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SYNDICATE 1969

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2019

Syndicate 1969

Key performance indicators

Annual basis	2019 \$'m	2018 \$'m	Change
Gross premium written	522.2	416.2	25%
Net premium written	274.2	250.2	10%
Net premium earned	265.6	242.5	9%
Profit/(Loss) for the financial year	4.3	(57.7)	
Claims ratio	67%	89%	(22)%
Expense ratio	35%	36%	(1)%
Combined ratio	102%	125%	(23)%

Underwriting year basis	2017	2016	2015	2014	2013	2012	2011
(Loss)/Profit on capacity	(26.4)%	(30.7)%	4.6%	7.4%	0.4%	9.1%	(0.7)%

The forecast range for the 2018 year of account result is from a profit of 2% to a loss of 8%.

Highlights:

- Apollo's remediation efforts have yielded significant results, strengthening the syndicate portfolio and materially improving the resilience of the business. The combined ratio for Syndicate 1969 improved by 23 points and further positive movement is projected for 2020;
- Natural catastrophes did not contribute significantly to the 2019 result as a careful risk selection strategy benefitted the syndicate overall;
- Positive pricing momentum in 2020 across a range of classes presents significant opportunities for the syndicate;
- The syndicate's underwriters will continue to carefully select risks and grow premiums where opportunities arise in the hardening market;
- Apollo continues to strengthen actuarial and analytical capabilities to support the underwriting team.

"We are pleased the remediation efforts we have put into the syndicate have yielded results, returning the syndicate to profitability after a challenging period of catastrophic events. Syndicate 1969 is poised to take advantage of the improving market conditions and we continue to invest in our actuarial and analytical capabilities to strengthen our talented underwriters' hand as they capitalise on the opportunities in the hardening market. We therefore look forward to working with our capital partners, insureds, reinsurers and brokers as we head into an opportunity-filled 2020."

David Ibeson

Syndicate 1969

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Syndicate 1969

Directors and administration

Managing agent

Apollo Syndicate Management Limited

Registered office

One Bishopsgate

London, EC2N 3AQ

Company registration number

09181578

Company secretary

AJ Gray

Directors

JM Cusack (Non-Executive Chairman)

J Schäfermeier (Non-Executive Director) (Appointed 29 August 2019)

MEL Goddard (Non-Executive Director)

MP Hudson (Non-Executive Director)

AP Hulse (Non-Executive Director)

DCB Ibeson

NJ Burkinshaw (Appointed 8 July 2019)

JD MacDiarmid

VVV Mistry (Appointed 1 November 2019)

SAC White

Active Underwriter

NG Jones

Bankers

Citibank

Natwest

Royal Bank of Canada

Registered Auditor

Deloitte LLP

Statutory Auditor

London, United Kingdom

Syndicate 1969

Active Underwriter's report

The syndicate achieved strong premium growth in 2019 of 25% to \$522.2m (2018: \$416.2m), with the most significant growth areas being ibott ("Insuring Businesses of Tomorrow, Today") Rover (\$92.5m) and Property Treaty (\$9.1m). These two classes are supported by Special Purpose Arrangement ("SPA") syndicates 1971 and 6133, respectively. The underlying growth for other business was \$4.4m, having taken a significant number of remedial underwriting actions over the last 18 months, strengthening the Apollo portfolio and materially improving the resilience of the business.

The syndicate made a profit of \$4.3m for the calendar year with an improved combined ratio of 102% (2018: 125%).

We saw positive pricing momentum across most of our classes of business this year, which we anticipate will continue in 2020. Rate increases across the syndicate averaged 9.4% in 2019, following increases of 5.9% in 2018. In 2019, we saw significant rate increases in Property D&F (18.5%), Non-Marine Liability (11.0%), Aviation (15.2%) and Marine Hull (29.0%).

2019 calendar year result

The result for the 2019 calendar year on an annual accounting basis is a profit of \$4.3m (2018: loss of \$57.7m) with a combined ratio of 102% (2018: 125%). The 2019 calendar year result aggregates the performance during the year of all open years of account (2017, 2018 and 2019) and movements from prior closed years.

The 2019 calendar year has not been affected by the same level of substantial catastrophe events as were seen in 2018 and 2017, with catastrophe losses in 2019 caused by a number of smaller and medium-sized events. The most heavily affected areas in 2019 were Japan, the Caribbean and North America.

While these are areas where the syndicate has a significant proportion of its exposure, natural catastrophe events have not contributed to a significant extent to the syndicate's overall result for the year. Hurricane Dorian affected the Property Direct and Facultative ("Property D&F"), Property Binders and Property Treaty classes, whilst Typhoons Faxai and Hagibis have further affected the Property Treaty class, 90% of which is ceded to SPA 6133. Following our withdrawal from Caribbean exposures as part of the remediation actions for the 2019 underwriting year, the Property D&F account did not suffer losses from the Bahamas. However, we incurred a small number of losses from the US mainland. The total net cost to Syndicate 1969 of Hurricane Dorian and Typhoons Faxai and Hagibis for the 2019 calendar year was \$5.2m, of which \$3.0m was from Property D&F and Property Binders for Hurricane Dorian. The remaining \$2.2m was for the three events from the 10% net retained share of the Property Treaty class. This compares to \$21.7m of natural catastrophe losses to the syndicate for the 2018 calendar year. The losses arising from the Australian bushfires are not expected to be significant for the syndicate. The earned result for the 2019 year of account in the calendar year was a profit of \$3.1m.

Our estimates for the 2018 catastrophe events have remained stable over the 2019 calendar year.

The calendar year result was also impacted by adverse incurred claims development on prior accident years in the Non-Marine Liability class. The 2018 year of account has experienced further adverse loss experience in the US Open market sub-class from a number of individual large losses. We have seen an increase in the frequency of claims and a higher percentage of insureds making claims. We have exited from segments that we perceive to be most highly exposed, such as pharmaceuticals and chemicals. The overall earned result for the 2018 and prior years of account in the calendar year was a profit of \$1.2m.

In spite of the adverse movements of the Non-Marine Liability reserves, the 2017 to 2019 underwriting years of account are all forecast to be profitable for this class.

Syndicate 1969

Active Underwriter's report

2017 closed year result

We are now closing the 2017 year of account at a loss of 26.4% on stamp capacity of \$277.5m (£209.1m). This comprises losses of \$69.8m on the 2017 pure year of account and \$3.4m on the closed 2016 and prior years of account.

In 2017, the syndicate underwrote ten classes of business, including Property D&F and Property Binders, which both incurred significant losses from the natural catastrophe events that occurred in 2017, namely Hurricanes Harvey, Irma and Maria and the two earthquakes in Mexico. The Property D&F class was further impacted by under-performing risks in the habitation class that had higher than expected levels of attritional claims.

The US and International Open Market sub-classes of the Non-Marine Liability account were adversely affected by a number of individual large losses. The class is still profitable for the 2017 pure year of account, although this performance was diluted by adverse development on the 2016 and prior years of account during the current period.

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

The performance of the Marine Hull class and the Specie & Cargo class in this year of account were marginal, given their limited size. All other classes of business in the 2017 year of account contributed positively to the overall 2017 pure year result. Further commentary on the business is provided in the Managing Agent's report to these annual accounts and in the Managing Agent's report to the underwriting year accounts.

We are disappointed with the 2017 closed year result, and have taken extensive remedial actions in the 2018 and 2019 underwriting years to address the areas of past underperformance.

Business Review

2019 portfolio

Following the 11.1% pre-emption approved by Lloyd's, the syndicate stamp was increased to \$330.0m (£250.0m at the planning exchange rate of £1:\$1.32). The Property Treaty class continued to develop in 2019. 90% of this class is ceded under a quota share reinsurance to Syndicate 6133. The stamp capacity for Syndicate 6133 was increased to \$66.0m (£50.0m) for the 2019 year of account, from \$45.5m (£35.0m) for the 2018 year of account. The ibott Rover class commenced in 2018. For 2019, 80% of the account is ceded to a new Syndicate 1971 under a quota share reinsurance agreement. Stamp capacity for Syndicate 1971 was \$171.6m (£130.0m) for the 2019 year of account, bringing a total stamp capacity for Apollo to \$567.6m (£430.0m).

The initial Lloyd's approved plan for 2019 was to write gross premium of \$660.0m (£500.0m), which equates to \$532.4m (£403.4m) net of commission. The plan was subsequently reduced to gross premium of \$582.2m (£441.1m) due to the uncertain timing of premium development from ibott Rover and the impact on income of remedial underwriting actions in the Non-Marine Liability class.

Our premium forecast is expected to fall short of the approved plan due to our disciplined underwriting culture which means that we only accept business which meets our criteria for pricing and exposure. We have been able to redeploy some of the income from classes which have fallen short of their approved plans to other classes of business where we have seen continued price improvements throughout 2019.

Our focus in the Property D&F class has been on US catastrophe-exposed business where rates are evidencing continued improvements. The remedial actions taken during 2018 and 2019 have resulted in the class being focused in the US, with limited Puerto Rican and international exposures and no Mexican exposures. The remediation plan has now been executed and we consider the actions taken should ensure a sustainable underwriting profit going

Syndicate 1969

Active Underwriter's report

forward assuming a normalised level of catastrophe losses. Across the year, the Property D&F class saw an 18.5% increase in rates following the loss experience of 2017 and 2018.

The Property Binder book gives the syndicate exposure to a spread of risks that cannot be accessed efficiently in the open market. Underwriting changes have been made within the portfolio to improve performance, including the non-renewal of California wildfire exposed accounts and other underperforming accounts. The class has achieved planned income and rating increases of over 6% in 2019 and we expect this will continue in 2020.

Our approach to assuming risk in the International Treaty account has continued to be highly disciplined and extremely selective, in light of a flat rating environment. The territorial scope remained unchanged, targeting regionally specific accounts in Canada, UK, Western Europe, South Africa, Japan (quake only), Australia and New Zealand. We do not expect any losses from Hurricane Dorian, Typhoon Faxai or Typhoon Hagibis.

