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SYNDICATE 1414

ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

CONTENTS

MANAGING AGENT – CORPORATE INFORMATION

Managing Agent	Ascot Underwriting Limited	
Directors	Sir Richard B Dearlove	Non-executive Chairman
	Andrew L Brooks	Chief Executive Officer
	Charles P T Cantlay	
	Katherine H.E. Chung	Non-executive
	Helen R Jones-Bak	
	Thomas A Kalvik	Non-executive
	Edward J Lloyd	Non-executive
	Homi P R Mullan	Non-executive
	Parth Patel	
	Mark L Pepper	
	Paul T Taylor	Non-executive
	Katy M Wilson	
Company Secretary	Elizabeth H Guyatt	
Registered Office	20 Fenchurch Street London EC3M 3BY	
Active Underwriter	Andrew L Brooks	
Investment Managers	Conning Asset Management Limited	
Independent Auditor	Deloitte LLP Statutory Auditor Hill House 1 Little New Street London EC4A 3TR	

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors of the managing agent, Ascot Underwriting Limited, present their strategic report for the year ended 31 December 2019.

Principal activity and review of the business

The principal activity of Syndicate 1414 (“the Syndicate”) remains the transaction of general insurance and reinsurance business in the United Kingdom.

For the 2013 to 2016 years of account the Syndicate had two corporate members, Ascot Corporate Name Limited (“ACNL”) and Ascot Employees Corporate Member Limited (“AECM”); ACNL was the sole corporate member for 2012 and prior underwriting years and was the sole corporate member for 2017 and subsequent years. The final allocated premium income capacity for each underwriting year and the corporate members providing the capacity are shown below:

	Syndicate Capacity	**ACNL**	**AECM**
Year	**£m**	**£m**	**£m**
2011	650 (originally £600m)	650	-
2012	650	650	-
2013	650	641	9
2014	650	636	14
2015	650	631	19
2016	600	591	9
2017	600	600	-
2018	600	600	-
2019	600	600	-
2020	650	650	-

The managing agent of Syndicate 1414 is Ascot Underwriting Limited (“AUL”). AUL is a wholly owned subsidiary of Ascot Underwriting Holdings Limited (“AUHL”).

AUL owned three subsidiaries during the year, Ascot Insurance Services Limited (“AIS”), whose main activity is the provision of underwriting business and services to Syndicate 1414; Ascot Underwriting Asia (Private Limited) (“AUA”), a company registered in Singapore, which manages business on behalf of Syndicate 1414 through the Lloyd’s Asia Scheme. Effective as of 1 April 2019, it was announced that business written through the Company's subsidiary, Ascot Underwriting Asia Limited (Private Limited) ("AUA"), would be put into run-off. Also, Ascot Underwriting Inc. (“AUI”), which is a service company operating in New York, Houston, Chicago and Dallas and registered in Delaware, USA.

On 31 January 2019, the Company sold Ascot Underwriting Inc to Ascot US Holding Corporation.

Key performance indicators

The key performance indicator for the Syndicate is considered to be profitability. The profitability on a GAAP basis is measured by the combined ratio. The combined ratio for the last two years is set out in the table below:

	Year ended 31 December 2019	Year ended 31 December 2018
Net loss ratio	**51.7%**	47.0%
Net expense ratio	**44.7%**	44.4%
Combined ratio	**96.4%**	91.3%

2019 was not impacted by any new catastrophe events, but rather various large risk losses, particularly in the Marine sector, in addition to deterioration on prior year catastrophe events (Typhoon Jebi and Camp Wildfire). The major catastrophe losses reported at the 2018 year end were Hurricane Michael (gross loss £39.0m, net £7.5m) and California Wildfires (gross loss £128.2m, net £9.5m), Columbian Dam (gross loss £15.8m, net £8.0m), Hurricane Florence (gross loss £10.9m, net £9.9m) and Typhoon Jebi (gross loss £8.7m, net £7.0m). 2019 also suffered from a number of large losses, Star Centurion (gross loss £6.8m, net £5.9m), Deer Park (gross loss £6.4m, net £4m), Jim Beam (gross loss £8.9m, net £3.9m) and Badr (gross loss £5.3m, net £4.0m). Additionally, personal lines incurred losses £12.0m.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Results and performance

The result for the 2019 financial year, as set out on pages 9 and 10, is a profit of £31.7m (2018: profit of £43.9m) and a combined ratio of 96.4% (2018: 91.3%).

Profits will continue to be distributed by reference to the results of individual underwriting years. Under Lloyd's rules the 2017 year of account was closed at 31 December 2019 with a profit of £15.8m or 2.63% of stamp capacity of £600m.

Gross written premium increased from £679.7m in 2018 to £689.4m in 2019, although once the effects of foreign exchange are taken into account, gross written premium decreased by £17.3m in 2019. For the 2018 and 2019 underwriting year, the Syndicate entered into a 20% whole account quota-share reinsurance agreement with Ascot Bermuda Limited (formerly "Ascot Reinsurance Company Limited) ("ABL"). Ascot's focus on underwriting discipline and reducing volatility within its portfolio has resulted in a profit for the year.

Future outlook

Record catastrophe losses in 2017 (US$145bn) did not produce the hardening market expected in 2018 due to surplus capacity, but further additional losses in 2018 (US$88bn) from the California wildfires and Typhoon Jebi in particular began to move the market in 2019 and this has continued forward into 2020. Whilst 2019 was a relatively benign year for catastrophe losses (US$56bn) a number of factors contributed to the market starting to harden in the first two quarters of 2019 and certain lines accelerated dramatically in the second half of the year. These include a significant increase in loss provisions for prior years from Hurricanes Michael and Irma and Typhoon Jebi. Also, the ongoing decile 10 process implemented by Lloyd's for Syndicate business planning and capital deployment lead to the withdrawal, or significant reduction, in limit and aggregate deployed in certain classes. Lloyd's alone cannot change the market, but its remedial actions were magnified several times by a similar stance taken by two of the biggest 100% line underwriters in the United States, AIG and FM Global. This resulted in a major reduction in available capacity, most apparent in the Cargo, Property open market, International Casualty classes, and after a slower pick up, Marine Hull. Syndicate 1414 has significant market share in all these classes and leads a high proportion of business.

Less positive classes were Accident and Health, Terrorism, Upstream Energy and Treaty Reinsurance. Whilst the latter was able to achieve rises on loss affected business on the 2018 Florida renewals, much of the rest of Catastrophe pricing remained consistent with prior years. It is expected that Treaty reinsurance rates will continue to harden into 2020 given the increased losses mentioned, and a retro-reinsurance market that has hardened significantly after the closure of Catco, as well as a number of other large capital providers.

Syndicate 1414 will use Lloyd's Brussels (Lloyd's Insurance Company S.A) to underwrite European Union (EU) and European Economic Area (EEA) business after the UK's exit from the EU.

The outlook for 2020, and the market conditions expected are therefore at their most positive in recent times. It is expected that the favourable market conditions will continue, and indeed harden further in some lines into 2020. Ascot strictly controls aggregate deployed in softer markets so now, through its market leadership positions and an A rating from AM Best, the Syndicate is ideally placed to capitalise on this market and has good headroom to grow.

Principal risks and uncertainties

The following are considered to be the principal risks for the Syndicate along with a brief overview of how these risks are managed. Risks are managed through the Risk Management Framework.

The Board of Directors is ultimately responsible for Risk Management. All aspects of the Risk Management Framework have been approved by the Board of Directors. Responsibility for the oversight of risk lies with the Risk Committee. There are several sub-committees that are responsible for the identification and management of certain risks (for example, the Underwriting Management Committee ("UMC") is responsible for many of the risks that are classified as Insurance risk).

The Risk Committee members are represented on all governance committees. This allows key issues requiring the oversight and consideration of the Risk Committee from a strategic perspective to be reported by members and discussed. The Risk Committee thus forms a quasi-independent body that can monitor the workings of the other committees and ensure consistency in the approach to risk across Ascot.

The comments below represent only an overview of the key risks and some of the controls to mitigate these risks.

Insurance risk – this includes Underwriting and Reserving risk. It is the risk arising from uncertainty in the likelihood, magnitude and timing of insured losses, the risk of inadequate pricing and the risk of insufficient claims provisions. This risk is effectively the business of the Syndicate. Management of insurance risk includes a comprehensive

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

underwriting peer review process, management information that includes aggregation management and profitability measures, and independent external reserve reviews.
Credit risk – this is the risk of loss arising from the inability of reinsurers or intermediaries to meet their financial obligations to Ascot. The largest risk is the non-performance of the Syndicate's reinsurers. This is managed by monitoring the concentration to and security rating of each of our reinsurance partners.

Market risk – this represents the potential loss of value or earnings arising from changes in the market price of assets as a result of external market and economic factors. The risk is managed through conservative asset allocation and concentration limits. Liquidity risk and Currency risk are part of market risk but discussed separately below.

