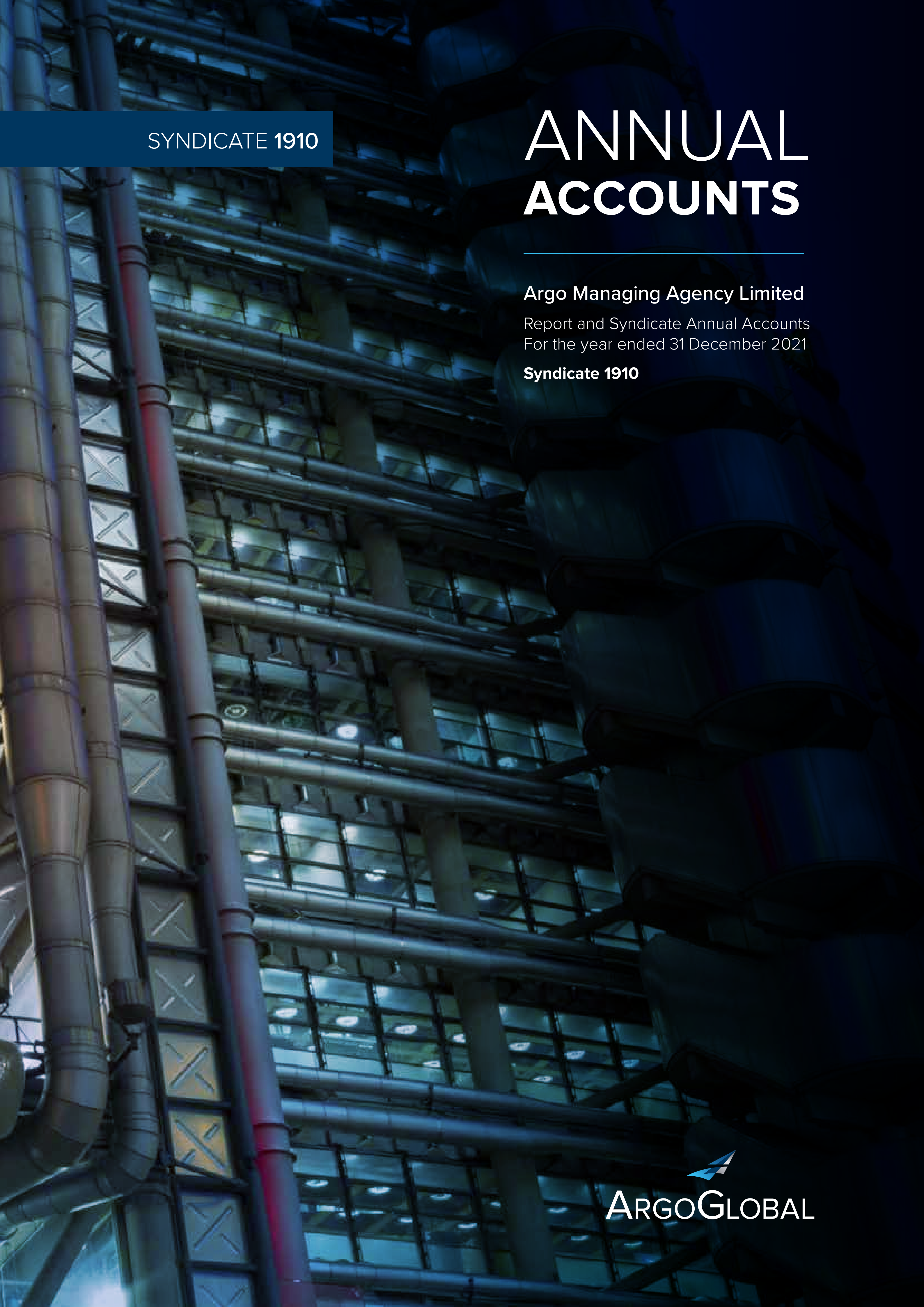

SYNDICATE **1910**

ANNUAL **ACCOUNTS**

Argo Managing Agency Limited

Report and Syndicate Annual Accounts
For the year ended 31 December 2021

Syndicate 1910

ArgoGlobal

Section 3:
Syndicate 1910
Report and Syndicate Annual Accounts

Directors and Advisors

MANAGING AGENT'S REGISTERED OFFICE	Argo Managing Agency Limited 6 Devonshire Square London EC4M 4YE
MANAGING AGENT'S REGISTERED NUMBER	03768610
DIRECTORS	AP Latham (Chairman) D Argyle S Chandaria J P Fox H-J Guenther DJ Kirby J Moffatt
SYNDICATE	Argo Syndicate 1910
ACTIVE UNDERWRITER	D Lednor
BANKERS	Barclays Bank Plc Citibank NA RBC Dexia
INVESTMENT MANAGERS	Conning Asset Management Ltd 24 Monument Street London EC3R 8AJ
AUDITORS	Ernst & Young LLP Statutory Auditor 25 Churchill Place Canary Wharf London E14 5EY

Chairman's Statement

I present to you my report as Chairman of Argo Managing Agency Limited ('AMA') and its managed Syndicate 1910.

Results summary

Gross written premium increased to £380m in 2021 from £256m in 2020. This rise in premium was driven by increased Property, U.S. Casualty and Cyber premium offset by our decision to refocus the portfolio and exit International Casualty Treaty and Financial Products and certain segments of Marine & Specialty.

On a UK GAAP basis in 2021, the Syndicate reported a loss of £10.9m and a total comprehensive loss of £12.3m compared to total comprehensive loss of £13.5m in 2020.

2021 was estimated as the second-largest natural catastrophe loss year with £89b in insured losses, according to Munich Re. Consistent with this heightened loss activity, Syndicate 1910's financial results were negatively impacted, principally by three large catastrophe events: Hurricane Ida, European Floods and Winterstorm Uri.

Syndicate 1910's 2021 catastrophe net loss ratio rose to 51.3%, up one percentage point from 2020, while the Syndicate's 2021 non-catastrophe loss ratio improved to 30.1% from 42.8% in the prior year.

I am pleased to report an improvement in the 2019 and Prior Years of Account results of £0.3m comprehensive profit compared to the 2018 and Prior Years of Account result of a £8.1m comprehensive loss.

Portfolio & expertise

