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SYNDICATE 1414

ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

CONTENTS

MANAGING AGENT - CORPORATE INFORMATION

Managing Agent	Ascot Underwriting Limited		
Directors	Sir Richard B Dearlove	Non-executive Chairman	
	Andrew L Brooks	Chief Executive Officer	
	Charles P T Cantlay		
	Katherine H.E. Chung	Non-executive	
	Helen R Jones-Bak		
	Thomas A Kalvik	Non-executive	Resigned 29 September 2020
	Edward J Lloyd	Non-executive	
	Aman Malik	Non-executive	Appointed 29 September 2020
	Homi P R Mullan	Non-executive	
	Parth Patel		
	Mark L Pepper		
	Paul T Taylor	Non-executive	
	Katy M Wilson		
Company Secretary	Elizabeth H Guyatt		
Registered Office	20 Fenchurch Street London EC3M 3BY United Kingdom		
Active Underwriter	Mark L Pepper		Appointed 03 September 2020 with effect from 01 January 2021
	Andrew L Brooks		Resigned 03 September 2020 with effect from 01 January 2021
Investment Managers	Conning Asset Management Limited		
Independent Auditor	Deloitte LLP Statutory Auditor Hill House 1 Little New Street London EC4A 3TR		

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors of the managing agent, Ascot Underwriting Limited, present their strategic report for the year ended 31 December 2020.

Principal activity and review of the business

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

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

Year	Syndicate Capacity £m
2017	600
2018	600
2019	600
2020	650
2021	900

The managing agent of Syndicate 1414 is Ascot Underwriting Limited (AUL). The Board of parent company Ascot Underwriting Holdings Limited (AUHL) approved via a dividend-in-specie the transfer of its investment in AUL to its direct parent, Ascot Underwriting Group Limited (AUGL) on the 4th June 2020. Under this new ownership, AUL continues to act as the Managing Agent of Syndicate 1414 for the foreseeable future.

AUL owned two subsidiaries during the year, Ascot Insurance Services Limited (AIS), whose main activity is the provision of underwriting business and services to Syndicate 1414 and Ascot Underwriting Asia (Private Limited) (AUA), a company registered in Singapore, which manages business on behalf of Syndicate 1414 through the Lloyd's Asia Scheme. After careful consideration this service was entered into run off with the expectation management will close the entity in 2021.

Syndicate 1414 has been and will use Lloyd's Brussels (Lloyd's Insurance Company S.A) to underwrite European Union (EU) and European Economic Area (EEA) business after the UK's exit from the EU. A Part VII transfer of existing European business was completed on 30 December 2020, see note 2c, for further information. There are very few operational, personnel, tax or supplier implications to the Ascot UK group as a result of the exit, however, the directors will continue to review the situation, including the appetite to write EU and EEA business, which represents less than 10% of the risks written.

Key performance indicators

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

	Year ended 31 December 2020	Year ended 31 December 2019
Net loss ratio[1]	**57.1%**	51.7%
Net expense ratio[2]	**32.3%**	44.7%
Combined ratio[3]	**89.4%**	96.4%

Gross written premium increased from £689.4m in 2019 to £824.3m in 2020, an increase of 20%, this is being driven by a combination of rate increases and the attraction of new business lines and teams during the period; notably Professional Indemnity and Excess Casualty. Post the poor market results of the 2017, 2018 and 2019 years, rate increases have accelerated in many classes during 2020. Syndicate 1414 achieved an average rate increase of 12.8% against a plan of 5%, and prior year of 5.9%. However, the market must continue this momentum as many classes are still below a healthy level of rating due to years of rate decreases since around 2012. The Board of AUL ("Ascot" or "the Board") have monitored rate movements year-to-year on a consistent basis as well as rate adequacy. It has been observed that new business to Ascot is attracting much higher rate increases than on the renewal book but that the adequacies are at similar levels. This strongly indicates that there is still a significant volume of under-priced business out in the wider market that needs re-underwriting for it to be a profitable proposition to put on the books of Ascot.

[1] Net loss ratio is defined as claims incurred, net of reinsurance as a percentage of earned premiums, net of reinsurance
[2] Net expense ratio is defined as operating expenses as a percentage of earned premiums, net of reinsurance
[3] Combined ratio is defined as total costs (including claims and expenses) as a percentage of earned premiums, net of reinsurance

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

Net written premium increased from £390.3m in 2019 to £493.4m in 2020, an increase of 26% and a resultant premium retention ratio of 60% for 2020 versus 57% for 2019, this is being driven by the above mentioned increases in gross premiums written whilst continuing to protect the exposure of the syndicate with the use of an extensive reinsurance program. This includes a 20% whole account quota-share reinsurance agreement with Ascot Bermuda Limited (“ABL”).

Ascot’s focus on underwriting discipline and reducing volatility within its portfolio continues to drive a profitable result.

Net loss ratio

	Note	**Year ended 31 December 2020**	Year ended 31 December 2019	Variance
Current accident year		**49.7%**	46.8%	2.9%
Prior accident years	**10**	**7.4%**	4.9%	2.5%
Net loss ratio		**57.1%**	51.7%	5.4%

The 2019 current accident year was not exposed to any catastrophe events, whereas for 2020 two notable events have been recorded as such; Hurricane Laura (Cat Code 20M) and Coronavirus, (“Covid-19”) which started in Wuhan, China in December 2019 and transformed into a global pandemic. The impact to the Syndicate result across both events was a gross loss of £33.2m and net loss of £27.2m, representing 6.0% of the current accident year ratio.

Non-catastrophe current accident year loss ratio for 2020 of 43.6% compares favourably with the prior year of 46.8%, being driven by the improved rating environment referred to earlier, offset by the increased frequency and severity of medium and larger losses that has been prevalent for the past four years. 2020 witnessed its own share of larger losses, including a record number of named hurricanes, wildfires and a large Derecho (large tornado).

The prior accident year loss ratio of 7.4% is being driven by the 2020 subrogation impact of the wildfire loss events most notably Camp Wildfire (18K) and where the events fall within the Ascot reinsurance program. The 2020 income statement impact for this event is a gross loss improvement of £19.7m and a net loss deterioration of £18.3m. In addition to this a prior year marine loss – Golden Ray (19YN) resulting from a vessel grounding whereby the ground up loss estimate of the event has increased through 2020, this accounted for £16.8m gross and £5.2m net of the prior accident year losses.

Net expense ratio

Ascot has always been careful to manage its expense ratio and through 2020 has been actively looking for ways to improve this position and are pleased to reflect an improvement of 12.4%, year on year. This is due to a combination of actions, including; a higher premium base, versus a relatively static administrative expense base, a change in the mix of business and positive underwriter actions. Underwriters have been focusing on pushing commissions down and have had some success in this area but this has not been as easy as it should be, as many competitors do not seem to have the same appetite as Ascot. In a raising rate environment, it should be easier to have these battles, and they must be had as the market is paying potential profit away, and without such drag would be in a much stronger financial position.

Results and performance

The result for the 2020 financial year, as set out on pages 11 and 12, is a profit of £68.2m (2019: profit of £31.7m) and a combined ratio of 89.4%% (2019: 96.4%).

