance and reinsurance business.

Syndicate 1969 trades through Lloyd's worldwide licences and rating and has the benefit of the Lloyd's brand. Lloyd's has an A (Excellent) rating from A.M. Best, A+ (Strong) from Standard & Poor's and AA- (Very Strong) from Fitch.

The syndicate's capacity for the 2020 year of account was £425.0m ($539.8m at the Lloyd's planning rate of $1.27) of which £175.0m ($222.3m) related to SPA Syndicates. SPA capacity for Syndicate 6133 is £60.0m ($76.2m) and Syndicate 1971 is £115.0m ($146.1m). Stamp capacity for the 2021 year of account has increased to £475.0m ($589.0m at $1.24), of which £65.0m ($80.6m) relates to SPA Syndicate 6133 and £115.0m ($142.6m) relates to SPA Syndicate 1971.

Apollo Syndicate Management Limited ("ASML") is approved as a managing agency at Lloyd's and is authorised by the Prudential Regulation Authority. ASML is regulated by the Financial Conduct Authority and Prudential Regulation Authority.

Results

Annual basis	2020 $'m	2019 $'m	Change
Gross premium written	553.7	522.2	6%
Net premium written	286.3	274.2	4%
Net premium earned	272.9	265.6	3%
Profit for the financial year	9.4	4.3	
Claims ratio	63%	67%	(4)%
Expense ratio	36%	35%	1%
Combined ratio	99%	102%	(3)%

Notes:
The claims ratio is the ratio of net claims incurred to net premiums earned.
The expense ratio is the ratio of net operating expenses to net premiums earned.
The combined ratio is the sum of the claims and expense ratios.
The expense and combined ratios exclude investment return and foreign exchanges gains and losses.

Report of the directors of the managing agent

ASML uses a range of key performance indicators, including those shown in the table, to measure the performance of the syndicate against its objectives and overall strategy. These indicators are regularly reviewed and are measured against plan and prior year outcomes.

Gross written premium increased 6% to $553.7m (2019: $522.2m). The result for the year was a profit of $9.4m (2019: $4.3m). Profits and losses are distributed and called respectively by reference to the results of individual underwriting years.

The syndicate predominantly writes business denominated in US Dollars and therefore reports accordingly. This aids comparability between years and reduces volatility in the reported results caused by foreign currency exchange rates.

Review of the business

The syndicate has written 88% of its planned income for 2020. The general rating environment improved significantly with an actual risk adjusted rate improvement of 17%, well above a plan of 4%. The largest improvement was on Non-Marine Liability. The result will be impacted by the 2020 catastrophe losses, particularly on the Property Treaty and Property D&F classes. Much of the book will be on risk well into 2021, the year of account is at an early stage of development particularly in respect of liability business. Given the stage of development of 2020, and the weighting of expenses to the first year, only a small amount of underwriting profit has been recognised to date. The syndicate will publish its first forecast range for the 2020 account in the second quarter of 2021.

The 2019 year of account has a forecast profit in the range of 2.5% to 10% return on stamp capacity at the 24 month stage. Whilst the general rating environment continued to be very competitive, rates did improve with an actual risk adjusted rate improvement of 9%, which was significantly above plan.

The 2018 year of account is closing at a loss on stamp capacity of 1.0%. This result reflects a number of large natural catastrophe events in 2018 including Hurricanes Florence and Michael, Typhoons Jebi and Trami and Californian wildfires in 2018.

The 2018 year of account has been closed by means of a "split RITC", whereby liabilities relating to the 2017 and prior years of account have been assumed by Syndicate 1994 and liabilities relating to the 2018 pure year have been assumed by the 2019 year of account of Syndicate 1969. The RITC of the 2017 and prior years liabilities removes the risk of adverse reserving development from Syndicate 1969. Syndicate 1994 is a new legacy syndicate, established in partnership with legacy specialist Compre. The syndicate is managed by ASML.

Further information regarding the syndicate underwriting portfolio is contained in the Active Underwriter's report. More year of account detail is provided in the Managing Agent's Report for the syndicate underwriting year accounts.

Investment performance

The investment objective is to invest the premium trust funds in a manner designed primarily to preserve capital values and provide liquidity.

Report of the directors of the managing agent

The syndicate produced a strong investment return of $8.9m in the year (2019: $8.5m). At the balance sheet date the fixed income portfolio holdings totalled $259.6m (2019: $214.6m) reflecting growth in the business. The fixed income portfolio benefited from valuation gains arising from reductions in US federal interest rates during 2020. Volatility in the valuation of corporate bonds at the beginning of the COVID-19 pandemic reversed in the second quarter and did not impact the returns for the year.

Capital

One of the advantages of operating in the Lloyd's market is the favourable capital ratios that are available due to the diversification of business written in Syndicate 1969 and in Lloyd's as a whole.

ASML assesses the syndicate's capital requirements through a rigorous process of risk identification and quantification using an internal capital model at a 1:200 year confidence level. The model is based on Solvency II regulatory requirements and has been approved by Lloyd's. The ultimate Solvency Capital Requirement ("SCR") is subject to an uplift determined by Lloyd's based on its assessment of the economic capital requirements for the Lloyd's market in total. The SCR together with the Lloyds' uplift is referred to as the Economic Capital Assessment ("ECA"). The ECA for the 2020 underwriting year was set at 78% of capacity and for the 2021 underwriting year is 65% of capacity (excluding capacity for syndicates 1971 and 6133).

Lloyd's unique capital structure provides excellent financial security to policyholders and capital efficiency for members. The Lloyd's chain of security underlies the financial strength that ultimately backs insurance policies written at Lloyd's and has three links:

1. All premiums received by syndicates are held in trust as the first resource for settling policyholders' claims;
2. Every member is required to hold capital in trust funds at Lloyd's which are known as Funds at Lloyd's ("FAL"). FAL is intended primarily to cover circumstances where syndicate assets are insufficient to meet participating members' underwriting liabilities. FAL is set with reference to the ECA's of the syndicates that the member participates on. Since FAL is not under the control of the managing agent, it is not shown in the syndicate accounts. The managing agent is, however, able to make a call on members' FAL to meet liquidity requirements or to settle underwriting losses if required; and
3. Lloyd's central assets are available at the discretion of the Council of Lloyd's to meet any valid claim that cannot be met through the resources of any member further up the chain. Lloyd's also retains the right to request a callable contribution equal to 3% of members' capacity on the syndicate.

Principal risks and uncertainties

The managing agent has established a risk management function for the syndicate with clear terms of reference from the Board of Directors and its committees. The ASML Board approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of these policies.

The risk appetites are set annually as part of the syndicate business planning and capital setting process. The risk management function is also responsible for maintaining the syndicate's Own Risk and Solvency Assessment ("ORSA") process and provides regular updates to the Board. The formal ORSA report for the syndicate is provided to the Board annually for approval.

The managing agent recognises that the syndicate's business is to accept risk which is appropriate to enable it to meet its objectives and that it is not realistic or possible to eliminate risk entirely. The principal risks and uncertainties facing the syndicate have been identified as insurance risk, financial risk, credit risk, liquidity risk and market risk. A description of these risks and how they are managed, with appropriate numeric analysis, is set out in the note 4 to the annual accounts. The use of financial derivatives is governed by ASML risk management policies, ASML does not use derivative financial instruments for speculative purposes.
The Board has agreed a number of key risk indicators and approved the corresponding appetite for each measure. A traffic light indicator is used for monitoring current levels of risk based upon agreed thresholds and tolerances.

Emerging risks

The agreement for the implementation of the Brexit withdrawal agreement legislation was ratified by the Council of the European Union ("EU") on 30 January 2020. The UK's withdrawal from the EU took effect on 31 January 2020 with a transition period ending on 31 December 2020. An agreement on future trade was reached by 31 December 2020 and took effect from 1 January 2021.

Report of the directors of the managing agent

To date the only material impact of Brexit on ASML has been the reduction in the value of Sterling relative to US Dollars since the vote. This has materially reduced ASML's (mainly Sterling) expenses relative to its (mainly US Dollar) premium income. There are a number of scenarios where Sterling could appreciate against US Dollars in the future, as has happened in the first weeks of 2021, but the longer term drivers of Sterling's value depend on international trade and political factors which are very difficult to predict at present.

The syndicate is not expected to be materially impacted by Brexit from an underwriting standpoint given that it writes only a small amount of European insurance and reinsurance business. Lloyd's has established an insurance company trading as Lloyd's Brussels which gives syndicates access to the EU market. ASML commenced writing business through Lloyd's Brussels from 1 January 2019. During 2020 the 2018 and prior business of the syndicate was subject to a Part VII transfer to Lloyd's Brussels. All Brussels' business was 100% reinsured back to the respective syndicates.

The financial risks associated with climate change continues to be an area of focus for ASML. The perceived risks around climate change, and a potential structural change to the risk environment, are significant and should not be underestimated. However, there are opportunities around providing suitable cover, products and claims service to our clients that align positively to ASML's service model.

There is consensus within the scientific community that, at a global level:

- Average temperatures (including sea surface temperatures) are increasing,
- Temperature extremes (hot and cold) are becoming more volatile, and are seen at a higher frequency than in the past, and
- The frequency and severity of life-threatening weather events are increasing.

However, there is uncertainty around how climate change will impact individual weather phenomena. Due to the inherent complexity and pace of climatic change, meteorologists need to extrapolate from a relatively small number of data points to forecast how weather events may change over a relatively short time-frame. ASML seeks to engage with external experts and modelling companies to ensure that the uncertainty that climate change brings to the underwriting of catastrophe risk is adequately allowed for in its pricing and exposure management processes.

Per the PRA's Supervisory Statement 3/19 requirements, the Chief Risk Officer has been nominated as the designated SM&CR holder who has responsibility for the financial risks of climate change. An agreed plan of action continues to be developed and implemented by appropriately skilled and experienced teams within the business in order to ensure that range of potential climate change-related impacts from physical asset risks to transition risks within the underwriting and investment portfolios are appropriately managed.

Report of the directors of the managing agent

Climate risk is included within the overall Apollo risk management framework with appropriate consideration within risk and underwriting committees, as well as within environmental, societal and governance (ESG) discussions. Non-modelled natural catastrophe risk (including flood and wildfire risk) is considered specifically within the model completeness framework, and adjustments made to proprietary natural catastrophe model outputs to account for potential uncertainty. Stress and scenario tests, including the increase in frequency and severity assumptions for North Atlantic hurricane stochastic events are routinely conducted for capital assessment purposes. Furthermore, investigations to support an in-house views of climate-related risk continue between exposure management, underwriting, actuarial and risk management teams.

Corporate governance

The ASML Board is chaired by Julian Cusack, who was supported by four further non-executive directors, three of whom are independent. Jens Schäfermeier resigned from the Board on 30 September 2020. David Ibeson is the Chief Executive Officer and there were four further executive directors throughout 2020.

Defined operational and management structures are in place and terms of reference exist for all Board and executive committees.

The ASML Board meets at least four times a year and more frequently when business needs require. The Board has a schedule of matters reserved for its decision and is supported by the Audit Committee, the Risk Committee and the Remuneration and Nominations Committee. These committees are comprised of independent non-executive directors.

Section 172 statement

The directors adopt the responsibilities to promote the success of the syndicate as if s172 of the Companies Act were applicable and have acted in accordance with these responsibilities during the year. The Board has identified the following key stakeholders: capital providers to the managed syndicates, employees, the shareholder of ASML, Lloyd's and regulators, policyholders and brokers.

Throughout the year the board considered the wider impact of strategic and operational decisions on its stakeholders. Examples include the development and execution of the business plans for the managed syndicates; the assessment and raising of capital; communications with capital providers; and changes to Board composition. The Board considers that the interests of all stakeholders were aligned for these decisions.

The support and engagement of capital providers of the syndicate is imperative to the future success of our business. We have regular meetings with capital providers and members' agents throughout the year to discuss the performance and future prospects for the syndicates which they support. Feedback received during these meetings enables the board to factor the views of these key stakeholders into the development of business plans for future years.

Developing and maintaining relationships with brokers and policyholders is central to the success of the syndicate. In normal times underwriters travel widely with our broking partners to visit clients and attend industry events to promote the Lloyd's brand and ensure we continue to provide an excellent service to our policyholders. In the face of the constraints imposed by the COVID-19 pandemic, we have maintained contact with brokers and clients by video conference and all other communication mechanisms at our disposal. In developing insurance propositions and marketing them with our broking partners and in settling claims, we always seek to treat customers fairly.

We maintain open and transparent relationships with our regulators and Lloyd's, which are managed through our compliance team. Regular meetings are held with representatives of Lloyd's and the PRA and significant regulatory engagements are reported to the Board.

Report of the directors of the managing agent

Staff matters

ASML's people are a key asset and resource and their retention and development are fundamental to the success of the business. ASML's strategy is to build a strong culture of staff engagement, communication and contribution recognition. This is achieved through monthly staff briefings, a fully open plan cross-function office environment, seeking feedback and a continued focus on diversity, inclusion and also mental health. ASML strives to act as a single team where employees work closely across functions, have mutual respect and enjoy working in a collaborative environment, whether in the office or remotely. An external independent hotline and an internal mechanisms of communication mean that staff can call anonymously if they have work related concerns.

Terms and conditions offered to employees, as part of their overall remuneration package, remain competitive with the rest of the London Market insurance industry and staff are provided with opportunities to develop their skills and capabilities. The managing agent seeks to provide a good working environment for its staff that is safe, supportive and complies with relevant legislation.

Prior to COVID-19 ASML had begun to implement a flexible working policy to enable staff members to work away from the office. As a consequence the transition to a full remote operating model has been effected smoothly, evidenced through the use of technology to support underwriting and non-underwriting activities. The effectiveness of all aspects of remote working is monitored continually by management as well as tested and challenged by risk management and internal audit.

Business operations

ASML is Lloyd's-centric with a purely London-based operation and distribution model. ASML fully embraces and supports Lloyd's vision of being a broker market, as well as accessing local markets through third party cover holders.

ASML aims to maintain a lean back office function utilising technology and outsourcing arrangements where flexibility is required or greater efficiency can be achieved. As a mid-sized business, ASML is able to expand and contract as market conditions dictate. Through the use of specific outsourcing, ASML maintains an appropriate support function commensurate with its underwriting capacity. We continue to invest in actuarial, risk management and data management resources in order to ensure that the discipline we aim for in underwriting is matched by the intensity of scrutiny given to pricing, reserving and second line of defence activities.