2021 was an important year for Syndicate 1910 as the underwriting responsibilities were transferred to Ariel Re Services ("Ariel Re") as Coverholder to the Syndicate. AMA continued to maintain its high-quality risk management and oversight of the Syndicate.

Under Ariel Re, the Syndicate's underwriting approach was refocused and narrowed into five segments, which we believe the Syndicate can deliver differentiated capital provider returns. The five lines of (re)insurance business are Property, Marine & Specialty, U.S. Casualty, Cyber and Renewable Energy. We believe this refocus should position the Syndicate for profitable returns. Unfortunately, the increased catastrophe activity in 2021 has masked the potential benefits of this renewed approach.

In addition, for the 2021 YOA and future YOAs, administration expenses charged to the Syndicate will be based on a fixed percentage of GWP with any overages retained by Ariel Re. We believe this revised approach will provide additional certainty to Syndicate 1910's capital providers and to Lloyd's.

Third party capital

In 2021, we welcomed the support of a meaningful level of new capital providers to the Syndicate. In addition, we continued to be most grateful to our existing capital providers for their continued support.

Staff commitment

I would like to express our deepest thanks to our employees for their hard work and dedication and for effectively transitioning the Syndicate's underwriting responsibilities in a seamless fashion.

Tony Latham
Chairman

3 March 2022

Report of the Directors of the Managing Agent

The directors of the Argo Managing Agency Limited present their report for the year ended 31 December 2021.

Reporting basis

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

The underwriting results have been determined on an annual accounting basis.

Results

The total recognised income for financial year 2021 is a loss of £12.3m (2020: loss of £13.5m). Profits will be distributed by reference to the results of individual underwriting years.

Principal activities and review of the business

The syndicate's principal activity continues to be the underwriting of direct insurance and reinsurance business in the Lloyd's market.