Profits will continue to be distributed by reference to the results of individual underwriting years. Under Lloyd’s rules the 2018 year of account was closed at 31 December 2020 with a loss of £39.1m or 6.52% of stamp capacity of £600m.

Future outlook

Covid-19 is a “live Cat” and further market impact and disruption from this loss will be felt into 2021 and beyond. Ascot will continue to monitor the ongoing event.

The 2020 year has again been a difficult year for profitable returns in the insurance and reinsurance market, and this reinforces the need to achieve further rate increases so we can better absorb the medium and larger loss volatility that has been prevalent for the past four years.

The directors of Ascot are pleased with the progress made in terms of improvements in the underwriting profile of most lines of business in 2020. However, two particular classes are still difficult to improve: Terrorism and Personal Accident. Terrorism is a non-correlating class and looks great in capital models and business forecasts but rates have fallen approximately 40% since 2012 so is in need of improvement. This class has been largely profitable due to the lack of large loss experience but the same cannot be said of Personal Accident. This class has too many participants, relative to market income, and the issue is with general rating but mainly commission levels. Commissions are far too high with many binders and line-slips regularly attracting levels in excess of 40%. This is a good example of where a marginal class could be changed into a profitable one by cutting commissions.

Overall Ascot are pleased with the progress made in improving its underwriting portfolios during 2020, and are looking to push for further improvements in 2021, with the market generally receptive to this outcome. With indications that many

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

within Lloyds are likely to report over 100% combined ratio again in 2020, which is the fourth consecutive year, now is not time to slow the correction. The directors are very optimistic for a profitable year, with some lines of business now in the third year of rate improvement. This is Ascot's twentieth year and we are blessed with great management information that we use to guide us to the classes to push hard in terms of writing more income. We are confident that with tools such as these we can outperform the market again in 2021. Ascot has built its reputation on strong, disciplined underwriting and above market returns. This approach will not change and will be to Ascot's advantage in a hardening environment that still has some way to go, before it can be considered a wholesale hard market. The directors of Ascot are extremely optimistic for 2021 with the strong independent capital backing and team of fantastic people across the growing business, ensuring that the Syndicate is able to thrive and meet its full potential.

Principal risks and uncertainties

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

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

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

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

Insurance risk – this includes Underwriting and Reserving risk. It is the risk arising from uncertainty in the likelihood, magnitude and timing of insured losses, the risk of inadequate pricing and the risk of insufficient claims provisions. This risk is effectively the business of the Syndicate. Management of insurance risk includes a comprehensive underwriting peer review process, management information that includes aggregation management and profitability measures, independent external reserve reviews and the strict control of terms and conditions of contractual wordings to manage liabilities.

Credit risk – this is the risk of loss arising from the inability of reinsurers or intermediaries to meet their financial obligations to Ascot. The largest risk is the non-performance of the Syndicate's reinsurers. This is managed by monitoring the concentration to and security rating of each of our reinsurance partners.

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

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

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

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

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

In light of the ongoing global pandemic, referred to as Covid-19, the Directors have considered whether there are any additional risks or uncertainties, other than those considered above that would be relevant to this business as a result of the far reaching impact of Covid-19.Risks and uncertainties have been adjusted to reflect the long term material impact to the Syndicate. The Syndicate has also considered whether any new mitigating controls are required as a result of this event and there are none.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

Environmental, Social and Governance, Diversity and Inclusion, Climate change and Transitions risks

Whilst there is no requirement for the Syndicate to include the following statement, the directors of the Board would like to share the statement as it represents the actions being taken by the Ascot Group, within the UK.

Environment – The Board recognises the importance of establishing an environmental, social and governance ("ESG") philosophy that best serves our stakeholders and shareholders.

Ascot recognises the need to address the impact of climate change on global communities. In line with our commitment to improving the transparency of our contribution to climate change, the following table summarises the results of the Ascot carbon emissions report, which has been calculated following the standards set out under the Greenhouse Gas (GHG) reporting regime:

2019-2020 greenhouse gas emission figures[4] (tonnes CO equivalent)

Greenhouse Gas (GHG) Emissions	Unit	2020	2019
Scope 1 – Direct	tCO2e	35	89
Scope 2 (location based) – Indirect	tCO2e	126	148
Scope 2 (market based) – Indirect[5]	tCO2e	0	0
Total (Location)	tCO2e	**160**	**237**
Total (Market)	tCO2e	**35**	**89**

The year on year decrease in direct GHG emissions is significantly impacted by the Covid-19 pandemic and subsequent lockdown procedures introduced by the UK Government, during which all Ascot employees worked from home. Ascot intends to review the working practices introduced in response to the lockdown, which have reduced the carbon footprint of the UK Group (AUGL and all its subsidiaries), including updating its 'working from home' policy where applicable.

In addition to understanding our operational carbon footprint, we have also confirmed our commitment towards a future where the insurance sector can better support global efforts in addressing climate change, by aligning ourselves with the Lloyd's market ESG principles, including reviewing our asset portfolio with an ESG focus to determine the potential for adjustments.

Social - Ascot endeavours not only to be a good corporate citizen and trusted insurer, but also a respected employer that recognises the importance of staff wellbeing and success. In addition, Ascot has been closely involved with market initiatives established to improve the "insurance gap" highlighted by Covid-19. These include participation in the ReStart initiative and the development of the AUL managed Parsyl syndicate-in-a-box (Syndicate 1796), a new business venture focusing on insurance coverage and risk mitigation services designed to support the global distribution of Covid-19 vaccines and critical health commodities.

Governance - The responsibility for identifying and managing financial risks associated with climate change has been assigned to the Chief Risk Officer of AUL under the Senior Management Function (SMF) regime. Further oversight and discussion of climate change and ESG related items occurs at the Risk Committee, Executive Committee and ultimately, the Board. Examples of this governance include the regular presentation of emerging risk reports and the discussion of newly developed climate change stress and scenario analysis which will be used to inform strategic business decision making where appropriate.

We have also continued to review and refine our policies and procedures, with an updated whistleblowing policy, an enhanced conflicts of interest policy and updated Risk Committee terms of reference to cover a broader spectrum of risks, including those relating to climate change and cyber. All actions embarked on by Ascot, as they relate to ESG or otherwise, are undertaken with the full compliance of the laws and regulations relevant to our operations.

Diversity and Inclusion - The Board is committed to maintaining female Board representation in line with targets that have been set across the Lloyd's market. The Board places emphasis on ensuring the development of diversity in the senior management roles within the company and supports Lloyd's objectives of achieving a target of 35% female representation in leadership positions across the market by 31 December 2023. Progress on this objective is monitored by the Board.

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

The strategic report was approved at a meeting of the Board of Directors and signed on its behalf by:

Andrew L Brooks
Chief Executive Officer
Ascot Underwriting Limited
01 March 2021

[4] The emission data disclosed within this report has been supplied by CBRE Limited, the property manager of 20 Fenchurch Street.
[5] Electricity supplied by Total Gas & Power; 100% renewable supplied from REGO accredited source

MANAGING AGENT'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors of the managing agency, Ascot Underwriting Limited, present their report and audited annual financial statements for the year ended 31 December 2020.

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

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

Results and performance

This has been discussed in the strategic report.

Future outlook

This has been discussed in the strategic report.