Lloyd's has rolled out its electronic placement platform (PPL). ASML has embraced this change and is benefitting from the enhancements it brings. Lloyd's provides a target percentage of business for processing through PPL and ASML have comfortably exceeded this threshold with more than 95% processed by the end of 2020.

We note Lloyd's Blue Print and Future of Lloyd's initiatives offering a number of radical ideas for the future of the market. In our opinion there is a distance to go before these can be translated into workable options but we continue to participate in consultations actively and position ourselves as necessary to maximise the benefit to ASML, its syndicates and its capital providers.

As a result of the COVID-19 pandemic the ASML office has been closed for much of the year. All employees are able to work remotely from home and have access to business systems. Whilst social distancing policies have changed the working environment significantly, all ASML teams are able to continue to operate in support of brokers and policy holders. This has been helped by the significant progress the Lloyd's market has made in recent years with electronic placement of risks and claims handling. The banking and investment operations use online processes and have not been impacted by the pandemic.

Report of the directors of the managing agent

Environmental, Social and Governance

ASML is developing an ESG strategy in parallel to implementing approaches to manage the financial risks associated with climate change and proactive diversity and inclusion initiatives. From an environmental perspective, the ESG focus is upon environmental and socially responsible underwriting and sustainable investing. The initiative is being led by the ASML Board and will be coordinated within the business by a group comprising representatives throughout Apollo. The strategy is intended to complement the approach set out by the Corporation of Lloyd's.

From an operational perspective, whilst the strategy is being developed and implemented, supporting data to enable appropriate future disclosures is being defined. At this point in time, the syndicate is not required to comply with Streamlined Energy and Carbon Reporting ('SECR') and no quantification of carbon emissions is included in this report. ASML's carbon emissions are predominantly associated with running a compact office in London and business travel. There has been no international business travel since the business has moved to operate remotely following the COVID-19 restrictions. As a consequence of the current operating model it is anticipated that the requirement for international travel should reduce. Within the fixed income investment portfolios ASML has begun to monitor the ESG scores and benchmarked Scope 1 and 2 carbon emissions/intensity scores. No carbon offsetting has been directly purchased.

Directors and directors' interests

The directors who held office at the date of signing this report are shown on page 1. Directors' interests are shown in note 23 as part of the related parties note to the accounts.

Annual General Meeting

The directors do not propose to hold an Annual General Meeting for the syndicate. If any members' agent or direct corporate supporter of the syndicate wishes to meet with them the directors are happy to do so.

Disclosure of information to the auditor

Each person who is a director of the managing agent at the date of approving this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the syndicate's auditor is unaware; and
- each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the syndicate's auditor is aware of that information.

Auditor

Deloitte LLP has indicated its willingness to continue in office as the syndicate's auditor. The managing agent hereby gives formal notification of a proposal to re-appoint Deloitte LLP as auditor of Syndicate 1969 for a further year.

Future developments

The 2021 business plan for the syndicate focuses on writing the existing spread portfolio of specialist lines of business profitably. Where appropriate ASML will be repositioning existing classes in the light of loss experience and changes in the rating environment. ASML will remain vigilant as regards opportunities to write profitable new lines of business when they arise.

Syndicate 1969

Report of the directors of the managing agent

ASML has become managing agent for legacy Syndicate 1994 from its formation with effect from 1 January 2021. Syndicate 1994 has written a split RITC of the 2017 and prior business of 1969, therefore transferring the risk associated with the run-off of this business from Syndicate 1969 to Syndicate 1994. Syndicate 1994 has written one other RITC since 1 January 2021 and the business plan is to write similar deals in the future. The growth in the number of syndicates under ASML's management is expected to create efficiencies which will benefit all syndicates. The allocation of expenses and any conflicts of interest between the syndicates will be carefully monitored and managed.

Syndicate 1969 will continue to share the benefits of SPAs established under the Apollo brand by acting as host. Through these arrangements the syndicate will retain an appropriate percentage of the underwriting to achieve a diversified portfolio whilst benefiting from efficiency gains by sharing resources across the syndicates.

The syndicate will maintain a comprehensive reinsurance programme across all classes of business. The majority of the natural catastrophe property exposures continue to be covered by an excess of loss programme placed with both fully collateralised and traditional reinsurance vehicles. The Property Treaty and ibott Rover classes of business have 90% a quota share arrangements with syndicates 6133 and 1971 respectively. Syndicates 1969 and 1971 benefit from the continuing 50% common account external quota share of the ibott Rover account. Other class level risk appetite will continue to be managed using small quota share and facultative covers.

ASML will continue to operate a number of consortia on which the syndicate is the lead and for which ASML and the syndicate share overriding commissions and the syndicate receives profit commission. These arrangements enable the syndicate to benefit from ASML's leadership and relationships across the insurance market whilst maintaining a diversified portfolio of business.

The syndicate's conservative investment strategy will be maintained and the portfolio will remain largely consistent with the position at the balance sheet date. It is not expected that 2021 calendar year will benefit from such strong returns as 2020. The short dated fixed income portfolio valuations have adjusted to reflect the reductions in US federal interest rates during the COVID-19 pandemic and the portfolio is now constrained as to the returns achievable in a lower yielding investment environment.

The syndicate has received positive support from a committed base of capital providers. A strong, diversified and knowledgeable spread capital base gives significant competitive advantage and maintaining this will remain a focus.

I would like to take this opportunity to thank our staff for their hard work and commitment to the business during the last year.

Approved on behalf of the Board.

DCB Ibeson
Chief Executive Officer
4 March 2021

Statement of managing agent's responsibilities

The managing agent is responsible for preparing the syndicate annual accounts in accordance with applicable law and regulations.

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

In preparing the syndicate annual accounts, the managing agent is required to:

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

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

Legislation in the UK governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Syndicate 1969

Report on the audit of the syndicate annual financial statements

Opinion

In our opinion the syndicate annual financial statements of Syndicate 1969 (the 'syndicate'):

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have audited the syndicate annual financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in members' balances;
- the cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the syndicate annual financial statements section of our report.

We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Our responsibilities and the responsibilities of the managing agent with respect to going concern are described in the relevant sections of this report.

Independent auditor's report to the members of Syndicate 1969

Other information

The other information comprises the information included in the annual report, other than the syndicate annual financial statements and our auditor's report thereon. The managing agent is responsible for the other information contained within the annual report. Our opinion on the syndicate annual financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of managing agent

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

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

Auditor's responsibilities for the audit of the syndicate annual financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the syndicate and its control environment, and reviewed the syndicate's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the syndicate operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005); and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the syndicate's ability to operate or to avoid a material penalty. These included the requirements of Solvency II.

We discussed among the audit engagement team including relevant internal specialists such as actuarial and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Independent auditor's report to the members of Syndicate 1969

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- Estimation of pipeline premiums requires significant management judgement and therefore there is potential for management bias through manipulation of core assumptions. In response our testing included, comparing management's estimates on prior year policies against actual premiums received as well as to historical experience on similar policies.
- Valuation of technical provisions includes assumptions and methodology requiring significant management judgement and involves complex calculations, and therefore there is potential for management bias. There is also a risk of overriding controls by making late adjustments to the technical provisions. In response to these risks we involved our actuarial specialists to develop independent estimates of the technical provisions and we tested the late journal entries to technical provisions.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with Lloyd's.

Independent auditor's report to the members of Syndicate 1969

Report on other legal and regulatory requirements

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

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

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

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

Matters on which we are required to report by exception

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

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with regulation 10 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Adam Knight, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
4 March 2021

Profit and loss account
for the year ended 31 December 2020

Technical account – General business	Notes	2020 $'000	2019 $'000
Gross premiums written	5	553,701	522,197
Outward reinsurance premiums		(267,438)	(248,004)
Net premiums written		286,263	274,193
Change in the provision for unearned premiums:			
Gross amount	6	(28,981)	(63,858)
Reinsurers' share	6	15,606	55,227
Change in the net provision for unearned premiums		(13,375)	(8,631)
Earned premiums, net of reinsurance		**272,888**	**265,562**
Allocated investment return transferred from the non-technical account	11	**8,856**	**8,461**
Claims paid			
Gross amount		(257,418)	(269,168)
Reinsurers' share		111,207	116,212
Net claims paid		(146,211)	(152,956)
Change in the provision for claims			
Gross amount	6	(60,209)	(38,419)
Reinsurers' share	6	33,948	13,537
Change in the net provision for claims		(26,261)	(24,882)
Claims incurred, net of reinsurance		**(172,472)**	**(177,838)**
Net operating expenses	7	(98,795)	(93,468)
Balance on the technical account - general business		**10,477**	**2,717**

All operations relate to continuing activities.

The notes on pages 26 to 56 form an integral part of these annual accounts.

Profit and loss account
for the year ended 31 December 2020

Non-technical account	Notes	2020 $'000	2019 $'000
Balance on the technical account - general business		**10,477**	**2,717**
Investment income	11	8,856	8,461
Allocated investment return transferred to the technical account - general business		(8,856)	(8,461)
(Loss) / Profit on foreign exchange		(1,030)	1,584
Profit for the financial year		**9,447**	**4,301**

There were no amounts recognised in other comprehensive income in the current or preceding year other than those included in the profit and loss account.

Statement of changes in members' balances
For the year ended 31 December 2020

	2020 $'000	2019 $'000
Members' balances brought forward at 1 January	(16,782)	(91,990)
Profit for the financial year	9,447	4,301
Transfer from members' personal reserve fund	7,386	40,246
Cash call from members	-	31,151
Members' agents' fees	(358)	(490)
Members' balances carried forward at 31 December	**(307)**	**(16,782)**

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

Syndicate 1969

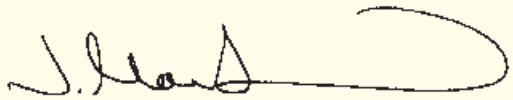
Balance sheet
at 31 December 2020

Assets	Notes	2020 $'000	2019 $'000
Investments			
Financial investments	4,12	416,498	364,201
Reinsurers' share of technical provisions			
Provision for unearned premiums	6	135,699	119,420
Claims outstanding	6	293,144	258,009
		428,843	377,429
Debtors			
Debtors arising out of direct insurance operations	13	163,593	134,225
Debtors arising out of reinsurance operations	14	54,453	38,460
Other debtors	15	5,493	5,467
		223,539	178,152
Other assets			
Cash and cash equivalents	16	182,828	210,573
Overseas deposits	17	30,719	27,234
		213,547	237,807
Prepayments and accrued income			
Deferred acquisition costs	7	55,552	51,555
Accrued interest and rent		1,259	953
Other prepayments and accrued income		2,601	1,899
		59,412	54,407
Total assets		**1,341,839**	**1,211,996**

Balance sheet
at 31 December 2020

Liabilities	Notes	2020 $'000	2019 $'000
Capital and reserves			
Members' balances		(307)	(16,782)
Technical provisions			
Provision for unearned premiums	6	285,805	255,646
Claims outstanding	6	673,033	609,340
		958,838	864,986
Deposits received from reinsurers	18	145,441	189,060
Creditors			
Creditors arising out of direct insurance operations	19	3,555	4,428
Creditors arising out of reinsurance operations	20	119,319	94,566
Other creditors	21	101,268	63,399
		224,142	162,393
Accruals and deferred income		13,725	12,339
Total liabilities		**1,342,146**	**1,228,778**
Total liabilities and members' balances		**1,341,839**	**1,211,996**

The annual accounts on pages 21 to 56 were approved by the Board of Apollo Syndicate Management Limited on 4 March 2021 and were signed on its behalf by:



JD MacDiarmid
Finance Director
4 March 2021

Statement of cash flows
for the year ended 31 December 2020

	Notes	2020 $'000	2019 $'000
Cash flows from operating activities			
Operating profit for the financial year		9,447	4,301
Adjustments for:			
Increase in gross technical provisions		93,852	105,750
Increase in reinsurers' share of technical provisions		(51,414)	(70,086)
Increase in debtors		(45,387)	(63,975)
Increase in creditors		61,749	84,770
Increase in other assets / liabilities		(3,619)	(3,317)
Investment return		(8,856)	(8,461)
Net cash inflow from operating activities		**55,772**	**48,982**
Cash flows from investing activities			
Purchase of equity and debt instruments		(430,782)	(198,743)
Proceeds from sale of equity and debt instruments		378,486	88,264
Investment income received		8,856	8,461
Increase in overseas deposits		(3,485)	(3,011)
(Decrease)/Increase in deposits received from reinsurers		(43,619)	99,717
Net cash outflow from investing activities		**(90,544)**	**(5,312)**
Transfer from members in respect of underwriting participations		7,385	40,246
Members' agents' fees paid on behalf of members		(358)	(490)
Cash call received from members		-	31,151
Net cash inflow from financing activities		**7,027**	**70,907**
Net (decrease) / increase in cash and cash equivalents		**(27,745)**	**114,577**
Cash and cash equivalents at 1 January		210,573	95,996
Cash and cash equivalents at 31 December	16	**182,828**	**210,573**

Notes to the annual accounts

1. Basis of preparation

Syndicate 1969 comprises a group of members of the Society of Lloyd's that underwrite insurance business in the London Market. The address of the syndicate's managing agent is One Bishopsgate, London EC2N 3AQ.

The annual accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, Financial Reporting Standard 102. The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and Financial Reporting Standard 103 Insurance Contracts ("FRS 103").

The annual accounts have been prepared on the historical cost basis, except for financial assets which are measured at fair value through profit or loss.

The syndicate's functional and presentation currency is US Dollars. All amounts have been rounded to the nearest thousand and are stated in US Dollars unless otherwise indicated.

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

2. Critical accounting judgements and key sources of estimation uncertainty

In preparing these annual accounts, the directors of the managing agent have made judgements, estimates and assumptions that affect the application of the syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which they are identified if the revision affects only that period and future periods if the revision affects both current and future periods.

Critical judgements in applying the syndicate's accounting policies

There are no critical judgements, apart from those involving estimations (which are dealt with separately below), in the process of applying the syndicate's accounting policies.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

The syndicate's principal estimate is the provision for claims outstanding, including claims that have been incurred at the reporting date but have not yet been reported ("IBNR"), and the related reinsurers' share. Other significant estimates are written and earned gross premiums, outwards reinsurance premium ceded and earned, acquisition costs and the valuation of investments.

Gross written premium

Gross written premium comprises contractual amounts, underwriter estimates at a policy level, reflecting guidance provided by clients and cover holders, and actuarial estimates at a portfolio level based on historical experience.