The syndicate's key financial performance indicators during the year were as follows:

	2021 **£m**	2020 £m	Change £m
Gross written premium	**380.2**	255.9	124.3
Loss for the financial year	**(10.9)**	(14.5)	3.6
Total comprehensive loss	**(12.3)**	(13.5)	1.2
Claims ratio %	**81.8%**	93.1%	
Expense ratio %	**25.3%**	20.9%	
Combined ratio %	**107.1%**	114.0%	

An analysis of gross written premiums is provided in note 2 to the accounts.

UNDERWRITING YEARS OF ACCOUNT SUMMARY

The table below shows Syndicate 1910 actual (A) results for the closed 2019 year of account and the forecast (F) results for the open years of account 2020 and 2021:

Year of account summary	**2021 F* Open £m**	2020 F Open £m	2019 A Closed £m
Stamp capacity – net of 6117	**292.1**	264.5	206.2
Stamp capacity – gross of 6117	**366.7**	344.9	301.4
Stamp premium income	**317.4**	312.8	288.4
Stamp utilisation	**86.6%**	90.7%	95.7%
Gross written premium	**365.2**	355.2	303.0
(Loss)/Profit	*	(12.8)	0.3
(Loss)/return on stamp	*	(4.8)%	0.1%

Stamp capacity is shown both net and gross of the quota share to the Special Purpose Arrangement Syndicate 6117.

* A formal forecast range for the 2021 year of account will be released at the time of publishing results for the 15 months to 31 March 2022.

REINSURANCE PROGRAMME PURCHASE

The syndicate purchases reinsurance to assist in achieving its strategic objectives by managing risk aggregation and improving the return on capital of the syndicate as a whole. The uses of proportional and excess of loss protection varies by type of business depending on the nature of the business.

The 2021 reinsurance strategy remained in line with 2020 focussing on reducing the ceded margin whilst remaining within the syndicate's risk appetite.

The syndicate continued to place the reinsurance programme with high quality reinsurers, nearly all being with Tier 1 reinsurers rates A- to AAA by Standards and Poor's, with significant reinsurers providing collateral for their full exposure.

INVESTMENTS

Allocation of investments is conservative and is predominantly in cash and fixed interest securities of high credit quality with little exposure to volatile asset classes. This satisfies the syndicate's liquidity requirements in respect of routine claim and expense payments. In addition, Lloyd's centrally manages various overseas funds and deposits on behalf of the syndicate. However, by far the largest element of the syndicate's funds 48.3% (2020: 37.8%) are held in fixed interest portfolios that are managed by Conning Investment Management Ltd which therefore has a dominant influence on the overall investment return. All investments are managed within risk constraints and duration, liquidity and credit limits (average must be A/A2 or above) are approved by the Board of Directors of the Managing Agency. The investment benchmarks set for the fixed income portfolios are predominantly a combination of the Barclays 1-3 year government and corporate indices and the investment manager's performance is compared to these benchmarks.

FOREIGN EXCHANGE EXPOSURE POLICY

The aim of our policy is to minimise foreign exchange volatility in US Dollar terms (the functional currency of the Syndicate). To achieve this, we aim to match our assets and liabilities in currency. It is the Syndicate's policy to hold its surplus assets (profits) in US Dollars.

PRINCIPAL RISKS AND UNCERTAINTIES

Note 20 in the notes to the financial statements provides an analysis of the key insurance and financial risks to which the Syndicate is exposed.

DONATIONS

Charitable donations during the year amounted to £nil (2020: £nil).

Report of the Directors of the Managing Agent

Outlook and future developments

With significant catastrophe losses throughout 2021 we expect to build on the positive rate seen on property reinsurance in January with further rate momentum through the remainder of the 2022 renewal season. We will continue with our plan to diversify the syndicate outside of property catastrophe risk with growth in our other targeted lines of professional lines and marine & specialty portfolios, in addition to taking advantage of opportunities in cyber. Furthermore, through our market leading clean energy underwriting team we will continue to facilitate investment in green energy projects around the world.

The entire underwriting, operational and management team is working to position the syndicate to continue the top tier performance it has had over the 14 years since it was formed for the 2008 year of account.

