Important information about Syndicate Reports and Accounts

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

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

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

Aspen Managing Agency Limited

Syndicate 4711

Report and accounts

For the year ended 31 December 2021

Contents

Directors and Advisors

Managing Agent
Aspen Managing Agency Limited

Directors
T Froehlich (Chair)
H Purves
N Waller
S Liddell
P Cooper
R Milner
C Jones
S Stanford
R Moorehead-Lane

Company secretary
A Kershaw

Managing Agent's registered office
30 Fenchurch Street,
London, EC3M 3BD
United Kingdom

Managing Agent's registered number
06459521

Syndicate:

Active underwriter
S Stanford

Bankers
Citibank N.A.
RBC Dexia
Deutsche Bank

Investment managers
BlackRock Incorporated

Registered Auditor
KPMG LLP
15 Canada Square
London
E14 5GL

Report of the Directors of the Managing Agent

The Directors of the Managing Agent present their report in respect of Syndicate 4711 ("the Syndicate") for the year ended 31 December 2021.

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

Strategic Report

The result for the year ended 31 December 2021 is a loss of £34.3m (31 December 2020 : loss of £53.0m) and is set out in the Profit and Loss Account on page 19. A breakdown of the 2021 performance is shown on page 6.

The Managing Agent is a subsidiary of Aspen Insurance Holdings Limited ("AIHL") a company registered in Bermuda. AIHL is the parent company of the Aspen Group. Copies of the consolidated financial statements may be obtained from the registered office at 141 Front Street, Hamilton, Bermuda HM19.

Overview of the business

The principal activity of the Syndicate is the transaction of general insurance and reinsurance business at Lloyd's. A description of the Syndicate's business is as follows:

<u>First Party & Specialty</u>:

- Crisis Management: the portfolio is comprised of four main product lines Terrorism & Political Violence, Kidnap & Ransom, Piracy and Active Assailant. The portfolio is well diversified across product, geographical split and broker distribution. As the lines are non-correlating, this gives the added benefit of enabling the team to scale up individual component parts without increasing the combined accumulation risk.

- Credit & Political Risks: the team offers three main products credit, contract frustration and political risk. Business is predominantly direct insurance, new business, with a small proportion of facultative reinsurance.

- International Energy & Construction: the account is comprised of three product sectors: Heavy Industries (includes mining and mineral processing; pulp and paper manufacturing; and metal making), Power Generation, and Construction.

- Upstream Energy: this product line insures companies involved in the identification, exploration and exploitation of hydrocarbon reserves or other exploration and production activities for energy production around the world. Coverage is provided for Physical Damage, Control of Well/Operator's Extra Expense, Third Party Liabilities and Loss of Production income.

- Specie: the account consists of four products: Fine Art, General Specie, Cash in Transit (CT) and Jewellers' Block. Geographic focus is US and Europe for Fine Art and worldwide for the other products including South Africa, Russia, LATAM, and Australasia.

- UK Property & Casualty: this account consists of 4 sections - Property Business and Community, Property Investors, Construction and Casualty. Our target accounts are FTSE 500, Mid-Corporate and Larger SME insureds and we write business exclusively in the Ireland on the Syndicate.

Financial and Professional Lines Insurance:

- Management Liability: the account is made up of Commercial Directors' & Officers' Liability ("Commercial D&O"), Transactional Liability ("TL") and D&O programmes business. Commercial D&O represents approximately 45% of the book and is predominantly open market business. Ancillary coverages are also offered within Commercial D&O such as: Individual Directors' Liability, Pension Trustee Liability, Prospectus Liability ("POSI"), Trustee Liability and Employment Practice Liability ("EPL").

- Financial Institutions: the team writes Financial Institution Crime ("Crime"), Financial Institution Professional Indemnity ("PI") and Financial Institution Directors and Officers Liability ("D&O"). Ancillary products such as Pension Trustees Liability ("PTL") / Fiduciary Liability ("FL") and Employment Practices Liability ("EPL") are also provided, however these are not written as stand-alone policies.

- Professional Indemnity: this account focusses on Errors & Omissions coverage Accountants & Actuarial Consultants, Architects & Engineers, Insurance Brokers, Law firms, Surveying / Real Estate firms and Miscellaneous Consulting firms with focus on the UK, Canada, US and Australia/New Zealand.

- Cyber: This account includes a worldwide portfolio of policies, covering Cyber-specific and technology errors and omissions covers, which can be written on a blended or stand-alone basis. Cyber-specific covers include first party costs (network-based extortion, network-based business interruption and data recovery expenses) and third party liabilities related to the breach of contractual or statutory data protection obligations.

Casualty:

- International Casualty Delegated Underwriting Authority: The portfolio focuses predominantly on binding authorities written via Lloyd's approved coverholders. Underlying policyholders/insured's are generally SME's and micro-enterprises with a small amount of medium-large risks. No consumer business is written. Trade sectors targeted include manufacturing, wholesale, retail, hospitality and construction.

- Excess Casualty: the portfolio is written via the open market and comprised predominantly of Global Fortune 1,000 accounts written on an excess only basis. The majority of accounts are U.S. domiciled.

- Environmental: the account is predominantly annually renewable Environmental Legal Liability ("ELL") and Contractors' Pollution Liability ("CPL") project business with year on year growth and a focus on long-term profitability.

Reinsurance:

- Casualty Re: the account consists of a diversified portfolio of Casualty classes which avoids over reliance on any one sector. This enables the team to be nimble and to shift the portfolio towards the most profitable segments as market conditions develop. The underwriting focus is to provide risk-exposed excess of loss support to specialist insurers on a lead basis. The team also provide Clash and Cat coverages to larger, more generalist insurers.

- Property Re: Property reinsurance consists of Catastrophe excess of loss ("XoL"), Risk XoL and Pro Rata. The portfolio is mainly from Canada, Caribbean, Southern Europe, Sub Saharan Africa and includes some London and Lloyd's market accounts.

- Property Facultative: this account consists of carefully underwritten Individual Risk accounts and Automatics sourced directly and through brokers. Risks are mainly mid /high attachment point Fire driven business, targeting lower hazard occupancies

- Specialty Re: this account consists of a wide range of products that don't naturally fit into Casualty or Property portfolios, including but not limited to Agriculture, Cyber, Engineering, Marine, Aviation, Space, Bloodstock, Terror and Special Risks

Other including:

- Environmental: Cover is provided for damages arising from pollution resulting from an insured's activities including bodily injury, property damage, clean-up costs and biodiversity damage.

- Global Casualty: Consists of a broad portfolio of excess casualty business, including Fortune 1000, manufacturing, and construction.

2021 Performance

Overall premium for the year has increased to £494.2m (2020: £349.4m), with the loss for the financial year of £34.3m (2020: £53.0m loss) reflecting an increase in current and prior year reserves, mainly driven by Accident & Health, D&O, Professional Indemnity, Technology Liability, Credit & Politcal and Financial Institutions. During 2021, Aspen made the decision to undertake a strategic group restructuring and transferred certain business from Aspen Insurance UK Ltd (“AIUK”) into the Syndicate which accounts for the increase in premiums written compared to 2020.

Marine and Energy Insurance

Gross written premium increased to £61.6m from £52.1m in 2020. Overall this segment is loss making, with Marine Liability (ceased writing in 2020) being the main driver. Bar Aviation, the remaining lines were profitable for the year.

Financial and Professional Lines Insurance

Gross written premiums have increased in the year to £259.1m from £214.9m in 2020. This is mostly as a result of growth in most classes, notably Cyber and Management Liability, with an offset in reduction of Accident & Health (ceased writing in 2020). The segment made a loss for the financial year, due to strengthening prior year reserves in the segment.

Reinsurance

Overall premium for the year has increased to £74.6m from £26.0m in 2020. Premium growth has been driven by the strategic group restructuring bringing more business into the Syndicate during the second half of 2021. The segment made a profit for the year, with Specialty Re and Pro rata being main drivers.

Other including Global Casualty Insurance

Gross written premium has increased in the year to £98.9m from £56.3m in 2020. This is mostly due to growth in all classes, notably International Casualty and NMT Liability. This Segment was profit making, mainly driven by NMT Liability performing well, offset by losses in remaining classes.

Reserving

Following an independent actuarial review, the Syndicate net reserve margins for both the current and prior years were increased in 2021 by an additional $41m (£30m) above management's best estimate. The strengthening largely relates to uncertainty on the financial and professional lines of business, including potential for future development and the impact of rate change.

Key performance indicators

The key financial performance indicators during the year were:

	(£ in millions)
Capacity	725.0
Gross written premium	494.2
Gross earned premium	395.2
Net earned premium	199.0
Investment return	(6.7)
Loss for the financial year	(34.3)
Expense ratio	36.5 %
Claims ratio	80.8 %
Combined ratio	117.3 %

The above ratios have been calculated using net earned premium.

Outwards reinsurance arrangements

We purchase reinsurance and retrocession to mitigate and diversify our risk exposure to a level consistent with our risk appetite and to increase our insurance and reinsurance underwriting capacity. These agreements provide for recovery of a portion of our losses and loss adjustment expenses from our reinsurers. The amount and type of reinsurance that we purchase varies from year to year and is dependent on a variety of factors including, but not limited to, the cost of a particular reinsurance contract and the nature of our gross exposures assumed, with the aim of securing cost-effective protection.

We have reinsurance covers in place for the majority of our insurance classes of business, most of which are on a non-proportional and / or proportional treaty basis. In 2021 there has been an increase in non-proportional business for the Syndicate. Specifically the 2021 Marine, Energy & Cargo ("MEC"), Insurance Loss Warranty's and Aspen Reinsurance America/International Property Facultative excess of loss contracts. This is because of the strategic group restructuring and transfer of business from Aspen Insurance UK ("AIUK"), a subsidiary within the Aspen Group. This restructuring has resulted in an increase in gross premiums and a related increase in reinsurance Premiums in 2021 underwriting year, with further increases in 2022 underwriting year premiums expected, as a result of proportional treaty spend. Furthermore, due to favourable terms and ceding commissions, we had an increase in proportional protection across FinPro and Casualty classes.

The Syndicate has a 20% whole account quota share for the years of account 2009 to 2020, and 35% on 2021 year of account, to protect the net retained account. This reinsurance is placed with Aspen Bermuda Limited (ABL), a subsidiary within the Aspen Group.

For the 2015 to 2021 underwriting years of account, all MEC business written by the Aspen Group was agreed to be written by the Syndicate and an additional 50% quota share was purchased to reduce volatility. This quota share was purchased with AIUK, another subsidiary within the Aspen Group whose ultimate holding company is Aspen Insurance Holdings Limited ("AIHL").

In March 2020, the Group, with the Syndicate as a named party, entered into an adverse development reinsurance agreement with a wholly-owned subsidiary of Enstar Group Limited (“Enstar”). Under this agreement the Group will reinsure losses incurred on or prior to December 31, 2019. Enstar's subsidiary will provide $770 million of cover in excess of $3.805 billion retention up to an aggregate limit of $4.575 billion, and an additional $250 million of cover in excess of $4.815 billion, up to $5.065 billion. The premium payable and recoverables receivable under this contract, were allocated across the various operating subsidiaries within the Aspen Group based on risk adjusted reserve run off projections. The Syndicate's share of both premium and in-the-money recoveries were $77.0 million, equating to 10% of the reinsurance agreement. Recoveries due to the Group from the out-of-the-money layer are $68.15m, of which $6.81m has been allocated to Syndicate using the same allocation approach.