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

The gross written premium payable on a policy is often variable, dependent on the volume of trading undertaken by the insured during a coverage period. Estimates of such additional premiums are included in premiums written but may have to be adjusted if economic conditions or other underlying trading factors differ from those expected. Gross premiums written are disclosed in note 4.

Claims outstanding

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

The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date and includes IBNR. This is a complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. The estimate of IBNR is generally subject to a greater degree of uncertainty than that for reported claims.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the managing agent's in-house actuaries. These techniques normally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be expected and, for more recent underwriting years, the use of benchmarks and initial expected loss ratios from business plans. Where there is limited prior experience of the specific business written considerable use is made of information obtained in the course of pricing individual risks accepted and experience of analogous business. Account is taken of variations in business accepted and the underlying terms and conditions. This is particularly the case in relation to ibott Rover which is a relatively new class of business with data limitations, long tail features and inherent uncertainty in the likely quantum and incidence of claims. The provision for claims also includes amounts in respect of internal and external claims handling costs.

Accordingly, the most critical assumptions as regards claims provisions are that the past is a reasonable indicator of the likely level of claims development, that the notified claims estimates are reasonable and that the rating and other models used for current business are based on fair reflections of the likely level of ultimate claims to be incurred. The level of uncertainty with regard to the estimations within these provisions generally decreases with the length of time elapsed since the underlying contracts were on risk.

The reserve setting process is integrated within Apollo's governance framework. The proposed best estimate reserves are reviewed in detail by the Reserving Committee on a quarterly basis and confidence margins added to increase the probability that the reserves are sufficient to meet liabilities so far as they can reasonably be foreseen. These reserves, including margins, are then subject to further review by the Audit Committee on behalf of the Board. The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available. The ultimate liability will vary as a result of subsequent information and events, which may result in significant adjustments to the amounts provided. The estimate of the provision for claims outstanding will develop over time and the estimated claims expense will continue to change until all the claims are paid. The historic development of claims incurred estimates is set out in the loss development triangles by year of account in note 4. The adjustment in the current year for the revision to the prior year estimate of the provision for claims outstanding is disclosed in note 6.

3. Significant accounting policies

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

Gross premiums written

Premiums written comprise premiums on contracts of insurance incepted during the financial year as well as adjustments made in the year to premiums on policies incepted in prior accounting periods. Additional or return premiums are treated as a re-measurement of the initial premium. Estimates are made for pipeline premiums, representing amounts due to the syndicate not yet received or notified.

Premiums are shown gross of brokerage payable and are exclusive of taxes and duties thereon.

Outwards reinsurance premiums

Written outwards reinsurance premiums comprise the estimated premiums payable for contracts entered into during the period. Non-proportional reinsurance contracts are recognised on the date on which the policy incepts and proportional reinsurance is recognised when the underlying gross premium is written.

Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Under some policies, reinsurance premiums payable are adjusted retrospectively in the light of claims experience. Where written premiums are subject to an increase retrospectively, any potential increase is recognised as soon as there is an obligation to the reinsurer.

Provisions for unearned premiums

Written premiums are recognised as earned over the life of the policy and computed using the daily pro-rata method. Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

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

Claims provisions and related recoveries

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

Incurred claims outstanding are reduced by anticipated salvage and other recoveries from third parties. The amount of any salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

The provision for claims outstanding is assessed on an individual case by 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 IBNR claims as well as claims incurred but not enough reported ("IBNER").

3. Significant accounting policies (continued)

The reinsurers' share of provisions for claims is based on amounts of claims outstanding and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. Where the security rating provides an indication that the recoverable amount may be impaired a proportion of the balance will be provided for as a provision for bad debt by applying a percentage based on historical experience.

Adjustments to the amounts of claims provisions established in prior years are reflected in the annual accounts for the period in which the adjustments are made. The provisions are not discounted for the investment earnings that may be expected to arise in the future on the funds retained to meet the future liabilities. The methods used, and the estimates made, are reviewed regularly.

Unexpired risks provision

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

A provision for unexpired risks is calculated separately by reference to classes of business which are regarded as managed together after taking into account relevant investment return. All the classes of the syndicate are considered to be managed together.

Financial assets and liabilities

The syndicate has chosen to apply the provisions of Section 11 (Basic Financial Instruments) and Section 12 (Other Financial Instruments Issues) of FRS 102 for the treatment and disclosure of financial assets and liabilities.

The syndicate's investments comprise holdings of short dated government and corporate bonds, collective investment schemes and cash and cash equivalents. The syndicate may hold derivative financial instruments. When derivatives are liabilities they are reported with other creditors in the balance sheet.

Recognition

Financial assets and liabilities are recognised when the syndicate becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities. The syndicate does not hold any equity instruments.

Measurements

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction.

Investments and derivative instruments are measured at fair value through the profit or loss. All other financial assets and liabilities are held at cost. The syndicate does not hold any non-current debt instruments and does not classify debt instruments as payable or receivable within one financial year.

3. Significant accounting policies (continued)

Realised and unrealised gains and losses arising from changes in the fair value of investments are initially presented in the non-technical profit and loss account in the period in which they arise. Interest income is recognised as it accrues. Investment management and other related expenses are recognised when incurred. The overall investment return is subsequently transferred to the technical account to reflect the investment return on funds supporting the underwriting business.

Derecognition of financial assets and liabilities

Financial assets are derecognised when and only when:

- the contractual rights to the cash flows from the financial asset expire or are settled;
- the syndicate transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the syndicate, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the company estimates the fair value by using a valuation technique.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, yield curves, credit spreads, liquidity statistics and other factors.

The use of different valuation techniques could lead to different estimates of fair value. FRS 102 section 11.27 establishes a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). More information on the hierarchy is included in note 12.

Impairment of financial instruments measured at historic cost

For financial assets carried at historic cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

3. Significant accounting policies (continued)

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. The amount of the reversal is recognised in profit and loss immediately.

Cash and cash equivalents

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

Bank overdrafts that are repayable on demand and form an integral part of the syndicate's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Investment return

Investment return comprises investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses and charge, interest payable and amounts attributable to the funds withheld from the SPA syndicates. Realised gains and losses represent the difference between the net proceeds on disposal and the purchase price.

Unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price. Movements in unrealised investment gains and losses comprise the increase/decrease in the reporting period in the value of the investments held at the reporting date and the reversal of unrealised investment gains and losses recognised in earlier reporting periods in respect of investment disposals of the current period.

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

Deposits received from reinsurers

The syndicate requires certain reinsurers to collateralise their potential exposure to the syndicate through the depositing of funds. To the extent that the funds are not called upon as paid recoveries at the balance sheet date they are recorded as financial investment or cash and cash equivalents with a corresponding liability recorded as deposits received from reinsurers.

Net operating expenses

Net operating expenses include acquisition costs, administrative expenses and members' standard personal expenses. Reinsurers' commissions and profit participations, consortia income and expenses attributable to the SPA syndicates represent contributions towards operating expenses and are reported accordingly.

Costs incurred by the managing agent on behalf of the syndicate are recognised on an accruals basis. No mark-up is applied.

Acquisition costs

Acquisition costs represent costs arising from the conclusion of insurance contracts. They include both direct costs such as brokerage and commission, and indirect costs such as administrative expenses connected with the processing of proposals and the issuing of policies. Acquisition costs include fees paid to consortium leaders in return for business written on behalf of the syndicate as a consortium member.

3. Significant accounting policies (continued)

Acquisition costs are earned in line with the earning of the gross premiums to which they relate. The deferred acquisition cost asset represents the proportion of acquisition costs which corresponds to the proportion of gross premiums written that is unearned at the balance sheet date.

Reinsurers' commissions and profit participations

Under certain outwards reinsurance contracts the syndicate receives a contribution towards the expenses incurred. The outwards reinsurance contracts may allow the ceding of acquisition costs and in certain instances an allocation of administrative expenses. Reinsurance arrangements can also pay an overriding or profit commission.

The reinsurers' share of expenses is included with operating expenses and earned in line with the related expense. The reinsurers' share of deferred acquisition cost liability corresponds to the gross deferred acquisition costs and is recorded within accruals and deferred income on the balance sheet.

Consortia share of expenses

The syndicate is the leader of a number of underwriting consortia. Under the terms of these contracts participants are required to pay fees to the syndicate, as leader, in return for the business written on their behalf. These fees represent a contribution towards the expenses incurred by the syndicate underwriting for the consortia. The syndicate accrues the consortium fee income in line with the writing of the business for each consortium, calculated in accordance with the individual contractual arrangements.

In addition the consortium arrangements include an entitlement to profit commission based on the performance of the business written by the consortium leader. The syndicate accrues profit commission in accordance with the contractual terms based on the forecast performance of each consortium. Both the accrued consortium fees and accrued profit commission are included as a credit to administrative expenses.

Managing agent's fees

The managing agent charges a management fee of 0.9% of syndicate capacity. This expense is recognised over the 12 months following commencement of the underwriting year to which it relates.

The managing agent has agreed contractual terms with the capital providers to the syndicate for the payment of profit commission based on the performance of the individual years of account of the syndicate. Profit commission is accrued in line with the contractual terms and the development of the result of the underlying years of account.

Amounts charged to the syndicate do not become payable until after the appropriate year of account closes, normally at 36 months, although the managing agent may receive payments on account of anticipated profit commission if interim profits are released to members.

Foreign currencies

Transactions in foreign currencies are translated into US Dollars which is the functional and presentational currency of the syndicate. Transactions in foreign currencies are translated using the exchange rates at the date of the transactions or at the appropriate average rates of exchange for the period. The syndicate's monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historic cost are translated to the functional currency using the exchange rate at the date of the transaction. For the purposes of foreign currency translation, unearned premiums and deferred acquisition costs are treated as monetary items.

3. Significant accounting policies (continued)

Foreign exchange differences arising on translation of foreign currency amounts are included in the non-technical account.

Pension costs

Apollo operates a defined contribution pension scheme. Pension contributions relating to managing agency staff working on behalf of the syndicate are charged to the syndicate and included within net operating expenses.

Taxation

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

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the syndicate during the year have been included in the balance sheet under the heading 'other debtors'. No provision has been made for any other overseas tax payable by members on underwriting results.

Funds withheld

The underlying premiums and claims for the SPA syndicates are settled by Syndicate 1969 with policy holders as they fall due. Within the syndicate these are accounted for as a debtor or creditor with the SPA syndicate.

Reinsurance debtors and creditors arising between the syndicate and the SPA syndicates are not settled until the year of account closes. Claims outstanding together with other non-technical transactions are settled when the year of account closes.

Cash calls made during the period are received by the syndicate and credited to the funds withheld balance. These will reduce the amount due for payment to or from the SPA syndicates on closure of a loss making year.

4. Risk and capital management

Introduction and overview

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

The nature of the syndicate's exposures to risk and its objectives and policies for managing risk have not changed significantly from the prior year.

Risk management 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 financial performance objectives, including failing to exploit opportunities. All staff providing services to the syndicate are trained to recognise the critical importance of having efficient and effective risk management systems in place.

4. Risk and capital management (continued)

The Board of Directors of the managing agent has overall responsibility for the establishment and oversight of the syndicate's risk management framework. The Board has established an Audit Committee and a Risk Committee which oversee the operation of the syndicate's risk management framework and reviews and monitors the management of the risks to which the syndicate is exposed.

ASML has established a risk management function, together with terms of reference for the Board of Directors, its committees and the associated executive management committees which identify the risk management obligations of each. The function is supported by a clear organisational structure with documented delegated authorities and responsibilities from the Board of Directors to executive management committees and senior managers. The framework sets out the risk appetites for the syndicate and includes controls and business conduct standards.

Under the risk management framework, ASML's Risk and Capital Committee oversees the risk management function at an executive level. The management of specific risk grouping is delegated to several executive committees: the Underwriting Committee and the Reserving Committee are responsible for developing and monitoring insurance risk management policies; the management of aspects of financial risks is the responsibility of the Finance Committee. In addition, the syndicate is exposed to conduct and operational risks and the management of aspects of these risks is the responsibility of the Underwriting Committee and the Operations Committee respectively. Accordingly the risk management function and the Risk and Capital Committee operates as the second line of defence above these committees.

The risk management function report to each meeting of the Risk Committee on its activities. The Reserving Committee, Underwriting Committee, Finance Committee, and Operations Committee report regularly to the Executive Committee and work closely with the risk management function on their activities as well as reporting to the Board of Directors and the relevant non-executive sub committees.

Insurance Risk

Management of insurance risk

The principal risk the syndicate faces under insurance contracts is that the amount of 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 claims.

A key component of the management of underwriting risk for the syndicate is a disciplined underwriting strategy that is focused on writing quality business and not writing for premium volume. Product pricing is designed to incorporate appropriate premiums for each type of assumed risk. The underwriting strategy includes underwriting limits on the syndicate's total exposure to specific risks together with limits on geographical and industry exposures to ensure that a well-diversified book is maintained.

Contracts can contain a number of features which help to manage the underwriting risk such as the use of deductibles, or capping the maximum permitted loss, or number of claims (subject to local regulatory and legislative requirements).

The syndicate makes use of reinsurance to mitigate the risk of incurring significant losses linked to a single or catastrophe event, including excess of loss and catastrophe reinsurance. Where an individual exposure is deemed surplus to the syndicate's appetite, additional facultative reinsurance is purchased.

4. Risk and capital management (continued)

The syndicate limits its exposure to catastrophic events based on the syndicate's risk appetite. The syndicate uses commercially available proprietary risk management software to assess catastrophe exposure, and includes adjustments to the outputs to reflect the in-house view of risk. There is, however, always a risk that the assumptions and techniques used in these models do not exactly model the actual losses that occur or that claims arising from an un-modelled event are greater than those anticipated.

The Board sets limits to the syndicate's exposure to catastrophe events both on a gross and net of reinsurance basis and adherence to these limits is regularly monitored by the Apollo exposure management team which reports monthly to the Underwriting Committee. Apollo monitors its catastrophe exposures against a range of probabilistic and scenario-based outputs, including the 1 in 30 Aggregate Exceedance Probability (AEP). A range of catastrophe risk appetites are in place, which are reported to the Risk Committee on a quarterly basis, and escalated to the Board by exception.

The table below shows the gross premium by the location of the insured as a proxy for risk location. This gives an indication of the syndicate's exposure to loss written in the calendar year by geographic area.

Gross written premium analysed by source	2020 $'000	2019 $'000
UK	58,896	37,634
Other EU countries	30,882	29,229
US	375,251	367,737
Other	88,672	87,597
Total	**553,701**	**522,197**

The Reserving Committee oversees the management of reserving risk. The use of proprietary and standardised modelling techniques, internal and external benchmarking and the review of claims development are all instrumental in mitigating reserving risk.