The Non-Marine Liability portfolio has undergone significant change in 2019. We have implemented a strategy change to reduce volatility in the account. We have reduced line sizes and reduced attrition by non-renewing certain delegated underwriting authorities and primary US business (other than construction accounts). These actions include non-renewing all California based investor owned utility companies and all California vegetation management firms. We have also reduced our maximum deployable capacity, and put in place further strict underwriting selection procedures to improve our loss ratios going forward. Following a year of remediation, the initial income plan for 2019 for the class was reduced. We have seen momentum for rate rise increases in the US account as the year progressed, and positive rate changes in the International account, helped by reduced capacity in the market. Across the year, the class achieved overall rate increases of 11.0%, and we expect positive rate momentum will continue during 2020.

Apollo began underwriting auto liability sharing economy risks through the new ibott Rover class of business in the second half of 2018. Syndicate 1971 was established at the beginning of 2019 as the dedicated vehicle for these types of risks. Exposures are protected by quota share reinsurance. Apollo has seen significant premium growth in the class in 2019 compared to 2018, with growth through new business and organic growth of existing risks. As a new class, the timing and quantum of written premium income is more uncertain and we continue to be highly selective in the new opportunities that we have underwritten. We consider this is the correct approach, but it has resulted in a shortfall against plan. Notified claims experience in the calendar year has been negligible and within expectations. We, however, recognise that a range of outcomes are possible for the ultimate result for this class, and have therefore made a provision within claims that have been incurred at the reporting date but have not yet been reported ("IBNR") in the calendar year to allow for this reserving uncertainty. This provision is in excess of our best estimate for claims costs, which remains in line with our original business plan.

The aviation market in 2019 continues to move in a positive manner, following the improvements seen in the second half of 2018. A number of withdrawals from the class in 2018, together with a reduction in capacity under broker line slips, has resulted in a positive rating environment after many years of depressed conditions. This much needed upward momentum saw the class achieve overall rate increases of 15.2% in 2019 and, given the marginal results for the class over the past five years, it is encouraging that the short to medium term outlook is much more promising. We do not anticipate any significant changes to our target client base for 2020 – worldwide, with primary USA passenger liability exposure being kept to a minimum.

The specie market remains competitive, especially in the fine art and general specie segments. In jewellers' block, we are achieving rate increases of 5-10%. Our appetite for cash in transit business remains extremely low. Following remediation of the cargo account in 2018, the account was reduced to six clearly-defined segments for the 2019 plan with the objective of maintaining a small, well-defined and profitable core book. We are pleased that the loss experience of the account has improved and we are seeing opportunities for income growth as the market trading environment improves.

Syndicate 1969

Active Underwriter's report

The energy market continues to see marginal yet positive rate changes in 2019. The increases in activity in the oil and gas industry have resulted in increases in premium on most accounts as they renew. The account is primarily focused on the upstream sector and includes oil and gas lease operators/non-operators, drilling and construction contractors, and gas utilities. The 2019 income is within expectations due to the improving industry backdrop.

The Marine & Energy Liability class, written by the syndicate since 2015, is now showing signs of an improving rating environment ahead. Following on from modest improvements in 2018, the class achieved rate increases of 5.9% in 2019. A consortium has been in place since 2016 and has been renewed for 2020.

Marine Hull has found itself at a turning point in 2019, after a sustained soft market. The withdrawal of key players from the class and the subsequent reduction in capacity has had an effect on pricing. We have seen risk adjusted rate changes in the yachts sector of around 95% in 2019. The overall rate rise for the class in 2019 was 29.0%. The syndicate has been well positioned to take advantage of this significant market hardening in 2019 and we have therefore been able to re-forecast our income upwards for this class. The account is well balanced with the largest sectors being blue water, yachts, brown water and offshore. A consortium was put in place during 2019 and has been renewed for 2020.

In Crisis Management, we added a new class and underwriter for political risk in 2019 as a next step to developing a suite of crisis management products. The class is written by an experienced specialist class underwriter and the portfolio is focussed on contract frustration, with very limited appetite for credit risk. The underwriter has achieved plan for 2019 and further growth is anticipated in 2020. For the terrorism class, the account has continued to grow in 2019 in line with expectations, with minimal rate decreases recorded. The syndicate has received no loss notifications in relation to the recent civil unrest in Hong Kong and Chile from these classes.

The Property Treaty account, supported by Syndicate 6133, increased its capacity for 2019. Increased growth has been achieved through a combination of new business and expanding our position on existing programmes. The profitability of the account is expected to be marginal due to the catastrophe losses in 2019. Rates in the market continued to rise in 2019 in response to these losses, but at a lower rate than anticipated and hoped for. We anticipate further rating increases in 2020 which will build on last year's positive rate movement and momentum.

2020 and future years

The Lloyd's approved plan for 2020 is to underwrite \$615.2m of premium income (£484.4m at the planning foreign exchange rate of £1:\$1.27). This equates to \$494.0m (£389.0m) net of commission. The total stamp capacity of Apollo for 2020 is \$539.8m (£425.0m).

We have not currently added any new classes to the plan for 2020, with the intention of focussing on growing the existing portfolio and taking advantage of the opportunities we are seeing in the market. The main area of focus will be increasing the specialty insurance business classes in the syndicate, and ensuring these classes are appropriately balanced with the property and the casualty classes, in order to deliver sustainable profits over time for capital providers and to reduce volatility.

The syndicate has actively remediated areas of past poor performance and expects 2020 to benefit from further rating increases in nearly all classes of business.

For Property D&F, premium income is expected to increase by 10% as we anticipate further rate increases in 2020. The remediation plan executed in 2019 will continue in 2020 and the account will be focused in the US, with limited Puerto Rican and international exposures (and no Mexican exposures).

Syndicate 1969

Active Underwriter's report

In the Non-Marine Liability class, the plan for 2020 is a significant reduction in premium income of 24% compared to the 2019 plan. This reflects the strategic changes made in 2019 to reduce the large loss volatility observed over recent years. We anticipate strong rate rises in the class in 2020 in response to these factors.

We have planned for significant growth and development in our speciality classes in 2020 of 25%. This growth is anticipated from new business opportunities, rating increases and increasing our line on consortium arrangements that we lead.

The ibott proposition will be further developed in Syndicate 1971 in 2020. The class will continue to be underwritten by Syndicate 1969 which will cede 90% under a quota share reinsurance to Syndicate 1971. The ibott classes are further protected by a 50% quota share with a major European reinsurer.

The plan for Property Treaty in 2020 is further growth in income written of 10%, supported by strong rate rises in the market as it continues to react to market dislocation.

While we have undoubtedly seen improvements during 2019, we recognise that the results demonstrate that 2019 was still a difficult year. We have actively rebalanced the risks and rewards in the core portfolio and extensively remediated areas of past underperformance. We are now well positioned to benefit from the positive momentum in the market and to demonstrate an improved underwriting performance for the 2019 year of account when it closes next year and in the 2020 calendar year. To date, we are in fact seeing rates for renewals increasing more than we expected in our 2020 Syndicate Business Plan.

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

NG Jones
Active Underwriter
5 March 2020

Syndicate 1969

Report of the directors of the managing agent

The directors of the managing agent present their report, which incorporates the strategic review, for Syndicate 1969 for the year ended 31 December 2019.

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

Separate underwriting year accounts for the closed 2017 account of Syndicate 1969 are included following these annual accounts.

Principal activity

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

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

The syndicate's capacity for the 2019 year of account was £430.0m (\$567.6m at the Lloyd's planning rate of \$1.32) of which £180.0m (\$237.6m) related to SPA Syndicates 6133 (£50.0m/\$66.0m) and Syndicate 1971 (£130m/\$171.6m). The syndicate's capacity for the 2018 year of account was £260.0m (\$338.0m at \$1.30). Stamp capacity for the 2020 year of account has increased to £425.0m (\$539.8m at \$1.27), of which £175.0m (\$222.3m) relates to SPA Syndicate 6133 (£60.0m/\$76.2m) and SPA Syndicate 1971 (£115.0m/\$146.1m).

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

Results

	2019 \$'m	2018 \$'m	change
Gross premium written	522.2	416.2	25%
Net premium written	274.2	250.2	10%
Net premium earned	265.6	242.5	9%
Profit/(Loss) for the financial year	4.3	(57.7)	
Claims ratio	67%	89%	(22)%
Expense ratio	35%	36%	(1)%
Combined ratio	102%	125%	(23)%

Notes:

The claims ratio is the ratio of net claims incurred to net premiums earned.

The expense ratio is the ratio of net operating expenses to net premiums earned.

The combined ratio is the sum of the claims and expense ratios.

The expense and combined ratios exclude investment return and foreign exchanges gains and losses.

Syndicate 1969

Report of the directors of the managing agent

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

Gross written premium increased 25% to \$522.2m (2018: \$416.2m). The result for the year was a profit of \$4.3m (2018: loss of \$57.7m). Profits and losses are distributed and called respectively by reference to the results of individual underwriting years.

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

Review of the business

During 2019 ASML has made further improvements to its underwriting portfolio and support processes and implemented its remediation plans for a number of underperforming accounts. We believe the syndicate is increasingly well-balanced between classes and well-positioned to take advantage of the improving rating environment to develop sustained profits in future years.

2019 was the second year of the Property Treaty account, 90% of which is ceded to Syndicate 6133, and the first full year of the ibott Rover account, 80% of which is ceded to Syndicate 1971. The growth of these two accounts resulted in significant growth in the gross written premium reported by the syndicate. The 2019 results reflect a relatively modest level of losses from natural catastrophe events. Losses arising from Hurricane Dorian and Typhoons Faxai and Hagibis hit the Property Treaty class and therefore were 90% ceded to Syndicate 6133. The cost of these events was within business planning expectations.

Looking at the traditional three year accounting basis, the 2017 year of account is closing at a loss on stamp capacity of 26.4%. This result reflects the impact of large natural catastrophe events in 2017 and 2018. The deterioration of the rating environment slowed to an actual risk adjusted reduction of 1.3%, which was better than the 4.9% reduction anticipated in the plan. In the face of this result we instituted the remediation actions which have continued in 2018 and 2019 referred to in the Active Underwriter's Report.

The 2018 year of account has a forecast result in the range of a profit of 2% to a loss of 8% on stamp capacity at the 24 month stage. This forecast reflects a number of large natural catastrophe events in 2018 including Hurricanes Florence and Michael, Typhoons Jebi and Trami and Californian wildfires. Whilst the general rating environment continued to be very competitive, rates did improve with an actual risk adjusted rate improvement of 5.9%, which was above plan.