Directors

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

Sir Richard B Dearlove	Non-executive Chairman	
Andrew L Brooks	Chief Executive Officer	
Charles P T Cantlay		
Katherine H.E. Chung	Non-executive	
Helen R Jones-Bak		
Thomas A Kalvik	Non-executive	Resigned 29 September 2020
Edward J Lloyd	Non-executive	
Aman Malik	Non-executive	Appointed 29 September 2020
Homi P R Mullan	Non-executive	
Parth Patel		
Mark L Pepper		
Paul T Taylor	Non-executive	
Katy M Wilson		

Company Secretary
Elizabeth H Guyatt

Active Underwriter

Andrew L Brooks was active underwriter of Syndicate 1414 throughout 2020. Mr Brooks commenced his underwriting career at Lloyd's in 1983 and has served on many Lloyd's and industry committees. On 03 September 2020 Mark L Pepper was appointed active underwriter of Syndicate 1414 with effect from 2021. Mr Pepper began his career in insurance in 1987 and joined Ascot at its inception in 2001 to lead the Treaty team. He was promoted to the role of Chief Underwriting Officer in 2009 and is a member of the Board.

Risk management

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

Statement of Managing Agent's responsibilities

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

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (IAD) requires the Managing Agent to prepare annual financial statements for each financial year. Under that law the directors have prepared the Syndicate annual financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102) and Financial Reporting Standard 103 Insurance Contracts (FRS 103).

MANAGING AGENT'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

Statement of Managing Agent’s responsibilities (continued)

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

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

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

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

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

Charitable Donations

During the year the Syndicate made donations for charitable purposes of £nil (2019: £nil).

Disclosure of information to auditors

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

- as far as each of them is aware, there is no information relevant to the audit of the Syndicate’s annual financial statements for the year ended 31 December 2020 of which the auditors are unaware; and
- the directors have taken all steps that they ought to have taken in their duty as directors in order to make themselves aware of any relevant audit information and to establish that the Syndicate’s auditors are aware of that information.

Independent auditors

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

Approved by order of the board

Helen R Jones-Bak
Chief Financial Officer
Ascot Underwriting Limited

01 March 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 1414

Report on the audit of the syndicate annual financial statements

Opinion

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

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

We have audited the syndicate annual financial statements which comprise:

- the statement of comprehensive income;
- the statement of changes in members' balances;
- the statement of financial position;
- the statement of cash flows; and
- the related notes 1 to 22.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 1414 (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 1414 (CONTINUED)

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

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

Report on other legal and regulatory requirements

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

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

- the information given in the strategic report and the managing agent's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and the managing agent's report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

Adam Ely, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London

01 March 2021

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2020

TECHNICAL ACCOUNT – GENERAL BUSINESS	*Note*	**2020 £'000**	2019 £'000
Earned premiums, net of reinsurance			
Gross premiums written	3	824,295	689,431
Outward reinsurance premiums		(330,910)	(299,163)
Net premiums written		**493,385**	390,268
Change in the provision for unearned premiums			
Gross amount		(63,271)	(9,571)
Reinsurers' share		20,715	(699)
		(42,556)	(10,270)
Earned premiums, net of reinsurance		**450,829**	379,998
Allocated investment return transferred from the non-technical account		18,925	17,362
Total technical income		**469,754**	397,360
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		333,439	388,908
Reinsurers' share		(138,971)	(170,511)
Net claims paid		**194,468**	218,397
Change in the provision for claims			
Gross amount		12,276	(143,450)
Reinsurers' share		50,678	121,369
		62,954	(22,081)
Claims incurred, net of reinsurance		**257,422**	196,316
Net operating expenses	6	145,820	169,881
Total technical charges		**403,242**	366,197
Balance on the Technical Account for General Business	10	**66,512**	31,163

The notes set out on pages 16 to 38 form part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
for the year ended 31 December 2020

NON-TECHNICAL ACCOUNT	*Note*	**2020 £'000**	2019 £'000
Balance on the General Business Technical Account		**66,512**	31,163
Investment income	7	14,852	14,016
Investment expenses and charges		(956)	(1,460)
Unrealised gains on investments		8,456	5,558
Unrealised losses on investments		27	3,402
Total investment return		**22,379**	21,516
Allocated investment return transferred to the general business technical account		(18,925)	(17,362)
Non-technical account - investment return		**3,454**	4,154
Non-technical account – Other charges		—	(1,720)
Non-technical account – (loss) on exchange		(1,790)	(1,884)
Profit for the period		**68,176**	31,713
Other comprehensive income – currency translation		(3,965)	3,767
Total comprehensive income		**64,211**	35,480

Statement of Changes in Members' Balances

	2020 £'000	2019 £'000
Members' balances at the beginning of the reporting period	**75,692**	47,274
Profit for the financial year	68,176	31,713
Other comprehensive income – currency translation	(3,965)	3,767
Total comprehensive income for the year	**64,211**	35,480
Distribution of (profit)/loss on closed year of account	(76,975)	4,692
Funds in Syndicate retained/(released)	14,674	(5,122)
Other – retranslation of distribution/cash call	(2,703)	(6,632)
Members' balances at the end of the reporting period	**74,899**	75,692

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

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

STATEMENT OF FINANCIAL POSITION
as at 31 December 2020

ASSETS	Note	**2020 £'000**	2019 £'000
Investments			
Other financial investments	11	**567,366**	483,860
Reinsurers' share of technical provisions			
Provision for unearned premiums		94,883	75,768
Claims outstanding		241,498	301,063
		336,381	376,831
Debtors			
Amounts due within one year:			
Debtors arising out of direct insurance operations		60,976	48,009
Debtors arising out of reinsurance operations		238,455	203,146
Amount due from related companies		4,911	3,739
Other debtors		16,642	17,852
Amounts due after more than one year:			
Debtors arising out of reinsurance operations		24,468	10,613
	12	**345,452**	272,746
Other Assets			
Cash at bank and in hand	13	7,794	21,613
Lloyd’s overseas deposits		34,471	37,188
		42,265	58,801
Prepayments and accrued income			
Accrued interest and rent		2,683	2,225
Deferred acquisition costs		66,741	59,926
Other prepayments and accrued income		966	1,100
		70,390	63,251
TOTAL ASSETS		**1,361,854**	1,255,489

STATEMENT OF FINANCIAL POSITION (CONTINUED)
as at 31 December 2020

LIABILITIES	Note	2020 £'000	2019 £'000
Capital and reserves			
Members' balance		**74,899**	75,692
Technical provisions			
Provision for unearned premiums		318,088	266,113
Claims outstanding		722,413	735,556
		1,040,501	1,001,669
Creditors			
Amounts due within one year:			
Creditors arising out of direct insurance operations		14,084	6,951
Creditors arising out of reinsurance operations		113,156	50,837
Amount due to related companies		971	1,207
Amounts due after more than one year:			
Creditors arising out of reinsurance operations		96,211	101,308
	14	**224,422**	160,303
Accruals and deferred income		**22,032**	17,825
TOTAL LIABILITIES		**1,361,854**	1,255,489

The annual financial statements on pages 11 to 38 were approved at a meeting of the Board of Directors and signed on its behalf by:

Andrew L Brooks	Helen R Jones-Bak
Chief Executive Officer	Chief Financial Officer
01 March 2021	01 March 2021