The managing agent's in-house actuaries perform a reserving analysis on a quarterly basis, liaising closely with underwriters, claims and reinsurance personnel. The aim of this exercise is to produce a probability-weighted average of the expected future cash outflows arising from the settlement of incurred claims and claims on unearned premium. These projections include an analysis of claims development compared to the previous 'best estimate' projections.

The Reserving Committee performs a comprehensive review of the projections, both gross and net of reinsurance. Following this review, the Reserving Committee makes recommendations to the Audit Committee and Board of Directors as to the claims provisions to be established.

In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate to increase the probability that the reserves are sufficient to meet liabilities.

The level of year end reserves is validated by external consulting actuaries through their report to management and their provision of a Statement of Actuarial Opinion to the managing agency and Lloyd's on gross and net reserves by year of account at 31 December 2020.

4. Risk and capital management (continued)

Sensitivity to insurance risk

The liabilities established could be significantly lower or higher than the ultimate cost of settling the claims arising. This level of uncertainty varies between the classes of business and the nature of the risk being underwritten and can arise from developments in case reserving for attritional losses, large losses and catastrophes, or from changes in estimates of IBNR claims.

A five percent increase or decrease in the ultimate cost of settling claims arising is considered to be reasonably possible at the reporting date. A five percent increase or decrease in total earned claims liabilities would have the following effect on profit or loss and members' balances.

	2020		2019	
	Gross	Net	Gross	Net
	$'000	$'000	$'000	$'000
5% movement	33,652	18,995	30,467	17,567

On a net of reinsurance basis the effects would be more complex depending on the nature of the loss and its interaction with other losses already incurred. The incidence of profit commission payable to intermediaries may also affect the gross and net impact on results and members' balance.

Financial risk

The focus of financial risk management for the syndicate is ensuring that its financial assets are sufficient to fund the obligations arising from its insurance contracts as they fall due. The primary objective of the investment management process is to maintain capital value, which is of particular importance in volatile financial market conditions. A secondary objective is to optimise the risk-adjusted total return whilst being constrained by capital preservation and liquidity requirements. A low to medium risk investment policy has been adopted and the syndicate assets have been invested in short dated fixed income government and corporate bonds, absolute return bond funds and money market funds.

The investment management of the short dated fixed income bond portfolio is outsourced to a third party. An investment mandate reflecting the syndicate's risk appetite is in place and has been approved by the Board. Compliance with this is implemented through the investment managers systems and monitored through the monthly and quarterly reporting process.

Credit risk

Credit risk is the risk of financial loss to the syndicate if a counterparty fails to discharge a contractual obligation.

The syndicate is exposed to credit risk in respect of the following:

- holdings in collective investment schemes;
- short dated fixed income government and corporate bonds;
- reinsurers' share of insurance liabilities;
- amounts due from intermediaries;
- amounts due from reinsurers in respect of settled claims;
- cash and cash equivalents; and
- other debtors and accrued interest.

4. Risk and capital management (continued)

Management of credit risk

The investment portfolio is invested in securities which are rated BBB or above. The bond portfolio is managed to single issuer limits set by credit rating and there is a limit to the overall exposure to BBB rated securities. The syndicate limits the amount of cash and cash equivalents that can be deposited with a single counterparty and maintains an authorised list of counterparties.

ASML manages reinsurer credit risk by placing limits on its exposure to a single counterparty, by reference to the credit rating of the counterparty. The syndicate's exposure to reinsurance counterparties is monitored by the reinsurance team as part of their credit control processes. On a quarterly basis the Finance Committee reviews the credit exposures to reinsurance counterparties.

ASML assesses the creditworthiness of all reinsurers by reviewing public rating information and by internal investigations. The impact of reinsurer default is regularly assessed and managed accordingly. Where reinsurance is transacted with unrated reinsurers, the reinsurer is required to fully collateralise its exposure through depositing funds in trust for the syndicate.

ASML reviews intermediary performance is reviewed against the terms of business agreements by the compliance function. The status of intermediary debt collection is reported to the Finance Committee.

Exposure to credit risk

The carrying amount of financial assets and reinsurance assets represents the maximum credit risk exposure.

The following table analyses the credit rating by investment grade of financial investments, reinsurers' share of technical provisions, debtors arising out of direct insurance operations, debtors arising out of reinsurance operations, cash and cash equivalents and overseas deposits that are neither past due, nor impaired.

Debtors arising out of direct and reinsurance operations are comprised of pipeline premiums and balances relating to outstanding receipts from Lloyd's Central Accounting ('LCA'). By their nature, it is not possible to classify these balances by credit rating and therefore they are included as not rated in the following tables.

2020	AAA $'000	AA $'000	A $'000	BBB $'000	Not rated $'000	Total $'000
Financial investments	216,116	27,208	157,802	15,372	-	416,498
Reinsurers' share of claims outstanding	-	40,192	250,386	-	2,566	293,144
Debtors arising out of direct insurance operations	-	-	-	-	163,593	163,593
Debtors arising out of reinsurance operations	-	-	54,453	-	-	54,453
Cash and cash equivalents	156,614	-	26,214	-	-	182,828
Overseas deposits	14,810	2,166	7,214	2,383	4,146	30,719
Total	**387,540**	**69,566**	**496,069**	**17,755**	**170,305**	**1,141,235**

4. Risk and capital management (continued)

2019	AAA $'000	AA $'000	A $'000	BBB $'000	Not rated $'000	Total $'000
Financial investments	191,655	10,900	149,861	9,595	2,190	364,201
Reinsurers' share of claims outstanding	-	22,024	235,985	-	-	258,009
Debtors arising out of direct insurance operations	-	-	-	-	134,225	134,225
Debtors arising out of reinsurance operations	-	-	38,460	-	-	38,460
Cash and cash equivalents	196,675	-	13,898	-	-	210,573
Overseas deposits	15,168	2,967	3,088	1,997	4,014	27,234
Total	**403,498**	**35,891**	**441,292**	**11,592**	**140,429**	**1,032,702**

Financial assets that are past due or impaired

The syndicate has debtors arising from direct insurance and reinsurance operations that are past due but not impaired at the reporting date. These debtors have been individually assessed for impairment by considering information such as the occurrence of significant changes in the counterparty's financial position, patterns of historical payment information and disputes with counterparties.

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

2020	Debtors arising from direct insurance operations $'000	Debtors arising from reinsurance operations $'000
Past due but not impaired financial assets:		
Past due by:		
1 to 90 days	10,731	11,740
91 to 180 days	7,109	16,943
More than 180 days	11,779	6,035
Past due but not impaired financial assets	29,619	34,718
Neither past due nor impaired financial assets	133,974	19,735
Net carrying value	**163,593**	**54,453**

4. Risk and capital management (continued)

2019	Debtors arising from direct insurance operations $'000	Debtors arising from reinsurance operations $'000
Past due but not impaired financial assets:		
Past due by:		
1 to 90 days	34,612	14,390
91 to 180 days	12,399	6,306
More than 180 days	8,838	1,415
Past due but not impaired financial assets	55,849	22,111
Neither past due nor impaired financial assets	78,376	16,349
Net carrying value	**134,225**	**38,460**

There are no impaired debtors arising from direct insurance or reinsurance operations.

Liquidity risk

Liquidity risk is the risk that the syndicate will encounter difficulty in meeting obligations arising from its insurance contracts and financial liabilities as they fall due. The syndicate is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts and its ongoing expenses.

Management of liquidity risk

The syndicate's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the syndicate's reputation.

ASML's approach to managing liquidity risk is as follows:

- forecasts are prepared and revised on a regular basis to predict cash outflows from insurance contracts and overheads over the short, medium and long term;
- the syndicate purchases assets with durations not greater than its estimated insurance contract liabilities and expense outflows;
- assets purchased by the syndicate are required to satisfy specified marketability requirements;
- the syndicate maintains cash and liquid assets to meet daily calls; and
- the syndicate regularly updates its contingency funding plans to ensure that adequate liquid financial resources are in place to meet obligations as they fall due in the event of reasonably foreseeable abnormal circumstances.

The syndicate holds sufficient premium trust funds in money market funds to meet daily liquidity. Holdings in money market funds are well diversified, very liquid and generally low risk. There is, however, a risk that the fund does not have sufficient liquidity to meet all redemptions in extreme conditions. The fixed income short dated government and corporate bond portfolio is relatively liquid and can be realised within a matter of days under normal market conditions. Whilst less liquid in nature the limited proportion of investments held in absolute return bond funds can be realised within a few days in normal market conditions.

4. Risk and capital management (continued)

The syndicate is able to make cash calls from the members to fund losses in the event that funds are needed ahead of closing the year of account.

The maturity analysis presented in the table below shows the remaining contractual maturities for the syndicate's insurance contracts and financial assets and liabilities. For insurance and reinsurance contracts, the contractual maturity is the estimated date when the gross undiscounted contractually required cash flows will occur. For other financial assets and liabilities it is the earliest date on which the gross undiscounted cash flows (including contractual interest payments) could be paid assuming conditions are consistent with those at the reporting date. The table below takes no credit for any income from investments or any potential profit or loss on unearned premium. Therefore, unearned premium and deferred acquisition cost maturities reflect the expected claim payment profile. The bias towards shorter dated assets than liabilities reflects the syndicate's approach to managing liquidity and market risk.

2020	Carrying amount $'000	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Financial investments	416,498	233,391	76,163	106,944	-
Reinsurers' share of technical provisions	428,843	156,114	86,109	125,401	61,219
Debtors, prepayments and accrued income	282,951	103,004	56,814	82,740	40,393
Cash and cash equivalents	182,828	182,828	-	-	-
Overseas deposits	30,719	30,719	-	-	-
Total assets	**1,341,839**	**706,056**	**219,086**	**315,085**	**101,612**
Technical provisions	(958,838)	(349,051)	(192,528)	(280,380)	(136,879)
Deposits received from reinsurers	(145,441)	(84,578)	(32,089)	(23,659)	(5,115)
Creditors	(224,142)	(107,609)	(108,062)	(8,471)	-
Accruals and deferred income	(13,725)	(12,020)	(759)	(946)	-
Total liabilities	**(1,342,146)**	**(553,258)**	**(333,438)**	**(313,456)**	**(141,994)**

2019	Carrying amount $'000	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Financial investments	364,201	181,094	76,163	106,944	-
Reinsurers' share of technical provisions	377,429	136,250	73,412	109,930	57,837
Debtors, prepayments and accrued income	232,559	83,953	45,234	67,735	35,637
Cash and cash equivalents	210,573	210,573	-	-	-
Overseas deposits	27,234	27,234	-	-	-
Total assets	**1,211,996**	**639,104**	**194,809**	**284,609**	**93,474**
Technical provisions	(864,986)	(312,256)	(168,244)	(251,936)	(132,550)
Deposits received from reinsurers	(189,060)	(111,640)	(40,767)	(29,918)	(6,735)
Creditors	(162,393)	(94,497)	(67,143)	(753)	-
Accruals and deferred income	(12,339)	(11,779)	(467)	(93)	-
Total liabilities	**(1,228,778)**	**(530,172)**	**(276,621)**	**(282,700)**	**(139,285)**

4. Risk and capital management (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract will fluctuate because of changes in market prices, excluding those that are caused by credit downgrades which are included under credit risk. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk within the framework set by the managing agent's investment policy. The nature of the syndicate's exposures to market risk and its objectives, policies and processes for managing market risk have not changed significantly from the prior year.

Management of market risk

For each of the major components of market risk the syndicate has policies and procedures in place which detail how each risk should be managed and monitored. The management of each of these major components of market risk and the exposure of the syndicate at the reporting date to each major component are addressed below.

Interest rate risk

Interest rate risk arises primarily from the syndicate's exposure to financial investments and overseas deposits. Exposure to significant fluctuations in market value due to changes in bond yields is managed through investment in short duration securities; the key risk indicator is set at less than three years. Investment types include short dated fixed income bonds, absolute return bond funds and money market funds.

The syndicate limits exposure to absolute return bond funds. These funds manage exposure to changes in market value resulting from movements in bond yields by operating to a very short or even negative duration.

Profit/(Loss) for the year from total interest rate risk	2020 $'000	2019 $'000
Interest rate risk		
Impact of a 50 basis point increase	(2,197)	(1,740)
Impact of a 50 basis point decrease	3,686	1,767

Currency risk

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

The syndicate writes business primarily in Sterling, Euros, US Dollars and Canadian Dollars and is therefore exposed to currency risk arising from fluctuations in the exchange rates of its functional currency (US Dollars) against these currencies.

The foreign exchange policy is to maintain assets in the currency in which the cash flows from liabilities are to be settled in order to hedge the currency risk inherent in these contracts so far as is allowed by regulatory requirements and for any profit or loss to be reflected in the net assets of the functional currency. From time to time, the syndicate may make limited use of foreign exchange derivative instruments to manage future currency cash flow requirements.

4. Risk and capital management (continued)

Regulatory capital requirements and liquidity impact the ability to match in currency. Regulatory funding requirements are calculated on the basis of gross data and as a result a net currency asset can arise. Net assets in currency is not a direct indication of the liquidity in a currency. The syndicate is able to undertake currency trades either to help match in currency or meet liquidity needs.

The table below summarises the carrying value of the syndicate's assets and liabilities, at the reporting date:

2020	Sterling $'000	Euro $'000	US Dollar $'000	Other $'000	Total $'000
Total assets	110,537	41,535	1,114,602	75,165	1,341,839
Total liabilities	(71,252)	(35,951)	(1,196,529)	(38,414)	(1,342,146)
Net assets / (liabilities)	**39,285**	**5,584**	**(81,927)**	**36,751**	**(307)**

2019	Sterling $'000	Euro $'000	US Dollar $'000	Other $'000	Total $'000
Total assets	85,335	33,809	1,029,440	63,412	1,211,996
Total liabilities	(51,247)	(51,155)	(1,077,434)	(48,942)	(1,228,778)
Net assets / (liabilities)	**34,088**	**(17,346)**	**(47,994)**	**14,470**	**(16,782)**

An analysis of the syndicate's sensitivity to currency risk is presented in the table below. The table shows the effect on profit or loss of reasonably possible changes in the relevant risk variable. The sensitivity analysis assumes that all other variables remain constant and that the exchange rate movement occurs at the end of the reporting period. The impact of exchange rate fluctuations could differ significantly over a longer period. The occurrence of a change in foreign exchange rates may lead to changes in other market factors as a result of correlations.