Investment performance

The investment policy of the Syndicate is set by the Board of Aspen Managing Agency Limited ("AMAL") and managed with support from the Aspen Group Investment function. The Board monitors investment performance and approved the change in investment manager, appointing BlackRock Incorporated in managing the Syndicate's investments. Furthermore investments are also required to be made in line with the restrictions put in place by Lloyd's.

As at 31 December 2021, the Syndicate held £256.5m in fixed income investments, which were located in various countries; being UK, France, Australia, Canada, Jordan, Japan and USA. Investment risk is analysed in note 4 to these accounts.

The portfolio has a duration of 1.22 years at 31st December 2021 versus 1.01 at 31st December 2020. The portfolio remains positioned up in quality with a weighted average rating of AA. The option adjusted spread on the corporate holdings (approximately 20% of the overall portfolio) widened marginally during the year by 7bps.

The Syndicate maintains investment funds in US dollars and Canadian dollars.

As at 31 December 2021 the total value of cash and investments was £395.5m (2020: £324.5m). Of the total value, 58% was held in US dollars, 10% (77% held in USD, 23% CAD) was invested in money market funds and 34% was invested in Canadian and US government bonds. Overall the investment return for the year was (1.7%) (2020: 2.3%) on an annualised basis.

Further analysis of the Syndicate's investments can be found in the notes 10 and 11 to these accounts.

Financial position

The balance sheet of the Syndicate shows total assets of £1,694.4m (2020: £1,321.2m) and a member's balances deficit of £104.8m (2020: £104.5m). Of the total assets, £395.5m is represented by cash and financial investments.

The Syndicate maintains all its investments in fixed income bonds and liquidity funds

Insurance reserves include a net provision for claims outstanding of £397.8m (2020: £366.4m) and a provision for unearned premium of £142.7m (2020: £126.9m) net of reinsurance.

During quarter one 2021 the Syndicate made a cash call for the 2019 Year of Account, equal to 50% of the current 2019 forecasted result, less £2m retention of £16.7m.

Principal risks and uncertainties

Risk management has been embedded in the management and culture of the Aspen Group since its formation in 2002. Aspen Managing Agency Limited ("AMAL") and the Syndicate, as operating entities within the Aspen Group, operate within the Group's established risk management practices.

A Risk Universe has been agreed for Syndicate 4711, which defines the different types of risk that Syndicate 4711 faces and how they are monitored and measured. This framework is updated at least annually and applied throughout the year. The risks are defined in the Risk Universe at 3 levels:

- Risk classification (Core and Non-Core)
- Risk category
- Risk sub category

The risks faced by Syndicate 4711 are defined as follows:

Core risks - these are risks which we explicitly accept onto the balance sheet as part of running Syndicate 4711's business, are listed below:

1) Insurance risk: the variation of actual technical results from their expected values other than as a result of execution, operational or counterparty risks, relating both to exposures from business written in the period (underwriting risk) and exposures from business written in prior periods (reserving risk).
2) Market risk: The risk of variation in the market value of the Syndicate's assets as a result of changes in the market prices of securities or foreign currencies.

Non-core risks are all risks other than core risks. These are quantified as far as possible and, wherever practical, minimised or avoided. These are listed below:

1) Credit risk: The risk of payment default by a third party as well as diminution in the value of (re)insurance receivables as a result of counter-party default.

2) Liquidity Risk: The risk that Syndicate 4711 is unable to make payments or provide collateral when required.

3) Operational Risk: The risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events.

4) Strategic Risk: The risk of adverse impact on shareholder value or income and capital of adverse business decisions, poor execution or failure to respond to market changes.

5) Emerging Risk: The risk that events not previously identified emerge and impact the profitability and/or balance sheet of Syndicate 4711.

6) Regulatory Risk: The risk of non-compliance with regulatory requirements or risk that changes in regulation impact our ability to operate profitably in some jurisdictions or lines of business.

7) Taxation Risk: The risk that we do not understand, plan for and manage our tax obligations as well as the risk that changes in taxation impact our ability to operate profitably in some jurisdictions or lines of business.

Operational risk is the most complex of the risk classifications due to its diverse nature and difficulty in applying quantitative methods to the calculation of risk. A risk register of the key operational risks face by the business is maintained within the risk function and reported to the Board of the Managing Agency on a quarterly basis.

As part of the business planning process the management and AMAL Board approve the Risk Appetites and subsequent risk limits which are used to determine the level of risk taken by the syndicate throughout the year. The Risk Appetite is monitored through the risk profile dashboard while the risk limits are more granular and are measured within the business on a continual basis.

The governance structures around the risk management framework are now maturing after the transformation of the risk management framework during the past two years. These governance structures are becoming embedded and are continually developing the risk metrics produced within the business to provide a proactive source of risk information.

A new risk management depository and reporting tool is being implemented during 2022 which will provide additional capability in the level of granularity at which the risks for the Aspen Group and the Syndicate will be able to be understood and reported on.

The Annual Risk and Control Self Assessment process continues to provide an opportunity for the business to review and update the risks and controls within the processes and systems of the organisation as these evolve and develop.

A number of strategic risks are also regularly considered and updated throughout the year. A key area of development over the past year has been the re-organisation of the Lloyd’s solution for operating across the EU.

Following on from the UK’s decision to exit the EU a number of questions were being asked of the initial structure in place to enable UK based Lloyd’s syndicates to continue to operate across Europe.

The new structure requires underwriters from impacted syndicates being seconded to the Lloyd's European operation to allow for direct contact and contracting of insurance and reinsurance business. Aspen has fully participated in the new structure and believes that this mitigates the risk for the Lloyd's syndicate of Aspen not having a presence in Europe at this time.

Climate Change

Over the course of the last decade a number of initiatives and global agreements have been implemented in order to bring together significant communities in order to tackle the potential impacts of significant climate change. A number of international agreements have been proposed and nation states are progressing their various programs to meet the various proposed actions.

Whilst no regulatory or legal requirements are being placed on firms at this time, it is incumbent on all communities of the planet to play their part in this challenge and Aspen firmly believes that we have a part to play in this evolving situation.

Aspen Group published its first ESG report at the end of 2021. This report will be an annual process and will highlight the steps Aspen is taking across our communities in tackling the major issues we face as a society. This report will include highlighting how Aspen will look to reduce and neutralise it's impact on the environment as well as the positive steps being taken through partnerships and products Aspen is developing to enable other climate related projects to become reality.

Additionally Aspen is working with its investment managers to develop a comprehensive suite of reporting metrics looking at the potential risk of deterioration of investments due to the impact of climate change related actions, as well as managing the investment portfolio in line with Aspen's own climate risk philosophy.

COVID-19

The ongoing COVID-19 pandemic, and the actions taken by the governments, businesses and individuals in response to the pandemic have resulted in, and are expected to continue to result in, significant and ongoing economic and societal disruption, including significant market volatility. As new variants of the virus may continue to emerge, we see the potential for a resurgence of the pandemic in certain key markets, which could adversely impact our operations, financial condition, or liquidity.

The Syndicate's exposures are controlled and limited by it's insurance and reinsurance contracts, which include specific terms and conditions defining if and how our policies respond to losses arising from the COVID-19 pandemic. However, legislative, regulatory or judicial actions and social influences which may seek to extend coverage or payment terms beyond intended contractual obligations or result in an increase in the frequency or severity of claims beyond expected levels. There are ongoing lawsuits and other legal actions challenging the promptness of coverage determinations or the coverage determinations themselves on claims under applicable insurance or reinsurance policies, including, among others, business interruption claims, which could result in increased claims, litigation and related expenses. It is not possible to predict when or how litigation related to the COVID-19 pandemic and coverage disputes will be finally resolved, which further impairs our ability to estimate potential insurance or reinsurance exposure. Further, there has been little change in the expected ultimate losses in recent reviews.

As the COVID-19 pandemic moves into the next phase Aspen is also transitioning to a status of living with the challenges of the remaining elements of the pandemic. Aspen has implemented a number of measures to allow the business and its stakeholders to move forward with confidence and flexibility. These measures have included a flexible approach to working patterns and office space utilisation.

Recognising the risks continued remote working may bring as part of a hybrid combination of office and home working, during the last twelve months the organisation has taken a number of steps to upgrade the hardware provided to our employees as well as the operational systems utilised which has increased the security of our employees and organisation.

More generally, IT security continues to be a key focus of the management team. The business will continue to develop its mitigations and protections in regards to infrastructure and continuing training for all employees on cyber and data security.

We continue to follow guidelines and governmental mandates regarding COVID-19 protocols and vaccinations. While it is not possible to predict the administrative costs, compliance costs or impacts to our available workforce, we continue to develop, and amend as needed, guidelines, testing processes, and vaccination requirements. In addition, we are monitoring legal actions and pending legislation regarding the mandates for further guidance.

Further, we cannot predict at this time how the COVID-19 pandemic will impact demand for our insurance and reinsurance products in the future. While we expect demand for (re)insurance may, as a result of the COVID-19 pandemic, increase in some lines of business, and decrease in others, the future impact of the

COVID-19 pandemic on our industry and our business will depend on a range of factors, including the duration of mitigation efforts and public acceptance of vaccines and/or other alternative treatments, the severity of the impact of mitigation efforts on businesses and business activity, the scope and efficacy of governmental stimulus and other relief efforts, the extent to which legislative or regulatory efforts or court cases succeed in shifting some of the burden of the pandemic to insurers (particularly for business interruption) on a retroactive basis, and the severity and duration of, and the speed of recovery from, recessionary impacts. Our disclosures should be read in the context of the evolving COVID-19 pandemic and the related uncertainties, whether or not specific reference is made thereto.

Future developments

The Syndicate’s capacity for 2022 has increased to £900 million (2021: £725 million).

The Syndicate continues to transact in the classes of general insurance and reinsurance business that it has transacted in historically. We are successfully executing on the transition of business from our Insurance Company onto the Syndicate, which brings some additional classes of business in-line with our specialist strategy.

1 January 2022 renewals have demonstrated some continued hardening of rates across the market with planned rate increases expected across a number of lines of business but to a lesser extent than in 2021. There has been a positive reception to the transfer of business to the syndicate, with the majority of business moving over as expected. We have looked to reduce exposure in some areas and are actively managing our portfolio.

The Aspen Group has entered into a ground-up Loss Portfolio Transfer (LPT) with a wholly-owned subsidiary of Enstar during 2022. The existing adverse development cover would be assumed under the LPT which would cover all business from 2019 and prior accident years, which would mean some development on the 2019 Underwriting Year would not be reinsured. The LPT transaction is subject to certain closing conditions including approval by the boards of subsidiaries within the Aspen Group and the relevant regulators. The existing ADC would continue until the deal is closed. The Syndicate board is currently considering this change. If closing conditions are met the LPT deal is expected to close in Q2 2022. This contract would ensure that the Group, and therefore the Syndicate, are substantially covered against further deterioration on the 2019 and prior accident years.