The syndicate has written 87% of its planned income for 2019. The general rating environment strengthened in 2019 with an actual risk adjusted rate improvement of 9.4%, significantly above plan. The most notable rate improvement was on Property D&F. As referred to above incurred losses during the calendar year were quite limited, however much of the book will be on risk well into 2020. Further, the year of account is at an early stage of development particularly in respect of liability business. Given the stage of development of 2019, and the weighting of expenses to the first year, only a small amount of underwriting profit has been recognised to date. The syndicate will publish its first forecast range for the 2019 account in the second quarter of 2020.

Syndicate 1969

Report of the directors of the managing agent

The syndicate's results for the current year have been affected by prior year deterioration on Non-Marine Liability, predominantly on specific large claims. In setting the claims reserves on this account we have responded to the development of new claims and previously notified events on our "watch list" and strengthened reserves for incurred but not reported claims, where appropriate. Whilst there is inherent uncertainty in the running off of claims reserves, especially for casualty classes of business, we believe that the underwriting and reserving actions which we have taken reduce the likelihood of deterioration in future years.

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

Investment performance

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

The syndicate produced a strong investment return of \$8.5m in the year (2018: \$4.0m). 2019 was the first full year of investment in a portfolio of short dated fixed income government and corporate bonds having gradually increased exposure between May and September 2018. The portfolio benefited from valuation gains resulting from reductions in US federal interest rates during 2019. At the balance sheet date the fixed income portfolio holdings totalled \$214.6m (2018: \$129.7m) reflecting growth the business and cash calls received in June 2019.

Capital

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

ASML assesses the syndicate's capital requirements through a rigorous process of risk identification and quantification using an internal capital model at a 1:200 year confidence level. The model is based on Solvency II regulatory requirements and has been approved by Lloyd's. The ultimate Solvency Capital Requirement ("SCR") is subject to an uplift determined by Lloyd's based on its assessment of the economic capital requirements for the Lloyd's market in total. The SCR together with the Lloyds' uplift is referred to as the Economic Capital Assessment ("ECA"). The ECA for the 2019 underwriting year was set at 56% of capacity and for the 2020 underwriting year is 78% of capacity (excluding capacity for syndicates 1971 and 6133).

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

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

Syndicate 1969

Report of the directors of the managing agent

Principal risks and uncertainties

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

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

The managing agent recognises that the syndicate's business is to accept risk which is appropriate to enable it to meet its objectives and that it is not realistic or possible to eliminate risk entirely. A description of the principal risks and uncertainties facing the syndicate is set out in the note 4 to the annual accounts. The Board has agreed a number of key risk indicators and approved the corresponding appetite for each measure. A traffic light indicator is used for monitoring current levels of risk.

The agreement for the implementation of the Brexit withdrawal agreement legislation was ratified by the Council of the European Union ("EU") on 30 January 2020. The UK's withdrawal from the EU took effect on 31 January 2020. The agreement provides for a transition period until 31 December 2020, during which the UK remains in the single market, in order to ensure frictionless trade until a long-term relationship is agreed. If no such agreement is reached by that date and the transition period is not extended (as remains the official Government position), a "no deal" Brexit would remain the default outcome in 2021.

To date the only material impact of Brexit on ASML has been the reduction in the value of Sterling relative to US Dollars since the vote. This has materially reduced ASML's (mainly Sterling) expenses relative to its (mainly US Dollar) premium income. There are a number of scenarios where the Sterling could appreciate against US Dollars in the future: for instance if the UK were to remain in the Single Market, or if the current trade deficit is reduced. There is also the potential for Sterling to continue to depreciate against US Dollars, for instance where trade deals do not materialise, or are poorly designed. It is unclear how much of the downside risk that a "no deal" Brexit could have upon the UK economy has already been "priced in" to currency markets.

The syndicate is not expected to be materially impacted by Brexit from an underwriting standpoint given that it writes only a small amount of European insurance and reinsurance business. Lloyd's has established an insurance company trading as Lloyd's Brussels which gives syndicates access to the EU market. ASML commenced writing business through Lloyd's Brussels from 1 January 2019.

As with most of the insurance industry, climate change is going to be an area where we will expect to give greater focus to in the coming years. The perceived risks around climate change are great and should not be underestimated, but the opportunities around providing suitable cover, products and claims service to our clients is something that aligns to ASML's service model.

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

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

Report of the directors of the managing agent

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

Corporate governance

The ASML Board is chaired by Julian Cusack, who was supported by four further non-executive directors, three of whom are independent. Sven Althoff resigned on 7 March 2019 and was replaced by Jens Schäfermeier on 29 August 2019.

David Ibeson is the Chief Executive Officer and at the year end there were four further executive directors throughout 2019. Nick Burkinshaw was appointed as Chief Underwriting Officer on the 8 July 2019. Nick Jones, Matt Newman and Mark Rayner resigned from the Board on the 30 July 2019 but continue as active underwriters for their respective syndicates. Vinay Mistry was appointed to the board on 1 November 2019 as Chief Risk Officer replacing Phil Ellis who resigned on the same date.

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

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

The Board also receives regular reports from the key management committees, the Executive Committee, Underwriting Committee, Reserving Committee, Risk and Capital Committee, Finance Committee and Operations Committee. These other committees report through the Executive Committee which oversees the day to day operation of the business.

Staff matters

ASML's people are a key asset and resource and their retention is fundamental to the success of the business. ASML's strategy is to build a strong culture of staff engagement, communication and contribution recognition. This is achieved through monthly staff briefings, a fully open plan cross-function office environment, seeking feedback and a continued focus on diversity. ASML strives to act as a single team where employees work closely across functions, have mutual respect and enjoy coming to work. An external independent hotline has recently been introduced that staff can call anonymously if they have work related concerns.

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

Business operations

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

Syndicate 1969

Report of the directors of the managing agent

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

Lloyd's has rolled out its electronic placement platform (PPL). ASML has embraced this change and is benefitting from the enhancements it brings. Lloyd's provides a target percentage of business for processing through PPL and ASML have comfortably exceeded this threshold in 2019.

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

Directors and directors' interests

The directors who held office at the date of signing this report are shown on page 2. Directors' interests are shown in note 22 as part of the related parties note to the accounts.

Annual General Meeting

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

Disclosure of information to the auditor

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

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

Auditor

Deloitte LLP has indicated its willingness to continue in office as the syndicate's auditor.

Future developments

The 2020 business plan for the syndicate focuses on writing the existing spread portfolio of specialist lines of business profitably. Where appropriate ASML will be repositioning existing classes in the light of loss experience and changes in the rating environment. ASML remains vigilant as regards opportunities to write profitable new lines of business when they arise.

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

Syndicate 1969

Report of the directors of the managing agent

The syndicate will maintain a comprehensive reinsurance programme across all classes of business. The majority of the natural catastrophe property exposures continue to be covered by an excess of loss programme placed with both fully collateralised and traditional reinsurance vehicles. The Property Treaty and ibott Rover classes of business have 90% and 80% quota share arrangements with syndicates 6133 and 1971 respectively. Syndicates 1969 and 1971 will benefit from the continuing 50% common account external quota share of the ibott Rover account. Other class level risk appetite will continue to be managed using small quota share and facultative covers.

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

The syndicate's conservative investment strategy will be maintained and the portfolio will remain largely consistent with the position at the balance sheet date. It is not expected that 2020 calendar year will benefit from such strong returns as 2019. The short dated fixed income portfolio valuations have adjusted to reflect the reductions in US federal interest rates and the portfolio is now constrained to the returns achievable in a lower yielding investment environment.

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

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

Approved on behalf of the Board.

DCB Ibeson
Chief Executive Officer
5 March 2020

Syndicate 1969

Statement of managing agent's responsibilities

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

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

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

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

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

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

Syndicate 1969

Independent auditor's report to the members of Syndicate 1969

Report on the audit of the syndicate annual financial statements

Opinion

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

- give a true and fair view of the state of the syndicate's affairs as at 31 December 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 profit and loss account;
- the statement of changes in members' balances;
- the balance sheet;
- the statement of cash flows;
- 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.

Syndicate 1969

Independent auditor's report to the members of Syndicate 1969

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.

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.

Syndicate 1969

Independent auditor's report to the members of Syndicate 1969

Report on other legal and regulatory requirements

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

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

- the information given in the active underwriter's 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 active underwriter's 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 active underwriter's 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 Knight, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
5 March 2020

Syndicate 1969

Profit and loss account for the year ended 31 December 2019

Technical account – General business	Notes	2019 \$'000	2018 \$'000
Gross premiums written	5	522,197	416,221
Outward reinsurance premiums		(248,004)	(166,039)
Net premiums written		274,193	250,182
Change in the provision for unearned premiums:			
Gross amount	6	(63,858)	(37,618)
Reinsurers' share	6	55,227	29,982
Change in the net provision for unearned premiums		(8,631)	(7,636)
Earned premiums, net of reinsurance		265,562	242,546
Allocated investment return transferred from the non-technical account	11	8,461	4,033
Claims paid			
Gross amount		(269,168)	(215,141)
Reinsurers' share		116,212	78,413
Net claims paid		(152,956)	(136,728)
Change in the provision for claims			
Gross amount	6	(38,419)	(195,027)
Reinsurers' share	6	13,537	116,154
Change in the net provision for claims		(24,882)	(78,873)
Claims incurred, net of reinsurance		(177,838)	(215,601)
Net operating expenses	7	(93,468)	(87,897)
Balance on the technical account - general business		2,717	(56,919)

All operations relate to continuing activities.

The notes on pages 24 to 54 form an integral part of these annual accounts.