Profit/(Loss) for the year	2020 $'000	2019 $'000
Currency risk		
10 percent strengthening of Sterling against US Dollar	4,365	3,788
10 percent weakening of Sterling against US Dollar	(3,571)	(3,099)
10 percent strengthening of Euro against US Dollar	620	(1,927)
10 percent weakening of Euro against US Dollar	(508)	1,577

Other price risk

The syndicate investments comprise holdings in short dated fixed income government and corporate bonds, absolute return bond funds and money market funds. The bond portfolio is low risk being both short dated and predominantly credit rating A or above with a modest exposure to BBB rated securities and therefore it has limited sensitivity to market movements.

4. Risk and capital management (continued)

Up to 20% of the Syndicate 1969 investment portfolio can be invested in absolute return bond funds which, whilst more sensitive to market risk, are still relatively low risk and managed against a LIBOR benchmark. Given the volatility during the COVID-19 pandemic the absolute return fund holding has been reduced to a nominal amount (2019: 6%). The money market funds are near cash and therefore have minimal exposure to market movements.

A fair value hierarchy is provided in note 12 which categorises the syndicate according to the level of judgement exercised in valuation.

Capital management

Capital framework at Lloyd's

The Society of Lloyd's ("Lloyd's") is a regulated undertaking and subject to supervision by the Prudential Regulatory Authority ("PRA") under the Financial Services and Markets Act 2000, and in accordance with the Solvency II Framework.

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

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

Lloyd's capital setting process

In order to meet Lloyd's requirements, each syndicate is required to calculate its Solvency Capital Requirement (SCR) for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each syndicate are subject to review and approval by Lloyd's. ASML use an internal model developed in house to calculate the SCR as opposed to adopting a standard formula. The SCR is reviewed and approved by the Board through the Own Risk Solvency Assessment ("ORSA") process and an independent annual internal model validation process.

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for their own share of underwriting liabilities on the syndicates on which they participate but not for other members' shares. Accordingly, the capital requirements that Lloyd's sets for each member; operate on a similar basis. Each member's SCR is based on the member's share of the syndicate's SCR 'to ultimate'.

Where a member participates on more than one syndicate, Lloyd's sums together each syndicate's SCR but a credit for diversification is allowed to reflect the spread of risk consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's rather than a Solvency II requirement, is to support Lloyd's financial strength, licence and ratings objectives.

4. Risk and capital management (continued)

Provision of capital by members

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

Accordingly all of the assets less liabilities of the syndicate, as represented in the members' balances reported on the balance sheet, represent resources available to meet members' and Lloyd's capital requirements.

Claims development

The level of reserving uncertainty varies significantly from class to class. The Property business written by the syndicate has a short-tailed risk profile, however, the increase in premium written through the Non-Marine Liability and Marine & Energy Liability classes has lengthened the tail of the book as a whole.

The syndicate's current catastrophe exposure is predominantly US windstorm related. Property catastrophe claims, such as earthquake or hurricane losses, can take several months or years to develop as adjusters visit damaged property and agree claim valuations.

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. Balances have been translated at exchange rates prevailing at 31 December 2020 in all cases.

Gross claims development as at 31 December 2020:

Pure underwriting year	2011 $'m	2012 $'m	2013 $'m	2014 $'m	2015 $'m	2016 $'m	2017 $'m	2018 $'m	2019 $'m	2020 $'m	Total $'m
Incurred gross claims											
At end of underwriting year	42.2	38.1	51.0	54.4	59.7	86.7	179.6	205.9	153.0	173.9	
one year later	78.7	79.1	96.9	117.5	139.7	221.9	306.0	324.1	286.8	-	
two years later	78.5	80.9	99.5	135.9	156.6	273.1	330.4	340.3	-	-	
three years later	77.0	77.2	97.4	129.7	186.6	291.9	330.0	-	-	-	
four years later	75.8	75.2	95.8	129.4	185.7	291.7	-	-	-	-	
five years later	75.5	75.5	96.2	128.4	185.0	-	-	-	-	-	
six years later	75.5	75.3	95.2	126.5	-	-	-	-	-	-	
seven years later	74.9	75.0	94.7	-	-	-	-	-	-	-	
eight years later	74.8	75.0	-	-	-	-	-	-	-	-	
nine years later	74.6	-	-	-	-	-	-	-	-	-	
Incurred gross claims	74.6	75.0	94.7	126.5	185.0	291.7	330.0	340.3	286.8	173.9	1,978.5
Less gross claims paid	(73.8)	(73.3)	(91.9)	(118.2)	(141.7)	(235.1)	(251.6)	(197.5)	(95.2)	(27.9)	(1,306.2)
Gross claims outstanding for 2010 and prior years	0.7	-	-	-	-	-	-	-	-	-	0.7
Gross claims outstanding provision	**1.5**	**1.7**	**2.8**	**8.3**	**43.3**	**56.6**	**78.4**	**142.8**	**191.6**	**146.0**	**673.0**

4. Risk and capital management (continued)

Net claims development as at 31 December 2020:

Pure underwriting year	2011 $'m	2012 $'m	2013 $'m	2014 $'m	2015 $'m	2016 $'m	2017 $'m	2018 $'m	2019 $'m	2020 $'m	Total $'m
Incurred net claims											
At end of underwriting year	34.5	36.3	49.4	46.0	45.9	71.5	113.2	83.0	68.0	87.7	
one year later	69.5	69.2	93.9	89.1	111.8	172.2	207.4	177.3	147.7	-	
two years later	67.7	70.9	97.1	108.2	128.9	199.0	220.4	189.2	-	-	
three years later	66.4	69.5	95.3	105.3	142.3	207.9	218.2	-	-	-	
four years later	65.3	68.0	94.0	104.5	140.6	206.5	-	-	-	-	
five years later	65.1	67.6	94.4	103.4	140.8	-	-	-	-	-	
six years later	65.2	67.9	93.3	101.7	-	-	-	-	-	-	
seven years later	64.6	67.5	93.0	-	-	-	-	-	-	-	
eight years later	64.6	67.6	-	-	-	-	-	-	-	-	
nine years later	64.4	-	-	-	-	-	-	-	-	-	
Incurred net claims	64.4	67.6	93.0	101.7	140.8	206.5	218.2	189.2	147.7	87.7	1,316.8
Less net claims paid	(63.7)	(66.1)	(90.5)	(95.0)	(118.4)	(176.2)	(161.2)	(100.3)	(49.3)	(16.9)	(937.6)
Net claims outstanding for 2010 and prior years	0.7	-	-	-	-	-	-	-	-	-	0.7
Net claims outstanding provision	**1.4**	**1.5**	**2.5**	**6.7**	**22.4**	**30.3**	**57.0**	**88.9**	**98.4**	**70.8**	**379.9**

All balances presented are in respect of premiums earned to the balance sheet date and therefore reflect the pattern of earnings and risk exposed over a number of calendar years.

Year of account development

The table below presents the annual results split by year of account. Movements in results for closed years of account are reflected within the results for the year into which they closed by reinsurance to close.

Profit / (Loss) before members' agents' fees	2020 $'000	2019 $'000
Year of account		
2017	-	(3,967)
2018	7,741	5,140
2019	13,961	3,128
2020	(12,255)	-
Calendar year result	**9,447**	**4,301**

The 2018 year of account loss balance of $3,749,000 (after members' agents' fees of $585,000) will be collected from members in 2021. During 2020 $7,321,000 (including members' agents' fees of $586,000) was collected from members in respect of the 2017 year of account.

5. Segmental analysis

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

2020	Gross premiums written $'000	Gross premiums earned $'000	Gross claims incurred $'000	Gross operating expense $'000	Reinsurance balance $'000	Total $'000
Direct insurance:						
Marine, aviation and transport	42,909	38,601	(13,079)	(12,471)	(4,559)	8,492
Fire and other damage to property	127,473	120,902	(79,528)	(38,364)	(15,747)	(12,737)
Third-party liability	117,129	123,348	(88,594)	(26,217)	(15,857)	(7,320)
Motor	66,776	52,482	(36,827)	(9,341)	(5,486)	828
Pecuniary loss	6,772	2,702	(1,290)	(774)	(406)	232
	361,059	338,035	(219,318)	(87,167)	(42,055)	(10,505)
Reinsurance	192,642	186,685	(98,309)	(51,432)	(24,818)	12,126
	553,701	**524,720**	**(317,627)**	**(138,599)**	**(66,873)**	**1,621**

Reinsurers' commissions and profit participations are included in the reinsurance balance and disclosed in note 7, net operating expenses.

2019	Gross premiums written $'000	Gross premiums earned $'000	Gross claims incurred $'000	Gross operating expense $'000	Reinsurance balance $'000	Total $'000
Direct insurance:						
Marine, aviation and transport	35,692	38,845	(31,246)	(10,486)	1,414	(1,473)
Fire and other damage to property	105,327	103,215	(53,218)	(27,862)	(6,941)	15,194
Third-party liability	146,206	134,393	(142,458)	(36,278)	18,706	(25,637)
Motor	37,321	14,852	(8,776)	(4,009)	(1,465)	602
Pecuniary loss	5,139	958	(1,065)	(259)	20	(346)
	329,685	292,263	(236,763)	(78,894)	11,734	(11,660)
Reinsurance	192,512	166,076	(70,824)	(44,831)	(44,505)	5,916
	522,197	**458,339**	**(307,587)**	**(123,725)**	**(32,771)**	**(5,744)**

Reinsurers' commissions and profit participations are included in the reinsurance balance and disclosed in note 7, net operating expenses.

Commission on direct insurance gross premiums written during 2020 was $66,709,000 (2019: $51,222,000).

6. Technical provisions

Included within net calendar year claims incurred of $172,472,000 (2019: $177,838,000) is a release of $6,620,000 in claims reserves established at the prior year end (2019: deterioration $9,070,000).

An analysis of the movement in technical provisions is set out below:

	Unearned premiums $'000	Claims outstanding $'000	Total $'000
Gross			
At 1 January 2020	255,646	609,340	864,986
Exchange adjustments	1,178	3,484	4,662
Movement in provision	28,981	60,209	89,190
At 31 December 2020	**285,805**	**673,033**	**958,838**
Reinsurance			
At 1 January 2020	119,420	258,009	377,429
Exchange adjustments	673	1,187	1,860
Movement in provision	15,606	33,948	49,554
At 31 December 2020	**135,699**	**293,144**	**428,843**
Net technical provisions			
At 31 December 2020	**150,106**	**379,889**	**529,995**
At 31 December 2019	136,226	351,331	487,557

7. Net operating expenses

	2020 $'000	2019 $'000
Brokerage and commission	93,275	87,998
Other acquisition costs	21,923	20,120
Change in deferred acquisition costs	(3,461)	(5,811)
Gross acquisition costs	111,737	102,307
Administrative expenses	23,926	22,486
Members' standard personal expenses	9,670	8,079
Reinsurers' commissions and profit participations	(39,804)	(30,257)
Consortia share of expenses	(6,734)	(9,147)
Total	**98,795**	**93,468**

7. Net operating expenses (continued)

An analysis of the movement in deferred acquisition costs is set out below:

	Gross $'000	Reinsurance $'000	Total $'000
At 1 January 2020	51,555	11,644	39,911
Exchange adjustments	536	106	430
Movement in provision	3,461	530	2,931
At 31 December 2020	**55,552**	**12,280**	**43,272**

8. Auditor's remuneration

	2020 $'000	2019 $'000
Audit fees		
Fees payable to the syndicate's auditor for the audit of the syndicate's annual financial statements	167	140
Non-audit fees		
Audit related assurance services	106	105
Other assurance services	134	104
	240	209
Total	**407**	**349**

9. Staff number and costs

All staff are employed by the managing agency or related companies. The following amounts were recharged to the syndicate in respect of salary costs:

	2020 $'000	2019 $'000
Wages and salaries	20,756	18,597
Social security costs	1,876	1,719
Pension costs	1,269	993
Total	**23,901**	**21,309**

9. Staff number and costs (continued)

The average monthly number of employees employed by the managing agency or related companies but working for the syndicate during the year was as follows:

	2020 Number	2019 Number
Underwriting	36	36
Claims and reinsurance	14	11
Management, administration and finance	70	53
Non-executive directors	5	5
Total	**125**	**105**

10. Emoluments of the directors of the managing agent

For the purposes of FRS 102, the directors of ASML are deemed to be the key management personnel.

For the period ending 31 December 2020, the directors of ASML received aggregate remuneration of $2,410,000 (2019: $2,727,000) which is charged as a syndicate expense.

Included in the aggregated remuneration charged to the syndicate are emoluments paid to the highest paid director amounting to $878,000 (2019: $913,000). The Active Underwriter received remuneration of $425,000 (2019: $418,000) which is charged as a syndicate expense.

11. Investment income

	2020 $'000	2019 $'000
Income from investments	4,156	5,507
Gains on realisation of investments	3,044	402
Unrealised gains on investments	2,302	2,799
	9,502	8,708
Losses on realisation of investments	(193)	(30)
Unrealised losses on investments	(453)	(217)
Total	**8,856**	**8,461**

11. Investment income (continued)

Investment income is reported after an allocation of $421,000 (2019: $725,000) to Syndicate 6133 and $958,000 (2019: $195,000) to Syndicate 1971 (see note 23).

	2020 '000	2019 '000
Average amount of syndicate funds available for investment during the year (original currency)		
Sterling	18,646	20,182
Euro	15,244	7,896
US Dollar	363,077	324,512
Canadian Dollar	67,244	57,720
Total funds available for investment in US Dollars	**459,879**	**404,636**
Total investment return in US Dollars	8,856	8,461
Annual investment yield		
Sterling	0.8%	1.4%
Euro	(0.1)%	(0.1)%
US Dollar	2.6%	2.5%
Canadian Dollar	1.1%	1.9%
Total annual investment yields	**2.2%**	**2.3%**

12. Financial assets and liabilities

The carrying values of the syndicate's financial assets and liabilities are summarised by category below:

	2020 $'000	2019 $'000
Financial assets		
Measured at fair value through profit and loss		
Financial investments	416,498	364,201
Measured at cost		
Cash and cash equivalents	182,828	210,573
Overseas deposits	30,719	27,234
	213,547	237,807
Measured at undiscounted amount receivable		
Debtors	223,539	178,152
Total financial assets	**853,584**	**780,160**
Financial liabilities		
Measured at cost		
Deposits received from reinsurers	(145,441)	(189,060)
Measured at undiscounted amount payable		
Creditors	(224,142)	(162,393)
Total financial liabilities	**(369,583)**	**(351,453)**

12. Financial assets and liabilities (continued)

Financial investments held at fair value were acquired at a cost of $411,559,000 (2019: $361,022,000).