Directors

The directors of AMAL at the date of this report are set out on page 3 and below. Changes in Directors during 2021 and up to the date of this report are as follows:

		Date of Appointment	Date of Resignation
T Froehlich	Chair*	25 February 2020	
P Webster	Chair		30 June 2021
M Cain	Non-executive Director		19 May 2021
H Purves	Non-executive Director		
N Waller	Non-executive Director		
S Liddell	Non-executive Director	8 February 2021	
P Cooper	Non-executive Director	24 February 2021	
R Milner	CEO		
C Jones	CFO	13 May 2021	
S Stanford	Active Underwriter	25 January 2021	
R Moorehead-Lane	CRO	3 June 2021	

***T Froehlich was appointed as chair on 28 October 2021**

Directors' and Officers' liability insurance

The Aspen Group has continued to maintain a Directors and Officers insurance policy, which was in place throughout the year ended 31 December 2021, and provides cover for its directors and officers of the Managing Agent. During the year and up to and including the date of approval of this report, the Syndicate's Articles provided a qualifying third party indemnity to the Company's Directors and Officers.

Research and development

The Syndicate has not undertaken any research and development activities during the year.

Disclosure of information to the Auditors

The directors each confirm that:

- So far as they are aware, there is no relevant audit information of which the Syndicate's auditors are unaware, and
- They have 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 auditors are aware of that information.

Charitable and Political contributions

The Syndicate made no political or charitable donations during 2021 (2020: Nil).

Auditors

The group undertook an audit tender process during 2021 in respect of external audit services. Subject to signed approval by the Group's shareholders, EY will be appointed for financial periods on or after 1 January 2022. KPMG LLP will resign as auditor following the completion of the 31 December 2021 audit.

By order of the Board

Richard Milner
Director

03 March 2022

Statement of Managing Agent’s Directors' Responsibilities

The Directors of the Managing Agent are 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 requires the Directors of the Managing Agent to prepare their Syndicate’s annual accounts for each financial year. Under that law they have elected to prepare the annual accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under the Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 the Directors of the Managing Agent must not approve the annual accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Syndicate and of the profit or loss of the Syndicate for that period. In preparing these annual accounts, the Directors of the Managing Agent are 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 annual accounts; and
- Assess the Syndicate’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so.

The Directors of the Managing Agent are responsible for keeping adequate accounting records that are sufficient to show and explain the Syndicate’s transactions and disclose with reasonable accuracy at any time the financial position of the Syndicate and enable them to ensure that the Syndicate annual accounts comply with the Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of Syndicate annual accounts that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Syndicate and to prevent and detect fraud and other irregularities.

The Directors of the Managing Agent are responsible for the maintenance and integrity of the Syndicate and financial information included on the Syndicate’s website. Legislation in the UK governing the preparation and dissemination of Syndicate annual accounts may differ from legislation in other jurisdictions.

Richard Milner
Director

03 March 2022

Independent Auditor's Report to the Member of Syndicate 4711

Opinion

We have audited the Syndicate annual accounts of Syndicate 4711 ("the Syndicate") for the year ended 31 December 2021 which comprise the Profit and Loss Account: Technical and Non-Technical Account - General Business, Statement of Other Comprehensive Income, Balance Sheet – Assets, Balance Sheet - Liabilities, Statement of changes in Members' Balances, and Cash Flow Statement and related notes, including the accounting policies in note 3.

In our opinion the Syndicate annual accounts:

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Syndicate in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to other entities of public interest. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors of the Managing Agent have prepared the Syndicate annual accounts on the going concern basis as they do not intend to cease underwriting or to cease its operations, and as they have concluded that the Syndicate's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the Syndicate annual accounts ("the going concern period").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Syndicate's business model and analysed how those risks might affect the Syndicate's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the Syndicate annual accounts is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Syndicate's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Syndicate will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Directors, the audit committee, internal audit, the risk and compliance officers and inspection of policy documentation as to the Syndicate and Managing Agent's high-level policies and procedures to prevent and detect fraud including the internal audit function, and the Syndicate's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board, audit committee and risk committee meeting minutes.
- Using analytical procedures to identify any usual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements related to both the valuation of claims reserves and outward reinsurance recoveries on claims reserves.

This is because of their direct impact on the Syndicate's profit and financial position. Valuation of these liabilities, especially in respect of the incurred but not reported (IBNR) component, and the associated impact on the reinsurance recoveries, is highly judgemental as it requires a number of assumptions to be made in respect of ultimate loss ratios, frequency and severity of claims all of which carry high estimation uncertainty and are difficult to corroborate creating opportunity for management to commit fraud.

On this audit we do not believe there is a fraud risk related to revenue recognition because there is limited management judgement involved in the determination of all material revenue streams as the amounts are determined by reference to notifications from external parties with a large proportion booked through the direct interface with the Lloyd's platform reducing the risk of fraud. Therefore, the audit evidence supporting these account balances is straightforward to obtain.

In determining the audit procedures to address the identified fraud risks, we took into account the results of our evaluation and testing of the operating effectiveness of the anti-fraud risk controls.

We performed procedures including:

- Involving our own actuarial specialists to assist in our challenge of management's selection of assumptions. This included evaluating the appropriateness of management's chosen methodologies and the assumptions adopted in respect of ultimate loss ratios (gross and net) by comparing to relevant historical Syndicate experience data and comparing estimates of total catastrophe losses to expectations derived from our understanding of current trends in loss development and industry benchmarking in order to identify specific trends and outliers.
- Using our own modelling tools to re-project ultimate losses for certain individual classes of business (based on our risk assessment) and comparing this to the Syndicate's estimates; and
- in respect of case reserves, selected a sample of notified claims and agreed management's booked amounts to external loss notification information.

To address the pervasive risk as it relates to management override, we also performed procedures identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These criteria included testing journals posted to IBNR after the date of the year end reserving committee meeting, any journals posted to the cash account balance with the other side of the journal posted to an unexpected/unusual account, journals posted by users who are not ordinarily expected to post journals such as senior management and journals containing descriptions or words that might be indicative of unusual or inappropriate entries.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the annual accounts from our general commercial and sector experience, and through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Managing Agent's regulatory and legal correspondence. We discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Syndicate is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the annual accounts varies considerably.

Firstly, the Syndicate is subject to laws and regulations that directly affect the annual accounts including financial reporting legislation (including Lloyd's regulations) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related annual accounts items.

Secondly , the Syndicate is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the annual accounts, for instance through the imposition of fines or litigation or the loss of the Syndicate's license to operate. We identified the following areas as those most likely to have such an effect: corruption and bribery, compliance with regulations relating to sanctions due to the nature of the business written by the syndicate, financial products and services regulation and the Solvency II regime including capital requirements, recognising the financial and regulated nature of the Syndicate's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the annual accounts, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the annual accounts, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information - Report of the Directors of the Managing Agent

The Directors are responsible for the Report of the Directors of the Managing Agent. Our opinion on the Syndicate annual accounts does not cover that report and we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the Report of the Directors of the Managing Agent and, in doing so, consider whether, based on our Syndicate annual accounts audit work, the information therein is materially misstated or inconsistent with the Syndicate annual accounts or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Report of the Directors of the Managing Agent;
- in our opinion the information given in the Report of the Directors of the Managing Agent is consistent with the Syndicate annual accounts; and
- in our opinion the information given in the Report of the Directors of the Managing Agent have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

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 to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Syndicate annual accounts are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Responsibilities of the Directors of the Managing Agent

As explained more fully in their statement set out on page 14, the Directors of the Managing Agent are responsible for: the preparation of the Syndicate annual accounts and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of Syndicate annual accounts that are free from material misstatement, whether due to fraud or error; assessing the Syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the Syndicate annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Syndicate annual accounts.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

Kushan Tikkoo (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
KPMG LLP
15 Canada Square
London
E14 5GL

03 March 2022

Profit and Loss Account: Technical and Non-Technical Account - General Business
for the year ended 31 December 2021

	Notes	**2021 £000**	2020 £000
Gross premiums written	5	**494,153**	349,388
Outward reinsurance premiums		**(273,993)**	(227,219)
Net premiums written		**220,160**	122,169
Change in the provision for unearned premiums			
Gross amount	13	**(98,989)**	15,288
Reinsurers' share	13	**77,798**	(15,271)
Net change in provision for unearned premiums		**(21,191)**	17
Earned premiums, net of reinsurance		**198,969**	122,186
Allocated investment return transferred from the non-technical account	10	**(6,733)**	10,036
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	5	**(236,356)**	(234,839)
Reinsurers' share		**109,615**	107,492
Net claims paid		**(126,741)**	(127,347)
Change in the provision for claims			
Gross amount	13	**(118,221)**	(94,844)
Reinsurers' share	13	**84,123**	114,957
Net change in the provision for claims		**(34,098)**	20,112
Claims incurred, net of reinsurance		**(160,839)**	(107,235)
Net operating expenses	6	**(72,659)**	(78,775)
Balance on the technical account - for general business		**(41,262)**	(53,788)
Non-Technical Account			
Investment income	10	**3,533**	5,102
Realised (losses)/gains on investments	10	**(6,975)**	5,435
Unrealised (losses)/gains on investments	10	**(2,995)**	1,260
Investment management charges	10	**(296)**	(1,761)
Allocated investment return transferred to general business technical account	10	**6,733**	(10,036)
Other income/(charges)	7	**6,954**	823
Loss for the financial year		**(34,308)**	(52,965)

All operations are continuing.

Statement of Other Comprehensive Income
for the year ended 31 December 2021

	2021	2020
	£000	£000
Loss for the financial year	**(34,308)**	(52,965)
Foreign currency translation (losses)/gains	**(671)**	2,320
Total recognised losses in the financial year	**(34,979)**	(50,645)

The notes on pages 25 to 55 form an integral part of these annual accounts.

Balance sheet - Assets
at 31 December 2021

	Notes	2021 £000	2020 £000
Investments			
Financial investments	11	**303,454**	240,425
Deposits with ceding undertakings		**1,738**	—
Reinsurers' share of technical provisions			
Provision for unearned premiums	13	**167,149**	87,362
Claims outstanding	13	**643,231**	555,829
		810,380	643,191
Debtors - due within one year			
Debtors arising out of direct insurance operations - intermediaries		**145,792**	134,851
Debtors arising out of reinsurance operations		**264,092**	160,182
Other debtors		**1,702**	380
		411,586	295,413
Debtors - due after one year			
Debtors arising out of direct insurance operations - intermediaries		**2,875**	1,579
Debtors arising out of reinsurance operations		**2,906**	1,175
		5,781	2,754
Other assets			
Cash at bank and in hand	14	**17,367**	14,303
Other	14	**74,672**	69,723
		92,039	84,026
Prepayments and accrued income			
Deferred acquisition costs	12	**68,501**	54,659
Other prepayments and accrued income		**883**	742
		69,384	55,401
TOTAL ASSETS		**1,694,362**	1,321,210

Balance Sheet - Liabilities
at 31 December 2021

	Notes	2021 £000	2020 £000
Capital and reserves			
Member's balance		**(104,843)**	(104,523)
Technical provisions			
Provision for unearned premiums	13	**309,842**	214,242
Claims outstanding	13	**1,041,014**	922,242
		1,350,857	1,136,484
Creditors - due within one year			
Creditors arising out of direct insurance operations - intermediaries		**25,218**	34,276
Creditors arising out of reinsurance operations		**228,129**	108,766
Other creditors		**67,944**	64,103
		321,291	207,145
Accruals and deferred income	15	**127,057**	82,104
TOTAL LIABILITIES		**1,694,362**	1,321,210

The financial statements on pages 19 to 55 were approved by the Board of Aspen Managing Agency Limited on 2 March 2022 and were signed on its behalf by:

Richard Milner
Director

03 March 2022

Statement of changes in Member's Balances
at 31 December 2021

	2021	2020
	£000	£000
Member's balances at 1 January	**(104,523)**	(84,821)
Loss for the financial year	**(34,308)**	(52,965)
Other recognised (losses)/gains relating to the financial year	**(671)**	2,320
Contribution from member	**33,018**	31,477
Member's FIT	**1,641**	(534)
Member's balance carried forward at 31 December	**(104,843)**	(104,523)

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

Member's FIT is in relation to United States Federal Income Tax, for which payments are made by the Syndicate on behalf of its Member.