STATEMENT OF CASH FLOWS
for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Net cash flows from operating activities	15	**128,094**	23,549
Cash flows from investing activities			
Purchase of equity and debt instruments		(459,215)	(412,532)
Sale of equity and debt instruments		368,963	364,457
Investment income received		17,424	14,444
Net cash generated from investing activities		**(72,828)**	(33,631)
Cash flows from financing activities			
Distribution (profit)/loss		(76,975)	4,692
Profit retained/(released) as Funds in Syndicate		14,674	(5,122)
Other – retranslation of distribution/cash call		(2,703)	(6,632)
Net cash used in financing activities		**(65,004)**	(7,062)
Net decrease in cash and cash equivalents		**(9,738)**	(17,144)
Cash and cash equivalents at the beginning of the year		53,391	71,889
Foreign exchange on cash and cash equivalents		1,314	(1,354)
Cash and cash equivalents at the end of the year		**44,967**	53,391
Cash and cash equivalents consists of:			
Cash at bank and in hand		7,795	21,613
Short term deposits with credit institutions		37,172	31,778
Cash and cash equivalents at end of year		**44,967**	53,391

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Statement of compliance

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

2. Summary of significant accounting policies

Ascot Underwriting Limited is the managing agent for Syndicate 1414 at The Corporation of Lloyd’s. The company is a private company limited by shares and is incorporated in England. The address of its registered office is 20 Fenchurch Street, London, England, EC3M 3BY. The principal accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The syndicate has adopted FRS 102 and FRS 103 in these annual financial statements.

a. Basis of preparation

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

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

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

b. Going concern

In arriving at a determination of going concern, the directors consider a number of factors, taking into account economic, regulatory and environmental considerations. In light of the ongoing Covid-19 pandemic (see the Strategic Report), the directors have assessed the following factors;

a) the impact on operational disruption
b) the impact on legal and contractual obligations
c) the impact on liquidity and working capital requirements
d) assessed the access to capital
e) considered whether there is an impact on asset valuations; and
f) considered whether the information available to make the assessment was timely and of sufficient detail.

The directors have concluded that it continues to be a going concern after taking into account the above factors, as it can evidence that there is no impact on the ability of the Syndicate to remain profitable for the foreseeable future, being not less than one year from the signing of the accounts.

c. Part VII transfer

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

Following the sanction of the scheme by the High Court on 25th November 2020, the scheme took effect on 30 December 2020 and the Members and former Members of the Syndicate transferred the impacted EEA policies and related liabilities to Lloyd’s Brussels, together with cash of $50,347,790. On the same date, under the Reinsurance Agreement, Lloyd’s Brussels reinsured the same risks back, together with an equal amount of cash of $50,347,790. The combined effect of the two transactions had no economic impact for the Syndicate, and accordingly there is no impact on the Syndicate’s income statement or balance sheet.

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

d. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no critical accounting judgements for the Syndicate.

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

i. The ultimate liability arising from claims made under insurance contracts

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

Whilst the directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amount provided.

Adjustments to the amounts of provision are reflected in the Financial Statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

ii. Pipeline premium

The Syndicate makes an estimate of premiums written during the year that have not yet been notified by the financial year ('pipeline premiums') end based on prior year experience and current year business volumes. The pipeline premium is booked as written and an assessment is made of the related unearned premium provision (note 3) and an estimate of claims incurred but not reported in respect of the earned element (note 5).

***iii.* Allowance for risk and uncertainty within claims outstanding**

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

e. Basis of accounting for underwriting activities

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

f. Premiums written

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

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

g. Unearned premiums

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

h. Deferred acquisition costs

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

i. Claims incurred

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

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

j. Claims provisions and related reinsurance recoveries

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

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

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

The estimation of claims incurred but not reported ('IBNR') is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Syndicate, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insured until many years after the event giving rise to the claims has happened. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility.

In calculating the estimated cost of unpaid claims the Syndicate uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

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

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

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

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

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

k. Unexpired risk provision

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

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

l. Expense allocation and pensions

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

m. Foreign currency

i. Functional and presentation currency

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

ii. Transactions and balances

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

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

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

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

n. Financial instruments

The Syndicate has chosen to adopt the Sections 11 (Basic Financial Instruments) and 12 (Other Financial Instruments Issues) of FRS 102 in respect of financial instruments.

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

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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

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

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

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

o. Investment return

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

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

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

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

p. Taxation

No amount has been provided in these Financial Statements for UK taxation on trading income. Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all basic rate UK income tax deducted from Syndicate investment income is recoverable by managing agents.

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

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

q. Profit Commission

During 2019, an updated Managing Agency agreement was agreed between AUL and ACNL which became effective for the 2020 year of account onwards. The basis of remuneration changed to be based on 1% of managed capacity, with no provision for a profit commission as a result of AUL no longer bearing the cost of any employee incentive scheme.The previous Managing Agency agreement between ACNL and AUL ran for an annual period from 1 December to 30 November and was calculated at 18.5% of ACNL profits. The Managing Agency agreement between ACNL and AUL included a deficit clause whereby losses are carried forward for up to 3 years – where this was relevant, no profit commission was accrued until the carried loss was fully eroded. There was an option under the agreement to waive this clause if agreed by the directors of ACNL.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. Segmental information

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

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

Year ended 31 December 2020

	Gross premiums written	**Gross premiums earned**	**Gross claims incurred**	**Gross operating expenses**	**Reinsurance balance**	**Net technical result**
			£'000s			
Direct						
Fire & Other Damage to Property	191,402	178,075	(95,383)	(45,833)	(37,218)	(359)
Marine, Aviation & Transport	184,398	170,184	(68,747)	(47,596)	(19,031)	34,810
Third-Party Liability	113,935	79,336	(61,689)	(28,542)	10,322	(573)
Accident & Health	17,497	20,171	(14,911)	(10,120)	3,349	(1,511)
Energy	26,664	26,680	(3,673)	(8,157)	(7,561)	7,289
Pecuniary loss	15,841	17,879	(8,167)	(5,391)	(932)	3,389
Motor (other)	—	—	(75)	(87)	14	(148)
Other	194	577	(5,788)	(41)	964	(4,288)
Total Direct	**549,931**	**492,902**	**(258,433)**	**(145,767)**	**(50,093)**	**38,609**
Reinsurance Acceptances	274,364	268,122	(87,282)	(50,815)	(121,047)	8,978
Total	**824,295**	**761,024**	**(345,715)**	**(196,582)**	**(171,140)**	**47,587**

Year ended 31 December 2019

	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Net technical result
			£'000s			
Direct						
Fire & Other Damage to Property	170,120	175,706	(48,719)	(51,732)	(65,670)	9,585
Marine, Aviation & Transport	137,483	139,772	(68,637)	(43,862)	(13,920)	13,353
Third-Party Liability	62,307	54,535	(36,056)	(18,067)	(4,775)	(4,363)
Accident & Health	28,631	29,692	(17,872)	(16,091)	1,939	(2,332)
Energy	27,863	28,460	(9,873)	(8,766)	(8,314)	1,507
Pecuniary loss	20,054	15,474	(1,798)	(7,443)	(2,115)	4,118
Motor (other)	0	0	4,158	0	(896)	3,262
Other	2,187	1,793	(665)	(402)	(38)	688
Total Direct	448,645	445,432	(179,462)	(146,363)	(93,789)	25,818
Reinsurance Acceptances	240,786	234,428	(65,996)	(56,208)	(124,241)	(12,017)
Total	689,431	679,860	(245,458)	(202,571)	(218,030)	13,801

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

(a) Gross operating expenses have been allocated to class groups in proportion to their respective gross premium income. The difference between the gross operating expenses in note 4 and that on the Statement of Comprehensive Income relates to reinsurance commissions and profit participations, as detailed in note 6.