Operational risk – the risk is that the Syndicate's operations are adversely impacted from inadequate or failed internal processes, people or systems or from external events. Key risks considered here include Business Continuity, Culture, Outsourcing, Legal and Regulatory risk and Information Security risk. The Risk Management Framework and Risk Register and Controls are key to managing these risks as well as Business Continuity plans e.g. disaster recovery sites.

Liquidity risk – the risk is that sufficient cash may not be available to settle obligations when due at a reasonable cost. The primary liquidity risk of Syndicate 1414 is the obligation to pay claims to policyholders following catastrophe events. The projected settlements of these liabilities are modelled on a regular basis using actuarial techniques. To manage this the duration of the Syndicate's investments are shorter than the liabilities.

Currency risk – the risk is that the fair value or future cash flows of a financial instrument will fluctuate owing to changes in foreign exchange rates. The Syndicate maintains four separate currency funds: Sterling, Euros, United States dollars and Canadian dollars. The Syndicate seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency, subject to regulatory funding requirements.

Group risk – the risk that the activities of companies within Ascot Group have an adverse impact on each other. The key risks considered are sharing of resources (including financial, labour and infrastructure) and brand damage from negative publicity. These are mitigated through clear governance structures and communication between entities across the group as well as a coordinated marketing and communications strategy.

Environmental, Social and Governance; Diversity and Inclusion; Climate change and Transitions risks – these risks have been considered at the Risk Committee, Executive Committee and the Board in order to assess the impact to Ascot as broadly as possible and to identify opportunities for improvement and mitigating actions. In addition to Catastrophe Realistic Disaster scenarios and an emerging risk framework, the risk management team have presented papers covering Principles for Responsible Investment, rating agency implications, UN Global Sustainable Development Goals (SDG), the protection gap and the impact of the "2 degree world" on Ascot. Examples of actions that have resulted include improving ways of acting more responsibly within our business, such as ethical procurement practices; identifying new products to support areas of society that are exposed to climate risk; and enabling modern working practices.

The principles of identifying and the policies in place for mitigating risk within Ascot are discussed further within note 4.

Andrew L Brooks
Chief Executive Officer
Ascot Underwriting Limited
26 February 2020

MANAGING AGENT'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors of the managing agency, Ascot Underwriting Limited, present their report and audited annual financial statements for the year ended 31 December 2019.

This annual report is prepared using the annual basis of accounting as required by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Lloyd's Regulations").

As a result of the 2008 Lloyd's Regulations, Managing Agents are required to prepare annual financial statements which comply with the provisions of the Companies Act 2006, subject to certain modifications as specified in the regulations, for each syndicate that they manage.

Results and performance

This has been discussed in the strategic report.

Future outlook

This has been discussed in the strategic report.

Directors

The directors and officers of Ascot Underwriting Limited who held office during the year and up to the date of signing are listed below:

Sir Richard B Dearlove	Non-executive Chairman	
Andrew L Brooks	Chief Executive Officer	
Charles P T Cantlay		
Katherine H E Chung	Non-executive	
Yvonne M B Costello		Resigned 16 May 2019
Helen R Jones-Bak		
Thomas A Kalvik	Non-executive	
Edward J Lloyd	Non-executive	
Homi P R Mullan	Non-executive	
Parth Patel		
Mark L Pepper		
Mark C Smith		Resigned 16 May 2019
Paul T Taylor	Non-executive	
Katy M Wilson		Appointed 16 May 2019

Company Secretary
Elizabeth H Guyatt

Active Underwriter

Mr Brooks was active underwriter of Syndicate 1414 throughout 2019. Mr Brooks commenced his underwriting career at Lloyd's in 1983 and has served on many Lloyd's and industry committees.

Risk management

This has been discussed in the strategic report within *Principal risks and uncertainties.*

Statement of Managing Agent's responsibilities

The directors of the Managing Agent are responsible for preparing the strategic report and the managing agent's report and the annual financial statements in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (IAD) requires the Managing Agent to prepare annual financial statements for each financial year. Under that law the directors have prepared the Syndicate annual financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including 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).

MANAGING AGENT'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Statement of Managing Agent's responsibilities (continued)

The IAD requires that the directors must not approve the annual financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Syndicate and of the profit or loss of the Syndicate for that period. In preparing these Syndicate annual financial statements, the Managing Agent is required to:

- select suitable accounting policies and then apply them consistently, with the exception of changes arising on the adoption of new accounting standards in the year;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 & 103 have been followed, subject to any material departures disclosed and explained in the syndicate annual financial statements; and
- prepare the annual financial statements on the basis that the Syndicate will continue to write business unless it is inappropriate to presume that the Syndicate will do so.

The directors of the Managing Agent confirm that they have complied with the above requirements in preparing the Syndicate annual financial statements.

The directors of the Managing Agent are responsible for keeping proper accounting records that are sufficient to show and explain the Syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the Syndicate and enable them to ensure that the annual financial statements comply with the IAD. They are also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors of the managing agent are responsible for the maintenance and integrity of the Ascot website, on which these financial statements may be published. Legislation in the UK concerning the preparation and dissemination of annual financial statements may differ from legislation in other jurisdictions.

Charitable Donations

During the year the Syndicate made donations for charitable purposes of £nil (2018: £nil).

Disclosure of information to auditors

Each of the persons who are directors of the Managing Agent at the time this report is approved confirms that:

- as far as each of them is aware, there is no information relevant to the audit of the Syndicate's annual financial statements for the year ended 31 December 2019 of which the auditors are unaware; and
- the directors have taken all steps that they ought to have taken in their duty as directors in order to make themselves aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

Independent auditors

Deloitte LLP have expressed their willingness to continue in office as auditors.

By order of the board

Helen R Jones-Bak
Chief Financial Officer
Ascot Underwriting Limited

26 February 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 1414

Report on the audit of the syndicate annual financial statements

Opinion

In our opinion the syndicate annual financial statements of Syndicate 1414 (the 'syndicate'):

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2019 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 statement of comprehensive income;
- the statement of changes in members' balances;
- the statement of financial position;
- the statement of cash flows; and
- the related notes 1 to 22.

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

We are required by ISAs (UK) to report in respect of the following matters where:

- the managing agent's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the managing agent has not disclosed in the syndicate annual financial statements any identified material uncertainties that may cast significant doubt about the syndicate's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the syndicate annual financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The managing agent is responsible for the 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. 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.

In connection with our audit of the syndicate annual financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the syndicate annual financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 1414

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.

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 strategic report and the managing agent's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the managing agent's report have 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 strategic report or 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 Ely ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

26 February 2020

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019

TECHNICAL ACCOUNT – GENERAL BUSINESS	*Note*	**2019 £'000**	2018 £'000
Earned premiums, net of reinsurance			
Gross premiums written	3	689,431	679,717
Outward reinsurance premiums		(299,163)	(288,887)
Net premiums written		**390,268**	390,830
Change in the provision for unearned premiums			
Gross amount		(9,571)	(6,522)
Reinsurers' share		(699)	29,395
		(10,270)	22,873
Earned premiums, net of reinsurance		**379,998**	413,703
Allocated investment return transferred from the non-technical account		17,362	2,994
Total technical income		**397,360**	416,697
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		388,908	450,953
Reinsurers' share		(170,511)	(182,111)
Net claims paid		**218,397**	268,842
Change in the provision for claims			
Gross amount		(143,450)	40,713
Reinsurers' share		121,369	(115,317)
		(22,081)	(74,604)
Claims incurred, net of reinsurance		**196,316**	194,238
Net operating expenses	6	169,881	183,593
Total technical charges		**366,197**	377,831
Balance on the Technical Account for General Business	10	**31,163**	38,866

STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
for the year ended 31 December 2019

NON-TECHNICAL ACCOUNT	*Note*	**2019 £'000**	2018 £'000
Balance on the General Business Technical Account		**31,163**	38,866
Investment income	7	14,016	9,814
Investment expenses and charges		(1,460)	(1,397)
Unrealised gains on investments		5,558	1,214
Unrealised losses on investments		3,402	(5,527)
Total investment return		**21,516**	4,104
Allocated investment return transferred to the general business technical account		(17,362)	(2,994)
Non-technical account - investment return		**4,154**	1,110
Non-technical account – Other charges		(1,720)	-
Non-technical account – (loss)/profit on exchange		(1,884)	3,893
Profit for the period		**31,713**	43,869
Other comprehensive income – currency translation		3,767	(5,219)
Total comprehensive income		**35,480**	38,650

STATEMENT OF CHANGES IN MEMBERS' BALANCES

	2019 £'000	2018 £'000
Members' balances at the beginning of the reporting period	**47,274**	(60,301)
Profit for the financial year	31,713	43,869
Other comprehensive income – currency translation	3,767	(5,219)
Total comprehensive income for the year	**35,480**	38,650
Distribution of loss/(profit) on closed year of account	4,692	(42,825)
Cash call made	-	61,126
Funds in Syndicate (released)/retained	(5,122)	44,339
Other – retranslation of distribution/cash call	(6,632)	6,285
Members' balances at the end of the reporting period	**75,692**	47,274

All items shown above derive from continuing operations. No operations were acquired or discontinued during the period.