Cash Flow Statement
for the year ended 31 December 2021

	Notes	2021 £000	2020 £000
Cash flows from operating activities			
Operating result		**(34,308)**	(52,965)
Increase in gross technical provisions		**214,371**	61,636
Increase in reinsurers' share of gross technical provisions		**(167,188)**	(80,103)
(Increase)/Decrease in debtors and accrued income		**(133,183)**	(16,926)
Increase/(Decrease) in creditors		**159,100**	88,431
Investment return		**6,733**	(10,036)
Other		**972**	1,786
Net cash flows from operating activities		**46,497**	(8,177)
Cash flows from investing activities			
Purchase of equity and debt instruments		**(130,667)**	(123,254)
Sale of equity and debt instruments		**62,608**	91,340
Purchase of derivatives		**(303,959)**	(513,856)
Sale of derivatives		**300,631**	517,364
Investment income received		**(115)**	7,030
Net cash flows from investing activities		**(71,502)**	(21,376)
Cash flows from financing activities			
Contribution from member		**16,316**	31,477
Open year cash calls		**16,702**	—
Net cash flows from financing activities		**33,018**	31,477
Net (decrease)/increase in cash and cash equivalents		**8,013**	1,924
Cash and cash equivalents at 1 January		**84,026**	82,102
Cash and cash equivalents at 31 December		**92,039**	84,026
Cash at bank and in hand	14	**17,367**	14,303
Short term deposits with credit institutions	14	**74,672**	69,723
Cash and cash equivalents at 31 December		**92,039**	84,026

The notes on pages 25 to 55 form an integral part of these annual accounts.

Notes to the Accounts

At 31 December 2021

1. Basis of preparation

Syndicate 4711 ('The Syndicate') comprises of a member of the Society of Lloyd's that underwrites insurance business in the London Market. The address of the syndicate's managing agent is 30 Fenchurch Street, London, EC3M 3BD.

The financial statements have been prepared in compliance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and FRS 102 and FRS 103, being applicable UK GAAP accounting standards, and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

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

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

On 30 December 2020, the Syndicate transferred its EEA non-life insurance policies written between 2008 and 2020 to Lloyd's Insurance Company S.A. ('Lloyd's Brussels') pursuant to Part VII of the Financial Services and Markets Act 2000. The value of the net liabilities transferred was $72.9m. The Syndicate transferred cash of the same amount to Lloyd's Brussels. Lloyd's Brussels subsequently reinsured the same liabilities back to the Syndicate on the same day. The reinsurance premium received was of the same amount of $72.9m. There was no gain or loss arising on either transaction.

Both the cash transferred for the Part VII transfer and the premium subsequently received back from Lloyd's Brussels have been included in the 'gross written premiums' line of the income statement. This is the appropriate treatment that best reflects the connection between economic substance of both the Part VII transfer and the associated reinsurance arrangement, and the resulting economic substance of the combined transaction.

On the balance sheet, certain policy-level balances impacted by the transfer that were previously reflected as amounts arising from direct insurance operations, have been reclassified to amounts arising from inwards reinsurance business.

The transaction has no impact on equity.

Going concern

Management has conducted a full going concern assessment for the Syndicate taking into consideration sources of capital, liquidity and stress testing. The Syndicate is expected to remain a key platform for the Aspen Group. The corporate member has already formed and provided capital for the 2022 underwriting year. On the basis of this and expected improvement in performance as a result of planned rate increases and remediation activities Aspen also expect to have the ability and intention to form a 2023 underwriting year. Therefore Aspen continue to adopt the going concern basis of accounting for Syndicate 4711.

2. Judgments and key sources of estimation uncertainty

In preparing these financial statements, the Directors of the Managing Agent have made judgements, estimates and assumptions that affect the application of the Syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

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

Notes to the Accounts

At 31 December 2021

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

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate Managing Agent’s in house actuaries and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time in view of the likely ultimate claims to be experienced and for more recent underwriting, having regard to variations in business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of business accepted and assessments of underwriting conditions. In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate so no adverse run-off deviation is envisaged.

Further information about the risk that the provision for claims outstanding could be materially different from the ultimate cost of claims settlement is included in note 4.

3. Significant accounting policies

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Syndicate’s financial statements.

Gross Premiums

Gross written premiums comprise total premiums receivable for the whole period of cover for contracts entered into in the reporting period plus any adjustments to such premiums receivable in respect of business written in prior reporting periods. All premiums are shown gross of commissions payable to intermediaries and exclusive of taxes and levies. Estimates are made for pipeline premiums, representing amounts due to the Syndicate not yet notified. Revisions to estimates are recognised as they arise.

Reinsurance premiums

Reinsurance premiums relating to reinsurance placed by the Syndicate are accounted for using the same accounting methodology as we use for inwards premiums.

Unearned premiums

Written premiums are recognised as earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date.

Acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance and reinsurance contracts.

Deposits with ceding undertakings

Deposits with ceding undertakings are measured at cost less allowance for impairment.

Retroactive reinsurance

Retroactive reinsurance contracts are accounted for consistently in accordance with the Syndicate’s current accounting policies.

Notes to the Accounts
At 31 December 2021

On initial recognition the premiums and reinsurance recoveries under the contract will be recognised in the profit and loss account and gains arising on reassessment of the reinsurance recoverable amount are recognised in full in the profit and loss account with no deferral.

Claims

Claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.
Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Technical provisions

Technical provisions comprise claims outstanding, provisions for unearned premiums, provisions for unexpired risk and equalisation provisions.

Claims provision

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The Syndicate takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability is not discounted for the time value of money.

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

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

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

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

Notes to the Accounts

At 31 December 2021

- Initial expected loss ratio (“IELR”) method: This method calculates an estimate of ultimate losses by applying an estimated loss ratio to an estimate of ultimate earned premium for each accident year.
- Bornhuetter-Ferguson (“BF”) method: The BF method uses as a starting point an assumed IELR and blends in the loss ratio implied by the claims experience to date by using benchmark loss development patterns on paid claims data (“Paid BF”) or reported claims data (“Reported BF”).
- Loss development (“Chain Ladder”): This method uses actual loss data and the historical development profiles on older accident years to project more recent, less developed years to their ultimate position.
- Exposure-based method: This method is used for specific large typically catastrophic events such as a major hurricane. All exposure is identified and we work with known market information and information from our cedants to determine a percentage of the exposure to be taken as the ultimate loss.

In addition to these methodologies, our actuaries may use other approaches depending upon the characteristics of the line of business and available data.

Provisions for unearned premiums

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date computed separately for each insurance contract. Written premiums are recognised as earned over the period of the policy on a time apportionment basis having regard where appropriate, to the incidence of risk. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

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

Unearned premiums are deemed monetary items and are valued using the closing rate.

Unexpired risks

A liability adequacy provision (the unexpired risks provision) is made where the cost of claims and expenses arising after the end of the financial year from contracts concluded before that date, is expected to exceed the provision for unearned premiums, net of deferred acquisition costs, and premiums receivable.

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

Deferred acquisition costs

Acquisition costs, arising from the conclusion of insurance contracts are deferred commensurate with the unearned premium provision. Deferred acquisition costs are deemed to be monetary items and are valued using the closing rate.

Reinsurance assets

The Syndicate cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer’s policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Syndicate may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Syndicate will receive from the reinsurer. The impairment loss is recorded in the statement of profit or loss.

Notes to the Accounts

At 31 December 2021

Insurance receivables

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

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

Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

Financial Instruments

As permitted by FRS 102, the Syndicate has elected to apply the recognition and measurement provisions of IAS 39 Financial Instruments to account for all of its financial instruments.

The Syndicate classifies its financial assets into the following categories: Shares and other variable-yield securities and units in unit trusts - at fair value through profit or loss; Debt securities and other fixed income securities - at fair value through profit or loss; and Deposits with credit institutions - loans and receivables. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

Financial assets at fair value through profit or loss

A financial asset is classified into this category at inception if:

- They are acquired principally for the purpose of selling in the short term; or
- If they form part of a portfolio of financial assets in which there is evidence of short term profit-taking; or
- If so designated by management to minimise any measurement or recognition inconsistency with the associated liabilities.

Financial assets designated as at fair value through profit and loss at inception are those that are managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Syndicate’s key management personnel. The Syndicate’s investment strategy is to invest in listed and unlisted fixed interest rate debt securities, and derivatives designated upon initial recognition at fair value through profit or loss.

The fair values of financial instruments traded in active markets are based on quoted bid prices on the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis.

The fair values of financial instruments that are not traded in an active market (for example over-the-counter derivatives), are established by the directors using valuation techniques which seek to arrive at the price at which an orderly transaction would take between market participants.

Net gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the profit and loss account within ‘Unrealised gains on investments’ or ‘Unrealised losses on investments’ in the period in which they arise.

Notes to the Accounts
At 31 December 2021

Impairment

For financial assets not at fair value through profit or loss, the Syndicate assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Investment return

Investment return comprises all investment income (which includes the interest income for financial assets carried at amortised cost, using the effective interest method), realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest payable on financial liabilities carried at amortised cost, using the effective interest method.

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

An allocation of actual investment return on investments supporting the general insurance technical provisions and associated equity is made from the non-technical account to the technical account.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts; and
- There is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Foreign currencies

Transactions in foreign currencies are translated to the functional currency using the exchange rates at the date of the transactions. The Syndicate’s assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the balance sheet date. For the purposes of foreign currency translation, unearned premiums and deferred acquisition costs are treated as if they are monetary items.

Cash and cash equivalents

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

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

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.

Notes to the Accounts

At 31 December 2021

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 (currently at 20%) 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 ("FIT") 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.

The Syndicate will make payments on account of United States FIT due on underwriting results and investment income on behalf of its Member. These payments are recorded under the heading 'other debtors' and are recovered by the Syndicate from its Members.

Member's expenses

Member's expenses comprise managing agent's fees, Lloyd's subscriptions and central fund contributions.

Managing agent's fees are recognised in full in the calendar year in which they are paid.

Lloyd's subscriptions and central fund contributions are earned in line with the gross premiums written to the same year of account.