(b) The reinsurance balance comprises outward reinsurance premiums payable less reinsurance recoveries receivable less ceded commissions receivable.

(c) Brokerage and commission is deducted from gross premiums received by the Syndicate on normal commercial terms.

(d) The above segmental analysis is based on a mapping from Syndicate 1414's own business classes to the required Prudential Regulatory Authority classes.

Geographical analysis by origin

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

Geographical analysis by underwriting location

	2020	2019
	£'000	£'000
United Kingdom	725,242	603,704
United States of America	43,282	43,166
Bermuda	53,570	33,009
China	591	4,311
Singapore	1,610	5,241
Total gross written premium	**824,295**	689,431

4. Risk management

a. Overview

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

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

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

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

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

The following areas of risk are those that have an impact on or a potential impact on the financial assets and liabilities of the Syndicate and the methods of assessing the sensitivity and financial impacts of these risks are discussed further below. Areas such as operational and group risk are not discussed further under this section.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

b. Insurance risk

Insurance risk for general insurance refers to the risk arising from uncertainty in the likelihood, magnitude and timing of insured losses, the risk of inadequate pricing and the risk of insufficient claims provisions. Some specific examples of insurance risk include the unexpected occurrence of multiple claims arising from a single cause (such as the Covid-19 pandemic), and the potential for expense overruns relative to pricing or the nature of the underlying exposure giving rise to claims not foreseen at point of underwriting.

The key components of Insurance risk for Ascot are:

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

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

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

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

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

- The classes and characteristics of insurance business that Ascot is prepared to accept;

- The underwriting (including catastrophe underwriting) criteria that Ascot applies, including how these can influence its rating and pricing decisions;

- Ascot's approach to limiting significant aggregations of Insurance risk, including aggregation from concentration of catastrophe perils, for example, by setting aggregate limits and/or loss assessment that can be underwritten firm-wide, in each region, in each country, by line of business, or for one insured for Ascot's in-force portfolio;

- Ascot's approach to monitor overall aggregate risk profile at the firm-wide level, by region, by country, by profit centre, and by entity on a regular basis; and its procedures of reporting material changes in current or prospective aggregate risk to the Executive committee and Board;

- Ascot's approach to managing its expense levels, including acquisition costs, recurring costs, and one-off costs, taking account of the margins available in both the prices for products and in the technical provisions in the balance sheet;

- Ascot's approach to assessing the effectiveness of its risk transfer arrangements and managing the residual or transformed risks. For example, how it intends to handle disputes over contract wordings, and potential pay-out delays;

- A summary of the data and information to be collected and reported on underwriting, claims, and risk control (including internal accounting records), management reporting requirements, and external data for risk assessment purposes;

- The risk measurement and analysis techniques to be used for setting underwriting premiums, technical provisions in the balance sheet, and assessing capital requirements; and

- Ascot's approach to stress testing and scenario analysis of its exposures.

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

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

On an ongoing basis, there are:

- Processes for identifying the underwriting risks associated with a particular policyholder or a group of policyholders. For example, processes for collecting information on the claims histories of insureds, including whether they have made any potentially false or inaccurate claims, to identify possible adverse selection or moral hazard problems;

- Processes for establishing underwriting and distribution procedures that must be followed by all classes of business and all types of distribution channels; these procedures should include details in respect of the information that must be gathered in order to assess the level of Insurance Risk that a particular contract brings to Ascot;

- Processes for identifying aggregations of risk that may give rise to a large catastrophic loss. Specific information can include, for example, risk address, locations value, construction, year built, occupancy, and number of stories. Policy information and reinsurance information must be gathered in order to assess the level of additional aggregate exposure and enable the calculation of marginal contribution to modelled loss assessment risk that a particular account or contract brings to Ascot.

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

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

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

The Syndicate’s sensitivity to insurance risk can be demonstrated by analysing the impact of a swing in the gross and net loss ratios on the income statement: A 10% swing in the gross loss ratio would change the 2020 result by £76.1m (2019: £68.0m). A 10% swing in the net loss ratio would change the result by £45.1m (2019: £38.0m).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

c. Credit risk

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

Credit risk: ability to pay

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

As at 31 December 2020	AAA	AA	A	BBB	BB & Below	Unrated	Total
				£'000s			
Shares and other variable yield securities and unit trusts	3,262	17,383	13,845	4,040	—	2,317	**40,847**
Debt securities	168,617	70,342	260,622	26,938	—	—	**526,519**
Overseas deposits	17,354	2,856	3,024	2,210	1,998	7,029	**34,471**
Reinsurers' share of technical provisions - claims outstanding	—	36,637	100,160	60,722	—	43,979	**241,498**
Reinsurance debtors	—	3,262	13,125	56,448	—	1,491	**74,326**
Cash at bank and in hand	—	98	7,696	—	—	—	**7,794**
Insurance debtors	—	—	—	—	—	60,976	**60,976**
Other debtors *	—	—	—	—	—	375,424	**375,424**
Total credit risk	**189,233**	**130,578**	**398,472**	**150,358**	**1,998**	**491,216**	**1,361,855**

Within the unrated reinsurers' share of outstanding claims of £44m (2019: £150.5m), £43.9m relates to collateralised reinsurers (2019: £145.5m). Within the unrated reinsurance debtors of £1.5m (2019: £5.5m), £1.1m (2019: £5.3m) relates to collateralised reinsurers.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

Credit risk: willingness to pay

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

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

At 31 December 2020	**Not yet due**	**0-90 Days**	**91-180 Days**	**181-365 Days**	**366+ Days**	**Total**
			£'000s			
Shares and other variable yield securities and unit trusts	40,847	—	—	—	—	**40,847**
Debt securities	526,519	—	—	—	—	**526,519**
Overseas deposits	34,471	—	—	—	—	**34,471**
Reinsurer' share of claims outstanding	241,498	—	—	—	—	**241,498**
Reinsurance debtors	74,325	—	—	—	—	**74,325**
Cash at bank and in hand	7,794	—	—	—	—	**7,794**
Insurance debtors	54,390	5,238	431	344	573	**60,976**
Other debtors *	361,103	11,390	938	748	1,245	**375,424**
Total credit risk	**1,340,947**	**16,628**	**1,369**	**1,092**	**1,818**	**1,361,854**