There are no material differences between the profit for the financial year and the total comprehensive income stated above and their historical cost equivalents.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2019

ASSETS	Note	2019 £'000	2018 £'000
Investments			
Other financial investments	11	**483,860**	450,266
Reinsurers' share of technical provisions			
Provision for unearned premiums		75,768	77,486
Claims outstanding		301,063	432,071
		376,831	509,557
Debtors			
Amounts due within one year:			
Debtors arising out of direct insurance operations		48,011	51,378
Debtors arising out of reinsurance operations		158,507	177,771
Amount due from related companies		3,739	123
Other debtors		17,852	20,577
Amounts due after more than one year:			
Debtors arising out of reinsurance operations		44,637	13,099
	12	**272,746**	262,948
Other Assets			
Cash at bank and in hand	13	21,613	31,814
Lloyd’s overseas deposits		37,188	34,300
		58,801	66,114
Prepayments and accrued income			
Accrued interest and rent		2,225	2,229
Deferred acquisition costs		59,926	61,758
Other prepayments and accrued income		1,100	441
		63,251	64,428
TOTAL ASSETS		**1,255,489**	1,353,313

STATEMENT OF FINANCIAL POSITION
as at 31 December 2019

	Note	2019 £'000	2018 £'000
LIABILITIES			
Capital and reserves			
Members' balance		**75,692**	47,274
Technical provisions			
Provision for unearned premiums		266,113	263,894
Claims outstanding		735,556	902,565
		1,001,669	1,166,459
Creditors			
Amounts due within one year:			
Creditors arising out of direct insurance operations		6,951	16,440
Creditors arising out of reinsurance operations		50,837	102,934
Amount due from related companies		1,207	3,160
Amounts due after more than one year:			
Creditors arising out of reinsurance operations		101,308	-
	14	**160,303**	122,534
Accruals and deferred income		**17,825**	17,046
TOTAL LIABILITIES		**1,255,489**	1,353,313

The annual financial statements on pages 9 to 38 were approved at a meeting of the Board of Directors and signed on its behalf by:

Andrew L Brooks
Chief Executive Officer
26 February 2020

Helen R Jones-Bak
Chief Financial Officer

STATEMENT OF CASH FLOWS

for the year ended 31 December 2019	Note	**2019 £'000**	2018 £'000
Net cash flows from operating activities	15	**23,549**	(12,315)
Cash flows from investing activities			
Purchase of equity and debt instruments		(412,532)	(187,685)
Sale of equity and debt instruments		364,457	78,421
Investment income received		14,444	4,799
Net cash generated from investing activities		**(33,631)**	(104,465)
Cash flows from financing activities			
Distribution loss/(profit)		4,692	(42,825)
Cash call made		-	61,126
Profit (released)/retained as Funds in Syndicate		(5,122)	44,339
Other – retranslation of distribution/cash call		(6,632)	6,285
Net cash used in financing activities		**(7,062)**	68,925
Net decrease in cash and cash equivalents		**(17,144)**	(47,855)
Cash and cash equivalents at the beginning of the year		71,889	112,360
Foreign exchange on cash and cash equivalents		(1,354)	7,384
Cash and cash equivalents at the end of the year		**53,391**	71,889
Cash and cash equivalents consists of:			
Cash at bank and in hand		21,613	31,814
Short term deposits with credit institutions		31,778	40,075
Cash and cash equivalents at end of year		**53,391**	71,889

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2019

1 Statement of compliance

The individual annual financial statements of Syndicate 1414 have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, ''The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland'' (''FRS 102''), Financial Reporting Standard 103, "Insurance Contracts" ("FRS 103") and the Companies Act 2006 under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

2 Summary of significant accounting policies

Ascot Underwriting Limited is the managing agent for Syndicate 1414 at The Corporation of Lloyd's. The company is a private company limited by shares and is incorporated in England. The address of its registered office is 20 Fenchurch Street, London EC3M 3BY.

The principal accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The syndicate has adopted FRS 102 and FRS 103 in these annual financial statements.

a. Basis of preparation

These annual financial statements are prepared on the basis that the Syndicate will continue to write future business, under the historical cost convention, as modified by certain financial assets and liabilities measured at fair value through profit or loss.

The Syndicate annual financial statements have been prepared under regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (IAD) and reflect the provisions of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ('SI2008/410') as modified by the IAD.

The Syndicate annual financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year.

b. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements in applying the accounting policies

i Significant insurance risk

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. The key components of insurance risk faced by Ascot and the policies in place for identifying and mitigating these risks are discussed in more detail in note 4.

ii Allowance for risk and uncertainty within claims outstanding

In setting the provision for insurance liabilities, a best estimate is determined on an undiscounted basis and an allowance for risk and uncertainty is added. The method and considerations made in setting the claims provisions are discussed in more detail in note 2 (part H) of these Financial Statements.

Sources of estimation uncertainty

The Syndicate makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

i The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Syndicate's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Syndicate will ultimately pay for such claims. The most significant assumptions made relate to the level of future claims, the level of future claims settlements and the legal interpretation of insurance policies.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2019

Whilst the directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amount provided. Adjustments to the amounts of provision are reflected in the Financial Statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

ii Fair value of financial instruments
The fair value of financial instruments that are not traded in an active market is measured at amortised cost. The carrying value of these instruments is £nil (2018: £nil). The Syndicate uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. See Note 4 for discussion of the related risks.

iii Pipeline premium
The Syndicate makes an estimate of premiums written during the year that have not yet been notified by the financial year ('pipeline premiums') end based on prior year experience and current year business volumes. The pipeline premium is booked as written and an assessment is made of the related unearned premium provision and an estimate of claims incurred but not reported in respect of the earned element.

c. Basis of accounting for underwriting activities
The technical results of Syndicate 1414 are presented on an annual accounting basis in accordance with FRS 103, under which insurance profits and losses are recognised as they are earned.

d. Premiums written
Under the annual basis of accounting, written premiums comprise both inward and outward premiums on contracts incepting in the financial year. Estimates are comprised of pipeline premiums due but not yet notified. Written premiums are stated gross of commission payable to intermediaries and exclusive of taxes and duties levied on premiums.

Outwards reinsurance premiums are accounted for in the accounting period that they incept.

e. Unearned premiums
For business accounted on an annual basis, a provision for unearned premiums is made which represents that part of gross premiums written, and the reinsurers' share of premiums written, that is estimated to be earned in the following or subsequent financial years. The provision for unearned premiums is calculated on a daily pro-rata basis.

f. Deferred acquisition costs
Acquisition costs represent the expenses, both direct and indirect, of acquiring insurance policies written during the financial year. Acquisition costs are accrued over an equivalent period to that over which the underlying business is written and are charged to the accounting periods in which the related premiums are earned. Deferred acquisition costs represent the proportion of acquisition costs incurred in respect of unearned premiums at the balance sheet date.

g. Claims incurred
Claims incurred comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

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

h. Claims provisions and related reinsurance recoveries
The provision for claims outstanding is based on information available at the balance sheet date. Subsequent information and events may result in the ultimate liability being less or greater than the amount provided. Any differences between provisions and subsequent settlements are dealt with in the general business technical account of later periods.

The Directors consider that the provision for gross claims and related reinsurance recoveries are fairly stated on the basis of information currently available to them.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2019

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Syndicate. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. The Syndicate takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported ('IBNR') is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Syndicate, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insured until many years after the event giving rise to the claims has happened. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the Syndicate uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

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

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

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

Where possible the Managing Agent adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

i. Unexpired risk provision

Provision has been made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risks provision. The expected claims are calculated having regard to events that have occurred prior to the balance sheet date.

Unexpired risk surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises.

j. Expense allocation and pensions

All expenses of the Syndicate are recognised in the technical account. Pension contributions to employees' money purchase schemes are charged to the profit and loss account when they fall due.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2019

k. Foreign currency

i. *Functional and presentation currency*
The functional currency is the currency of the primary economic environment in which the entity operates. The Syndicate's functional currency is the United States dollar. The Syndicate's presentation currency is the pound sterling consistent with that of the Managing Agent.

ii. *Transactions and balances*
At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the monthly average exchange rate prevailing at the time of the transaction and non-monetary items measured at fair value are measured using the monthly average exchange rate when fair value was determined.

Foreign exchange gains and losses, resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the non-technical profit and loss account.

In accordance with FRS 103, all assets and liabilities arising from insurance contracts are treated as monetary items.

The results and financial position of the syndicate are translated into the presentation currency as follows:
a) assets and liabilities are translated at the closing rate at the balance sheet date;
b) income and expenses are translated at the monthly average rates of exchange; and
c) all resulting exchange differences are recognised in OCI.

l. Financial instruments

The Syndicate has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets, including cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets and liabilities are subsequently carried at amortised cost using the effective interest method. The interest rate used is generally that as stated in the loan agreement (if applicable) or a standard market rate for a similar product. The unwinding of the associated discount is subsequently recognised in the Statement of Comprehensive Income.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Other financial assets, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment. Unrealised gains and losses are tracked separately through the statement of comprehensive income based on advice from Lloyd's.