Debt securities include US treasuries of $897,000 (2019: $1,499,000) as collateral received from reinsurers and held in trust. The funds, therefore, are not available to meet other liquidity requirements of the syndicate and a corresponding creditor is recognised (see note 18). Investment returns arising on the collateral are attributed to the reinsurers.

All investments are measured at fair value through profit or loss. The valuation technique used for determination of the fair value of financial instruments can be classified by the following hierarchy:

- Level 1 – Quoted prices for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis.
- Level 2 – When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If it can be demonstrated that the last transaction price is not a good estimate of fair value (e.g. because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.
- Level 3 – If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

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

2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Holdings in collective investment schemes	-	146,446	-	146,446
Debt securities and other fixed income securities	143,397	117,058	-	260,455
Loan to Lloyd's Central Fund	-	-	9,597	9,597
Total	**143,397**	**263,504**	**9,597**	**416,498**

2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Holdings in collective investment schemes	-	145,907	-	145,907
Debt securities and other fixed income securities	130,680	85,425	-	216,105
Loan to Lloyd's Central Fund	-	-	2,189	2,189
Total	**130,680**	**231,332**	**2,189**	**364,201**

12. Financial investments (continued)

Information on the methods and assumptions used to determine fair values for each major category of financial instrument measured at fair value is provided below.

Holdings in collective investment schemes are generally valued using prices provided by external pricing vendors. The categorisation of the fair value by level has been determined by looking through the funds to the underlying holdings within the collective investment schemes. Pricing vendors will often determine prices by consolidating prices of recent trades for identical or similar securities obtained from a panel of market makers into a composite price. The pricing service may make adjustments for the elapsed time from a trade date to the valuation date to take into account available market information. Lacking recently reported trades, pricing vendors will use modelling techniques to determine a security price.

Some government and supranational securities are listed on recognised exchanges and are generally classified as level 1 in the fair value hierarchy. Those that are not listed on a recognised exchange are generally based on composite prices of recent trades in the same instrument and are generally classified as level 2 in the fair value hierarchy.

Corporate bonds, including asset backed securities that are not listed on a recognised exchange or are traded in an established over-the-counter market are also mainly valued using composite prices. Where prices are based on multiple quotes and those quotes are based on actual recent transactions in the same instrument the securities are classified as level 2, otherwise they are classified as level 3 in the fair value hierarchy.

The low risk investment portfolio is not subject to significant changes in valuation. Management monitors movements in the valuation of the investment portfolio on a quarterly basis and investigation is undertaken when these are outside of expectations. The short dated fixed income portfolio valuations are provided by the fund manager and compared with valuations provided independently by the custodian.

The loan to the central fund has been contributed in three tranches with different coupons. These instruments include contingent conditions which cannot be known with certainty, they are not tradeable and they are valued using discounted cash flow models, designed to appropriately reflect the credit and illiquidity risk of the instruments. The loans have been classified as Level 3 because the valuation approach includes significant unobservable inputs and an element of subjectivity in determining appropriate credit and liquidity spreads within the discount rates used in the cash flow model.

13. Debtors arising out of direct insurance operations

	2020 $'000	2019 $'000
Due within one year	163,593	134,225

14. Debtors arising out of reinsurance operations

	2020 $'000	2019 $'000
Due within one year	54,453	38,460

15. Other debtors

	2020 $'000	2019 $'000
Consortium fee receivable	4,399	4,835
Amounts due from group companies	725	272
Rent deposit	369	360
Total	**5,493**	**5,467**

16. Cash and cash equivalents

	2020 $'000	2019 $'000
Cash at bank and in hand	38,284	23,012
Deposits with credit institutions	144,544	187,561
Total	**182,828**	**210,573**

Deposits with credit institutions relate to collateral received from reinsurers and held in trust. The funds, therefore, are not available to meet other liquidity requirements of the syndicate and a corresponding creditor is recognised (see note 18).

17. Overseas deposits

Overseas deposits are advanced as a condition of conducting underwriting business in certain countries and therefore are restricted assets.

18. Deposits from reinsurers

Deposits received from reinsurers are held in trust for the benefit of the syndicate and can be called upon to meet potential reinsurance recoveries arising on future events. To the extent that the funds are not called upon as paid recoveries at the balance sheet date they are held as either debt securities or cash and cash equivalents with a corresponding liability recorded as deposits received from reinsurers.

19. Creditors arising out of direct insurance operations

	2020 $'000	2019 $'000
Due within one year	3,555	4,428

20. Creditors arising out of reinsurance operations

	2020 $'000	2019 $'000
Due within one year	119,319	94,566

21. Other creditors

	2020 $'000	2019 $'000
Amounts due to Syndicate 6133	29,830	30,619
Amounts due to Syndicate 1971	71,438	32,780
Total	**101,268**	**63,399**

The amounts due to Syndicate's 6133 and 1971 represents the net funds withheld balance payable under the quota share contract. The balance is due after more than one year on closure of the 2020 year of account.

22. Lloyd's Part VII Transfer

On 30 December 2020, the members and former members of the syndicate, as comprised for each of the relevant years of account between 1993 and April 2019 (or October 2020 in the case of German reinsurance), transferred all relevant policies (and related liabilities) underwritten by them for those years of account to Lloyd's Insurance Company S.A. ('Lloyd's Brussels'), in accordance with Part VII of the Financial Services and Markets Act 2000. On the same date, the members of the syndicate entered into a 100% quota share reinsurance agreement whereby Lloyd's Brussels reinsured all risks on the same policies back to the relevant open years of account of the syndicate which wrote the transferring policies and/or inherited liabilities on transferring policies through reinsurance to close of earlier years of account.

Following the sanction of the scheme by the High Court on 25 November 2020, the scheme took effect on 30 December 2020 and the members and former members of the syndicate transferred the impacted EEA policies and related liabilities to Lloyd's Brussels, together with cash of $9,300,000. On the same date, under the reinsurance agreement, Lloyd's Brussels reinsured the same risks back, together with an equal amount of cash of $9,300,000. The combined effect of the two transactions had no economic impact on the syndicate, and accordingly there is no impact on the syndicate's income statement or balance sheet.

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

23. Related parties

All business with related parties is transacted on an arm's length basis.

ASML, the managing agent, is a wholly owned subsidiary of Apollo Partners LLP ("APL"). DCB Ibeson and SAC White, along with other members of the senior underwriting team, are partners of APL. Metacomet LLC, a US incorporated limited company, is a corporate partner of APL. Affiliated companies of Metacomet LLC participate on the syndicate.

23. Related parties (continued)

In accordance with the Managing Agent's Agreement, ASML accrued managing agent's fees (0.9% of syndicate capacity) and profit commission (17.5% of profit). A two year deficit clause is in place which requires losses to be offset by future profits before further profit commission becomes payable. From the 2018 year of account ASML received a proportion of the consortium overriding commission for arrangements it managed on behalf of consortium partners for which the syndicate is the lead. Under this arrangement ASML received $516,000 (2019: $771,000) of income it would have received if the business were written by the syndicate.

APL employs all Apollo group staff, including underwriters, claims and reinsurance staff. APL provides the services of these staff and its partners to ASML to enable it to function as managing agent for the syndicate. APL also incurs a large proportion of the expenses in respect of operating the syndicate. The cost of these services and expenses are recharged to ASML which in turn recharges these to the syndicate on a basis that reflects its usage of resources, all recharges being without any mark up on cost. The transactions and amounts outstanding at the balance sheet date are shown below:

ASML	2020 $'000	2019 $'000
Managing agent's fee	4,930	4,945
Expense recharges	42,705	39,804
Other debtor	725	272

Syndicate 6133 is a SPA Syndicate that provides a single 90% quota share reinsurance contract for the Property Treaty class including all related expenses and investment income for each underwriting year. Syndicate 6133 operates on a funds withheld basis and the syndicate undertakes all transactions on its behalf. On closure of a year of account the Syndicate 6133 distribution will be settled by the syndicate. The related party transactions and amounts outstanding at the balance sheet date are shown below:

Syndicate 6133	2020 $'000	2019 $'000
Reinsurance premiums payable	(76,314)	(67,022)
Reinsurance paid recoveries receivable	41,183	46,153
Expense recharge	8,956	8,908
Net interest payable	(421)	(725)
Other creditors	(29,830)	(30,619)

Syndicate 1971 is a SPA syndicate that provides a quota share reinsurance contract for the ibott Rover class including all related expenses and investment income for each underwriting year. The quota share is 80% on the 2018 year of account and 90% from the 2019 year of account. Syndicate 1971 operates on a funds withheld basis and the syndicate undertakes all transactions on its behalf. On closure of a year of account the Syndicate 1971 distribution will be settled by the syndicate.

23. Related parties (continued)

The related party transactions and amounts outstanding at the balance sheet date are shown below:

Syndicate 1971	2020 $'000	2019 $'000
Reinsurance premiums payable	(102,236)	(84,253)
Reinsurance paid recoveries receivable	6,728	30
Expense recharge	10,175	5,769
Net interest payable	(958)	(195)
Other creditors	(71,438)	(32,780)

APL is the parent company of certain capital providers for Syndicate 1969. NG Jones and other members of Syndicate 1969's underwriting team participate on the syndicate through a Limited Liability Partnership.

Hyperion Apollo Limited, a subsidiary of the Howden Group Holdings Limited, acquired a minority interest in APL on 31 May 2018. DCB Ibeson is the Non-Executive Chairman of DUAL International Ltd (an unregulated holding company within the Hyperion Group).

Hannover Re participated on the syndicate with a 28.3% share of the 2020 year of account. J Schäfermeier, a member of the Executive Board at Hannover Re representing Property and Casualty Lines Worldwide, was appointed a non-executive director of ASML on 29 August 2019 and resigned on 30 September 2020. The syndicate entered into outwards reinsurance contracts with premium totalling $2,612,000 (2019: $2,276,000). At 31 December 2020 the total balances receivable were $68,000 (2019: $205,000) and related to recoveries due on paid and outstanding claims. Hannover Re, through Argenta Syndicate 2121, participates on consortia led by Syndicate 1969. The consortia wrote business with fees of $2,303,000 (2019: $4,208,000) and balances outstanding were $2,972,000 (2019: $4,240,000).

24. Subsequent Event

ASML has established a partnership with legacy experts Compre to form Syndicate 1994. ASML has become managing agent with effect from 1 January 2021. On 12 February 2021 Syndicate 1994 received Lloyd's approval to commence underwriting reinsurance to close business for the 2021 year of account.

The reinsurance to close of Syndicate 1969 was undertaken by a split reinsurance to close of the 2018 year of account. The liabilities associated with the 2017 and prior years of account were reinsured to legacy Syndicate 1994 therefore transferring the risk associated with the run-off of this business from Syndicate 1969. The liabilities associated with the 2018 pure year of account was reinsured into the 2019 year of account of Syndicate 1969.

Three third party reinsurance to close quotes were obtained for the 2017 and prior years of account. The most competitive of these was selected, which was from Compre at a cost which generated a saving against carried reserves.

SYNDICATE 1969

SYNDICATE UNDERWRITING YEAR ACCOUNTS

FOR THE 2018 YEAR OF ACCOUNT
CLOSED AT 31 DECEMBER 2020

Syndicate 1969

Report of the directors of the managing agent

The directors of the managing agent present their report for the 2018 year of account of Syndicate 1969 for the cumulative result to 31 December 2020.

The syndicate underwriting year accounts have been prepared under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 in accordance with the Lloyd's Syndicate Accounting Bylaw (No. 8 of 2005) and applicable accounting standards in the United Kingdom.

Principal activity and review of the business

2018 account

The 2018 year of account has been closed with a loss of $3.1m (£2.3m at the closing exchange rate of $1.37) representing 1.0% of the stamp capacity after all personal expenses except members' agents' fees.

Lloyd's approved a 7.1% pre-emption increasing the syndicate stamp to £225.0m ($292.5m at the Lloyd's planning rate of $1.30) for the 2018 year of account. The syndicate is the host for SPA Syndicate 6133 with stamp capacity £35.0m ($45.5m) bringing the total stamp capacity to £260.0m ($338.0m).

The 2018 plan was resubmitted during 2018 following the 2017 catastrophe events and the launch of ibott Rover. The final approved gross net written premium was £320.7m ($417.0m). 76% of the approved plan had been written by the end of the year, the shortfall being the result of disciplined underwriting in a competitive market and the timing of the ibott Rover premium development.

Whilst the rating environment continued to be very competitive, it improved with an actual risk adjusted rate increase of 6%. The rating improvements were substantially better than expected with improvements on all classes against a plan that expected reduction on many classes.

2018 was the first year of the Property Treaty account. This is ceded by a 90% quota share arrangement to Syndicate 6133. The class includes US and International business and sought to benefit from rate increases following the catastrophe losses of 2017.

With effect from 1 July 2018, the syndicate launched its ibott Rover business, supported by reinsurance backers through a 90% quota share of the account. This enabled the class of business to commence writing prior to the launch of Syndicate 1971 for 2019. This is an innovative new class focused on writing auto liability sharing economy business.

The remainder of the 2018 year of account represented a development of the existing balanced portfolio of business. Crisis Management was developed with the terrorism account, new in 2017, to cover terrorism & sabotage, politically motivated perils, political violence and active assailant. The Hull account was also new in 2017 and grew in 2018.

The Property D&F account was remediated with the non-renewal of under-performing risks in the International Open Market portfolio and Mexico. The catastrophe loss activity during 2017 had a positive effect on the rating environment for Property D&F in 2018, which saw a 15% increase in rates. Premium income for Specie & Cargo, was reduced in light of the highly competitive trading environment. The Non-Marine Liability class represented a significant proportion of premium income and benefited from positive US Casualty rating conditions and the beginning of the remediation actions referred to earlier.

2018 has been affected by a number of substantial catastrophe events during the year. Hurricanes Florence and Michael both affected the year of account, most notably the Property D&F, Property Binders and Property Treaty classes. Typhoons Jebi and Trami and the Californian wildfires particularly affected the Property Treaty class. Exposure to catastrophe losses during 2019 was limited.

Report of the directors of the managing agent

The 2018 year of account has been closed by means of a "split RITC", whereby liabilities relating to the 2017 and prior years of account have been assumed by Syndicate 1994 and liabilities relating to the 2018 pure year have been assumed by the 2019 year of account of Syndicate 1969. The RITC of the 2017 and prior years liabilities removes the risk of adverse reserving development from Syndicate 1969. Syndicate 1994 is a new legacy syndicate, established in partnership with legacy specialist Compre. The syndicate is managed by ASML.