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

*Other debtors comprise: Reinsurers' share of provision for unearned premiums; Other debtors; Accrued interest and rent; Deferred acquisition costs; Other prepayments and accrued income. Management do not intend to impair aged debtors and are continuing to monitor support for future recoverability.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

d. Market Risk

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

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

Market risk: interest rate risk

The majority of the Investment portfolio is made up of debt securities and other fixed income securities. An increase of 100 basis points in interest yields, with all other variables constant, would decrease the valuation of the Syndicate's investments by an estimated £15.6m (2019: £10.5m decrease) and the impact on the result would be a decrease of £15.6m (2019: £10.5m decrease). A comparable decrease in interest rates would increase the valuation and increase the result by an estimated £6.9m (2019: £10.3m).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

Market risk: currency risk

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

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

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

At 31 December 2020	GBP	USD	EUR	CAD	AUD	OTH	Total
				£'000s			
Financial investments	22,584	480,528	17,753	46,501	—	—	**567,366**
Overseas deposits	4,882	5,627	—	11,104	9,152	3,706	**34,471**
Reinsurers' share of technical provisions	26,447	277,324	20,136	12,474	—	—	**336,381**
Insurance and reinsurance receivables	41,166	254,864	16,980	10,889	—	—	**323,899**
Cash and cash equivalents	1,269	938	4,825	5	—	757	**7,794**
Other assets	16,980	61,865	7,300	5,754	22	22	**91,943**
Total assets	**113,328**	**1,081,146**	**66,994**	**86,727**	**9,174**	**4,485**	**1,361,854**
Technical provisions	(95,178)	(838,496)	(57,351)	(49,476)	—	—	**(1,040,501)**
Insurance and reinsurance payables	(22,682)	(175,330)	(14,832)	(10,501)	—	(106)	**(223,451)**
Other creditors **	(1,698)	(17,531)	(2,649)	(1,125)	—	—	**(23,003)**
Total liabilities	**(119,558)**	**(1,031,357)**	**(74,832)**	**(61,102)**	**—**	**(106)**	**(1,286,955)**
Net assets/(liabilities)	**(6,230)**	**49,789**	**(7,838)**	**25,625**	**9,174**	**4,379**	**74,899**

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

If the Canadian dollar, Euro, US dollar, Australian dollar, South African rand and Singapore dollar were to weaken against sterling by 10%, with all other variables remaining constant, profit would be lower by an estimated £7.6m (2019: lower by £9.1m). Net assets would be reduced by £7.4m (2019: reduced by £8.9m).

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

e. Liquidity Risk

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

At 31 December 2020	**< 1 Year**	**1 – 2 Years**	**2 – 5 Years**	**> 5 Years**	**Total**
			£'000s		
Other financial investments	105,909	81,127	266,007	114,323	567,366
Reinsurers' share of technical provisions - claims outstanding	60,187	74,122	86,919	20,270	241,498
Debtors arising out of direct insurance operations	60,976	—	—	—	60,976
Debtors arising out of reinsurance operations	238,455	24,468	—	—	262,923
Cash at bank and in hand	7,794	—	—	—	7,794
Overseas deposits	34,471	—	—	—	34,471
Assets analysed	**507,792**	**179,717**	**352,926**	**134,593**	**1,175,028**
Claims outstanding	275,903	159,380	204,361	82,769	722,413
Creditors arising out of direct insurance operations	14,084	—	—	—	14,084
Creditors arising out of reinsurance operations	113,155	96,212	—	—	209,367
Liabilities analysed	**403,142**	**255,592**	**204,361**	**82,769**	**945,864**
Net assets analysed	**104,650**	**(75,875)**	**148,565**	**51,824**	**229,164**

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

5. *Claims development tables*

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

Pure underwriting year	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
Estimate of gross claims						**£'000s**					
At end of reporting year	216,118	261,896	118,268	137,979	124,929	141,063	458,788	289,773	117,372	168,786	2,034,972
One year later	351,362	306,752	217,696	270,565	247,079	297,113	630,024	447,352	237,033	—	3,004,976
Two years later	377,861	322,308	228,638	284,786	269,301	308,522	625,010	466,581	—	—	2,883,007
Three years later	394,483	318,021	216,784	278,741	261,191	298,089	633,080	—	—	—	2,400,389
Four years later	373,665	315,629	211,582	306,319	266,930	301,454	—	—	—	—	1,775,579
Five years later	373,790	313,981	210,150	296,065	273,407	—	—	—	—	—	1,467,393
Six years later	373,645	311,493	203,695	294,111	—	—	—	—	—	—	1,182,944
Seven years later	371,436	302,078	206,209	—	—	—	—	—	—	—	879,723
Eight years later	367,995	300,950	—	—	—	—	—	—	—	—	668,945
Nine years later	367,816	—	—	—	—	—	—	—	—	—	367,816
At 31 December 2020	367,816	300,950	206,209	294,111	273,407	301,454	633,080	466,581	237,033	168,786	3,249,427
Less: Gross claims paid	(364,900)	(295,460)	(200,101)	(280,627)	(237,216)	(258,855)	(518,039)	(283,886)	(73,448)	(23,770)	(2,536,302)
Gross claims reserves	2,916	5,490	6,108	13,484	36,191	42,599	115,041	182,695	163,585	145,016	713,125
Gross reserves 2010 & prior											9,288
Gross reserves in balance sheet											**722,413**

Pure underwriting year	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
Estimate of net claims						**£'000s**					
At end of reporting year	179,289	128,382	116,431	114,968	100,040	113,630	179,210	105,368	79,173	126,577	1,243,068
One year later	260,791	193,011	204,860	221,784	192,568	220,542	267,509	224,441	156,080	—	1,941,586
Two years later	254,371	188,484	210,943	223,932	203,859	228,987	269,880	256,925	—	—	1,837,381
Three years later	254,312	184,310	199,801	220,893	198,764	224,757	273,863	—	—	—	1,556,700
Four years later	244,157	180,359	194,744	226,667	202,082	226,809	—	—	—	—	1,274,818
Five years later	242,689	179,243	191,515	221,455	207,771	—	—	—	—	—	1,042,673
Six years later	243,400	178,131	188,152	220,487	—	—	—	—	—	—	830,170
Seven years later	240,941	174,931	188,350	—	—	—	—	—	—	—	604,222
Eight years later	239,833	173,856	—	—	—	—	—	—	—	—	413,689
Nine years later	238,838	—	—	—	—	—	—	—	—	—	238,838
At 31 December 2020	238,838	173,856	188,350	220,487	207,771	226,809	273,863	256,925	156,080	126,577	2,069,556
Less: Net claims paid	(235,839)	(170,418)	(183,323)	(207,723)	(176,951)	(194,132)	(185,683)	(174,275)	(48,449)	(18,949)	(1,595,742)
Net claims reserves	**2,999**	**3,438**	**5,027**	**12,764**	**30,820**	**32,677**	**88,180**	**82,650**	**107,631**	**107,628**	**473,814**
Net reserves 2010 & prior											7,101
Net reserves in balance sheet											**480,915**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

6. Net operating expenses

	2020 £'000	2019 £'000
Technical account:		
Acquisition costs	155,831	143,688
Change in deferred acquisition costs	(2,217)	1,425
	153,614	145,113
Administrative expenses	30,197	30,912
Reinsurance commissions and profit participations	(50,762)	(32,690)
Other acquisition costs	19,939	15,799
Other Lloyd's personal expenses	(7,168)	10,747
Total net operating expenses	**145,820**	169,881

Administration expenses include:	**2020 £’000**	2019 £’000
Auditor’s remuneration		
-fees payable to the Syndicate’s auditors for the audit of the Syndicate annual Financial Statements	264	239
-audit-related assurance services	110	107

Of the total acquisition costs of £155.8m (2019: £143.7m) shown above, £116.1m relates to direct business (2019: £105.7m).