Overseas deposits are stated at market value based on quarterly statements from Lloyd's.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
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Basic financial liabilities, including loans from fellow Group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Interest charges are charged to the statement of comprehensive income, reflected as Other charges in the non-technical account.

m. Investment return

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

Realised gains and losses on investments carried at fair value through profit and loss are calculated as the difference between net sales proceeds and purchase price. In the case of investments included at amortised cost, realised gains and losses are calculated as the difference between sale proceeds and their latest carrying value. Movements in unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price or their fair value at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Dividends are recorded on the date on which the shares are quoted ex-dividend and include the imputed tax credits. Interest and expenses are accounted for on an accruals basis.

Investment return is initially recorded in the non-technical account. Other than investment return on Funds in Syndicate which is shown as non-technical account income, a transfer is made from the non-technical account to the technical account to reflect the investment return on funds supporting underwriting business.

n. Taxation

No amount has been provided in these Financial Statements for UK taxation on trading income. 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 basic rate UK income tax deducted from Syndicate investment income is recoverable by managing agents.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment income. Any payments on account made by the Syndicate are recharged to the corporate members.

No provision has been made for any overseas tax payable by members on underwriting results.

o. Profit commission

The managing agency agreement between ACNL and AUL runs for an annual period from 1 December to 30 November and is calculated at 18.5% of ACNL profits. The managing agency agreement between ACNL and AUL includes a deficit clause whereby losses are carried forward for up to 3 years – where this is relevant, no profit commission will be accrued until the carried loss is fully eroded. There is an option under the agreement to waive this clause if agreed by the directors of ACNL. During 2019, an updated managing agency agreement was agreed between AUL and ACNL which will be effective for the 2020 year of account onwards. The basis of remuneration will change to be based on 1% of managed capacity, with no provision for a profit commission.

3 Segmental information

All premiums are underwritten in the United Kingdom by Syndicate 1414 at Lloyd's.

Analysis of gross premium written, gross premium earned, gross claims incurred, gross operating expenses and the reinsurance balance are shown below.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2019

Year ended 31 December 2019

	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Net technical result
			£'000s			
Direct						
Fire & Other Damage to Property	170,120	175,706	(48,719)	(51,732)	(65,670)	9,585
Marine, Aviation & Transport	137,483	139,772	(68,637)	(43,862)	(13,920)	13,353
Third-Party Liability	62,307	54,535	(36,056)	(18,067)	(4,775)	(4,363)
Accident & Health	28,631	29,692	(17,872)	(16,091)	1,939	(2,332)
Energy	27,863	28,460	(9,873)	(8,766)	(8,314)	1,507
Pecuniary loss	20,054	15,474	(1,798)	(7,443)	(2,115)	4,118
Motor (other)	-	-	4,158	-	(896)	3,262
Other	2,187	1,793	(665)	(402)	(38)	688
Total Direct	**448,645**	**445,432**	**(179,462)**	**(146,363)**	**(93,789)**	**25,818**
Reinsurance Acceptances	240,786	234,428	(65,996)	(56,208)	(124,241)	(12,017)
Total	**689,431**	**679,860**	**(245,458)**	**(202,571)**	**(218,030)**	**13,801**

Year ended 31 December 2018

	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Net technical result
			£'000s			
Direct						
Fire & Other Damage to Property	176,493	186,959	(89,252)	(63,247)	(19,407)	15,053
Marine, Aviation Transport	140,633	139,689	(76,916)	(49,183)	(4,599)	8,991
Third-Party Liability	53,980	52,501	(33,573)	(17,660)	(3,899)	(2,631)
Accident & Health	32,117	26,722	(15,449)	(15,592)	936	(3,383)
Energy	27,349	26,827	(2,396)	(10,258)	(13,574)	599
Pecuniary loss	21,886	15,020	517	(6,697)	(3,027)	5,813
Motor (other)	-	-	1,975	-	659	2,634
Other	1,222	1,083	(44)	(254)	(170)	615
Total Direct	453,680	448,801	(215,138)	(162,891)	(43,080)	27,691
Reinsurance Acceptances	226,037	224,394	(276,528)	(52,056)	112,371	8,181
Total	679,717	673,195	(491,666)	(214,947)	69,291	35,872

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2019

(a) Gross operating expenses have been allocated to class groups in proportion to their respective gross premium income. The difference between the gross operating expenses in note 4 and that on the Statement of Comprehensive Income relates to reinsurance commissions and profit participations, as detailed in note 6.
(b) The reinsurance balance comprises outward reinsurance premiums payable less reinsurance recoveries receivable less ceded commissions receivable.
(c) Brokerage and commission is deducted from gross premiums received by the Syndicate on normal commercial terms.
(d) The above segmental analysis is based on a mapping from Syndicate 1414's own business classes to the required Prudential Regulatory Authority classes.

Geographical analysis by origin

For the purposes of segmental reporting under FRS 102 and FRS 103, the Lloyd's insurance market has been treated as one geographical segment. All premium business is concluded in the United Kingdom. For the purposes of the table below, premium income has been categorised by the office location of where the associated negotiations took place.

Geographical analysis by underwriting location

	2019 **£'000**	2018 £'000
United Kingdom	603,704	582,384
United States of America	43,166	45,086
Bermuda	33,009	24,276
China	4,311	12,126
Singapore	5,241	15,845
Total gross written premium	**689,431**	679,717

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2019

4 Risk management

a. Overview

The Ascot risk management programme is made up of three key elements which all contribute to managing the risks faced:

i. *Risk governance – the control and management of risk and capital management*
ii. *Risk appetite – the measurement of risk taken*
iii. *Risk register – details of the risks, controls, responsibilities and reporting*

Syndicate 1414 is managed by AUL and considers the business plan proposed and the risk and control environment as managed by AUL.

The ultimate governance of risk management and capital management for Syndicate 1414 is with the AUL Board of Directors. All aspects of the risk management framework have been approved by the Board of Directors. Details of the governance of risk management are described more fully below but the key committee in the daily management of risk is the Risk Committee, which reports to the AUL Board and whose terms of reference include both risk management and capital modelling.

Our approach is that every member of staff contributes to the overall risk management of the company; this is stressed to new joiners during their induction program. The business is controlled by the diligence of staff in their day to day activities, with the overlay of monitoring reports and committees contributing to the management of risk. The risk management function is responsible for sitting above these business processes and ensuring that there are no gaps between the level of control expected by the Board (as defined in the risk appetite) and the actual controls in place. We have created a positive risk management culture at Ascot, whereby all staff members understand their roles and the importance to the success of the business in carrying out those roles. Furthermore, this culture allows individuals to raise issues or areas where they believe improvements could be made with more senior members of staff and thus all areas of the business are constantly looking at ways to self-improve and better align actual practices with risk appetite.

The following areas of risk are those that have an impact on or a potential impact on the financial assets and liabilities of the Company. Areas such as operational and group risk are not discussed further under this section.

b. Insurance risk

Insurance risk for general insurance refers to the risk arising from uncertainty in the likelihood, magnitude and timing of insured losses, the risk of inadequate pricing and the risk of insufficient claims provisions. Some specific examples of insurance risk include the unexpected occurrence of multiple claims arising from a single cause (such as the "9-11" terrorism attack, and the global financial/economic crisis of 2008), and the potential for expense overruns relative to pricing or the nature of the underlying exposure giving rise to claims not foreseen at point of underwriting.

The key components of Insurance risk for Ascot are:

- Underwriting risk (including underwriting cycle, gross losses, pricing)
  The risk arising from uncertainties about the ultimate amount of net cash flows from premiums, commissions, claims and claims settlement expenses paid under a contract (prospective in nature).

- Claims management
  The risk arising from the uncertainties associated with the quantum and timing of claims that will be paid out on policies underwritten.

- Catastrophes & aggregation and reinsurance risk
  The risk arising from concentration of exposures by industry, geography, line of business, a single insured or single insured event, and, in particular:
  - Risk arising from concentration of exposures exposed to catastrophe perils;
  - Clash risk, or risks arising from exposures in which multiple insureds suffer losses from the same occurrence, or the same cause of loss, such as a wild fire, a train crash, or a batch of component parts.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2019

- Reserving risk
  The risk that the estimation of future claims payments in respect of earned premium is insufficient.