Syndicate 1969

Profit and loss account for the year ended 31 December 2019

Non-technical account	Notes	2019 \$'000	2018 \$'000
Balance on the technical account - general business		2,717	(56,919)
Investment income	11	8,461	4,033
Allocated investment return transferred to the technical account - general business		(8,461)	(4,033)
Profit/(Loss) on foreign exchange		1,584	(806)
Profit/(Loss) for the financial year		4,301	(57,725)

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

Statement of changes in members' balances For the year ended 31 December 2019

	2019 \$'000	2018 \$'000
Members' balances brought forward at 1 January	(91,990)	(89,944)
Profit/(Loss) for the financial year	4,301	(57,725)
Transfer from/(to) members' personal reserve fund	40,246	(9,444)
Cash call from members	31,151	65,594
Members' agents' fees	(490)	(471)
Members' balances carried forward at 31 December	(16,782)	(91,990)

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

Syndicate 1969

Balance sheet at 31 December 2019

Assets	Notes	2019 \$'000	2018 \$'000
Investments			
Financial investments	4,12	364,201	253,722
Reinsurers' share of technical provisions			
Provision for unearned premiums	6	119,420	64,002
Claims outstanding	6	258,009	243,341
		<hr/> 377,429	<hr/> 307,343
Debtors			
Debtors arising out of direct insurance operations	13	134,225	86,927
Debtors arising out of reinsurance operations	14	38,460	18,977
Other debtors	15	5,467	8,272
		<hr/> 178,152	<hr/> 114,176
Other assets			
Cash and cash equivalents	16	210,573	95,996
Overseas deposits	17	27,234	24,223
		<hr/> 237,807	<hr/> 120,219
Prepayments and accrued income			
Deferred acquisition costs	7	51,555	45,170
Accrued interest and rent		953	617
Other prepayments and accrued income		1,899	1,539
		<hr/> 54,407	<hr/> 47,326
Total assets		<hr/> 1,211,996	<hr/> 842,786

Syndicate 1969

Balance sheet at 31 December 2019

Liabilities	Notes	2019 \$'000	2018 \$'000
Capital and reserves			
Members' balances		(16,782)	(91,990)
Technical provisions			
Provision for unearned premiums	6	255,646	190,976
Claims outstanding	6	609,340	568,260
		<u>864,986</u>	<u>759,236</u>
Deposits received from reinsurers	18	189,060	89,343
Creditors			
Creditors arising out of direct insurance operations	19	4,428	5,136
Creditors arising out of reinsurance operations	20	94,566	57,732
Other creditors	21	63,399	14,755
		<u>162,393</u>	<u>77,623</u>
Accruals and deferred income		12,339	8,574
Total liabilities		<u>1,228,778</u>	<u>934,776</u>
Total liabilities and members' balances		<u>1,211,996</u>	<u>842,786</u>

The annual accounts on pages 19 to 54 were approved by the Board of Apollo Syndicate Management Limited on 5 March 2020 and were signed on its behalf by:

JD MacDiarmid
Finance Director
5 March 2020

Syndicate 1969

Statement of cash flows for the year ended 31 December 2019

	Notes	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Profit/(Loss) for the financial year		4,301	(57,725)
Adjustments for:			
Increase in gross technical provisions		105,750	226,622
Increase in reinsurers' share of technical provisions		(70,086)	(143,944)
Increase in debtors		(63,975)	(28,426)
Increase in creditors		84,770	16,871
(Increase)/Decrease in other assets / liabilities		(3,317)	1,579
Investment return		(8,461)	(4,033)
Net cash inflow from operating activities		48,982	10,944
Cash flows from investing activities			
Net purchase of other financial instruments		(110,479)	(78,729)
Investment income received		8,461	4,033
Increase in overseas deposits		(3,011)	(3,590)
Increase in deposits received from reinsurers		99,717	49,936
Net cash outflow from investing activities		(5,312)	(28,350)
Cash flows from financing activities			
Transfer from/(to) members in respect of underwriting participations		40,246	(9,444)
Members' agents' fees paid on behalf of members		(490)	(471)
Cash call received from members		31,151	65,594
Net cash inflow from financing activities		70,907	55,679
Net increase in cash and cash equivalents		114,577	38,273
Cash and cash equivalents at 1 January		95,996	57,723
Cash and cash equivalents at 31 December	16	210,573	95,996

Syndicate 1969

Notes to the annual accounts

1. Basis of preparation

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

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

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

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

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

2. Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the syndicate's accounting policies

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

Key sources of estimation uncertainty

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

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

Gross written premium

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

Notes to the annual accounts

2. Use of judgements and estimates (continued)

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

Claims outstanding

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

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

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the managing agent's in-house actuaries. These techniques normally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be expected and, for more recent underwriting, the use of benchmarks and initial expected loss ratios from business plans. In the situation where there is limited prior experience of the specific business written, considerable use is made of information obtained in the course of pricing individual risks accepted, experience of analogous business and a prudential margin is added to reflect the risk that the outcome, which will not be known for a considerable period of time, may be worse than expected. Account is taken of variations in business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs.

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

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

Syndicate 1969

Notes to the annual accounts

3. Significant accounting policies

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

Gross premiums written

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

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

Outwards reinsurance premiums

Written outwards reinsurance premiums comprise the estimated premiums payable for contracts entered into during the period and are recognised on the date on which the policy inception.

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

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

Provisions for unearned premiums

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

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

Claims provisions and related recoveries

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

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

The provision for claims outstanding is assessed on an individual case by case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of IBNR claims as well as claims incurred but not enough reported ("IBNER").

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

Notes to the annual accounts

3. Significant accounting policies (continued)

Where the security rating provides an indication that the recoverable amount may be impaired a proportion of the balance will be provided for as a provision for bad debt by applying a percentage based on historical experience.

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

Unexpired risks provision

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

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

Financial assets and liabilities

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

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

Recognition

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

Measurements

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

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

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

Notes to the annual accounts

3. Significant accounting policies (continued)

Derecognition of financial assets and liabilities

Financial assets are derecognised when and only when:

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

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

Fair value measurement

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

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

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

Impairment of financial instruments measured at historic cost

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

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

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

Notes to the annual accounts

3. Significant accounting policies (continued)

Cash and cash equivalents

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

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

Investment return

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

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

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

Deposits received from reinsurers

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

Net operating expenses

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

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

Acquisition costs

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

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

Syndicate 1969

Notes to the annual accounts

3. Significant accounting policies (continued)

Reinsurers' commissions and profit participations

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

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

Consortia share of expenses

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

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

Managing agent's fees

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

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

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

Foreign currencies

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

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

Syndicate 1969

Notes to the annual accounts

3. Significant accounting policies (continued)

Pension costs

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

Taxation

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

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

Funds withheld

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

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

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

4. Risk and capital management

Introduction and overview

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

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

Risk management framework

The primary objective of the syndicate's risk management framework is to protect the syndicate's members from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. All staff providing services to the syndicate are trained to recognise the critical importance of having efficient and effective risk management systems in place.

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

Notes to the annual accounts

4. Risk and capital management (continued)

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

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

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

Insurance Risk

Management of insurance risk

The principal risk the syndicate faces under insurance contracts is that the amount of claims and benefit payments, or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of claims.

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

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

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

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

Syndicate 1969

Notes to the annual accounts

4. Risk and capital management (continued)

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

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

Gross written premium analysed by source	2019 \$'000	2018 \$'000
US	367,737	291,483
UK	37,634	33,588
Other EU countries	29,229	21,815
Australia	11,698	6,308
Canada	21,232	26,921
Japan	12,338	3,701
Other	42,329	32,405
Total	522,197	416,221

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

The managing agent's in-house actuaries perform a reserving analysis on a quarterly basis liaising closely with underwriters, claims and reinsurance personnel. The aim of this exercise is to produce a probability-weighted average of the expected future cash outflows arising from the settlement of incurred claims and claims on unearned premium. These projections include an analysis of claims development compared to the previous 'best estimate' projections. The output of the reserving analysis is reviewed by external consulting actuaries in order for them to provide the Statement of Actuarial Opinion ("SAO") on the year-end reserves.

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

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

Sensitivity to insurance risk

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

Syndicate 1969

Notes to the annual accounts

4. Risk and capital management (continued)

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

	2019		2018	
	Gross \$'000	Net \$'000	Gross \$'000	Net \$'000
5% movement	30,467	17,567	28,413	16,246

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

Financial risk

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

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

Credit risk

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

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

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

Management of credit risk

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

Syndicate 1969

Notes to the annual accounts

4. Risk and capital management (continued)

The syndicate's credit risk with respect to reinsurers is managed by placing limits on its exposure to a single counterparty, by reference to the credit rating of the counterparty. The syndicate's exposure to reinsurance counterparties is monitored continuously by the reinsurance team as part of their credit control processes and on a quarterly basis by the Finance Committee.

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

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

Exposure to credit risk

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

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

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

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

Syndicate 1969

Notes to the annual accounts

4. Risk and capital management (continued)

	AAA	AA	A	BBB	Not rated	Total
2018	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial investments	135,704	8,292	96,028	4,773	8,925	253,722
Reinsurers' share of claims outstanding	-	20,606	222,735	-	-	243,341
Debtors arising out of direct insurance operations	-	-	-	-	86,927	86,927
Debtors arising out of reinsurance operations	-	-	18,977	-	-	18,977
Cash and cash equivalents	87,272	-	8,724	-	-	95,996
Overseas deposits	14,043	3,081	2,446	1,911	2,742	24,223
Total	237,019	31,979	348,910	6,684	98,594	723,186

Financial assets that are past due or impaired

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

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

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

Syndicate 1969

Notes to the annual accounts

4. Risk and capital management (continued)

	Debtors arising from direct insurance operations \$'000	Debtors arising from reinsurance operations \$'000
2018		
Past due but not impaired financial assets:		
Past due by:		
1 to 90 days	11,586	14,211
91 to 180 days	10,411	692
More than 180 days	6,217	282
 Past due but not impaired financial assets	 28,214	 15,185
 Neither past due nor impaired financial assets	 58,713	 3,792
 Net carrying value	 86,927	 18,977

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

Liquidity risk

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

Management of liquidity risk

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

The syndicate's approach to managing its liquidity risk is as follows:

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

Syndicate 1969

Notes to the annual accounts

4. Risk and capital management (continued)

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

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

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

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

Syndicate 1969

Notes to the annual accounts

4. Risk and capital management (continued)

2018	Carrying amount \$'000	Less than 1 year \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
Financial investments	253,722	135,358	74,064	44,300	-
Reinsurers' share of technical provisions	307,343	102,056	69,868	89,191	46,228
Debtors, prepayments and accrued income	161,502	53,628	36,714	46,868	24,292
Cash and cash equivalents	95,996	95,996	-	-	-
Overseas deposits	24,223	24,223	-	-	-
Total assets	842,786	411,261	180,646	180,359	70,520
Technical provisions	(759,236)	(252,110)	(172,597)	(220,331)	(114,198)
Deposits received from reinsurers	(89,343)	(42,930)	(24,567)	(18,081)	(3,765)
Creditors	(77,623)	(52,046)	(22,681)	(2,896)	-
Accruals and deferred income	(8,574)	(2,847)	(1,949)	(2,488)	(1,290)
Total liabilities	(934,776)	(349,933)	(221,794)	(243,796)	(119,253)