4. Risk and capital management

Introduction and overview

The Syndicate is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and policyholder liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are insurance risk, market risk (including interest rate risk and currency risk) credit risk, and liquidity risk.

The key risks for the Syndicate are largely unchanged during the last year. The ongoing change in market conditions and its impact on the achievability of both top line and bottom line performance remain a key focus.

Risk Governance and Risk Management Strategy

The Board of Directors of AMAL ("the Board") considers effective identification, measurement, monitoring, management and reporting of the risks facing our business to be key elements of its responsibilities. The Board ensures that the Syndicate operates an effective risk management and control framework which includes risk management, compliance and internal control systems. The Syndicate, as an operating entity within the Aspen Group, benefits from the Group's established risk management practices. The Group's risk management policies are established to identify and analyse the risks faced by the Group and the Managing Agency, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Syndicate and managing agency's activities. Further details on the Group wide risk management strategy can be found in the consolidated financial statements of Aspen Insurance Holdings Limited ("AIHL") which are available to the public.

Notes to the Accounts

At 31 December 2021

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 Syndicate 4711 is not disclosed in these financial statements.

Lloyd's capital setting process

In order to meet Lloyd's requirements, each syndicate is required to calculate its Solvency Capital Requirement ("SCR") for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities. The syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicates on which it is participating but not other members' shares. Accordingly, the capital requirements that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment ("ECA"). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2021 was 35% of the member's SCR 'to ultimate'.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member ("funds at Lloyd's"), in the form of Letters of Credit ("LOC'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 it participates. Accordingly all of the assets less liabilities of the syndicate, as represented in the members' balances reported on the balance sheet on page 22, represent resources available to meet members' and Lloyd's capital requirements. As the Syndicate has a members' balances deficit this increases the amount of assets required to be held in trust as funds at Lloyd's.

Insurance Risk

Insurance risk is defined as the risk that underwriting results vary from their expected amounts, including the risk that reserves established in respect of prior periods are understated.

Notes to the Accounts
At 31 December 2021

Insurance risk includes the following:

i. Underwriting risk: The variation of accident year technical result from its expected value. Underwriting risk can be further split into sub-categories including:

- Catastrophe accumulation risk: The risk that losses from natural catastrophes exceed expected levels.
- Pricing calibration risk: The risk that actual technical results differ from expected values as a result of invalid assumptions, methodology or parameters used in the pricing process.
- ◦ Large claims risk: The risk that losses from a single man-made event, or group of related events, exceed the expected levels.
- ◦ Attritional risk: The risk that the total of all losses other than catastrophe and large losses exceeds the expected level.
- Reinsurance mitigation risk: The risk that gross losses are not reduced by reinsurance recoveries to the extent expected.

ii. Reserving risk: The variation in policyholder reserves for prior accident years.

Processes for addressing risk

We model our exposure to underwriting and reserving risks using the Internal Model to measure the associated capital requirements on both the one year SCR measure stipulated by Solvency II and the ultimate SCR basis used by Lloyd’s to set capital requirements. Our Internal Model has been assessed by Lloyd’s as meeting the tests and standards for Solvency II approval. Lloyd’s internal model of which our model is a part has been approved by the PRA. Modelling of insurance risk exposures is the key process for monitoring and managing insurance risk.

The Reserving policy and Aspen Group Underwriting Risk Policy evidence how Aspen manages the risk of loss or of adverse change in the values of insurance and reinsurance liabilities, resulting from inadequate pricing and provisioning assumptions.

The Underwriting Risk Policy requires and defines the use of Aspen Underwriting Principles ("AUPs") and/or Underwriting Guidelines for each underwriting team, and similarly the Group Pricing Standard establishes the requirements that must be addressed by the Pricing Policy Document ("PPD") for each portfolio. AUPs set out a series of key principles translated into specific guidelines, requirements, processes and management controls, the compliance of which is mandatory for all Underwriters. The PPDs set out a series of standards and principles to apply to all business underwritten.

The Group Claims risk policy sets out the core risk management requirements for the Claims process. The Syndicate Claims Procedures apply to claims handling in respect of Syndicate claims. It covers the full claims cycle and is supported by a range of detailed procedures. It includes specific considerations in respect of the handling of Syndicate claims.

The Reinsurance Mitigation Policy defines Aspen’s approach to managing the risk that gross losses are not reduced by reinsurance recoveries to the extent expected. The Insurance Accumulation Risk policy defines Aspen’s approach to categorise, set tolerances and limit, measure, monitor, report and escalate Natural Catastrophe and Non Natural Catastrophe accumulations.

The Key Risk limits are monitored and reported in the Chief Risk Officer’s (”CRO’s”) report to the AMAL Board.

Notes to the Accounts
At 31 December 2021

Concentration of insurance risk

The Syndicate's exposure to insurance risk is well diversified. The following table provides an analysis of the geographical breakdown of its premiums by class of business:

Year 2021	**Accident and health**	**Marine, aviation and transport**	**Fire and other damage to property**	**Third party liability**	**Miscellaneous**	**Reinsurance**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
UK	**(74)**	**2,527**	**8,314**	**58,612**	**6,163**	**53,714**	**129,256**
Asia	**(13)**	**450**	**1,479**	**10,429**	**1,097**	**9,557**	**22,999**
Europe	**(53)**	**1,836**	**6,040**	**42,576**	**4,477**	**39,018**	**93,894**
US	**(93)**	**3,181**	**10,461**	**73,749**	**7,753**	**67,586**	**162,637**
Other	**(48)**	**1,669**	**5,492**	**38,710**	**4,070**	**35,474**	**85,367**
Total	**(281)**	**9,663**	**31,786**	**224,076**	**23,560**	**205,349**	**494,153**

Year 2020	Accident and health	Marine, aviation and transport	Fire and other damage to property	Third party liability	Miscellaneous	Reinsurance	Total
	£000	£000	£000	£000	£000	£000	£000
UK	638	2,174	3,457	39,416	4,818	37,183	87,686
Asia	128	434	691	7,880	963	7,433	17,529
Europe	405	1,381	2,197	25,051	3,062	23,631	55,727
US	894	3,047	4,846	55,248	6,753	52,117	122,905
Other	477	1,624	2,585	29,462	3,601	27,792	65,541
Total	2,542	8,660	13,776	157,057	19,197	148,156	349,388

Notes to the Accounts
At 31 December 2021

Sensitivity of 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 written and can arise from developments in case reserving for large losses and catastrophes, or from changes in estimates of IBNR.

A five percent increase or decrease in total claims liabilities would have the following effect on profit or loss:

2021		2020	
5 per cent increase	**5 per cent decrease**	5 per cent increase	5 per cent decrease
£000	**£000**	£000	£000
(18,948)	**18,948**	**(17,442)**	**17,442**

Claims Development

Reserves are required owing to the time between the occurrences, reporting and eventual settlement of a loss, which, for some lines of business, can be several years. Since reserves are an estimate of the likely outcome of these future events, they are subject to a degree of volatility. That is, the actual emergence of ultimate losses can be expected to differ, perhaps materially, from any estimate of such losses.

The users should be aware that loss payment and loss reporting patterns are not the only considerations in establishing loss reserves.

In setting claims provisions the Syndicate gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. Due to the nature of the type of business written certain classes have a higher level of uncertainty than others and therefore an increased potential for volatility. The ME Liability class of business in particular has historically shown higher levels of reserve volatility and as such there is significant uncertainty around reserve projections for this business line.

Due to the uniqueness of the COVID-19 pandemic event and the lack of historical data, traditional actuarial techniques do not apply. Our loss estimates for COVID-19 have been based on an assessment of potential exposures and are therefore subject to considerable uncertainty.

The table below shows the breakdown of the COVID-19 impact by class of business and by Insurance and Reinsurance:

Class of Business	**Gross Ultimate Claims**	**Ultimate Reinsurance Recoveries**	**Net Ultimate Claims**
	£000	**£000**	**£000**
Accident & Health	(28,900)	14,014	(14,886)
Other Specialty	(22)	11	(11)
Property	(858)	416	(442)
Other	(1,399)	678	(721)
Total	(31,179)	15,119	(16,060)

Notes to the Accounts
At 31 December 2021

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

Gross

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Pure underwriting year	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Estimate of gross claims at end of underwriting year	79,362	93,084	78,601	103,984	96,331	114,128	99,037	92,421	114,405	111,045	
One year later	164,696	175,784	195,339	243,514	251,362	247,058	252,119	284,703	205,970	—	
Two years later	176,618	182,791	209,173	237,511	284,192	317,311	283,646	314,609	—	—	
Three years later	192,130	158,478	204,461	240,939	283,332	317,194	309,928	—	—	—	
Four years later	190,172	166,716	222,781	245,714	276,809	342,198	—	—	—	—	
Five years later	193,250	164,828	222,413	242,746	309,397	—	—	—	—	—	
Six years later	191,714	166,485	226,730	256,498	—	—	—	—	—	—	
Seven years later	187,777	168,091	238,399	—	—	—	—	—	—	—	
Eight years later	185,113	169,658	—	—	—	—	—	—	—	—	
Nine years later	187,837	—	—	—	—	—	—	—	—	—	
Less gross claims paid	172,141	142,679	187,736	197,699	198,591	211,262	147,912	104,582	37,500	5,770	
Gross reserve	15,696	26,979	50,663	58,799	110,806	130,936	162,016	210,027	168,470	105,275	1,039,667
2011 and prior years											1,347
Gross claims reserves											1,041,014

Notes to the Accounts

At 31 December 2021

Net

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Pure underwriting year	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Estimate of net claims at end of underwriting year	59,025	70,657	57,886	57,596	54,625	52,184	37,055	41,708	60,286	44,749	
One year later	121,923	126,456	135,027	145,180	144,422	113,731	101,707	123,664	95,998	—	
Two years later	129,329	132,075	138,423	132,588	154,410	143,882	98,152	98,969	—	—	
Three years later	140,434	114,897	136,026	134,310	151,766	140,779	81,589	—	—	—	
Four years later	136,220	120,642	139,693	135,910	141,168	140,623	—	—	—	—	
Five years later	136,430	119,127	139,890	118,378	147,479	—	—	—	—	—	
Six years later	134,550	119,315	144,264	113,065	—	—	—	—	—	—	
Seven years later	131,936	119,513	138,739	—	—	—	—	—	—	—	
Eight years later	128,790	116,257	—	—	—	—	—	—	—	—	
Nine years later	130,982	—	—	—	—	—	—	—	—	—	
Less net claims paid	119,416	100,172	119,404	92,827	105,993	97,073	43,086	26,646	2,438	224	
Net reserve	11,566	16,085	19,335	20,238	41,486	43,550	38,503	72,323	93,560	44,525	401,171
2011 and prior years											(3,387)
Net claims reserves											397,784

Market Risk

Market risk is the risk of variation in the income generated by, and the fair value of, our investment portfolio, cash and cash equivalents and derivative contracts including the effect of changes in foreign currency exchange rates. Within our Risk Universe we define six categories of market risk:

i. Foreign currency risk;
ii. Fixed Income Security risk which sub-divides into
   - interest rate risk; and
   - spread risk

i. Equity risk
ii. Market risk mitigation risk
iii. Asset concentration risk
iv. Valuation risk

Processes for addressing risk

As with Insurance risk, we model our exposure to market risks using the Internal Model to measure the associated capital requirements on both the one year Solvency Capital Requirement ("SCR") measure stipulated by Solvency II and the ultimate SCR basis used by Lloyd's to set capital requirements.