Ascot has a number of policies in place for identifying the various elements of insurance risk and mitigating the potential downside from these risks. These include:

- The classes and characteristics of insurance business that Ascot is prepared to accept;
- The underwriting (including catastrophe underwriting) criteria that Ascot applies, including how these can influence its rating and pricing decisions;
- Ascot's approach to limiting significant aggregations of Insurance risk, including aggregation from concentration of catastrophe perils, for example, by setting aggregate limits and/or loss assessment that can be underwritten firm-wide, in each region, in each country, by line of business, or for one insured for Ascot's in-force portfolio;
- Ascot's approach to monitor overall aggregate risk profile at the firm-wide level, by region, by country, by profit centre, and by entity on a regular basis; and its procedures of reporting material changes in current or prospective aggregate risk to the Executive committee and Board;
- Ascot's approach to managing its expense levels, including acquisition costs, recurring costs, and one-off costs, taking account of the margins available in both the prices for products and in the technical provisions in the balance sheet;
- Ascot's approach to assessing the effectiveness of its risk transfer arrangements and managing the residual or transformed risks. For example, how it intends to handle disputes over contract wordings, and potential pay-out delays;
- A summary of the data and information to be collected and reported on underwriting, claims, and risk control (including internal accounting records), management reporting requirements, and external data for risk assessment purposes;
- The risk measurement and analysis techniques to be used for setting underwriting premiums, technical provisions in the balance sheet, and assessing capital requirements; and
- Ascot's approach to stress testing and scenario analysis of its exposures.

Ascot will identify, assess/measure, control, mitigate and monitor Insurance risk in line with the strategy and risk appetite set by the Board (and its relevant sub-committees).

During the business planning process, the Ascot Board of Directors agrees the Annual Business Plan or Syndicate Business Forecast (SBF) submission to Lloyd's. This plan will consider the performance of the portfolio, the external environment, proposed line sizes and reinsurance structure, the rating environment, and other factors.

On an ongoing basis, there are:

- Processes for identifying the underwriting risks associated with a particular policyholder or a group of policyholders. For example, processes for collecting information on the claims histories of insureds, including whether they have made any potentially false or inaccurate claims, to identify possible adverse selection or moral hazard problems;
- Processes for establishing underwriting and distribution procedures that must be followed by all classes of business and all types of distribution channels; these procedures should include details in respect of the information that must be gathered in order to assess the level of Insurance Risk that a particular contract brings to Ascot;
- Processes for identifying aggregations of risk that may give rise to a large catastrophic loss. Specific information can include, for example, risk address, locations value, construction, year built, occupancy, and number of stories. Policy information and reinsurance information must be gathered in order to assess the level of additional aggregate exposure and enable the calculation of marginal contribution to modelled loss assessment risk that a particular account or contract brings to Ascot.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2019

In addition, there are special committees/groups that are charged with responsibilities to identify special, catastrophe and emerging risks:

- The Ascot Exposure Management Committee ("EMC") is responsible for identifying catastrophe and liability risks, and developing methods for monitoring overall and class exposures to those risks and recommending appropriate limits to the Board.

- Ascot Underwriting Management Committee ("UMC") is responsible for identifying new types of risk that may alter the claims pattern for the Syndicate in the future.

The Syndicate's sensitivity to insurance risk can be demonstrated by analysing the impact of a swing in the gross and net loss ratios on the income statement: A 10% swing in the gross loss ratio would change the 2019 result by £68.0m (2018: £67.3m). A 10% swing in the net loss ratio would change the result by £38.0m (2018: £41.4m).

c. Credit risk

Credit risk is the risk of default of a counterparty or obligor including the risk of default under mitigating contracts like reinsurance, financial instruments, guarantees and premium payments from policyholders. It also includes the assessment and management of the aggregation or concentration of credit risk, whether by counterparty, industry or rating. Two major risks associated with credit risk relate to 1) the inability or 2) unwillingness of a counterparty to perform its contractual obligations in a timely manner.

Credit risk: ability to pay

The Syndicate mitigates credit risk through the application of detailed counterparty credit assessments. The syndicate's maximum exposure to counterparty credit risk analysed by credit quality is detailed below:

As at 31 December 2019	AAA	AA	A	BBB	BB & Below	Unrated	Total
				£'000s			
Shares and other variable yield securities and unit trusts	5,534	8,202	10,786	-	-	1,404	**25,926**
Debt securities	199,642	70,084	185,703	2,505	-	-	**457,934**
Participation in investment pools	-	-	-	-	-	-	**-**
Overseas deposits	18,546	3,662	3,823	2,042	1,137	7,978	**37,188**
Reinsurers' share of technical provisions - claims outstanding	-	21,190	129,324	-	-	150,549	**301,063**
Reinsurance debtors	-	3,999	39,935	-	-	5,520	**49,454**
Cash at bank and in hand	-	216	21,397	-	-	-	**21,613**
Insurance debtors	-	-	-	-	-	48,011	**48,011**
Other debtors	-	-	-	-	-	314,300	**314,300**
Total credit risk	**223,722**	**107,353**	**390,968**	**4,547**	**1,137**	**527,762**	**1,255,489**

Within the unrated reinsurers' share of outstanding claims of £150.5m (2018: £218.0m), £145.5m relates to collateralised reinsurers (2018: £213.2m). Within the unrated reinsurance debtors of £5.5m (2018: £15.3m), £5.3m (2018: £15.3m) relates to collateralised reinsurers.

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for the year ended 31 December 2019

As at 31 December 2018	AAA	AA	A	BBB	BB & Below	Unrated	Total
				£'000s			
Shares and other variable yield securities and unit trusts	4,542	7,927	12,506	-	-	6,468	**31,443**
Debt securities	186,413	62,523	160,791	8,133	-	-	**417,860**
Participation in investment pools	-	671	292	-	-	-	**963**
Overseas deposits	17,131	3,416	2,887	2,102	897	7,867	**34,300**
Reinsurers' share of technical provisions - claims outstanding	-	43,001	171,082	-	-	217,988	**432,071**
Reinsurance debtors	-	2,255	19,261	-	-	15,310	**36,826**
Cash at bank and in hand	-	1,161	30,653	-	-	-	**31,814**
Insurance debtors	-	-	-	-	-	51,378	**51,378**
Other debtors *	-	-	-	-	-	316,658	**316,658**
Total credit risk	**208,086**	**120,954**	**397,472**	**10,235**	**897**	**615,669**	**1,353,313**

Credit risk: willingness to pay

Unwillingness to perform contractual requirements also gives rise to credit risk. The company seeks to mitigate risk from this source by:

- Working to ensure that contractual terms are fit for purpose and that full disclosure of relevant information is made, and
- Exerting significant contractual and other credit control measures in pursuit of premium and reinsurance recoveries due. Overdue insurance receivables (i.e. those greater than 60 days) were as follows:

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for the year ended 31 December 2019

At 31 December 2019	Not yet due	0-90 Days	91-180 Days	181-365 Days	366+ Days	Total
			£'000s			
Shares and other variable yield securities and unit trusts	25,926	-	-	-	-	**25,926**
Debt securities	457,934	-	-	-	-	**457,934**
Participation in investment pools	-	-	-	-	-	**-**
Overseas deposits	37,188	-	-	-	-	**37,188**
Reinsurer' share of claims outstanding	301,063	-	-	-	-	**301,063**
Reinsurance debtors	49,454	-	-	-	-	**49,454**
Cash at bank and in hand	21,613	-	-	-	-	**21,613**
Insurance debtors	44,061	2,783	236	375	556	**48,011**
Other debtors *	302,327	8,437	715	1,136	1,685	**314,300**
Total credit risk	**1,239,566**	**11,220**	**951**	**1,511**	**2,241**	**1,255,489**

At 31 December 2018	Not yet due	0-90 Days	91-180 Days	181-365 Days	366+ Days	Total
			£'000s			
Shares and other variable yield securities and unit trusts	31,443	-	-	-	-	31,443
Debt securities	417,860	-	-	-	-	417,860
Participation in investment pools	963	-	-	-	-	963
Overseas deposits	34,300	-	-	-	-	34,300
Reinsurer' share of claims outstanding	432,071	-	-	-	-	432,071
Reinsurance debtors	36,826	-	-	-	-	36,826
Cash at bank and in hand	31,814	-	-	-	-	31,814
Insurance debtors	48,596	1,759	213	459	351	51,378
Other debtors *	308,747	5,001	605	1,305	1,000	316,658
Total credit risk	1,342,620	6,760	818	1,764	1,351	1,353,313

*Other debtors comprise: Reinsurers' share of provision for unearned premiums; Other debtors; Accrued interest and rent; Deferred acquisition costs; Other prepayments and accrued income.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2019

d. Market Risk

Market risk is defined as the potential loss of value or earnings arising from changes in the market price of assets as a result of external market and economic factors including

i. Changes in the overall level of interest rates;
ii. Change in the shape of yield curve;
iii. Changes in the overall level of credit spreads;
iv. Changes in the shape of the credit spread curve; and
v. Exchange rate movements;

Market risk: interest rate risk

The majority of the Investment portfolio is made up of debt securities and other fixed income securities. An increase of 100 basis points in interest yields, with all other variables constant, would decrease the valuation of the Syndicate's investments by an estimated £10.5m (2018: £9.6m decrease) and the impact on the result would be a decrease of £10.5m (2018: £9.6m decrease). A comparable decrease in interest rates would increase the valuation and increase the result by an estimated £10.3m (2018: £9.6m).