Directors and directors' interests

The directors who held office at the date of signing are shown on page 1. Directors' interests are shown in note 20 as part of the related parties note to the accounts.

Disclosure of information to the auditor

Each person who is a director of the managing agent at the date of approving this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the syndicate's auditor is unaware; and
- each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the syndicate's auditor is aware of that information.

Auditor

Deloitte LLP has indicated its willingness to continue in office as the syndicate's auditor. The managing agent hereby gives formal notification of a proposal to re-appoint Deloitte LLP as auditor of Syndicate 1969 for a further year.

Approved on behalf of the Board.

DCB Ibeson
Chief Executive Officer
4 March 2021

Statement of managing agent's responsibilities

Apollo Syndicate Management Limited, as managing agent, is responsible for preparing syndicate underwriting year accounts in accordance with applicable law and the Lloyd's Syndicate Accounting Byelaw.

The Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulation 2008 (the "Lloyd's Regulations") require the managing agent to prepare syndicate underwriting year accounts for each syndicate in respect of any underwriting year which is being closed by reinsurance to close at 31 December 2019. These syndicate underwriting year accounts must give a true and fair view of the result of the closed year of account.

In preparing the syndicate underwriting year of accounts, the managing agent is required to:

- select suitable accounting policies which are applied consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable as between the members of the syndicate affected. In particular, the amount charged by way of premium in respect of the reinsurance to close shall, where the reinsuring members and reinsured members are members of the same syndicate for different years of account, be equitable as between them, having regard to the nature and amount of the liabilities reinsured;
- take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in these accounts.

The managing agent is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the syndicate underwriting year of accounts comply with the Lloyd's Regulations and Syndicate Accounting Byelaw. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Syndicate 1969 - 2018 closed year of account

Report on the audit of the syndicate underwriting year accounts for the 2018 closed year of account for the three years ended 31 December 2020

Opinion

In our opinion the syndicate underwriting year accounts of Syndicate 1969 (the 'syndicate'):

- give a true and fair view of the loss for the 2018 closed year of account;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

We have audited the syndicate underwriting year accounts which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in members' balances;
- the cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "the Financial Reporting Standard applicable in the UK and Republic of Ireland", the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the syndicate underwriting year accounts section of our report.

We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate underwriting year accounts in the UK, including the Financial Reporting Council's (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.

Other information

The other information comprises the information included in the annual report, other than the syndicate underwriting year accounts and our auditor's report thereon. The managing agent is responsible for the other information contained within the annual report. Our opinion on the syndicate underwriting year accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of managing agent

As explained more fully in the managing agent's responsibilities statement, the managing agent is responsible for the preparation of the syndicate underwriting year accounts under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005), and for being satisfied that they give a true and fair view of the result, and for such internal control as the managing agent determines is necessary to enable the preparation of syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error.

Independent auditor's report to the members of Syndicate 1969 - 2018 closed year of account

In preparing the syndicate underwriting accounts, the managing agent is responsible for assessing the syndicate's ability to realise its assets and discharge its liabilities in the normal course of business, disclosing, as applicable, any matters that impact its ability to do so.

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

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the syndicate and its control environment, and reviewed the syndicate's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the syndicate operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005); and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the syndicate's ability to operate or to avoid a material penalty. These included the requirements of Solvency II.

We discussed among the audit engagement team including relevant internal specialists such as actuarial and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- Estimation of pipeline premiums requires significant management judgement and therefore there is potential for management bias through manipulation of core assumptions. In response our testing included, comparing management's estimates on prior year policies against actual premiums received as well as to historical experience on similar policies.
- Valuation of technical provisions includes assumptions and methodology requiring significant management judgement and involves complex calculations, and therefore there is potential for management bias. There is also a risk of overriding controls by making late adjustments to the technical provisions. In response to these risks we involved our actuarial specialists to develop independent estimates of the technical provisions and we tested the late journal entries to technical provisions.

Independent auditor's report to the members of Syndicate 1969 - 2018 closed year of account

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with Lloyd's.

Report on other legal and regulatory requirements

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

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

- the information given in the managing agent's report for the financial year for which the syndicate underwriting year accounts are prepared is consistent with the syndicate underwriting year accounts; and
- the managing agent's report has been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

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

Independent auditor's report to the members of Syndicate 1969 - 2018 closed year of account

Matters on which we are required to report by exception

Under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and Lloyd's Syndicate Accounting Byelaw (no.8 of 2005) we are required to report in respect of the following matters if, in our opinion:

- the managing agent in respect of the syndicate has not kept adequate or proper accounting records; or
- the syndicate underwriting year accounts are not in agreement with the accounting records or
- we have not received all the information and explanations we require for our audit; or
- the syndicate underwriting year accounts are not in compliance with the requirements of paragraph 5 of Schedule 1 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with regulation 6 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Adam Knight, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
4 March 2021

Syndicate 1969

Profit and loss account
2018 year of account
For the 36 months ended 31 December 2020

Technical account – General business	Notes	$'000
Syndicate allocated capacity		**338,000**
Gross premiums	3	422,817
Outward reinsurance premiums		(159,250)
Net premiums written and earned		**263,567**
Reinsurance to close premium receivable, net of reinsurance	4	**186,142**
		449,709
Allocated investment return transferred from the non-technical account	10	**9,027**
Claims paid		
Gross amount		(300,178)
Reinsurers' share		145,272
Net claims paid		(154,906)
Reinsurance to close premium, net of reinsurance	5	**(215,678)**
Claims incurred, net of reinsurance		**(370,584)**
Net operating expenses	6	(90,713)
Balance on the technical account - general business		**(2,561)**

Syndicate 1969

Profit and loss account
2018 year of account
For the 36 months ended 31 December 2020

Non-technical account	Notes	$'000
Balance on the technical account – general business		**(2,561)**
Investment income	10	9,027
Allocated investment return transferred to the technical account – general business		(9,027)
Loss on foreign exchange		(603)
Loss for the 2018 closed year of account		**(3,164)**

There are no recognised gains or losses in the accounting period other than those dealt with in the technical and non-technical accounts.

Statement of changes in members' balances
For the 36 months ended 31 December 2020

	Notes	$'000
Loss for the 2018 closed year of account	12	(3,164)
Members' agents' fees		(585)
Amounts due from members at 31 December 2020	12	**(3,749)**

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

Syndicate 1969

Balance sheet
2018 year of account
For the 36 months ended 31 December 2020

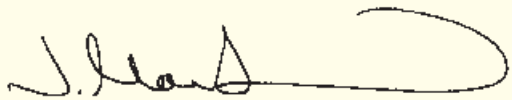
Assets	Notes	$'000
Investments		
Financial investments	11	181,743
Reinsurance recoveries anticipated on gross reinsurance to close premium	5	127,510
Debtors		
Debtors arising out of direct insurance operations	13	3,003
Debtors arising out of reinsurance operations	14	26,842
Other debtors	15	888
		30,733
Other assets		
Cash and cash equivalents		24,912
Overseas deposits	16	17,347
		42,259
Prepayments and accrued income		
Accrued interest and rent		2,190
Other prepayments and accrued income		518
Total assets		**384,953**

Syndicate 1969

Balance sheet
2018 year of account
For the 36 months ended 31 December 2020

Liabilities	Notes	$'000
Amounts due from members	12	(3,749)
Reinsurance to close premium payable to close the account – gross amount	5	344,331
Deposits received from reinsurers		12,025
Creditors		
Creditors arising out of direct insurance operations	17	2,363
Creditors arising out of reinsurance operations	18	17,249
Other creditors	19	12,734
		32,346
Total liabilities		**384,953**

The syndicate underwriting year accounts on pages 65 to 80 were approved by the Board of Apollo Syndicate Management Limited on 4 March 2021 and were signed on its behalf by:



JD MacDiarmid
Finance Director
4 March 2021

Syndicate 1969

Statement of cash flows
2018 year of account
For the 36 months ended 31 December 2020

	$'000
Cash flows from operating activities	
Operating loss for the 2018 closed year of account	(3,164)
Adjustments for:	
Increase in gross reinsurance to close payable	344,331
Increase in reinsurers' share of reinsurance to close	(127,510)
Increase in debtors	(30,733)
Increase in creditors	32,346
Increase in other assets / liabilities	(2,708)
Investment return	(9,027)
Net cash inflow from operating activities	**203,535**
Cash flows from investing activities	
Net purchase of other financial instruments	(181,743)
Investment income received	9,027
Movements in overseas deposits	(17,347)
Increase in deposits received from reinsurers	12,025
Net cash outflow from investing activities	**(178,038)**
Net cash flow from financing activities	
Members' agents' fees paid on behalf of members	(585)
Net cash outflow from financing activities	**(585)**
Net increase in cash and cash equivalents	**24,912**
Cash and cash equivalents at 1 January 2018	-
Cash and cash equivalents at 31 December 2020	**24,912**

Notes to the underwriting year accounts
2018 year of account
For the 36 months ended 31 December 2020

1. Basis of preparation

These underwriting year accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, Financial Reporting Standard 102. The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and Financial Reporting Standard 103 Insurance Contracts ("FRS 103").

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These accounts relate to the 2018 year of account which has been closed by reinsurance to close at 31 December 2020. Consequently, the balance sheet represents the assets and liabilities of the 2018 year of account at the date of closure. The profit and loss account and cash flow statement reflect the transactions for that year of account during the three-year period until closure.

These underwriting year accounts cover the three years from the date of inception of the 2018 year of account to the date of closure. Accordingly, this is the only reporting period and so comparative amounts are not shown.

As a consequence of the 2018 year of account reinsuring to close into the 2019 year of account, the residual risks to the members on the closed year have been minimised. Accordingly the members are no longer exposed to changes in the estimates and judgements made after the balance sheet date. The risk disclosure requirements of FRS 102 and FRS 103 are therefore deemed not applicable to these underwriting year accounts. However, it should be noted that a reinsurance contract does not extinguish the primary liability of the original underwriter.

2. Accounting policies

The accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of the three-year period, outstanding liabilities can normally be determined with sufficient accuracy to permit the year of account to be closed by payment of a reinsurance to close premium to the successor year of account.

Gross premiums written

Gross premiums are allocated to years of account based on the inception date of the policy. Premiums in respect of insurance contracts underwritten under a binding authority, lineslip or consortium arrangement are allocated to the year of account corresponding to the calendar year of inception of the arrangement. Premiums are shown gross of brokerage payable and exclude taxes.

Outward reinsurance premiums

Outwards reinsurance premiums are allocated to a year of account in accordance with the underlying risks being protected.

Claims paid and related recoveries

Gross claims paid include internal and external claims settlement expenses and, together with reinsurance recoveries less amounts provided for in respect of doubtful reinsurers, are attributed to the same year of account as the original premium for the underlying policy.

Reinstatement premiums payable in the event of a claim being made are charged to the same year of account as that to which the recovery is credited.

Notes to the underwriting year accounts
2018 year of account
For the 36 months ended 31 December 2020

2. Accounting policies (continued)

Reinsurance to close premium payable

A reinsurance to close is a contract of insurance which, in return for a premium paid by the closing year of account, transfers, normally to the following year of account, all known and unknown liabilities arising out of transactions connected with insurance business underwritten by the closing year of account. A reinsurance to close can be payable to the next year of account the syndicate or a third party syndicate. However, it should be noted that a reinsurance contract does not extinguish the primary liability of the original underwriter.

Where the reinsurance to close is payable to the next year of account it is determined on the basis of estimated outstanding liabilities and related claims settlement costs (including claims incurred but not reported), net of estimated collectable reinsurance recoveries and net of future net premiums relating to the open year of account and all previous years of account reinsured therein. No credit is taken for investment earnings which may be expected to arise in the future on the funds representing the reinsurance to close.

The techniques used and assumptions made in determining outstanding claims reserves, both gross and net of reinsurance, are described within the "Use of judgements and estimates" and in the accounting policy for "Claims provisions and related reinsurance recoveries" section of the syndicate annual accounts.

The calculation of the reinsurance to close premium payable is determined by the directors on the basis of the information available to them at the time. However, it is implicit in the estimation procedure that the ultimate liabilities will be at a variance from the reinsurance to close so determined.

Where a reinsurance to close premium is payable to a third party syndicate, the net premium payable represents the amount agreed with the third party. The only judgement involved is whether or not to accept the third party's price for taking on the underlying obligations, net of associated reinsurance. As a reinsurance to close, the contract is deemed to be effective on closure.

Investment return

The investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest. The investment return arising in each calendar year is allocated to years of account in proportion to the average funds available for investment attributable to those years. Investment returns in respect of overseas deposits are allocated to the year of account which funded these deposits.

Net operating expenses

Net operating expenses include acquisition costs, administrative expenses and members' standard personal expenses. Reinsurers' commissions and profit participations and consortia income represent a contributions towards operating expenses and are reported accordingly.

Costs incurred by the managing agent on behalf of the syndicate are recognised on an accruals basis. No mark-up is applied.

Net operating expenses are charged to the year of account to which they relate.

Notes to the underwriting year accounts
2018 year of account
For the 36 months ended 31 December 2020

2. Accounting policies (continued)

Acquisition costs

Acquisition costs comprise costs arising from the conclusion of insurance contracts. They include both direct costs such as brokerage and commission, and indirect costs such as administrative expenses connected with the processing of proposals and the issuing of policies. Acquisition costs include fees paid to consortium leaders in return for business written on behalf of the syndicate as a consortium member.

Acquisition costs are earned in line with the earning of the gross premiums to which they relate. The deferred acquisition cost asset, represents the proportion of acquisition costs, this corresponds to the proportion of gross premiums written that is unearned at the balance sheet date.

Reinsurers' commissions and profit participations

Under certain outwards reinsurance contracts the syndicate receives a contribution towards the expenses incurred. The outwards reinsurance contracts may allow the ceding of acquisition costs and in certain instances an allocation of administrative expenses. Reinsurance arrangements can also pay an overriding or profit commission.

The reinsurers' share of expenses is included with operating expenses and earned in line with the related expense. The reinsurers' share of deferred acquisition cost liability corresponds to the gross deferred acquisition costs at the balance sheet date.

Consortia share of expenses

The syndicate is the leader of a number of underwriting consortia. Under the terms of these contracts participants are required to pay fees to the syndicate, as leader, in return for the business written on their behalf. These fees represent a contribution towards the expenses incurred by the syndicate underwriting for the consortia. The syndicate accrues the consortium fee income in line with the writing of the business for each consortium, calculated in accordance with the individual contractual arrangements.