The Investment Risk Policy describes the measurement of market risks, and specifically describes what is permissible with regards to the use of derivatives in order to manage currency positions, portfolio duration and hedge interest rate risk in the investment portfolio.

Use of derivatives is limited to interest rate swaps, forward rate transactions, bond options, interest rate futures, foreign exchange spot and forward transactions and currency options. The Syndicate started to use derivatives to hedge unmatched currency balance sheet positions during 2018.

Notes to the Accounts

At 31 December 2021

The Asset and Liability Management Policy defines Aspen's approach to duration and currency matching. Management monitors the value, currency and duration of cash and investments held by the Syndicate to ensure that the Syndicate is able to meet the insurance and other liabilities as they become due. The following components of both cash matching and duration matching are employed to manage the investment portfolio:

- The average duration of liabilities;
- The outlook for interest rates and the yield curve;
- The need for cash to pay claims;
- Total return.

As with Insurance risks market risk is inherently unpredictable. It is difficult to predict the frequency of events of this nature and to estimate amount of loss that any given occurrence will generate. As with Insurance risks as well as modelling our exposures and the capital required to address potential market risks using our internal model, we define and monitor a number of Key Risk limits to measure and manage our Market risk exposure.

Key Risk limits regarding the shape (in terms of limits on asset type concentrations), overall credit rating and volatility of the Syndicate investment portfolio have been defined by management and approved by the AMAL Board.

The Key Risk limits are monitored and reported in the CRO's report to the AMAL Board.

Foreign currency risk

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

	Sterling	Euro	US dollar	Other	Total
Year 2021	**£000**	**£000**	**£000**	**£000**	**£000**
Financial investments:					
Shares and other variable yield securities and units in unit trusts	—	—	30,131	8,617	38,748
Debt securities and other fixed income securities	—	—	192,407	64,110	256,517
Loans with credit institutions	6,127	—	—	—	6127
Derivative asset	—	—	2,062	—	2,062
	6,127	—	224,600	72,727	303,454
Reinsurers' share of technical provisions	36,824	19,095	711,684	42,777	810,380
Debtors	1,905	24,282	266,174	123,304	415,665
Cash and cash equivalents	27,718	3,219	6,538	54,564	92,039
Other assets	9,523	8,442	49,092	5,767	72,824
Total Assets	82,097	55,038	1,258,088	299,139	1,694,362
Technical provisions	(171,321)	(86,430)	(929,084)	(164,021)	(1,350,856)
Creditors	1,506	3,088	(262,256)	4,315	(253,347)
Other Creditors	(37,892)	2,011	(98,180)	(60,941)	(195,002)
Total liabilities	(207,707)	(81,331)	(1,289,520)	(220,647)	(1,799,205)
Net assets/(liabilities)	(125,610)	(26,293)	(31,432)	78,492	(104,843)

Notes to the Accounts
At 31 December 2021

The sterling liability balances above include liabilities in other currencies that will be settled in sterling.

Year 2020	Sterling £000	Euro £000	US dollar £000	Other £000	Total £000
Financial investments:					
Shares and other variable yield securities and units in unit trusts	—	—	26,821	15,254	42,075
Debt securities and other fixed income securities	—	—	159,335	30,416	189,751
Loans with credit institutions	6,127	—	—	—	6,127
Derivative asset	—	—	2,472	—	2,472
	6,127	—	188,628	45,670	240,425
Reinsurers' share of technical provisions	35,254	18,710	555,415	33,812	643,191
Debtors	40,523	27,969	208,355	20,940	297,787
Cash and cash equivalents	21,185	2,894	7,003	52,944	84,026
Other assets	7,504	5,939	37,975	4,363	55,781
Total Assets	110,593	55,512	997,376	157,729	1,321,210
Technical provisions	(152,230)	(81,326)	(760,923)	(142,005)	(1,136,484)
Creditors	3,190	3,534	(153,458)	3,692	(143,042)
Other creditors	(42,933)	265	(95,305)	(8,234)	(146,207)
Total liabilities	(191,973)	(77,527)	(1,009,686)	(146,547)	(1,425,733)
Net assets/(liabilities)	(81,380)	(22,015)	(12,310)	11,182	(104,523)

The Syndicate manages its foreign exchange risk against its functional currency. Foreign exchange arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

In order that the Syndicate can manage the currency mismatch risks within the regulatory parameters required a limit of unhedged currency mismatches, approved by the AMAL Board, is in force. This limit ensures that the value of assets in each currency is above 85% of the value of insurance liabilities in that currency and less than 115% of the value of insurance liabilities in that currency, subject to these assets exceeding 5% of the value of assets in all currencies. This ensures the Syndicate's compliance with Lloyd's regulatory requirements. The Syndicate uses derivatives to hedge unmatched currency balance sheet positions.

The Syndicate is primarily exposed to currency risk in respect of liabilities under policies of insurance denominated in currencies other than the U.S. Dollar, the Syndicate's functional currency. Other significant currencies to which the Syndicate is exposed are the Pound Sterling, Australian Dollars, Canadian Dollars and the Euro. The Syndicate seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

Notes to the Accounts
At 31 December 2021

The Syndicate's sensitivity to exchange rate risk in relation to GBP is shown below:

	2021 Profit or loss for the year	2020 Profit or loss for the year
	£000	£000
Currency Risk		
10 percent increase in GBP/USD exchange rate	**3,119**	5,639
10 percent decrease in GBP/USD exchange rate	**(3,812)**	(6,893)

Fixed Income Securities - Interest rate risk

The Syndicate's investment portfolio consists primarily of fixed income securities. Fluctuations in interest rates have a direct impact on the market valuation of these securities. The Syndicate manages interest rate risk by maintaining short to medium duration financial assets to reduce the effect of interest rate changes on fair value, and taking out interest rate swaps where appropriate.

The Syndicate's sensitivity to interest rate risk is shown below:

	2021 Profit or loss for the year	2019 Profit or loss for the year
	£000	£000
Interest rate risk		
=+ 50 basis points shift in yield curves	**(2,342)**	(1,616)
=- 50 basis points shift in yield curves	**2,342**	1,616

Fixed Income Securities - Spread Risk

The yield of a non-government fixed income security can be divided into two parts:

- The 'risk free' rate, being the yield of the treasury security issued by the country in which the issuer operates which is closest to it in maturity
- The 'spread' of the yield over the risk free rate (= total yield - risk free rate)

The spread is normally positive because it represents the extra consideration required by the market to compensate for the greater risk (compared to the Government issuer) of default on interest or redemption. The spread may also be influenced by the actual or perceived liquidity or marketability of the security.

The spread of a bond also adjusts over time to reflect the spread required on similar new issues. This movement up or down in spread therefore also contributes to overall market risk and we call this 'spread risk'. We also include within spread risk the risk that a security falls in value as a result of being downgraded by a rating agency as this will also cause the spread to increase. We also include the risk of actual default on interest or redemption as a special case of spread risk. This default risk is actually a type of credit risk but it is convenient to deal with it here under market risk because of the way we model it in the Internal Model as an extreme case of downgrade risk.

We manage spread risk by limiting the overall credit quality of our investment portfolio and the concentrations of investments with specific issuers of investments. This risk is mitigated by limiting exposure to any single counterparty.

Notes to the Accounts

At 31 December 2021

Market risk mitigation risk

We define Market risk mitigation risk as the risk of variation in the value or effectiveness of hedging positions. The Syndicate uses derivatives to hedge against market risk.

Asset concentration risk

The aggregate value of our investment portfolio may be at greater risk if it is over exposed to the same asset or a group of similar assets with similar risk dynamics.

Concentrations which we seek to manage for this reason include types of asset (e.g. mortgage backed securities), economic sector of issuer and securities of the same issuer.

Credit Risk

Credit risk is the risk of loss to the Syndicate if a counterparty to a financial instrument or reinsurance agreement fails to meet its contractual obligations. The Syndicate is exposed to credit risk through its investment holdings (cash, debt securities and other fixed income securities), its reinsurers' shares of insurance liabilities and amounts due from reinsurers in respect of claims already paid. As already stated within our Internal Model and our management process we treat credit risk relating to our fixed Income security investments as part of Market risk.

The Syndicate is also exposed to credit risk through the diminution in the value of insurance receivables as a result of counterparty default. This principally comprises default and concentration risks relating to amounts receivable from intermediaries, policyholders and reinsurers. Reinsurance and retrocession does not isolate the Syndicate from its obligations to policyholders. In the event that a reinsurer or retrocessionaire fails to meet its obligation, the Syndicate's obligations remain.

Processes for addressing risk

As with Insurance risk, we model our exposure to credit risks using the Internal Model to measure the associated capital requirements on both the one year SCR measure stipulated by Solvency II and the ultimate SCR basis used by Lloyd's to set capital requirements.

The processes for addressing credit risk in relation to financial Instruments has already been dealt with as part of the explanation of our processes to address Market Risk. The Group Insurance Credit Risk policy defines the processes for assessing, monitoring and managing credit exposure to intermediaries, policyholders and reinsurance counterparties. The Syndicate manages the levels of credit risk by placing limits on its exposure to a single counterparty, or groups of counterparty. Such risks are subject to regular review.

The creditworthiness of reinsurers for which the Syndicate has ongoing contracts is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy.

The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the balance sheet, with analysis by credit ratings of the counterparties issued by Standard and Poor's. AAA is the highest possible rating.

Notes to the Accounts
At 31 December 2021

Year 2021	AAA £000	AA £000	A £000	BBB £000	Not rated £000	Total £000
Financial Investments:						
Shares and other variable yield securities and unit trusts	—	—	—	—	38,748	38,748
Debt securities	10,374	117,530	79,261	8,939	40,413	256,517
Loans with credit institutions	—	—	—	—	6,127	6,127
Overseas deposits as investments	31,382	6,201	6,796	9,185	21,108	74,672
Derivative assets	—	—	2,062	—	—	2,062
	41,756	123,731	88,119	18,124	106,396	378,126
Deposits with ceding undertakings	—	—	—	—	1,738	1,738
Reinsurer's share of claims outstanding	—	39,002	604,229	—	—	643,231
Reinsurance debtors	—	6,839	105,951	—	—	112,790
Cash at bank and in hand	—	—	—	—	17,367	17,367
Total	41,756	169,572	798,299	18,124	125,501	1,153,252

Year 2020	AAA £000	AA £000	A £000	BBB £000	Not rated £000	Total £000
Financial Investments:						
Shares and other variable yield securities and unit trusts	—	—	—	—	42,075	42,075
Debt securities	55,936	77,938	47,306	8,571	—	189,751
Loans with credit institutions	—	—	—	—	6,127	6,127
Overseas deposits as investments	33,970	6,264	5,390	3,797	20,302	69,723
Derivative assets	—	—	2,472	—	—	2,472
	89,906	84,202	55,168	12,368	68,504	310,148
Reinsurer's share of claims outstanding	—	63,126	492,703	—	—	555,829
Reinsurance debtors	—	6,801	53,084	—	—	59,885
Cash at bank and in hand	—	—	—	—	14,303	14,303
Total	89,906	154,129	600,955	12,368	82,807	940,165

The Syndicate has debtors arising from direct insurance and reinsurance operations that are past due but not impaired at the reporting date. The Syndicate does not consider these debtors to be impaired on the basis of stage of collection of amount owed to the Syndicate.