Market risk: currency risk

Foreign exchange risk is the risk that the value of future cash flows in the business will fluctuate due to changes in foreign exchange rates.

The Syndicate maintains four separate currency funds: Sterling, Euros, United States dollars and Canadian dollars. The Syndicate seeks to ensure an approximate currency match of assets and liabilities, subject to regulatory funding requirements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2019

The carrying value of total assets and total liabilities categorised by currency is as follows.

At 31 December 2019	GBP	USD	EUR	CAD	AUD	OTH	Total
				£'000s			
Financial investments	8,640	420,987	12,888	41,345	-	-	**483,860**
Overseas deposits	3,713	6,643	-	10,355	11,335	5,142	**37,188**
Reinsurers' share of technical provisions	25,043	322,947	19,644	9,197	-	-	**376,831**
Insurance and reinsurance receivables	26,155	206,002	13,024	5,974	-	-	**251,155**
Cash and cash equivalents	2,131	3,549	15,114	5	-	814	**21,613**
Other assets	14,713	59,633	4,824	5,408	-	264	**84,842**
Total assets	**80,395**	**1,019,761**	**65,494**	**72,284**	**11,335**	**6,220**	**1,255,489**
Technical provisions	(85,880)	(816,482)	(60,151)	(39,156)	-	-	**(1,001,669)**
Insurance and reinsurance payables	(14,700)	(128,244)	(9,355)	(6,699)	-	(99)	**(159,097)**
Other creditors **	(1,935)	(14,392)	(2,090)	(614)	-	-	**(19,031)**
Total liabilities	**(102,515)**	**(959,118)**	**(71,596)**	**(46,469)**	**-**	**(99)**	**(1,179,797)**
Net assets/(liabilities)	**(22,120)**	**60,643**	**(6,102)**	**25,815**	**11,334**	**6,122**	**75,692**

At 31 December 2018	GBP	USD	EUR	CAD	AUD	OTH	Total
				£'000s			
Financial investments	2,999	397,187	9,027	41,053	-	-	450,266
Overseas deposits	4,071	7,227	-	9,498	9,268	4,236	34,300
Reinsurers' share of technical provisions	31,342	430,103	39,510	8,602	-	-	509,557
Insurance and reinsurance receivables	21,767	206,430	11,709	2,342	-	-	242,248
Cash at bank and in hand	7,038	5,582	18,616	5	-	573	31,814
Other assets	15,438	58,980	4,660	5,988	-	62	85,128
Total assets	82,655	1,105,509	83,522	67,488	9,268	4,871	1,353,313
Technical provisions	(111,933)	(925,734)	(90,994)	(37,798)	-	-	(1,166,459)
Insurance and reinsurance payables	(9,200)	(98,607)	(8,229)	(3,154)	-	(184)	(119,374)
Other creditors **	(3,416)	(14,643)	(1,591)	(556)	-	-	(20,206)
Total liabilities	(124,549)	(1,038,984)	(100,814)	(41,508)	-	(184)	(1,306,039)
Net assets/(liabilities)	(41,894)	66,525	(17,292)	25,980	9,268	4,687	47,274

If the Canadian dollar, Euro, US dollar, Australian dollar, South African rand and Singapore dollar were to weaken against sterling by 10%, with all other variables remaining constant, profit would be lower by an estimated £9.1m (2018: lower by £7.8m). Net assets would be reduced by £8.9m (2018: reduced by £8.1m).

**Other creditors comprise: Amounts owed to related companies and Accruals and deferred income.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2019

e. *Liquidity Risk*

Liquidity risk is the risk that Ascot is forced to sell assets at a potentially disadvantageous price in order to meet outgoing cash flow and collateral requirements. To manage this risk, the Company's and the Syndicate's investments are fairly short-term to match the tail of the claims. The following tables show the undiscounted expected timing of future cash flows in the company.

At 31 December 2019	< 1 Year	1 – 2 Years	2 – 5 Years	> 5 Years	Total
			£'000s		
Other financial investments	140,982	103,407	211,552	27,919	483,860
Reinsurers' share of technical provisions - claims outstanding	80,727	101,313	99,721	19,302	301,063
Debtors arising out of direct insurance operations	48,011	-	-	-	48,011
Debtors arising out of reinsurance operations	158,507	44,637	-	-	203,144
Cash at bank and in hand	21,613	-	-	-	21,613
Overseas deposits	37,188	-	-	-	37,188
Assets analysed	**487,028**	**249,357**	**311,273**	**47,221**	**1,094,879**
Claims outstanding	280,042	173,580	201,155	80,779	735,556
Creditors arising out of direct insurance operations	6,951	-	-	-	6,951
Creditors arising out of reinsurance operations	50,837	101,308	-	-	152,145
Liabilities analysed	**337,830**	**274,888**	**201,155**	**80,779**	**894,652**
Net assets analysed	**149,198**	**(25,531)**	**110,118**	**(33,558)**	**200,227**

At 31 December 2018	< 1 Year	1 – 2 Years	2 – 5 Years	> 5 Years	Total
			£'000s		
Other financial investments	102,293	92,585	235,813	19,575	450,266
Reinsurers' share of technical provisions - claims outstanding	165,211	109,204	139,970	17,686	432,071
Debtors arising out of direct insurance operations	51,378	-	-	-	51,378
Debtors arising out of reinsurance operations	177,771	13,099	-	-	190,870
Cash at bank and in hand	31,814	-	-	-	31,814
Overseas deposits	34,300	-	-	-	34,300
Assets analysed	562,767	214,888	375,783	37,261	1,190,699
Claims outstanding	379,540	220,731	231,403	70,891	902,565
Creditors arising out of direct insurance operations	16,440	-	-	-	16,440
Creditors arising out of reinsurance operations	102,934	-	-	-	102,934
Liabilities analysed	498,914	220,731	231,403	70,891	1,021,939
Net assets analysed	63,853	(5,843)	144,380	(33,630)	168,760

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2019

f. Environmental, Social and Governance; Diversity and Inclusion; Climate change and Transitions Risks

These risks have been considered at the Risk Committee, Executive Committee and the Board in order to assess the impact to Ascot as broadly as possible and to identify opportunities for improvement and mitigating actions. In addition to Catastrophe Realistic Disaster scenarios and an emerging risk framework, the risk management team have presented papers covering on Principles for Responsible Investment, rating agency implications, UN Global Sustainable Development Goals (SDG), the protection gap and the impact of the “2 degree world” on Ascot. Examples of actions that have resulted include improving ways of acting more responsibly within our business, such as ethical procurement practices; identifying new products to support areas of society that are exposed to climate risk; and enabling modern working practices.

5 Claims development tables

The development of insurance liabilities provides a measure of the Syndicate’s ability to estimate the earned value of claims. The tables below illustrate how the Syndicate’s estimate of earned gross and net claims for each underwriting year has changed at successive year-ends. The tables reconcile the cumulative gross and net claims to the amounts appearing in the balance sheet.

Pure underwriting year	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Estimate of gross claims						**£’000s**				
At end of reporting year	222,312	271,020	120,908	142,177	126,943	144,721	475,347	299,288	121,145	1,923,861
One year later	358,205	315,953	222,701	278,398	251,932	304,448	651,016	460,747	-	2,843,400
Two years later	385,963	332,072	233,936	292,802	274,782	316,084	645,715	-	-	2,481,354
Three years later	403,360	327,576	221,731	286,330	266,693	305,394	-	-	-	1,811,084
Four years later	381,474	325,062	216,418	312,330	272,815	-	-	-	-	1,508,099
Five years later	381,605	323,342	214,922	301,906	-	-	-	-	-	1,221,776
Six years later	381,406	320,286	208,246	-	-	-	-	-	-	910,478
Seven years later	379,141	311,089	-	-	-	-	-	-	-	690,230
Eight years later	375,590	-	-	-	-	-	-	-	-	375,590
At 31 December 2019	375,590	311,089	208,246	301,906	272,815	305,394	645,715	460,747	121,145	3,002,647
Less: Gross claims paid	(371,924)	(303,738)	(200,767)	(281,245)	(226,392)	(239,817	(403,204)	(201,789)	(23,486)	(2,279,362)
Gross claims reserves	**3,666**	**7,351**	**7,479**	**20,661**	**46,423**	**65,577**	**215,511**	**258,958**	**97,659**	**723,285**
Gross reserves 2010 & prior										12,271
Gross reserves in balance sheet										**735,556**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2019