Market risk

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

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

Management of market risk

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

Interest rate risk

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

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

Syndicate 1969

Notes to the annual accounts

4. Risk and capital management (continued)

	2019 \$'000	2018 \$'000
Profit/(Loss) for the year		
Interest rate risk		
Impact of a 50 basis point increase	(1,740)	(755)
Impact of a 50 basis point decrease	1,767	989

Currency risk

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

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

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

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

	Sterling \$'000	Euro \$'000	US Dollar \$'000	Other \$'000	Total \$'000
2019					
Total assets	85,335	33,809	1,029,440	63,412	1,211,996
Total liabilities	(51,247)	(51,155)	(1,077,434)	(48,942)	(1,228,778)
Net assets/(liabilities)	34,088	(17,346)	(47,994)	14,470	(16,782)
2018					
Total assets	70,443	20,778	698,772	52,793	842,786
Total liabilities	(74,325)	(36,416)	(784,493)	(39,542)	(934,776)
Net assets/(liabilities)	(3,882)	(15,638)	(85,721)	13,251	(91,990)

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

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Notes to the annual accounts

4. Risk and capital management (continued)

	2019	2018
Profit/(Loss) for the year	\$'000	\$'000
Currency risk		
10 percent strengthening of Sterling against US Dollar	3,788	(431)
10 percent weakening of Sterling against US Dollar	(3,099)	353
10 percent strengthening of Euro against US Dollar	(1,927)	(1,738)
10 percent weakening of Euro against US Dollar	1,577	1,421

Other price risk

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

Up to 20% of the Syndicate 1969 investment portfolio can be invested in absolute return bond funds which, whilst more sensitive to market risk, are still relatively low risk and managed against a LIBOR benchmark. At the year end 6% (2018: 6%) was invested in an absolute return fund. The money market funds are near cash and therefore have minimal exposure to market movements. The Bank of England and the Financial Conduct Authority are running a project to remove LIBOR as a reference point for financial investments and products by the end of 2021. ASML have undertaken an initial assessment and the impact is not considered to be significant. For the absolute return fund the benchmark is expected to be revised with an alternative index with similar characteristics.

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

Capital management

Capital framework at Lloyd's

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

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

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

Syndicate 1969

Notes to the annual accounts

4. Risk and capital management (continued)

Lloyd's capital setting process

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

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

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

Provision of capital by members

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

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

Claims development

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

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

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive underwriting year at each reporting date, together with cumulative payments to date. Balances have been translated at exchange rates prevailing at 31 December 2019 in all cases.

Syndicate 1969

Notes to the annual accounts

4. Risk and capital management (continued)

Gross claims development as at 31 December 2019:

Pure underwriting year	2011 \$'m	2012 \$'m	2013 \$'m	2014 \$'m	2015 \$'m	2016 \$'m	2017 \$'m	2018 \$'m	2019 \$'m	Total \$'m
Incurred gross claims										
At end of underwriting year	41.5	37.8	50.7	54.1	59.1	86.0	179.0	204.7	151.6	
one year later	77.7	78.7	96.3	117.0	139.0	220.7	304.8	322.4	-	
two years later	77.5	80.3	98.9	135.1	155.9	271.7	329.2	-	-	
three years later	76.0	76.6	96.8	128.9	185.8	290.7	-	-	-	
four years later	74.8	74.7	95.2	128.6	184.9	-	-	-	-	
five years later	74.6	75.0	95.6	127.5	-	-	-	-	-	
six years later	74.5	74.8	94.6	-	-	-	-	-	-	
seven years later	74.0	74.4	-	-	-	-	-	-	-	
eight years later	73.9	-	-	-	-	-	-	-	-	
Incurred gross claims	73.9	74.4	94.6	127.5	184.9	290.7	329.2	322.4	151.6	1,649.2
Less gross claims paid	(72.8)	(72.5)	(90.9)	(115.6)	(130.1)	(195.7)	(198.0)	(147.6)	(17.4)	(1,040.6)
Gross claims outstanding for 2010 and prior years	0.7	-	-	-	-	-	-	-	-	0.7
Gross claims outstanding provision	1.8	1.9	3.7	11.9	54.8	95.0	131.2	174.8	134.2	609.3

Net claims development as at 31 December 2019:

Pure underwriting year	2011 \$'m	2012 \$'m	2013 \$'m	2014 \$'m	2015 \$'m	2016 \$'m	2017 \$'m	2018 \$'m	2019 \$'m	Total \$'m
Incurred net claims										
At end of underwriting year	33.9	35.9	49.0	45.7	45.4	70.9	112.7	82.5	67.4	
one year later	68.6	68.8	93.3	88.8	111.3	171.2	206.5	176.4	-	
two years later	66.9	70.4	96.6	107.5	128.3	197.9	219.5	-	-	
three years later	65.6	68.9	94.7	104.7	141.7	206.9	-	-	-	
four years later	64.5	67.5	93.4	103.9	140.1	-	-	-	-	
five years later	64.3	67.2	93.8	102.8	-	-	-	-	-	
six years later	64.5	67.4	92.7	-	-	-	-	-	-	
seven years later	63.9	67.1	-	-	-	-	-	-	-	
eight years later	63.8	-	-	-	-	-	-	-	-	
Incurred net claims	63.8	67.1	92.7	102.8	140.1	206.9	219.5	176.4	67.4	1,136.7
Less net claims paid	(62.9)	(65.4)	(89.5)	(92.8)	(110.8)	(154.7)	(135.7)	(66.9)	(7.3)	(786.0)
Net claims outstanding for 2010 and prior years	0.6	-	-	-	-	-	-	-	-	0.6
Net claims outstanding provision	1.5	1.7	3.2	10.0	29.3	52.2	83.8	109.5	60.1	351.3

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

Syndicate 1969

Notes to the annual accounts

4. Risk and capital management (continued)

Year of account development

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

	2019	2018
Profit / (Loss) before members' agents' fees	\$'000	\$'000
Year of account		
2016	-	(32,486)
2017	(3,967)	(9,194)
2018	5,140	(16,045)
2019	3,128	-
Calendar year result	4,301	(57,725)

The 2017 year of account loss balance of \$7,321,000 (after cash calls of \$66,447,000 and members' agents' fees of \$586,000) will be collected from members in 2020. During 2019 \$40,449,000 (including members' agents' fees of \$628,000) was collected from members in respect of the 2016 year of account. A cash call of \$30,298,000 had already been received in 2018.

5. Segmental analysis

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

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

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

Syndicate 1969

Notes to the annual accounts

5. Segmental analysis (continued)

	Gross premiums written \$'000	Gross premiums earned \$'000	Gross claims incurred \$'000	Gross operating expense \$'000	Reinsurance balance \$'000	Total \$'000
2018						
Direct insurance:						
Marine, aviation and transport	44,127	43,875	(34,661)	(11,967)	2,782	29
Fire and other damage to property	111,111	106,019	(126,850)	(28,769)	24,169	(25,431)
Third-party liability	112,371	118,870	(148,054)	(32,175)	32,849	(28,510)
Motor	1,250	1,498	(1,594)	(415)	(153)	(664)
Pecuniary loss	597	514	(23)	(144)	(144)	203
	269,456	270,776	(311,182)	(73,470)	59,503	(54,373)
Reinsurance	146,765	107,827	(98,986)	(30,808)	15,389	(6,578)
	416,221	378,603	(410,168)	(104,278)	74,892	(60,951)

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

Commission on direct insurance gross premiums written during 2019 was \$51,222,000 (2018: \$56,421,000).

Syndicate 1969

Notes to the annual accounts

6. Technical provisions

The syndicate has refined its approach this year-end in establishing the technical provisions for claims outstanding reserves and reinsurer's share thereof held as compared to the end of the previous year. Included within net calendar year claims incurred of \$177,838,000 (2018: \$215,601,000) is a deterioration of \$9,070,000 in claims reserves established at the prior year end (2018: deterioration \$48,466,000).

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

	Unearned premiums \$'000	Claims outstanding \$'000	Total \$'000
Gross			
At 1 January 2019	190,976	568,260	759,236
Exchange adjustments	812	2,661	3,473
Movement in provision	63,858	38,419	102,277
At 31 December 2019	255,646	609,340	864,986
Reinsurance			
At 1 January 2019	64,002	243,341	307,343
Exchange adjustments	191	1,131	1,322
Movement in provision	55,227	13,537	68,764
At 31 December 2019	119,420	258,009	377,429
Net technical provisions			
At 31 December 2019	136,226	351,331	487,557
At 31 December 2018	126,974	324,919	451,893

7. Net operating expenses

	2019 \$'000	2018 \$'000
Brokerage and commission	87,998	79,061
Other acquisition costs	20,120	17,513
Change in deferred acquisition costs	(5,811)	(8,233)
Gross acquisition costs	102,307	88,341
Administrative expenses	22,486	19,040
Members' standard personal expenses	8,079	7,266
Reinsurers' commissions and profit participations	(30,257)	(16,380)
Consortia share of expenses	(9,147)	(10,370)
Total	93,468	87,897

Deferred acquisition costs are \$51,555,000 (2018: \$45,170,000). The \$6,385,000 movement in deferred acquisition costs during the year comprises the movement in the provision included in net operating expenses of \$5,811,000 less foreign exchange of \$574,000. Accruals and deferred income include reinsurers' share of deferred acquisition costs of \$11,644,000 (2018: \$7,879,000).

Syndicate 1969

Notes to the annual accounts

8. Auditor's remuneration

	2019 \$'000	2018 \$'000
Audit of syndicate accounts	140	100
Other services pursuant to Regulations and Lloyd's Byelaws	105	109
Non audit fees	104	109
Total	349	318

Non audit fees relate to work to issue a Statement of Actuarial Opinion on the technical reserves of the syndicate.