The Not Rated financial investments are based on Standard & Poors rating, as used by the Syndicate. However, these investments do hold a rating with other rating agencies.

Notes to the Accounts
At 31 December 2021

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

	Debtors arising from direct insurance operations
2021	**£000**
Past Due but not impaired financial assets:	
Past due by:	
1 to 30 days	**48,194**
31 to 90 days	**12,917**
91 to 180 days	**8,179**
More than 180 days	**—**
Past Due but not impaired financial assets:	**69,290**
Impaired financial assets	**—**
Gross value of past due and impaired financial assets	**69,290**
Neither overdue nor impaired financial assets	**79,377**
Net carrying value	**148,667**

No reinsurance debtors are past due.

	Debtors arising from direct insurance operations
2020	£000
Past Due but not impaired financial assets:	
Past due by:	
1 to 30 days	**4,829**
31 to 90 days	**7,221**
91 to 180 days	**4,610**
More than 180 days	**—**
Past Due but not impaired financial assets:	**16,660**
Impaired financial assets	**—**
Gross value of past due and impaired financial assets	**16,660**
Neither overdue nor impaired financial assets	**119,772**
Net carrying value	**136,432**

No reinsurance debtors are passed due.

Liquidity Risk

Liquidity risk is defined as the risk of failing to maintain sufficient liquid financial resources to meet liabilities as they fall due or to provide collateral as required for commercial or regulatory purposes.

Liquidity risk includes the following:

(a) Payment default risk: The risk that there is insufficient cash to make payments when due and that no additional cash can be made available by borrowing, sale of assets or capital raising.
(b) Risk of unplanned asset realisation losses: The risk that securities are required to be sold at a loss to meet liquidity requirements.
(c) Risk of failure of credit facility: The risk that advances from the credit facility are unavailable.
(d) Group liquidity risk: The risk that liquidity cannot be secured for a Group company from elsewhere in the Group.

Notes to the Accounts

At 31 December 2021

(e) Collateral risk: The risk that the Syndicate is unable to provide collateral to a third party when contractually required to do so.

Processes for addressing risk

Unlike Insurance, with Market and Credit Risk we do not model and manage liquidity risk using our internal model. This is because it is not a risk that is mitigated by holding capital against it.

The Managing Agency's annual Stress & Scenario Testing ("SST") process is used to determine the basis of the Key Liquidity risk limit. The Liquidity Risk policy provides further details of how Liquidity risks are identified, monitored, managed and modelled. This includes details of an escalation process for a breach of the minimum free funds limit.

The Liquidity Risk Policy highlights the measures that Aspen have put in place in order to maintain an agreed amount of assets in cash and cash equivalents. These measures include concentration limits to ensure the liquidity of assets, appropriateness of the marketability or realisability of assets and a liquidity contingency funding plan.

Liquidity stress testing is carried out against the Syndicate & Group's risk profile at least annually by the Risk Management function as part of the SST programme. This allows management to identify the potential strains on the Syndicate's liquidity as a result of the scenarios assessed as well as gaining understanding of the Group's ability to support the liquidity needs of entities such as the Syndicate as the need arises.

The table below analyses the Syndicate's monetary assets and liabilities into their relevant maturity groups based on the period remaining at the year end to their contractual maturities or expected settlement dates:

			Undiscounted net cash flows			
	Carrying amount	Total cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Year 2021	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Financial investments:						
Shares and other variable yield securities and units in unit trusts	38,748	38,748	38,748	—	—	—
Debt securities	256,517	256,517	58,604	78,063	101,128	18,722
Reinsurers share of technical provisions	810,380	810,380	411,787	241,438	134,050	23,105
Debtors and accrued interest	418,252	418,252	418,252	—	—	—
Cash at bank and in hand	17,367	17,367	17,367	—	—	—
Other	74,672	74,672	74,672	—	—	—
Loans with credit institutions	6,127	6,127	—	—	6,127	—
Derivative assets	2,062	2,062	2,062	—	—	—
Total Assets	1,624,125	1,624,125	1,021,492	319,501	241,305	41,827
Technical provisions	1,350,857	1,350,857	732,845	374,899	207,302	35,811
Creditors	321,291	321,291	321,291	—	—	—
Total Liabilities	1,672,148	1,672,148	1,054,136	374,899	207,302	35,811

Notes to the Accounts
At 31 December 2021

			Undiscounted net cash flows			
	Carrying amount	Total cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Year 2020	£000	£000	£000	£000	£000	£000
Financial investments:						
Shares and other variable yield securities and units in unit trusts	42,075	42,075	42,075	—	—	—
Debt securities	189,751	189,751	28,378	153,763	7,610	—
Reinsurer's share of technical provisions	643,191	643,191	313,968	201,469	106,480	21,274
Debtors and accrued interest	298,909	298,909	298,909	—	—	—
Cash at bank and in hand	14,303	14,303	14,303	—	—	—
Other	69,723	69,723	69,723	—	—	—
Loans with credit institutions	6,127	6,127	—	—	6,127	—
Derivative assets	2,472	2,472	2,472	—	—	—
Total Assets	1,266,551	1,266,551	769,828	355,232	120,217	21,274
Technical provisions	1,136,484	1,136,484	600,834	326,587	173,880	35,183
Creditors	207,145	207,145	207,145	—	—	—
Total Liabilities	1,343,629	1,343,629	807,979	326,587	173,880	35,183

Please note that we have reclassified "Loans with credit institutions" from Less than 1 years to 2-5 years

Notes to the Accounts

At 31 December 2021

5. Segmental Information

An analysis of the underwriting result before investment return is presented in the table below:

2021

	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
	£000	£000	£000	£000	£000	£000
Direct insurance:						
Marine aviation and transport	**9,663**	**8,528**	**(2,032)**	**(2,564)**	**(1,609)**	**2,323**
Energy	**7,809**	**7,444**	**(35,808)**	**(2,072)**	**16,815**	**(13,621)**
Fire and other damage to property	**31,786**	**19,751**	**(3,000)**	**(8,436)**	**(2,585)**	**5,730**
Third party liability	**224,076**	**185,339**	**(153,664)**	**(59,469)**	**17,487**	**(10,307)**
Pecuniary loss	**15,751**	**12,650**	**(4,368)**	**(4,180)**	**(1,819)**	**2,283**
Accident & health	**(281)**	**863**	**(3,653)**	**75**	**1,416**	**(1,299)**
Total direct	**288,804**	**234,575**	**(202,525)**	**(76,646)**	**29,705**	**(14,891)**
Reinsurance	**205,349**	**160,587**	**(152,054)**	**(55,473)**	**27,301**	**(19,639)**
Total	**494,153**	**395,162**	**(354,579)**	**(132,119)**	**57,006**	**(34,530)**

2020

	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
	£000	£000	£000	£000	£000	£000
Direct insurance:						
Marine aviation and transport	8,660	12,414	(10,894)	(3,056)	7,186	5,650
Energy	8,274	30,394	(13,814)	(2,919)	(20,942)	(7,281)
Fire and other damage to property	13,776	12,676	(7,561)	(4,861)	37	291
Third party liability	157,057	147,697	(117,189)	(55,412)	3,195	(21,709)
Pecuniary loss	10,923	14,227	(43,079)	(3,854)	14,941	(17,765)
Accident & health	2,542	6,667	(15,169)	(897)	6,207	(3,192)
Total direct	201,232	224,075	(207,706)	(70,999)	10,624	(44,006)
Reinsurance	148,156	140,601	(121,978)	(52,272)	13,831	(19,818)
Total	349,388	364,676	(329,684)	(123,271)	24,455	(63,824)

The majority of premiums were underwritten in the UK, with a small amount written in Singapore. For 2021, the amount in Singapore was £3.9m (2020: £3.4m)

Notes to the Accounts

At 31 December 2021

6. Net operating expenses

	2021	2020
	£000	£000
Brokerage and commissions	**95,204**	79,998
Other acquisition costs	**15,179**	18,171
Change in deferred acquisition costs	**(14,631)**	4,512
Administrative expenses	**36,369**	20,590
Reinsurer's commissions and profit participations	**(59,462)**	(44,496)
	72,659	78,775

	2021	2020
	£000	£000
Administrative expenses include:		
Auditors' remuneration:		
Fees payable to the Syndicate's auditors for the audit of these financial statements	**280**	240
Fees payable to the Syndicate's auditors and its associates in respect of other services pursuant to legislation	**123**	160
Managing agent's fees	**3,870**	3,390

Total commissions for direct insurance business for the year amounted to £58.3m (2020: £49.2m).

Members' standard personal expenses amounting to £6.7m (2020: £5.2m) are included in other acquisition costs and administrative expenses. Members' standard personal expenses include Lloyd's Members subscriptions, Central Fund contributions, and managing agent's fees.

7. Other income/(charges)

Other income/(charges) consist of foreign exchange gains and losses on monetary assets and liabilities, arising from translation into US Dollars at the exchange rate prevailing at the balance sheet date.

8. Key management personnel compensation

The directors of AMAL received £1,471,000 (2020: £705,000) aggregate remuneration which has been charged to the Syndicate and included within net operating expenses.

No other compensation was payable to key management personnel.

The active underwriter received the following aggregate remuneration charged to the Syndicate.

	2021	2020
	£000	£000
Emoluments	**624**	620

Notes to the Accounts

At 31 December 2021

9. Staff numbers and costs

The Syndicate has no employees of its own. All of the personnel employed in the Syndicate's business are employed by Aspen Insurance UK Services Limited ("AIUKS"). AIUKS is a fellow subsidiary of AIHL.

AIUKS encourages its employees to develop their full potential by providing opportunities for training and professional development. Such opportunities, as well as career development and promotion, are equally available to disabled employees, whether newly recruited or existing employees who become disabled whilst in AIUKS's employment.

AIUKS's equal opportunities policy aims to ensure that no potential or existing employee receives less favourable treatment because of his / her sex, actual or perceived sexual orientation, gender (including gender reassignment), marital or family state, age, ethnic origin, disability, race, colour, nationality, national origin, creed, political affirmation, part-time status, or any other condition, unless it can be shown to be legally justifiable.

10. Investment return

The investment return (comprising total income, expenses, net gains or losses, including changes in fair value, recognised on all financial assets and liabilities) transferred from the technical account to the non-technical account is as follows:

	2021	2020
	£000	£000
Investment income	**3,533**	5,102
Realised gains/(losses) on investments	**(6,975)**	5,435
Unrealised (losses)/gains on investments	**(2,995)**	1,260
Investment management charges including interest	**(296)**	(1,761)
	(6,733)	10,036

The table below presents the average amounts of funds in the year per currency and analysis by major currency the average investment yields in the year.