Under the current agency agreement, there is no provision for a profit commission. Previously, AUL charged a profit commission to the Ascot Corporate Name Limited based on the performance of the Syndicate. Syndicate 1414 does not pay any profit commission to AUL.

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

7. Investment Income

	2020 £'000	2019 £'000
Income from financial instruments designated as at fair value through Statement of Comprehensive Income	10,599	10,516
Interest on cash at bank	211	933
Interest on Syndicate Central Fund Loans	82	—
Realised gains on investments	3,960	2,567
Net investment income	**14,852**	14,016

Investment income of £2.8m (2019: £2.8m) arising from Funds in Syndicate has been included in the above amounts. The investment income arising from Funds in Syndicate have not been transferred to the technical account.

8. Staff costs

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

	2020 £'000	2019 £'000
Salaries and related costs	16,999	16,779
Social security costs	1,998	1,854
Other pension costs	1,201	1,087
	20,198	19,720

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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

	2020 No.	2019 No.
Underwriting	70	63
Operations, Administration and IT	56	51
Claims	10	10
Executive management	7	6
Finance	17	14
Corporate	4	4
Risk management	23	26
Compliance	20	19
	207	**193**

9. Emoluments of the directors of Ascot Underwriting Limited

The directors of AUL, including the active underwriter, received the following aggregate remuneration, of which £842k (2019: £989k) was charged to the Syndicate.

	2020 £'000	2019 £'000
Directors' remuneration	**1,495**	2,636

The active underwriter and the highest paid director, received the following remuneration:

	2020 £'000	2019 £'000
Remuneration of active underwriter	**179**	472
Remuneration of highest paid director	**247**	472

10. Movement in prior year's provision for claims outstanding

The profit on the technical account of £66.5m (2019: profit £31.2m) includes a run-off deficit of £33.5m for prior accident years (2019: £18.5m deficit). This included a deficit of £20.3m for reinsurance acceptance business and a deficit of £13.2m on direct business (2019: deficit of £22.8m for reinsurance acceptance business and a surplus of £4.3m on direct business).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

11. Other financial investments

Total investments of the Syndicate, amounting to £567.4m (2019: £483.9m), are held under the terms of Lloyd's Premium Trust Deeds. Under the terms of the deeds these assets are held as security for obligations to policyholders and amounts may only be released under certain limited circumstances. £105.5m (2019: £91.6m) of the market value of the investments relates to Funds in Syndicate used by Ascot Corporate Name Limited to meet its Funds at Lloyd's requirements (see Note 19). Other investments comprise asset-backed securities.

Investments, all of which are listed apart from US Treasuries with market value £40m (2019: £105m) and included within Debt securities and other fixed income securities are analysed below:

	2020 £'000	2019 £'000
Market value		
Shares and other variable-yield securities and units in unit trusts	40,847	25,926
Debt securities and other fixed-income securities:		
Held at fair value through profit or loss	526,519	457,934
	567,366	483,860
Cost		
Shares and other variable-yield securities and units in unit trusts	40,761	25,926
Debt securities and other fixed-income securities		
Held at fair value through profit or loss	514,724	453,990
	555,485	479,916

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

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

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

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

For the 2019 and 2020 Underwriting Years, Lloyd's of London required syndicates to make loans to the Lloyds's central fund in order to facilitate the injection of capital into Lloyd's Brussels. The amount of the loans by Syndicate was in reference to total premium income, rather than in relation to the amount of business transacted by the Syndicate through Lloyd's Brussels, which is less than 10% of total premium income. There have been three loans made by the Syndicate to date in an aggregate amount of £10,999,028; each of the three loans is for a minimum term of five years and pays interest on an annual basis.

As the central fund loans are deemed to have discretionary features they are reported within other variable-yield securities and classed as a level 3 asset. Per FRS 102, section 11, this arrangement constitutes a financing transaction and this being so the financial asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument as determined at initial recognition. As there are no similar loan instruments, the loans are recorded at fair value using a valuation model which is updated every six months. The valuation model requires significant subjective inputs especially in determining appropriate credit and illiquidity premiums and, since there is no market where the loans can be traded, the values attributed to the loans remain extremely subjective and can vary substantially. Lloyd's of London has undertaken to work with an external valuation firm, on behalf of the market, and the external audit firms to narrow the range of valuation scenarios.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

As at 31 December 2020	Level 1	Level 2	Level 3	Sub-total fair value	Assets held at amortised cost	Total
				£'000s		
Shares and other variable yield securities and units in unit trusts	29,762	—	11,085	40,847	—	40,847
Debt securities and other fixed income securities	39,950	486,569	—	526,519	—	526,519
Overseas deposits	9,125	25,346	—	34,471	—	34,471
Total	**78,837**	**511,915**	**11,085**	**601,837**	**—**	**601,837**

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

12. Debtors

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

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

	2020 £'000	2019 £'000
Amounts due within one year:		
Debtors arising out of direct insurance operations	60,976	48,011
Debtors arising out of reinsurance operations	238,455	158,507
Amount due from related companies	4,911	3,739
Other debtors	16,642	17,852
Amounts due after more than one year:		
Debtors arising out of reinsurance operations	24,468	44,637
Total debtors due	**345,452**	272,746

Amounts due from group undertakings are repayable on demand and do not have any associated terms and conditions.

13. Cash at bank and in hand

	2020 £'000	2019 £'000
Syndicate funds Syndicate premium trust funds	**7,794**	21,613

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

14. Creditors

	2020 £'000	2019 £'000
Amounts due within one year:		
Creditors arising out of direct insurance operations	14,084	6,951
Creditors arising out of reinsurance operations	113,156	50,837
Amounts owed to related companies	971	1,207
Amounts due after more than one year:		
Creditors arising out of reinsurance operations	96,211	101,308
	224,422	160,303

Amounts due to group undertakings are repayable on demand and do not have any associated terms and conditions.