9. Staff and number costs

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

	2019 \$'000	2018 \$'000
Wages and salaries	18,597	17,073
Social security costs	1,719	1,436
Pension costs	993	905
Total	21,309	19,414

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

	2019 Number	2018 Number
Underwriting	36	32
Claims and reinsurance	11	10
Management, administration and finance	53	47
Non-executive directors	5	5
Total	105	94

Syndicate 1969

Notes to the annual accounts

10. Emoluments of the directors of the managing agent

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

For the period ending 31 December 2019, the directors of ASML received the following aggregate remuneration charged to the syndicate and included within net operating expenses of \$2,727,000 (2018: \$2,694,000). 2019 includes remuneration paid to directors relating to Syndicate 6133 and Syndicate 1971 which has been re-allocated to Syndicate 6133 and Syndicate 1971 during 2019.

Included in the aggregated remuneration charged to the syndicate are emoluments paid to the highest paid director amounting to \$913,000 (2018: \$522,000). The Active Underwriter received remuneration of \$418,000 (2018: \$384,000) which was charged as a syndicate expense.

11. Investment income

	2019 \$'000	2018 \$'000
Income from investments	5,507	3,607
Gains on realisation of investments	402	144
Unrealised gains on investments	2,799	701
	8,708	4,452
Losses on realisation of investments	(30)	(151)
Unrealised losses on investments	(217)	(268)
Total	8,461	4,033

Investment income is reported after an allocation of \$725,000 (2018: \$251,000) to Syndicate 6133 and \$195,000 (2018: \$Nil) to Syndicate 1971 (see note 22).

	2019 '000	2018 '000
Average amount of syndicate funds available for investment during the year (original currency)		
Sterling	20,182	13,648
Euro	7,896	8,693
US Dollar	324,512	183,960
Canadian Dollar	57,720	44,832
Total funds available for investment in US Dollars	404,636	244,170
Total investment return in US Dollars	8,461	4,033
Annual investment yield		
Sterling	1.4%	1.8%
Euro	(0.1)%	0.0%
US Dollar	2.5%	1.9%
Canadian Dollar	1.9%	1.4%
Total annual investment yields	2.3%	1.7%

Syndicate 1969

Notes to the annual accounts

12. Financial assets and liabilities

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

	2019 \$'000	2018 \$'000
Financial assets		
Measured at fair value through profit and loss		
Financial investments	364,201	253,722
Measured at cost		
Cash and cash equivalents	210,573	95,996
Overseas deposits	27,234	24,223
	237,807	120,219
Measured at undiscounted amount receivable		
Debtors	178,152	114,176
Total financial assets	780,160	488,117
Financial liabilities		
Measured at fair value through profit and loss		
Derivative instruments	-	(15)
Measured at cost		
Deposits received from reinsurers	(189,060)	(89,343)
Measured at undiscounted amount payable		
Creditors	(162,393)	(77,608)
Total financial liabilities	(351,453)	(166,966)

Financial investments held at fair value were acquired at a cost of \$361,022,000 (2018: \$253,111,000).

Debt securities include US treasuries of \$1,499,000 (2018: \$10,475,000) as collateral received from reinsurers and held in trust. The funds, therefore, are not available to meet other liquidity requirements of the syndicate and a corresponding creditor is recognised (see note 18).

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

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

Syndicate 1969

Notes to the annual accounts

12. Financial investments and liabilities (continued)

- Level 3 – If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2019				
Holdings in collective investment schemes	-	145,907	-	145,907
Debt securities and other fixed income securities	130,680	85,425	-	216,105
Loan to Lloyd's central fund	-	-	2,189	2,189
Total	130,680	231,332	2,189	364,201
2018				
Holdings in collective investment schemes	-	113,504	-	113,504
Debt securities and other fixed income securities	95,374	44,844	-	140,218
Total	95,374	158,348	-	253,722
Derivative liabilities	-	(15)	-	(15)

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

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

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

Syndicate 1969

Notes to the annual accounts

12. Financial investments and liabilities (continued)

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

During 2019 Lloyd's introduced syndicate loans to the central fund in order to facilitate the injection of capital to Lloyd's Insurance Company SA ("Lloyd's Brussels"). The loan has no fixed repayment date and has been classified as level 3; the cost of this loan approximates to fair value.

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

13. Debtors arising out of direct insurance operations

	2019 \$'000	2018 \$'000
Due within one year	134,225	86,927

14. Debtors arising out of reinsurance operations

	2019 \$'000	2018 \$'000
Due within one year	38,460	18,977

15. Other debtors

	2019 \$'000	2018 \$'000
Consortium fee receivable	4,835	6,383
Amounts due from group companies	272	1,544
Rent deposit	360	345
Total	5,467	8,272

16. Cash and cash equivalents

	2019 \$'000	2018 \$'000
Cash at bank and in hand	23,012	17,129
Deposits with credit institutions	187,561	78,867
Total	210,573	95,996

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

Syndicate 1969

Notes to the annual accounts

17. Overseas deposits

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

18. Deposits from reinsurers

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

19. Creditors arising out of direct insurance operations

	2019 \$'000	2018 \$'000
Due within one year	4,428	5,136

20. Creditors arising out of reinsurance operations

	2019 \$'000	2018 \$'000
Due within one year	94,566	57,716
Due after one year	-	16
Total	94,566	57,732

21. Other creditors

	2019 \$'000	2018 \$'000
Amounts due to Syndicate 6133	30,619	14,740
Amounts due to Syndicate 1971	32,780	-
Derivative liabilities	-	15
Total	63,399	14,755

Derivative instrument liabilities relate to foreign exchange forward contracts held at the balance sheet date. These contracts are typically used to manage the requirement to pay Sterling expenses whilst the revenues of the syndicate are predominantly generated in US dollars.

The amounts due to Syndicate's 6133 and 1971 represents the net funds withheld balance payable under the quota share contract. The balance is due after more than one year on closure of the 2019 year of account.

Syndicate 1969

Notes to the annual accounts

22. Related parties

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

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

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

APL is the parent company of certain capital providers for Syndicate 1969. In 2019 APL did not acquire allocated capacity (2018: £11,100,000 through Cyrene Capital Limited, a corporate member subsidiary) in the 2020 capacity auction for Syndicate 1969.

In accordance with the Managing Agent's Agreement, ASML accrued managing agent's fees (0.9% of syndicate capacity) and profit commission (17.5% of profit). A two year deficit clause is in place which requires losses to be offset by future profits before further profit commission becomes payable. From the 2018 year of account ASML received a proportion of the consortium overriding commission for arrangements it managed on behalf of consortium partners for which the syndicate is the lead. Under this arrangement ASML received \$771,000 (2018: \$734,000) of income it would have received if the business were written by the syndicate.

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

	2019	2018
ASML	\$'000	\$'000
Managing agent's fee	4,945	3,310
Expense recharges	39,804	34,403
Other debtor	272	1,544

Syndicate 1969

Notes to the annual accounts

22. Related parties (continued)

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

	2019	2018
Syndicate 6133	\$'000	\$'000
Reinsurance premiums payable	(67,022)	(58,862)
Reinsurance paid recoveries receivable	30,816	13,296
Expense recharge	8,908	8,928
Net interest payable	(725)	(251)
Other creditors	(30,619)	(14,740)

Syndicate 1971 is a SPA Syndicate that provides a single 80% quota share reinsurance contract for the Ibott Rover class including all related expenses and investment income for each underwriting year. Syndicate 1971 operates on a funds withheld basis and the syndicate undertakes all transactions on its behalf. On closure of a year of account the Syndicate 1971 distribution will be settled by the syndicate. The related party transactions and amounts outstanding at the balance sheet date are shown below:

	2019	2018
Syndicate 1971	\$'000	\$'000
Reinsurance premiums payable	(84,253)	-
Reinsurance paid recoveries receivable	30	-
Expense recharge	5,769	-
Net interest payable	(195)	-
Other creditors	(32,780)	-

NG Jones and other members of the syndicate's underwriting team participate on the syndicate through a Limited Liability Partnership.

Hannover Re participated on the syndicate with a 28.3% share of the 2019 year of account. J Schäfermeier, a non-executive director of ASML, is Managing Director of a division of Hannover Re. As set out in the Managing Agent's Report J Schäfermeier was appointed during 2019 to replace S Althoff. The syndicate entered into outwards reinsurance contracts with premium totalling \$2,276,000 (2018: \$1,602,000). At 31 December 2019 the total balances receivable were \$205,000 (2018: \$111,000) and related to recoveries due on paid and outstanding claims. Hannover Re, through Agentia Syndicate 2121, participates on consortia led by Syndicate 1969. The consortia wrote business with fees of \$4,208,000 (2018: \$4,073,000) and balances outstanding were \$4,240,000 (2018: \$4,148,000).

SYNDICATE 1969

SYNDICATE UNDERWRITING YEAR ACCOUNTS

**FOR THE 2017 YEAR OF ACCOUNT
CLOSED AT 31 DECEMBER 2019**

Syndicate 1969

Report of the directors of the managing agent

The directors of the managing agent present their report for the 2017 year of account of Syndicate 1969 for the cumulative result to 31 December 2019.

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

Principal activity and review of the business

2017 account

The 2017 year of account has been closed with a loss of \$73.2m (£55.2m at the closing exchange rate of \$1.33) representing 26.4% of the stamp capacity after all personal expenses except members' agents' fees.

Following the 16.7% pre-emption approved by Lloyd's the syndicate stamp increased to £210.0m (\$281.4m at the Lloyd's planning rate of \$1.34) for the 2017 year of account. The approved gross net written premium was £200.9m (\$269.3m). The rating environment continued to be very competitive with an actual risk adjusted rate reduction of 1.3%, which was significantly better than the plan reduction of 4.9%.

A new Marine Hull underwriter with historically profitable track record was recruited to the syndicate late in 2016 to enable the marine offering to be expanded for the 2017 year of account. In addition the Marine & Energy Liability class underwriter recruited in 2016 was able to write for the full year. Further growth was targeted for Non-Marine Liability through new business to Lloyd's and increased line sizes.

An opportunity to recruit a Terrorism underwriter was taken during the year and business began to be written from the last quarter of 2017. Accident & Health business, which had been written through a consortium, was discontinued.

Natural catastrophe losses heavily impacted the 2017 account in the form of Hurricanes Harvey, Irma and Maria that hit the Caribbean and the US. Two Mexican earthquakes in September resulted in further losses. Whilst the magnitude of the losses was within the reinsurance programme the losses have been considerable given retentions and reinstatement costs applicable to each loss.