Pure underwriting year	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Estimate of net claims						**£'000s**				
At end of reporting year	184,003	132,280	119,009	118,269	102,235	116,504	185,006	108,205	81,668	1,147,179
One year later	265,959	198,160	209,453	227,802	196,592	225,620	275,227	230,418	-	1,829,231
Two years later	260,058	193,518	215,668	229,932	208,221	234,182	277,582	-	-	1,619,161
Three years later	261,031	189,191	204,171	226,758	203,031	229,891	-	-	-	1,314,073
Four years later	250,263	185,098	199,045	232,098	206,558	-	-	-	-	1,073,062
Five years later	248,750	183,933	195,714	226,729	-	-	-	-	-	855,126
Six years later	249,434	182,842	192,224	-	-	-	-	-	-	624,500
Seven years later	246,857	179,555	-	-	-	-	-	-	-	426,412
Eight years later	245,748	-	-	-	-	-	-	-	-	245,748
At 31 December 2019	245,748	179,555	192,224	226,729	206,558	229,891	277,582	230,418	81,668	1,870,373
Less: Net claims paid	(242,173)	(174,526)	(185,498)	(208,855)	(167,472)	(179,989)	(150,423)	(123,885)	(12,844)	(1,445,665)
Net claims reserves	**3,575**	**5,029**	**6,726**	**17,874**	**39,086**	**49,902**	**127,159**	**106,533**	**68,824**	**424,708**

Net reserves 2010 & prior	9,785
Net reserves in balance sheet	**434,493**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2019

6 Net operating expenses

	2019 £'000	2018 £'000
Technical account:		
Acquisition costs	143,688	148,466
Change in deferred acquisition costs	1,425	8,708
	145,113	157,174
Administrative expenses	30,912	27,191
Reinsurance commissions and profit participations	(32,690)	(31,354)
Other acquisition costs	15,799	18,416
Other Lloyd's personal expenses	10,747	12,166
Total net operating expenses	**169,881**	183,593

Administration expenses include:	**2019 £'000**	2018 £'000
Auditor's remuneration		
-fees payable to the Syndicate's auditors for the audit of the Syndicate annual Financial Statements	239	225
-fees payable to the Syndicate's auditors for the audit of Regulatory Reporting	103	97
-fees payable to the Syndicate's auditors for MIBI and MIICF	4	4

Of the total acquisition costs of £143.7m (2018: £148.5m) shown above, £105.7m relates to direct business (2018: £116.2m).

Under the current agency agreement, AUL charges profit commission to Ascot Corporate Name Limited based on the performance of the Syndicate. Syndicate 1414 does not pay any profit commission to AUL.

Group administrative expenses are initially incurred and paid by Ascot Underwriting Holdings Limited which then recharges the Syndicate its share of group expenses.

7 Investment Income

	2019 £'000	2018 £'000
Income from financial instruments designated as at fair value through Statement of Comprehensive Income	10,516	8,950
Interest on cash at bank	933	725
Gains on the realisation of investments	2,567	139
Net investment income	**14,016**	9,814

Investment income of £2.8m (2018: £1.7m) arising from Funds in Syndicate has been included in the above amounts. The investment income arising from Funds in Syndicate have not been transferred to the technical account.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2019

8 Staff costs

All staff are employed and paid by Ascot Underwriting Holdings Limited. The following amounts were recharged to the Syndicate in respect of salary costs:

	2019	2018
	£'000	£'000
Salaries and related costs	16,779	16,218
Social security costs	1,854	1,736
Other pension costs	1,087	1,044
	19,720	18,998

The average number of employees of the Managing Agent who work for the Syndicate (including executive directors of the Managing Agent) during the year was as follows:

	2019	2018
	No.	No.
Underwriting	63	65
Operations, Administration and IT	51	41
Claims	10	9
Executive management	6	7
Finance	14	12
Corporate	4	5
Risk management	26	19
Compliance	19	18
	193	**176**

9 Emoluments of the directors of Ascot Underwriting Limited

The directors of AUL, including the active underwriter, received the following aggregate remuneration, of which £989k (2018: £2.8m) was charged to the Syndicate.

	2019	2018
	£'000	£'000
Directors' remuneration	**2,636**	3,870

The active underwriter, who was also the highest paid director, received the following remuneration:

	2019	2018
	£'000	£'000
Remuneration of active underwriter (highest paid director)	**472**	722

10 Movement in prior year's provision for claims outstanding

The profit on the technical account of £31.2m (2018: profit £38.9m) includes a run-off deficit of £18.5m for prior accident years (2018: £44.0m surplus). This included a deficit of £22.8m for reinsurance acceptance business and a surplus of £4.3m on direct business (2018: surplus of £17.3m for reinsurance acceptance business and a surplus of £26.7m on direct business).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2019

11 Other financial investments

Total investments of the Syndicate, amounting to £483.9m (2018: £450.3m), are held under the terms of Lloyd's Premium Trust Deeds. Under the terms of the deeds these assets are held as security for obligations to policyholders and amounts may only be released under certain limited circumstances. £91.6m (2018: £95.7m) of the market value of the investments relates to Funds in Syndicate used by Ascot Corporate Name Limited to meet its Funds at Lloyd's requirements (see Note 19). Other investments comprise asset-backed securities.

Investments, all of which are listed apart from US Treasuries with market value £105m (2018: £90.4m) and included within Debt securities and other fixed income securities are analysed below:

	2019 £'000	2018 £'000
Market value		
Shares and other variable-yield securities and units in unit trusts	25,926	31,443
Debt securities and other fixed-income securities:		
Held at fair value through profit or loss	457,934	417,860
Participation in investment pools	-	963
	483,860	450,266
Cost		
Shares and other variable-yield securities and units in unit trusts	25,926	31,443
Debt securities and other fixed-income securities		
Held at fair value through profit or loss	453,990	422,713
Participation in investment pools	-	963
	479,916	455,119

For financial instruments held at fair value in the balance sheet, an analysis for each class of financial instrument is shown in the table below of the level in the fair value hierarchy into which the fair value measurements are categorised. The levels are defined as follows:

Level 1
The fair value based on the unadjusted quoted price in an active market for an identical asset.

Level 2
The fair value based on inputs other than quoted prices included within Level 1 that are developed using market data for the asset, either directly or indirectly.

Level 3
The fair value based on a valuation technique when market data is unavailable for the asset.

In 2019, Lloyd's of London introduced Syndicate loans to the Lloyd's central fund. The proceeds from these loans is to be used to strengthen Lloyd's central resources and facilitate the injection of capital into Lloyd's Brussels. The loan is calculated as a percentage of the Syndicates premium income for a given calendar year and transacted in Sterling. The loan made for 2019 is for a minimum of five years and pay's interest on an annual basis.

The central fund loan is reported within shares and other variable-yield securities and classed as a Level 3 asset.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2019

As at 31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Sub-total fair value**	**Assets held at amortised cost**	**Total**
				£'000s		
Shares and other variable yield securities and units in unit trusts	**23,785**	**-**	**2,141**	**25,926**	-	**25,926**
Debt securities and other fixed income securities	**66,851**	**391,083**	**-**	**457,934**	-	**457,934**
Participation in investment pools	**-**	**-**	**-**	**-**	-	**-**
Overseas deposits	**11,336**	**25,852**	**-**	**37,188**	-	**37,188**
Total	**101,972**	**416,935**	**2,141**	**521,048**	**-**	**521,048**

As at 31 December 2018	Level 1	Level 2	Level 3	Sub-total fair value	Assets held at amortised cost	Total
				£'000s		
Shares and other variable yield securities and units in unit trusts	31,443	-	-	31,443	-	**31,443**
Debt securities and other fixed income securities	90,442	327,418	-	417,860	-	**417,860**
Participation in investment pools	963	-	-	963	-	**963**
Overseas deposits	12,121	22,179	-	34,300	-	**34,300**
Total	**134,969**	**349,597**	**-**	**484,566**	**-**	**484,566**

12 Debtors

The debtors arising out of direct insurance operations are all due from insurance intermediaries.

The debtors due after more than one year are a combination off reinstatement premiums due on gross outstanding claims on the treaty class of business and reinsurance accruals on the syndicate quota share with Ascot Bermuda Limited.

	2019 £'000	2018 £'000
Amounts due within one year:		
Debtors arising out of direct insurance operations	48,011	51,378
Debtors arising out of reinsurance operations	158,507	177,771
Amount due from related companies	3,739	123
Other debtors	17,852	20,577
Amounts due after more than one year:		
Debtors arising out of reinsurance operations	44,637	13,099
Total debtors due	**272,746**	262,948

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2019

13 Cash at bank and in hand

	2019 £'000	2018 £'000
Syndicate funds Syndicate premium trust funds	**21,613**	31,814

The above amounts relate to the underwriting activities of Syndicate 1414 and are held under the terms of Lloyd's Premium Trust Deeds in Premium Trust Funds (see note 11).