	2021	2020
	£000	£000
Average amount of syndicate funds available for investment during year:		
Sterling	**26,537**	25,018
Euro	**3,094**	2,894
US dollar	**223,841**	195,630
Canadian dollar	**72,952**	56,772
Singapore dollar	**2,156**	2,128
Australian dollar	**41,195**	41,841
	369,775	324,283

Gross calendar year investment yield:	**%**	%
Sterling	**0.74**	0.74
Euro	**0.79**	(0.88)
US dollar	**0.25**	1.70
Canadian dollar	**0.23**	2.61
Australian dollar	**(0.72)**	2.03
Combined in Sterling	**0.18**	2.28

Notes to the Accounts

At 31 December 2021

11. Financial Investments

The Syndicate classifies its financial instruments held at fair value in its balance sheet using a fair value hierarchy, as follows:

Level 1 -Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 -Prices based on recent transactions in identical assets (either unadjusted or adjusted)
Level 3 -Prices determined using a valuation technique

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

	Market value		**Cost**	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Shares and other variable yield securities and units in unit trusts	**38,748**	42,075	**38,748**	42,075
Debt securities and other fixed income securities	**256,517**	189,751	**252,791**	187,611
Loans with credit institutions	**6,127**	6,127	**6,127**	6,127
Derivative assets	**2,062**	2,472	**2,062**	2,472
	303,454	240,425	**299,728**	238,285
Derivative liabilities	**(1,376)**	(786)	**(1,376)**	(786)

There was no material change in fair value for financial instruments held at fair value attributable to own credit risk in the current or comparative period.

There have been no day 1 profits recognised in respect of financial instruments designated at fair value through profit or loss.

	Level 1	**Level 2**	**Level 3**	**Total**
2021	**£000**	**£000**	**£000**	**£000**
Shares and other variable yield securities and units in unit trusts	**—**	**38,748**	**—**	**38,748**
Debt securities and other fixed income securities	**167,515**	**89,002**	**—**	**256,517**
Deposits with credit institutions	**74,672**	**—**	**—**	**74,672**
Loans with credit institutions	**—**	**—**	**6,127**	**6,127**
Derivative assets	**2,062**	**—**	**—**	**2,062**
Total	**244,249**	**127,750**	**6,127**	**378,126**
Derivative liabilities	**(1,376)**	**—**	**—**	**(1,376)**

Notes to the Accounts

At 31 December 2021

2020	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Shares and other variable yield securities and units in unit trusts	—	42,075	—	42,075
Debt securities and other fixed income securities	67,096	122,656	—	189,752
Deposits with credit institutions	69,723	—	—	69,723
Loans with credit institutions	6,127	—	—	6,127
Derivative assets	2,472	—	—	2,472
Total	145,418	164,731	—	310,149
Derivative liabilities	(361)	—	—	(361)
Total	(361)	—	—	(361)

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.

Debt securities are generally valued using prices provided by external pricing vendors. 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 modeling techniques to determine a security price.

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

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

Loans with credit institutions relates to the loan provided by the Syndicate to the Lloyd's Central Fund. As Lloyd's do not have a readily available valuation for the loan, this leaves the loan to be held at the Syndicate's valuation, in this instance being the original value.

12. Deferred acquisition costs

The table below shows changes in deferred acquisition costs assets from the beginning of the period to the end of the period.

	2021 **£000**	2020 £000
Balance at 1 January	**54,659**	59,550
P&L movement on Deferred acquisition costs during the year	**14,631**	(4,512)
Effect of movements in exchange rates	**(789)**	(379)
Balance at 31 December	**68,501**	54,659

Notes to the Accounts
At 31 December 2021

13. Technical provisions

The table below shows changes in the insurance contract liabilities and assets from the beginning of the period to the end of the period.

2021	**Gross provisions**	**Reinsurance assets**	**Net**
	£000	**£000**	**£000**
Claims outstanding			
Balance at 1 January	**922,242**	**(555,829)**	**366,413**
Change in claims outstanding	**118,221**	**(84,123)**	**34,098**
Effect of movements in exchange rates	**551**	**(3,278)**	**(2,727)**
Balance at 31 December	**1,041,014**	**(643,230)**	**397,784**
Claims notified	**465,014**	**(205,483)**	**259,531**
Claims incurred but not reported	**576,000**	**(437,747)**	**138,253**
Balance at 31 December	**1,041,014**	**(643,230)**	**397,784**
Unearned premiums			
Balance at 1 January	**214,242**	**(87,362)**	**126,880**
Change in unearned premiums	**98,989**	**(77,798)**	**21,191**
Effect of movements in exchange rate	**(3,389)**	**(1,989)**	**(5,378)**
Balance at 31 December	**309,842**	**(167,149)**	**142,693**

2020	Gross provisions	Reinsurance assets	Net
	£000	£000	£000
Claims outstanding			
Balance at 1 January	844,320	(458,061)	386,259
Change in claims outstanding	94,845	(114,957)	(20,112)
Effect of movements in exchange rates	(16,923)	17,188	265
Balance at 31 December	922,242	(555,830)	366,412
Claims notified	390,964	(123,984)	266,980
Claims incurred but not reported	531,278	(431,845)	99,433
Balance at 31 December	922,242	(555,829)	366,413
Unearned premiums			
Balance at 1 January	230,529	(105,028)	125,501
Change in unearned premiums	(15,288)	15,271	(17)
Effect of movements in exchange rate	(999)	2,395	1,396
Balance at 31 December	214,242	(87,362)	126,880

14. Cash and Cash Equivalents

	2021	2020
	£000	£000
Cash at bank and in hand	**17,367**	14,303
Deposits with credit institutions	**74,672**	69,723
Total cash and cash equivalents	**92,039**	84,026

Notes to the Accounts
At 31 December 2021

Only deposits with credit institutions with maturities of three months or less that are used by the Syndicate in the management of its short-term commitments are included in cash and cash equivalents.

15. Accruals and deferred income

	2021	2020
	£000	£000
Claims payable	**54,100**	32,512
Profit commission accrual	**15,426**	11,549
Other accruals	**6,067**	14,209
Reinsurers' share of deferred acquisition costs	**51,464**	23,834
Total accruals and deferred income	**127,057**	82,104

16. Related parties

AMAL is the managing agency of the Syndicate. The Syndicate has paid the following amounts to AMAL in the year:

	2021	2020
	£000	£000
Managing agency fees	**3,870**	3,390

The Syndicate is supported by Aspen Underwriting Limited ("AUL"), which provides 100% of its underwriting capacity.

The ultimate holding company and controlling party of AMAL and AUL as at 31 December 2021 is Highlands Bermuda Holdco, Ltd a company incorporated in Bermuda.

AIUKS provides services to the Syndicate. The amounts charged to the Syndicate within the year and the balances due from the Syndicate at the end of the year are:

	2021	2020
	£000	£000
Expenses recharged	**27,767**	24,982
Year end balance	**21,081**	—

ABL provides services to the Syndicate. The amounts charged to the Syndicate within the year and the balances due from the Syndicate at the end of the year are:

	2021	2020
	£000	£000
Expenses recharged	**242**	336
Year end balance	**66**	—

Notes to the Accounts

At 31 December 2021

Aspen Reinsurance America ("ARA") provides services to the Syndicate. The amounts charged to the Syndicate within the year and the balances due from the Syndicate at the end of the year are:

	2021	2020
	£000	£000
Expenses recharged	**3,060**	1,915
Year end balance	**2,146**	728

The Syndicate also participates in a 50% Quota Share with AIUK. This Quota Share arrangement commenced in January 2015.

The Syndicate has incurred the following amounts in the year and the balances due from the syndicate at the end of the year relating to these are:

	2021	2020
	£000	£000
Quota share ceded from/(to) AIUK	**22,142**	(1,938)
Year end balance	**14,083**	2,494

The Syndicate cedes a 20% Quota Share Treaty for years of account 2009 to 2020 and 35% on 2021 to ABL.

The Syndicate has recognised the following amounts in the year and the balances due from/(to) the Syndicate at the end of the year relating to these are:

	2021	2020
	£000	£000
Quota share ceded from ABL	**(8,227)**	(854)
Year end balance	**12,863**	12,744

The Syndicate also cedes premium to ABL as part of its excess of loss ceded reinsurance arrangements, with the following reinsurance amounts in the year and the balances due to the Syndicate at the end of the year are:

	2021	2020
	£000	£000
Ceded from/(to) ABL	**352**	(673)
Year end balance	**(17,147)**	(17,001)

The Syndicate also participates in a reciprocal ($10m xs $10m) excess of loss reinsurance with Aspen Insurance (UK) Limited ("AIUK").

Notes to the Accounts
At 31 December 2021

The Syndicate has been charged the following amounts in the year and the balances due from the Syndicate at the end of the year are:

	2021	2020
	£000	£000
Incurred Claims Movement	**(747)**	(1,020)
Year end balance	**—**	—

Aspen UK Syndicate Services Limited ("AUKSSL") is an intermediary which is 100% owned by Aspen and serves as a Lloyd's broker.

The Syndicate has written the following premium amounts in the year and the balances due to the Syndicate at the end of the year are:

	2021	2020
	£000	£000
Gross premium written in year	**(6)**	56
Year end debtor balance	**103**	154

Asset Protection Jersey ("APJ"), an insurance company, which is 100% owned by Aspen, reinsures all of its business through a quota share agreement with the Syndicate.

The Syndicate has written the following premium amounts in the year and the balances due to the Syndicate at the end of the year are:

	2021	2020
	£000	£000
Gross premium written in year	**(55)**	685
Year end debtor balance	**661**	665

Aspen Singapore PTE Limited (“ASPL”) acts as an agent for Lloyd’s Asia Scheme and provides services to the Syndicate.

The amounts charged to and balances due to the Syndicate at the end of the year are:

	2021	2020
	£000	£000
Expenses	**723**	2,157
Year end debtor balance	**(488)**	(411)

Notes to the Accounts
At 31 December 2021

Cash Calls

Cash calls from members personal reserve funds of £16.7m (2020: £Nil) and collection of losses to the members personal reserve funds of £16.3m (2020: £31.5m) were made during the year. Directors have been provided with assurances that sufficient capital will be made available when required.

17. Funds at Lloyd’s

Every member is required to hold capital at Lloyd’s which is held in trust and known as Funds at Lloyd’s ("FAL"). These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating member’s underwriting liabilities.

FAL is set with regards to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the managing agent, no amount has been shown in these accounts by way of such capital resources. However, the managing agent is able to make a call on the member’s FAL to meet liquidity requirements or to settle losses on behalf of the Syndicate.

FAL is provided in the form of investments from Aspen Bermuda Limited (“ABL”) and Aspen Underwriting Limited ("AUL"), unsecured letter of credit and unsecured third-party financing facilities.

The FAL lodged exceeds the £104.8m member balance deficit as at 31 December 2021.

18. Foreign exchange rates

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

	2021	**2021**	2020	2020
	Year-end rate	**Average rate**	Year-end rate	Average rate
Euro	**1.19**	**1.17**	1.18	1.14
US dollar	**1.35**	**1.38**	1.33	1.28
Canadian dollar	**1.71**	**1.72**	1.72	1.69

19. Events after balance sheet date

The Syndicate will continue to monitor the position in Ukraine and Russia but at this stage the Syndicate has no concern around its underwriting or investment exposures. Also, the Syndicate is not anticipating any liquidity strain as a result of the current situation.