Hurricanes Florence and Michael in 2018 also both impacted the 2017 year of account, in particular the Property D&F and Property Binders classes. Attritional loss experience has also been worse than expected for Property D&F, largely due to poorly performing risks within the habitational book. In addition the Non-Marine Liability experience on prior underwriting years has resulted in a more cautious approach to reserving for 2017 and this has impacted the forecast of the result on closure.

The scale of loss suffered in this year of account prompted comprehensive analysis and remediation of the book of business written by the syndicate, together with the associated support processes for underwriting and reporting. This was acted upon for the 2018 and 2019 year of account as referred to in the active underwriter's report and the managing agent's report to the syndicate annual accounts.

A \$35.3m cash call (12.5% of stamp capacity calculated using the 2017 year end rate of \$1.35) was made during 2018. A further cash call of \$31.2m (11.7% of stamp capacity calculated using the 2018 year end rate of \$1.27) was collected in the second quarter of 2019. The remaining balance of \$6.7m will be collected through the closing year distribution process.

Syndicate 1969

Report of the directors of the managing agent

2018 account

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

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

Whilst the rating environment continued to be very competitive, it improved with an actual risk adjusted rate increase of 5.9%. The rating improvements were substantially better than expected with improvements on all classes against a plan that expected reduction on many classes.

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

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

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

The Property D&F account was remediated with the non-renewal of under-performing risks in the International Open Market portfolio and Mexico. The catastrophe loss activity during 2017 had a positive effect on the rating environment for Property D&F in 2018, which saw a 14.7% increase in rates. Premium income for Specie & Cargo, was reduced in light of the highly competitive trading environment. The Non-Marine Liability class represented a significant proportion of premium income and benefited from positive US Casualty rating conditions and the beginning of the remediation actions referred to earlier.

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

The forecast range for the 2018 year of account result is from a profit of 2% to a loss of 8%.

2019 account

Lloyd's approved an 11.1% pre-emption increasing the syndicate stamp to £250.0m (\$330.0m at the Lloyd's planning rate of \$1.32) for the 2019 year of account. The syndicate is the host for SPA Syndicate 6133 and Syndicate 1971 with stamp capacities of £50.0m (\$66.0m) and £130.0m (\$171.6m) bringing the total stamp capacity to £430.0m (\$567.6m).

Syndicate 1969

Report of the directors of the managing agent

The general rating environment improved significantly in 2019 with an actual risk adjusted rate improvement of 9.4%, significantly above plan. Significant rate improvement were achieved on Property D&F and Marine Hull, and of the other classes all but one showed improvements that were substantially better than plan.

The 2019 business plan was resubmitted to Lloyd's during the first half of 2019. Changes were made to take advantage of the improved rating environment on certain classes and also to reflect changes in expectations for the ibott Rover account. 87% of the approved plan premium had been written by the end of the year.

2019 was the first full year of the ibott Rover account. This is ceded by an 80% quota share to Syndicate 1971 with a 50% quota share to a third party on the retained business. This is an innovative new class focused on writing auto liability sharing economy business. It is completely new to Lloyd's and therefore estimating the volumes that would be written was difficult; 74% of plan was written at the year end. This is still expected to become a rapidly-growing new market offering the potential for higher returns, albeit with the increased pricing risk associated with limited historic loss experience.

The resubmission of the business plan also included the development of a new Political Risk account within the Crisis Management class with the recruitment of a new underwriter. The account will focus on cover for contract frustration.

To date large losses have been within business planning expectations. Significant natural catastrophe losses were limited to Hurricane Dorian and Typhoons Faxai and Hagibis. These largely hit the Property Treaty account which is 90% ceded to Syndicate 6133.

The first public forecast will be at the 15 month stage of development.

Future developments

Commentary on the plans for the 2020 year of account are included in the Active Underwriter's Report and the Managing Agent's Report in the syndicate annual accounts.

Directors and directors' interests

The directors who held office at the date of signing are shown on page 2. Directors' interests are shown in note 20 as part of the related parties note to the accounts.

Disclosure of information to the auditor

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

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

Syndicate 1969

Report of the directors of the managing agent

Auditor

Deloitte LLP has indicated its willingness to continue in office as the syndicate's auditor.

Approved on behalf of the Board.

DCB Ibeson
Chief Executive Officer
5 March 2020

Syndicate 1969

Statement of managing agent's responsibilities

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

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

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

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

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

Syndicate 1969

Independent auditor's report to the members of Syndicate 1969 - 2017 closed year of account

Report on the audit of the syndicate underwriting year accounts for the 2017 closed year of account for the three years ended 31 December 2019

Opinion

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

- give a true and fair view of the loss for the 2017 closed year of account;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

We have audited the syndicate underwriting year accounts which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the statement of changes in members' balances;
- the balance sheet;
- the statement of cash flows;
- the related notes 1 to 20.

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

Basis for opinion

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

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

Other information

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

Syndicate 1969

Independent auditor's report to the members of Syndicate 1969 - 2017 closed year of account

In connection with our audit of the syndicate underwriting year accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate underwriting year accounts or our knowledge obtained in the 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 underwriting year accounts 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.

Responsibilities of managing agent

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

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

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

Syndicate 1969

Independent auditor's report to the members of Syndicate 1969 - 2017 closed year of account

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

Adam Knight, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
5 March 2020

Syndicate 1969

Profit and loss account

2017 year of account

For the 36 months ended 31 December 2019

Technical account – General business	Notes	\$'000
Syndicate allocated capacity		277,489
Gross premiums	3	321,986
Outward reinsurance premiums		(84,169)
Net premiums written and earned		<u>237,817</u>
Reinsurance to close premium receivable, net of reinsurance	4	138,712
		<u>376,529</u>
Allocated investment return transferred from the non-technical account	10	6,111
Claims paid		
Gross amount		(262,050)
Reinsurers' share		83,286
Net claims paid		<u>(178,764)</u>
Reinsurance to close premium, net of reinsurance	5	(185,660)
Claims incurred, net of reinsurance		<u>(364,424)</u>
Net operating expenses	6	(91,596)
Balance on the technical account - general business		<u>(73,380)</u>

Syndicate 1969

Profit and loss account

2017 year of account

For the 36 months ended 31 December 2019

Non-technical account	Notes	\$'000
Balance on the technical account – general business		(73,380)
Investment income	10	6,111
Allocated investment return transferred to the technical account – general business		(6,111)
Profit on foreign exchange		198
Loss for the 2017 closed year of account		(73,182)

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

Statement of changes in members' balances

For the 36 months ended 31 December 2019

	Notes	\$'000
Loss for the 2017 closed year of account	12	(73,182)
Cash calls received		66,447
Members' agents' fees		(586)
Amounts due from members at 31 December 2019	12	(7,321)

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

Syndicate 1969

Balance sheet

2017 year of account

For the 36 months ended 31 December 2019

Assets	Notes	\$'000
Investments		
Financial investments	11	148,757
Reinsurance recoveries anticipated on gross reinsurance to close premium	5	122,638
Debtors		
Debtors arising out of direct insurance operations	13	1,100
Debtors arising out of reinsurance operations	14	15,871
Other debtors	15	483
		<hr/> 17,454
Other assets		
Cash and cash equivalents		22,353
Overseas deposits	16	13,923
		<hr/> 36,276
Prepayments and accrued income		
Accrued interest and rent		245
Other prepayments and accrued income		1,636
Total assets		<hr/> 327,006 <hr/>

Syndicate 1969

Balance sheet

2017 year of account

For the 36 months ended 31 December 2019

Liabilities	Notes	\$'000
Amounts due from members	12	(7,321)
Reinsurance to close premium payable to close the account – gross amount	5	308,780
Deposits received from reinsurers		10,516
Creditors		
Creditors arising out of direct insurance operations	17	1,804
Creditors arising out of reinsurance operations	18	12,303
Other creditors	19	924
		<hr/> 15,031
Total liabilities		<hr/> 334,327
Total liabilities and members' balances		<hr/> 327,006

The syndicate underwriting year accounts on pages 64 to 77 were approved by the Board of Apollo Syndicate Management Limited on 5 March 2020 and were signed on its behalf by:

JD MacDiarmid
Finance Director
5 March 2020

Syndicate 1969

Statement of cash flows

2017 year of account

For the 36 months ended 31 December 2019

	\$'000
Cash flows from operating activities	
Loss for the 2017 closed year of account	(73,182)
Adjustments for:	
Increase in gross reinsurance to close payable	308,780
Increase in reinsurers' share of reinsurance to close	(122,638)
Increase in debtors	(17,454)
Increase in creditors	15,031
Increase in other assets/liabilities	(1,881)
Investment return	(6,111)
Net cash inflow from operating activities	102,545
Cash flows from investing activities	
Net purchase of other financial instruments	(148,757)
Investment income received	6,111
Movements in overseas deposits	(13,923)
Increase in deposits received from reinsurers	10,516
Net cash outflow from investing activities	(146,053)
Cash flow from financing activities	
Cash call received from members	66,447
Members' agents' fees paid on behalf of members	(586)
Net cash inflow from financing activities	65,861
Net increase in cash and cash equivalents	22,353
Cash and cash equivalents at 1 January 2017	-
Cash and cash equivalents at 31 December 2019	22,353

Syndicate 1969

Notes to the underwriting year accounts

2017 year of account

For the 36 months ended 31 December 2019

1. Basis of preparation

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

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These accounts relate to the 2017 year of account which has been closed by reinsurance to close at 31 December 2019. Consequently, the balance sheet represents the assets and liabilities of the 2017 year of account at the date of closure. The profit and loss account and cash flow statement reflect the transactions for that year of account during the three-year period until closure. The accounts are compiled using the signing messages relating to the year of account; this means that the resulting cash balance shown in the balance sheet belongs to that specific year of account.

These underwriting year accounts cover the three years from the date of inception of the 2017 year of account to the date of closure. Accordingly, this is the only reporting period and so comparative amounts are not shown.

As a consequence of the 2017 year of account reinsuring to close into the 2018 year of account, the residual risks to the members on the closed year have been minimised. Accordingly the members are no longer exposed to changes in the estimates and judgements made after the balance sheet date. The risk disclosure requirements of FRS 102 and FRS 103 are therefore deemed not applicable to these underwriting year accounts. However, it should be noted that a reinsurance contract does not extinguish the primary liability of the original underwriter.