15. Reconciliation of profit to net cash inflow from operating activities

	2020 £'000	2019 £'000
Profit for the period	68,176	31,713
(Decrease)/Increase in gross technical provisions	76,836	(127,276)
Decrease/(Increase) in reinsurers' share of gross technical provisions	26,152	116,338
(Increase) in debtors	(90,770)	(19,150)
Increase in creditors	73,263	43,037
Movement in other assets/liabilities	1,025	(3,419)
Removal of investment return	(22,379)	(21,516)
OCI - Currency translation differences	(3,965)	3,766
Other – FX on opening balances	(244)	56
Net cash generated from operating activities	**128,094**	23,549

16. Movement in opening and closing portfolio investments net of financing

	2020 £'000	2019 £'000
Net cash (outflow) for the year	(12,999)	(9,179)
Cash flow arising from movement in:		
Overseas deposits	(1,306)	3,991
Portfolio investments	101,864	48,075
Movement arising from cash flows	**87,559**	**42,887**
Changes in market value and exchange rates	(20,589)	(16,606)
Total movement in portfolio investments	**66,970**	**26,281**
Total portfolio at 1 January	**542,661**	**516,380**
Total portfolio at 31 December	**609,631**	542,661

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

17. Movements in cash, portfolio investments and financing

	At 1 January 2020	Cash Flow	Changes to market value & currencies	At 31 December 2020
		£'000s		
Cash at bank	21,613	(12,999)	(820)	7,794
Overseas deposits	37,188	(1,306)	(1,411)	34,471
Portfolio investments:				
Shares and other variable-yield securities and units in unit trusts	25,926	15,905	(984)	40,847
Debt securities and other fixed-income securities	457,934	85,959	(17,374)	526,519
Total portfolio investments	**483,860**	**101,864**	**(18,358)**	**567,366**
Total cash, portfolio investments and financing	**542,661**	**87,559**	**(20,589)**	**609,631**

18. Net cash outflow on portfolio investments

	2020 £'000	2019 £'000
Sale of shares and other variable yield securities	8,364	5,890
Purchase of shares and other variable yield securities	(24,269)	(19,672)
Sale of debt securities and other fixed income securities	86,430	358,567
Purchase of debt securities and other fixed income securities	(172,389)	(393,792)
Sale of participation in investment pools	—	932
Net cash outflow on portfolio investments	**(101,864)**	(48,075)

19. Funds at Lloyd's

The Syndicate's corporate member, ACNL, 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 members' underwriting liabilities and can therefore be considered as the capital supporting the operations of the syndicate. The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on Prudential Regulatory Authority requirements and resource criteria. FAL is set after considering a number of factors including the nature and amount of risk to be underwritten by the member and assessment of the reserving risk in respect of business that has been underwritten.

At the balance sheet date, ACNL has met its Funds at Lloyd's requirement to support its underwriting capacity by way of cash and securities to the value of $468.4m (£343.7m), Funds in Syndicate (FIS) to the value of $144.5m (£106.0m) and a Letter of Credit to the value of US$250.0m (£183.4m) (2019 Cash and securities to the value of $359.3m (£274m), FIS to the value of $120.0m (£91.5m) and a Letter of Credit to the value of US$250.0m (£197.0m). The managing agent is able to make a call on the member's FAL to meet liquidity requirements or to settle losses. The managing agent believes that in the light of these capital arrangements it is appropriate to prepare the financial statements on a going concern basis.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

20. Movements in insurance liabilities and reinsurance assets

	2020			2019		
	Gross £'000	**RI £'000**	**Net £'000**	Gross £'000	RI £'000	Net £'000
At 1 January						
Unearned premium net of deferred acquisition costs	206,186	(75,768)	130,418	202,136	(77,486)	124,650
Notified claims	457,433	(174,500)	282,933	501,719	(227,619)	274,100
Incurred but not reported	278,123	(126,563)	151,560	400,846	(204,452)	196,394
Total at 1 January	**941,742**	**(376,831)**	**564,911**	1,104,701	(509,557)	595,144
Cash paid for claims settled in year	(333,439)	138,971	(194,468)	(388,908)	170,511	(218,397)
Movement in provisions in year	345,715	(88,294)	257,421	245,458	(49,142)	196,316
Unearned premium net of deferred acquisition costs	45,161	(19,115)	26,046	4,050	1,718	5,768
Net exchange differences	(25,419)	8,888	(16,531)	(23,559)	9,639	(13,920)
Total at 31 December	**973,760**	**(336,381)**	**637,379**	941,742	(376,831)	564,911
Unearned premium net of deferred acquisition costs	251,347	(94,883)	156,464	206,186	(75,768)	130,418
Notified claims	424,188	(140,531)	283,657	457,433	(174,500)	282,933
Incurred but not reported	298,225	(100,967)	197,258	278,123	(126,563)	151,560
Total at 31 December	**973,760**	**(336,381)**	**637,379**	941,742	(376,831)	564,911

21. Related parties

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

Ascot Underwriting Limited (AUL) previously charged a managing agency fee to the Syndicate, however in 2020 the responsibility was transferred to Ascot Corporate Name Limited (ACNL) and no fee was due in the year (2019: £6,305,608). The agency fee charged to the corporate member was calculated at the beginning of the year and was based on 1% of Syndicate capacity (2019: budgeted expenditure for the year plus 5%). At 31 December 2020, following the transfer of managing agents fee responsibility from Syndicate to corporate member, the amount due to AUL was £0 (2019: receivable of £68,597).

Ascot Insurance Services Limited (AIS) charged a service fee of £17,806 to the Syndicate for 2020 (2019: £23,703); the fee is equal to the actual expenses relating to the introduction of business to Syndicate 1414, plus a mark-up of 5% (2019: 10%). At 31 December 2020 the insurance balance owed by Ascot Insurance Services Limited to Syndicate 1414 was £3,117,841 (2019: £1,948,434), and the non-insurance balance owed to AIS was £34 (2019: £4,218). The insurance balances owed by Ethos Speciality Insurance Services LLC was £6,253,511 (2019: £4,208,247).

Expenses totalling £32,088,633 (2019: £32,688,660) were recharged from Ascot Underwriting Holdings Limited (AUH) to the Syndicate. At 31 December 2020 the amount due from AUH was £1,692,012 (2019: £997,453 due from). There were no bad debt provisions included within these balances.

Ascot Underwriting Inc. (AUI) and Ascot Underwriting Bermuda Limited (AUB) charge a coverholder fee to Syndicate 1414 for the underwriting services they provide; this fee is based on 12.5% of gross written premiums for the 2020 underwriting year and amounted to US$5,729,955 and US$7,853,337 respectively at year-end. For 2019, these fees were based on actual incurred expenses of the coverholder plus a mark-up of 10%, which amounted to US$5,661,690 and US$2,477,464 respectively. At 31 December 2020 the amount due to AUI was US$512,719 (2019: US$1,577,058) and the amount due to AUB was US$810,043 (2019: US$4).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

AUA is in run-off and as a result charges a coverholder fee to the Syndicate based on actual expenses plus a 5% mark-up; for 2020 this fee amounted to S$679,334 (2019: 10% mark-up and S$2,953,981). At 31 December 2020 the amount due from AUA was US$22,731 (2019: US$374,127)

For the 2020 underwriting year, a 20% quota-share reinsurance agreement is in place with ABL. The amount ceded to ABL in 2020 was US$15,339,987 (2019: US$5,207,785), and amount payable at the balance sheet date was US$16,642,271 (2019: US$1,302,284 receivable). In addition, the Company has a specific quota share over XL polices, ceding to ABL which has a payable of US$3,027,206 (2019: US$10,237,053) at the balance sheet date. ABL is a related party within the wider Ascot Group of companies, and has provided the cash and securities element of ACNL's Funds at Lloyd's for 2020 of US$24,205,058 and US$444,188,863 respectively (2019: US$1,718,272 and US$357,549,279).

22. Ultimate parent undertaking of Managing Agent and Corporate Member

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

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

The intermediate parent undertaking and smallest group to consolidate these financial statements is with Ascot Bermuda Limited (ABL). Copies of the Ascot Bermuda Limited consolidated financial statements can be obtained from Victoria Place, 5th Floor, 31 Victoria Street, Hamilton, HM10,Bermuda

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