14 Creditors

	2019 £'000	2018 £'000
Amounts due within one year:		
Creditors arising out of direct insurance operations	6,951	16,440
Creditors arising out of reinsurance operations	50,837	102,934
Amounts owed to related companies	1,207	3,160
Amounts due after more than one year:		
Creditors arising out of reinsurance operations	101,308	-
	160,303	122,534

15 Reconciliation of profit to net cash inflow from operating activities

	2019 £'000	2018 £'000
Profit for the period	31,713	43,869
(Decrease)/Increase in gross technical provisions	(127,276)	33,193
Decrease/(Increase) in reinsurers' share of gross technical provisions	116,338	(148,152)
(Increase) in debtors	(19,150)	(19,997)
Increase in creditors	43,037	78,469
Movement in other assets/liabilities	(3,419)	2,097
Removal of investment return	(21,516)	(4,104)
Other – FX on opening balances	3,822	2,310
Net cash generated from operating activities	**23,549**	(12,315)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2019

16 Movement in opening and closing portfolio investments net of financing

	2019 £'000	2018 £'000
Net cash (outflow)/inflow for the year	(9,179)	15,990
Cash flow arising from movement in:		
Overseas deposits	3,991	(2,131)
Portfolio investments	48,075	41,191
Movement arising from cash flows	**42,887**	**55,050**
Changes in market value and exchange rates	(16,606)	28,455
Total movement in portfolio investments	**26,281**	**83,505**
Total portfolio at 1 January	**516,380**	**432,875**
Total portfolio at 31 December	**542,661**	516,380

17 Movements in cash, portfolio investments and financing

	At 1 January 2019	**Cash Flow**	**Changes to market value & currencies**	**At 31 December 2019**
		£'000s		
Cash at bank	31,814	(9,179)	(1,022)	21,613
Overseas deposits	34,300	3,991	(1,103)	37,188
Portfolio investments:				
Shares and other variable-yield securities and units in unit trusts	31,443	(4,506)	(1,011)	25,926
Debt securities and other fixed-income securities	417,860	53,513	(13,439)	457,934
Participation in investment pools	963	(932)	(31)	-
Total portfolio investments	**450,266**	**48,075**	**(14,481)**	**483,860**
Total cash, portfolio investments and financing	**516,380**	**42,887**	**(16,606)**	**542,661**

18 Net cash outflow on portfolio investments

	2019 £'000	2018 £'000
Sale of shares and other variable yield securities	5,890	65,665
Purchase of shares and other variable yield securities	(19,672)	(3,000)
Sale of debt securities and other fixed income securities	358,567	82,997
Purchase of debt securities and other fixed income securities	(393,792)	(216,395)
Sale of participation in investment pools	932	832
Purchase of other investments	-	28,710
Net cash outflow on portfolio investments	**(48,075)**	(41,191)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2019

19 Funds at Lloyd's

The Syndicate's corporate members, ACNL and AECM, are required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's ("FAL"). These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities and can therefore be considered as the capital supporting the operations of the syndicate. The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on Prudential Regulatory Authority requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and assessment of the reserving risk in respect of business that has been underwritten.

At the balance sheet date, ACNL has met its Funds at Lloyd's requirement to support its underwriting capacity by way of cash and securities to the value of $359.3m (£274.0m), Funds in Syndicate (FIS) to the value of $120.0m (£91.5m) and a Letter of Credit to the value of US$250.0m (£190.7m) (2018: Cash and securities to the value of $337.5m (£265.9m), FIS to the value of $121.5m (£95.7m) and a Letter of Credit to the value of US$250.0m (£197.0m). At the balance sheet date, AECM has met its Funds at Lloyd's requirement to support its underwriting capacity by way of cash deposits to the value of £1.0m (2018: £1.2m). The managing agent is able to make a call on the member's FAL to meet liquidity requirements or to settle losses. The managing agent believes that in the light of these capital arrangements it is appropriate to prepare the financial statements on a going concern basis.

20 Movements in insurance liabilities and reinsurance assets

		2019			2018	
	Gross £'000	**RI £'000**	**Net £'000**	Gross £'000	RI £'000	Net £'000
At 1 January						
Unearned premium net of deferred acquisition costs	202,136	(77,486)	124,650	187,272	(39,801)	147,471
Notified claims	501,719	(227,619)	274,100	453,820	(153,973)	299,847
Incurred but not reported	400,846	(204,452)	196,394	368,455	(145,340)	223,115
Total at 1 January	**1,104,701**	**(509,557)**	**595,144**	1,009,547	(339,114)	670,433
Cash paid for claims settled in year	(388,908)	170,511	(218,397)	(450,953)	182,110	(268,843)
Movement in provisions in year	245,458	(49,142)	196,316	491,666	(297,428)	194,238
Unearned premium net of deferred acquisition costs	4,050	1,718	5,768	14,864	(37,685)	(22,821)
Net exchange differences	(23,559)	9,639	(13,920)	39,577	(17,440)	22,137
Total at 31 December	**941,742**	**(376,831)**	**564,911**	1,104,701	(509,557)	595,144
Unearned premium net of deferred acquisition costs	206,186	(75,768)	130,418	202,136	(77,486)	124,650
Notified claims	457,433	(174,500)	282,933	501,719	(227,619)	274,100
Incurred but not reported	278,123	(126,563)	151,560	400,846	(204,452)	196,394
Total at 31 December	**941,742**	**(376,831)**	**564,911**	1,104,701	(509,557)	595,144

21 Related parties

The only related parties that have transacted with Syndicate 1414 are companies within the Ascot group of companies. All transactions were undertaken at arm's length under standard commercial terms that would be applied to any third party.

Ascot Underwriting Limited charged a managing agency fee of £6,305,608 to the Syndicate for 2019 (2018: £6,659,300). The agency fee charged to the Syndicate is calculated at the beginning of the year and is based on budgeted expenditure for the year plus 5% (2018: budgeted expenditure for the year plus 5%). At 31 December 2019 the amount due from Ascot Underwriting Limited was £68,597 (2018: £nil).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2019

Ascot Insurance Services Limited charged a service fee of £23,703 to the Syndicate for 2019 (2018: £23,379); the fee is equal to the actual expenses relating to the introduction of business to Syndicate 1414, plus a mark-up of 10%. At 31 December 2019 the insurance balance owed by Ascot Insurance Services Limited to Syndicate 1414 was £1,948,434 (2018: £5,186,686), and the non-insurance balance owed to AIS was £4,218 (2018: £nil). The insurance balances owed by Ethos Speciality Insurance Services LLC was £4,208,247 (2018: £1,220,514).

Expenses totalling £32,688,660 (2018: £31,653,874) were recharged from Ascot Underwriting Holdings Limited (“AUH”) to the Syndicate. At 31 December 2019 the amount due from AUH was £997,453 (2018: £1,653,638 due to). There were no bad debt provisions included within these balances.

AUA and AUI each charge an agency fee to Syndicate 1414 for managing its affairs in Singapore and USA respectively; this fee is equal to the company’s total actual costs plus a mark-up of 10% and amounted to S$2,953,981 (2018: S$3,044,295) for AUA and US$5,661,690 (2018: US$8,314,479) for AUI. At 31 December 2019 the amount due from AUA was S$374,127 (2018: S$46,726) and the amount due to AUI was US$1,577,058 (2018: US$nil).

Ascot Underwriting (Bermuda) Limited (“AUB”) charged a managing agency fee of US$2,477,464 to the Syndicate for 2019 (2018: US$3,170,259); the fee is equal to actual expenses incurred by the Healthcare business, plus a mark-up of 5%. At 31 December 2019 the amount due to AUB was US$4 (2018: US$1,911,144).

For the 2019 underwriting year, a 20% quota-share reinsurance agreement is in place with ABL. The amount ceded to ABL in 2019 was US$5,207,785 (2018: US$3,905,501), and amount payable at the balance sheet date was US$1,302,284 (2018: US$3,905,501 receivable). In addition, the Company has a specific quota share over XL polices, ceding to ABL which has a payable of US$10,237,053 (2018: US$1,417,978) at the balance sheet date. ABL is a related party within the wider Ascot Group of companies, and has provided the cash and securities element of ACNL’s Funds at Lloyd’s for 2019 of US$1,718,272 and US$357,549,279 respectively (2018: US$3,840,807 and US$333,622,260).

22 Ultimate parent undertaking of Managing Agent and Corporate Member

The immediate parent undertaking of the Corporate Member is Ascot Underwriting Group Limited. Copies of the Ascot Underwriting Group Limited financial statements can be obtained from 20 Fenchurch Street, London, EC3M 3BY.

The immediate parent undertaking of the Managing Agent is Ascot Underwriting Holdings Limited. Copies of Ascot Underwriting Holdings Limited financial statements can be obtained from Ascot Underwriting Holdings Limited, 20 Fenchurch Street, London, EC3M 3BY.

The intermediate parent undertaking and smallest group to consolidate these financial statements is with Ascot Bermuda Limited (formerly “Ascot Reinsurance Company Limited, name changed with effect from 20 December 2019). Copies of the Ascot Bermuda Limited consolidated financial statements can be obtained from Victoria Place, 5th Floor, 31 Victoria Street, Hamilton, HM10,Bermuda

The ultimate parent undertaking and controlling party is Canada Pension Plan Investment Board, incorporated in Canada with a registered address of: 1 Queen Street East, Suite 2500, Toronto ON M5C 2W5, Canada.