In addition the consortium arrangements include an entitlement to profit commission based on the performance of the business written by the consortium leader. The syndicate accrues profit commission in accordance with the contractual terms based on the forecast performance of each consortium. Both the accrued consortium fees and accrued profit commission are included as a credit to administrative expenses.

Managing agent's fees

The managing agent charges a management fee of 0.9% of syndicate capacity. The managing agent has agreed contractual terms with the capital providers to the syndicate for the payment of profit commission based on the performance of the year of account. Amounts charged to the syndicate become payable on closure of the year of account although the managing agent may receive payments on account of anticipated profit commission if interim profits are released to members.

Notes to the underwriting year accounts
2018 year of account
For the 36 months ended 31 December 2020

2. Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are translated into US Dollars which is the functional and presentational currency of the syndicate. Transactions in foreign currencies are translated using the exchange rates at the date of the transactions or at the appropriate average rates of exchange for the period. The syndicate's monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historic cost are translated to the functional currency using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation of foreign currency amounts are included in the non-technical account.

3. Segmental analysis - 2018 year of account after three years

An analysis of the balance on the technical account before investment return is set out below:

2018 year of account after three years	Gross premiums written $'000	RITC received[1] $'000	Gross claims incurred $'000	Gross[2] operating expenses $'000	Reinsurance balance $'000	Total $'000
Direct insurance:						
Marine, aviation and transport	45,309	15,077	(44,883)	(13,638)	3,103	4,968
Fire and other damage to property	112,105	18,770	(103,074)	(34,789)	15,437	8,449
Motor (third party liability)	3,635	(212)	(1,754)	(385)	(1,316)	(32)
Third-party liability	117,272	97,403	(303,642)	(25,390)	91,471	(22,886)
	278,321	131,038	(453,353)	(74,202)	108,695	(9,501)
Reinsurance	144,496	55,104	(189,786)	(39,736)	27,835	(2,087)
	422,817	**186,142**	**(643,139)**	**(113,938)**	**136,530**	**(11,588)**

1 RITC received of $186,142,000 (net of anticipated reinsurance recoveries of $122,641,000) was received from the 2017 year of account.
2 Gross operating expenses are the same as net operating expenses shown in the profit and loss account. Reinsurer' commissions and profit participations of $23,225,000 were received for the 2018 year of account.

All premiums were underwritten in the UK.

The geographical analysis of gross written premiums by situs of the risk is as follows:

	$'000
UK	11,258
Other EU countries	12,268
US	260,397
Other	138,894
Total	**422,817**

Notes to the underwriting year accounts
2018 year of account
For the 36 months ended 31 December 2020

4. Reinsurance to close premium receivable

	Reported $'000	IBNR $'000	Total $'000
Gross reinsurance to close premium receivable	205,852	102,931	308,783
Reinsurance recoveries anticipated	(83,552)	(39,089)	(122,641)
Reinsurance to close premium receivable, net of reinsurance	**122,300**	**63,842**	**186,142**

5. Reinsurance to close premium payable

	2017 & prior years of account $'000	2018 pure year of account $'000	Total $'000
Gross reinsurance to close premium payable	196,169	146,793	342,962
Reinsurance recoveries anticipated	(72,044)	(55,240)	(127,284)
Reinsurance to close premium, net of reinsurance (at average exchange rates)	**124,125**	**91,553**	**215,678**
Foreign exchange	842	301	1,143
Reinsurance to close premium payable, net of reinsurance (at closing exchange rates)	**124,967**	**91,854**	**216,821**

The reinsurance to close was undertaken by a split reinsurance to close of the 2018 year of account. The liabilities associated with the 2017 and prior years of account were reinsured to a newly formed legacy Syndicate 1994. The liabilities associated with the 2018 year of account were reinsured into the 2019 year of account of Syndicate 1969.

Three third party reinsurance to close quotes were obtained for the closure of the 2017 and prior years of account. The most competitive was accepted, which was from Compre at a cost which generated a saving against carried reserves.

	Reported $'000	IBNR $'000	Total $'000
Gross reinsurance to close premium payable	203,311	141,020	344,331
Reinsurance recoveries anticipated	(76,462)	(51,048)	(127,510)
Reinsurance to close premium payable, net of reinsurance	**126,849**	**89,972**	**216,821**

Notes to the underwriting year accounts
2018 year of account
For the 36 months ended 31 December 2020

6. Net operating expenses

	$'000
Brokerage and commission	65,435
Other acquisition costs	19,037
Acquisition costs	84,472
Administrative expenses	21,324
Members' standard personal expenses	6,457
Consortia share of expenses	(21,540)
Total	**90,713**

7. Auditor's remuneration

	$'000
Audit Fees	
Fees payable to the syndicate's auditor for the audit of the syndicate's annual financial statements	100
Non-audit fees	
Audit related assurance services	109
Other assurance services	109
	218
Total fees	**318**

8. Staff numbers and costs

All staff are employed by the managing agency or related companies. The following amounts were recharged to the syndicate in respect of salary costs:

	$'000
Wages and salaries	20,498
Social security costs	1,792
Other pension costs	1,046
Total	**23,336**

Notes to the underwriting year accounts
2018 year of account
For the 36 months ended 31 December 2020

8. Staff numbers and costs (continued)

The average monthly number of employees employed by the managing agency or related companies but working for the syndicate each year and aggregated for the three years was as follows:

	Number
Underwriting	36
Claims and reinsurance	8
Management, administration and finance	52
Non-executive directors	5
Total	**101**

9. Emoluments of the directors of the managing agent

For the purposes of FRS 102, the directors of ASML are deemed to be the key management personnel.

The directors received aggregate remuneration of $2,887,000 for the syndicate's 2018 year of account charged as a syndicate expense.

Included in the aggregate remuneration are emoluments paid to the highest paid director amounting to $761,000. The Active Underwriter received remuneration of $338,000 which is charged as a syndicate expense.

10. Investment income

	$'000
Income from investments	5,776
Gains on the realisation of investments	2,787
Unrealised gains on investments	2,370
	10,933
Losses on the realisation of investments	(1,343)
Unrealised gains on investments	(563)
Total	**9,027**

11. Financial investments

	Market value $'000	Cost $'000
Holdings in collective investment schemes	67,753	67,727
Debt securities and other fixed income securities	113,990	111,725
	181,743	**179,452**

Notes to the underwriting year accounts
2018 year of account
For the 36 months ended 31 December 2020

12. Balance on technical account

	2017 & prior years of account $'000	2018 pure year of account $'000	Total 2018 $'000
Technical account balance before investment return & net operating expenses	11,857	67,268	79,125
Acquisition costs	(1,606)	(74,334)	(75,940)
	10,251	(7,066)	3,185
Allocated investment return transferred from the non-technical account			9,027
Net operating expenses other than acquisition costs			(14,773)
Loss on foreign exchange			(603)
Loss for the 2018 closed year of account			**(3,164)**
Members' agents' fees			(585)
Amounts due from members at 31 December 2020			**(3,749)**

The 2018 year of account loss balance will be collected from members in 2021.

13. Debtors arising out of direct operations

	$'000
Due within one year	3,003

14. Debtors arising out of reinsurance operations

	$'000
Due within one year	26,842

15. Other debtors

	$'000
Consortium fee receivable	464
Amount due from members	424
Total	**888**

16. Overseas deposits

Overseas deposits are advanced as a condition of conducting underwriting business in certain countries and therefore are restricted assets.

Notes to the underwriting year accounts
2018 year of account
For the 36 months ended 31 December 2020

17. Creditors arising out of direct insurance operations

	$'000
Due within one year - intermediaries	2,363

18. Creditors arising out of reinsurance operations

	$'000
Due within one year	17,249

19. Other creditors

	$'000
Amounts due to Syndicate 6133	11,289
Consortium fee payable	1,445
Total	**12,734**

20. Related parties

All business with related parties is transacted on an arm's length basis.

ASML is a wholly owned subsidiary of Apollo Partners LLP ("APL"). DCB Ibeson and SAC White, along with other members of the senior underwriting team, are partners of APL. Metacomet LLC, a US incorporated limited company, is a corporate partner of APL. Affiliated companies of Metacomet LLC participate on the syndicate.

APL employs all Apollo group staff, including underwriters, claims and reinsurance staff. APL provides the services of these staff and its partners to ASML to enable it to function as managing agent for the syndicate. APL also incurs a large proportion of the expenses in respect of operating the syndicate. The cost of these services and expenses are recharged to ASML which in turn recharges these to the syndicate on a basis that reflects its usage of resources, all recharges being without any mark up on cost. The total amount recharged by ASML to the 2018 year of account was $21,094,000, this had been settled and nothing was outstanding at the year-end.

Syndicate 6133 is a SPA syndicate that provides a single 90% quota share reinsurance contract for the Property Treaty class including all related expenses and investment income for each underwriting year. Syndicate 6133 operates on a funds withheld basis and the syndicate undertakes all transactions on its behalf. On closure of a year of account the Syndicate 6133 distribution is settled by the syndicate. The related party transactions and amounts outstanding at the balance sheet date are shown below:

Syndicate 6133	$'000
Reinsurance premiums payable	(58,617)
Reinsurance paid recoveries receivable	55,702
Expense recharge	8,298
Net interest payable	(697)
Other creditors	(11,289)

Notes to the underwriting year accounts
2018 year of account
For the 36 months ended 31 December 2020

20. Related parties (continued)

APL is the parent company of certain capital providers for Syndicate 1969. NG Jones and other members of the syndicate's underwriting team participate on the syndicate through a Limited Liability Partnership.

Hyperion Apollo Limited, a subsidiary of the Howden Group Holdings Limited, acquired a minority interest in APL on 31 May 2018. DCB Ibeson is the Non-Executive Chairman of DUAL International Ltd (an unregulated holding company within the Hyperion Group).

Hannover Re participated on the syndicate with a 30.4% share of the 2018 year of account. J Schäfermeier, a member of the Executive Board at Hannover Re representing Property and Casualty Lines Worldwide, was appointed a non-executive director of ASML on 29 August 2019 and resigned on 30 September 2020. The syndicate entered into outwards reinsurance contracts with premium totalling $2,189,000. At 31 December 2020 the total balances receivable were $109,000 and related to recoveries due on paid and outstanding claims. Hannover Re, through Argenta Syndicate 2121, participates on consortia led by Syndicate 1969. The consortia wrote business with fees of $6,497,000 (2019: $4,836,000) and balances outstanding were $134,000 (2019: $61,000).

In partnership with legacy experts, Compre, ASML established Syndicate 1994 which received approval from Lloyd's on 12 February 2021 and commenced underwriting reinsurance to close business in the Lloyd's market for the 2021 year of account. As detailed in note 5, a split reinsurance to close of the 2018 year of account transferred the liabilities associated with the 2017 and prior years of account to Syndicate 1994. The pricing of the reinsurance to close was undertaken by Compre in the course of a competitive tender and ASML's agreement to accept this quotation, which was the most competitive of the quotes obtained.

Syndicate 1969

Seven year summary of underwriting results
As at 31 December 2020

	2012	2013	2014	2015	2016	2017	2018
Syndicate allocated capacity (£'000)	84,771	109,941	140,000	159,966	179,509	209,123	224,516
Syndicate allocated capacity ($'000) (note 2)	132,243	161,613	171,766	216,002	228,543	277,489	306,619
Number of underwriting members	303	310	371	391	405	417	369
Aggregate net premiums ($'000)	132,069	148,589	203,910	228,351	225,044	237,816	263,567
Result for a name with an illustrative share of £10,000	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Gross premiums	18,507	16,482	18,529	18,017	16,558	15,397	18,832
Net premiums	15,580	13,515	14,565	14,275	12,537	11,372	11,739
Premium for reinsurance to close an earlier year of account	2,587	2,723	2,928	3,550	4,441	6,633	8,291
Net claims	(7,349)	(7,358)	(6,257)	(6,792)	(8,366)	(8,548)	(6,899)
Reinsurance to close the year of account	(3,748)	(3,728)	(4,292)	(4,936)	(7,743)	(8,878)	(9,606)
Syndicate operating expenses	(5,341)	(4,520)	(5,252)	(5,322)	(4,633)	(4,154)	(3,753)
Profit / (Loss) on exchange	(129)	(348)	(304)	179	16	10	(27)
Balance on technical account	**1,600**	**284**	**1,388**	**954**	**(3,748)**	**(3,565)**	**(255)**
Investment return	63	35	43	69	100	292	402
Profit / (Loss) before personal expenses	**1,663**	**319**	**1,431**	**1,023**	**(3,648)**	**(3,273)**	**147**
Illustrative personal expenses (note 3)	(247)	(262)	(526)	(402)	(258)	(226)	(288)
Profit / (Loss) after illustrative personal expenses	**1,416**	**57**	**1,431**	**621**	**(3,906)**	**(3,499)**	**(141)**
Capacity utilised (note 4)	93.0%	89.8%	93.9%	82.3%	84.0%	91.5%	111.5%
Net capacity utilised (note 5)	74.2%	69.6%	67.8%	60.4%	58.4%	61.2%	59.6%
Underwriting profit ratio (note 6)	8.6%	3.8%	9.1%	5.3%	(22.6)%	(23.2)%	(1.4)%
Result as a percentage of stamp capacity	9.1%	0.4%	7.4%	4.6%	(30.7)%	(26.4)%	(1.0)%

Notes to the summary:

1. The summary has been prepared from the audited accounts of the syndicate.
2. Syndicate allocated capacity is expressed in US Dollars at the foreign exchange rate at the date the year of account was closed.
3. Illustrative personal expenses comprise the managing agent's fee, contributions to the Central Fund and High Level Stop Loss Scheme in applicable years, Lloyd's Annual Subscription incurred by a Name writing the illustrative share, irrespective of any minimum charge applicable to the managing agent's fee, and profit commission payable to the managing agent. This amount excludes members' agents' fees.
4. Capacity utilised represents gross premium written net of acquisition costs expressed as a percentage of allocated capacity using business planning foreign exchange rates.
5. Net capacity utilised represents written premium net of acquisition costs net of reinsurance expressed as a percentage of allocated capacity using business planning foreign exchange rates.
6. The underwriting profit ratio represents the balance on technical account expressed as a percentage of gross premiums written.
7. The 2014 and prior years of account were originally presented in Sterling and have been restated in US Dollars using the foreign exchange rate at the date the year of account was closed.

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