2. Accounting policies

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

Gross premiums written

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

Outward reinsurance premiums

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

Syndicate 1969

Notes to the underwriting year accounts

2017 year of account

For the 36 months ended 31 December 2019

2. Accounting policies (continued)

Claims paid and related recoveries

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

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

Reinsurance to close premium payable

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

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

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

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

Investment return

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

Syndicate 1969

Notes to the underwriting year accounts

2017 year of account

For the 36 months ended 31 December 2019

2. Accounting policies (continued)

Net operating expenses

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

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

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

Acquisition costs

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

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

Reinsurers' commissions and profit participations

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

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

Consortia share of expenses

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

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

Syndicate 1969

Notes to the underwriting year accounts

2017 year of account

For the 36 months ended 31 December 2019

2. Accounting policies (continued)

Managing agent's fees

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

Foreign currencies

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

3. Segmental analysis - 2017 year of account after three years

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

	Gross premiums written	RITC received ¹	Gross claims incurred	Gross ² operating expenses	Reinsurance balance	Total
2017 year of account after three years	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Direct insurance:						
Marine, aviation and transport	31,463	20,453	(49,051)	(9,023)	2,656	(3,502)
Fire and other damage to property	76,255	44,644	(180,024)	(21,928)	39,140	(41,913)
Third-party liability	88,522	70,147	(218,331)	(24,456)	73,101	(11,017)
	196,240	135,244	(447,406)	(55,407)	114,897	(56,432)
Reinsurance	125,746	3,468	(122,536)	(36,189)	6,452	(23,059)
	321,986	138,712	(569,942)	(91,596)	121,349	(79,491)

¹ RITC received of \$138,712,000 (net of anticipated reinsurance recoveries of \$83,606,000) was received from the 2016 year of account.

² Gross operating expenses are the same as net operating expenses shown in the profit and loss account. No reinsurer's commissions and profit participations were received for the 2017 year of account.

Syndicate 1969

Notes to the underwriting year accounts

2017 year of account

For the 36 months ended 31 December 2019

3. Segmental analysis - 2017 year of account after three years (continued)

All premiums were underwritten in the UK.

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

	\$'000
US	204,917
UK	22,949
Other EU countries	17,091
Canada	18,118
Australia	9,362
Japan	7,655
Other	41,894
Total	321,986

4. Reinsurance to close premium receivable

	Reported \$'000	IBNR \$'000	Total \$'000
Gross reinsurance to close premium receivable	142,731	79,587	222,318
Reinsurance recoveries anticipated	(55,232)	(28,374)	(83,606)
Reinsurance to close premium receivable, net of reinsurance	87,499	51,213	138,712

5. Reinsurance to close premium payable

	\$'000
Gross reinsurance to close premium payable	307,892
Reinsurance recoveries anticipated	(122,232)
Reinsurance to close premium, net of reinsurance (at average exchange rates)	185,660
Foreign exchange	482
Reinsurance to close premium payable, net of reinsurance (at closing exchange rates)	186,142

	Reported \$'000	IBNR \$'000	Total \$'000
Gross reinsurance to close premium payable	205,851	102,929	308,780
Reinsurance recoveries anticipated	(83,549)	(39,089)	(122,638)
Reinsurance to close premium payable, net of reinsurance	122,302	63,840	186,142

Syndicate 1969

Notes to the underwriting year accounts

2017 year of account

For the 36 months ended 31 December 2019

6. Net operating expenses

	\$'000
Brokerage and commission	67,983
Other acquisition costs	13,583
Acquisition costs	81,566
Administrative expenses	16,030
Members' standard personal expenses	4,734
Consortia share of expenses	(10,734)
Total	91,596

7. Auditor's remuneration

	\$'000
Audit of syndicate accounts	119
Other services pursuant to Regulations and Lloyd's Byelaws	103
Non audit fees	76
Total	298

Non audit fees relate to work to issue a Statement of Actuarial Opinion on the technical reserves of the syndicate.

8. Staff numbers and costs

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

	\$'000
Wages and salaries	14,352
Social security costs	1,220
Other pension costs	835
Total	16,407

Syndicate 1969

Notes to the underwriting year accounts

2017 year of account

For the 36 months ended 31 December 2019

8. Staff numbers and costs (continued)

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

	Number
Underwriting	27
Claims and reinsurance	6
Management, administration and finance	46
Non-executive directors	4
Total	83

9. Emoluments of the directors of the managing agent

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

The directors received aggregate remuneration of \$2,714,000 charged to the syndicate's 2017 year of account and included within net operating expenses.

Included in the total above are emoluments paid to the highest paid director amounting to \$791,000. The Active Underwriter received remuneration of \$446,000 charged as a syndicate expense.

10. Investment income

	\$'000
Income from investments	4,069
Gains on the realisation of investments	510
Unrealised gains on investments	1,892
	<u>6,471</u>
Losses on the realisation of investments	(279)
Unrealised gains on investments	(81)
Total	<u>6,111</u>

11. Financial investments

	Market value \$'000	Cost \$'000
Holdings in collective investment schemes	62,725	62,701
Debt securities and other fixed income securities	86,032	85,056
	<u>148,757</u>	<u>147,757</u>

All of the above financial investments are held in short-term money market funds.

Syndicate 1969

Notes to the underwriting year accounts

2017 year of account

For the 36 months ended 31 December 2019

12. Balance on technical account

	2016 & prior year of account \$'000	2017 pure year of account \$'000	Total 2017 \$'000
Technical account balance before investment return & net operating expenses	(2,146)	14,251	12,105
Acquisition costs	(1,607)	(79,959)	(81,566)
	(3,753)	(65,708)	(69,461)
Allocated investment return transferred from the non-technical account			6,111
Net operating expenses other than acquisition costs			(10,030)
Profit on foreign exchange			198
Loss for the 2017 closed year of account			(73,182)
Cash call received from members			66,447
Members' agents' fees			(586)
Amounts due from members at 31 December 2019			(7,321)

13. Debtors arising out of direct operations

	\$'000
Due within one year	1,100

14. Debtors arising out of reinsurance operations

	\$'000
Due within one year	15,871

15. Other debtors

	\$'000
Rent deposit	360
Amount due from members	123
Total	483

16. Overseas deposits

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

Syndicate 1969

Notes to the underwriting year accounts

2017 year of account

For the 36 months ended 31 December 2019

17. Creditors arising out of direct insurance operations

	\$'000
Due within one year - intermediaries	1,804

18. Creditors arising out of reinsurance operations

	\$'000
Due within one year	12,303

19. Other creditors

	\$'000
Consortium fee payable	924

20. Related parties

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

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

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

APL employs all Apollo group staff, including underwriters, claims and reinsurance staff. APL provides the services of these staff and its partners to ASML to enable it to function as managing agent for the syndicate. APL also incurs a large proportion of the expenses in respect of operating the syndicate. The cost of these services and expenses are recharged to ASML which in turn recharges these to the syndicate on a basis that reflects its usage of resources, all recharges being without any mark up on cost. The total amount recharged by ASML to the 2017 year of account was \$16,319,000, this had been settled and nothing was outstanding at the year-end.

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

Hannover Re participated on the syndicate with a 30.4% share of the 2017 year of account. J Schäfermeier, a non-executive director of ASML, is Managing Director of a division of Hannover Re. As set out in the Managing Agent's Report J Schäfermeier was appointed during 2019 to replace S Althoff. The syndicate entered into outwards reinsurance contracts with premium totalling \$1,296,000. At 31 December 2019 the total balances receivable were \$4,000 and related to recoveries due on paid and outstanding claims. Hannover Re, through Agentia Syndicate 2121, participates on consortia led by Syndicate 1969. The consortia wrote business with fees of \$4,836,000 (2018: \$3,125,000) and balances outstanding were \$61,000 (2018: \$107,000).

Syndicate 1969

Seven year summary of underwriting results

As at 31 December 2019

	2011	2012	2013	2014	2015	2016	2017
Syndicate allocated capacity (£'000)	74,450	84,771	109,941	140,000	159,966	179,509	209,123
Syndicate allocated capacity (\$'000) (note 2)	123,587	132,243	161,613	171,766	216,002	228,543	277,489
Number of underwriting members	354	303	310	371	391	405	417
Aggregate net premiums (\$'000)	125,117	132,069	148,589	203,910	228,351	225,044	237,817
Result for a name with an illustrative share of £10,000	\$	\$	\$	\$	\$	\$	\$
Gross premiums	20,236	18,507	16,482	18,529	18,017	16,558	15,397
Net premiums	16,806	15,580	13,515	14,565	14,275	12,537	11,372
Premium for reinsurance to close an earlier year of account	2,730	2,587	2,723	2,928	3,550	4,441	6,633
Net claims	(10,133)	(7,349)	(7,358)	(6,257)	(6,792)	(8,366)	(8,548)
Reinsurance to close the year of account	(3,130)	(3,748)	(3,728)	(4,292)	(4,936)	(7,743)	(8,878)
Syndicate operating expenses	(5,964)	(5,341)	(4,520)	(5,252)	(5,322)	(4,633)	(4,154)
Profit / (Loss) on exchange	(276)	(129)	(348)	(304)	179	16	10
Balance on technical account	33	1,600	284	1,388	954	(3,748)	(3,565)
Investment return	154	63	35	43	69	100	292
Profit / (Loss) before personal expenses	187	1,663	319	1,431	1,023	(3,648)	(3,273)
Illustrative personal expenses (note 3)	(304)	(247)	(262)	(526)	(402)	(258)	(226)
Profit / (Loss) after illustrative personal expenses	(117)	1,416	57	905	621	(3,906)	(3,499)
Capacity utilised (note 4)	93.8%	93.0%	89.8%	93.9%	82.3%	84.0%	91.5%
Net capacity utilised (note 5)	73.1%	74.2%	69.6%	67.8%	60.4%	58.4%	61.2%
Underwriting profit ratio (note 6)	0.2%	8.6%	3.8%	9.1%	5.3%	(22.6)%	(23.2)%
Result as a percentage of stamp capacity	(0.7)%	9.1%	0.4%	7.4%	4.6%	(30.7)%	(26.4)%

Notes to the summary:

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