Directors and officers serving in the year

Details of the Directors of the Managing Agent who served during the year ended 31 December 2021 and to the date of this report:

Directors and officers	
A P Latham (independent non-executive; Chairman)	
D Argyle	
F-X B Boisseau (independent non-executive)	Resigned 21 October 2021
J S Bullock (non-executive)	Resigned 22 March 2021
S Chandaria	Appointed 19 November 2021
J P Fox	Appointed 6 May 2021
P J Grant (independent non-executive)	Resigned 5 May 2021
H-J Guenther (independent non-executive)	
MJ Harris (non-executive)	Resigned 9 August 2021
DJ Kirby	
T Mills (company secretary)	
J Moffatt	
K A Nealon (independent non-executive)	Resigned 21 October 2021

Annual general meeting

The directors do not propose to hold an annual general meeting for the syndicate. If any member agent or direct corporate supporter of the Syndicate wishes to meet with them, the directors are happy to do so.

Disclosure of information to auditors

So far as each person who was a director of the Managing Agent at the date of approving the report is aware, there is no relevant audit information, being information needed by the syndicate auditor in connection with the auditor's report, of which the auditor is unaware. Having made enquiries of fellow directors of the Agency and the syndicate's Auditors, each director has taken all the steps that he or she ought to have taken as a director to become aware of any relevant audit information and to establish that the syndicate's auditor is aware of that information.

Auditors

The syndicate's auditors, Ernst & Young LLP, are deemed to be reappointed under the provisions of The Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008 and Section 487(2) of the companies Act 2006.

Approved by the Board of Argo Managing Agency Limited and signed on behalf of the Board.

DJ Kirby
Director

3 March 2022

Statement of Managing Agent's Responsibilities

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

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

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

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

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

The managing agent is responsible for the maintenance and integrity of the corporate and financial information relating to the syndicate included on the managing agent's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Report of the Independent Auditors

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNDICATE 1910

OPINION

We have audited the syndicate annual accounts of syndicate 1910 ('the syndicate') for the year ended 31 December 2021 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Members' Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

- give a true and fair view of the syndicate's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the syndicate annual accounts section of our report. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, including the FRC's Ethical Standard as applied to other entities of public interest, 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 syndicate annual accounts, we have concluded that the managing agent's use of the going concern basis of accounting in the preparation of the syndicate annual accounts 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 as a going concern for a period of 12 months from when the syndicate annual accounts 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the syndicate's ability to continue as a going concern.

OTHER INFORMATION

The other information comprises the information included in the report and syndicate annual accounts, other than the syndicate annual accounts and our auditor's report thereon. The directors of the managing agent are responsible for the other information contained within the report and syndicate annual accounts.

Our opinion on the syndicate annual accounts does not cover the other information and, except to the extent otherwise explicitly stated in this 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 accounts or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the syndicate annual accounts themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE INSURANCE ACCOUNTS DIRECTIVE (LLOYD'S SYNDICATE AND AGGREGATE ACCOUNTS) REGULATIONS

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

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

Report of the Independent Auditors

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNDICATE 1910

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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 material misstatements in the managing agent's report.

We have nothing to report in respect of the following matters where The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires us to report to you, if in our opinion:

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual accounts are not in agreement with the accounting records; or
- certain disclosures of the managing agents' emoluments specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF THE MANAGING AGENT

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 78, the managing agent is responsible for the preparation of the syndicate annual accounts 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 the syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE SYNDICATE ANNUAL ACCOUNTS

Our objectives are to obtain reasonable assurance about whether the syndicate annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue 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 accounts.

EXPLANATION AS TO WHAT EXTENT 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the managing agent and management.

Our approach was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the syndicate and determined that the most significant are direct laws and regulations related to elements of Lloyd's Byelaws and Regulations, and the financial reporting framework (UK GAAP), and requirements referred to by Lloyd's in the instructions. Our considerations of other laws and regulations that may have a material effect on the syndicate annual accounts included permissions and supervisory requirements of Lloyd's of London, the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- We obtained a general understanding of how the syndicate is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the syndicate. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the syndicate, Lloyd's of London and other UK regulatory bodies; reviewed minutes of the Board of the managing agent; and gained an understanding of the managing agent's approach to governance.
- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related syndicate annual accounts' items.
- For both direct and other laws and regulations, our procedures involved: making enquiries of the directors of the managing agent and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the managing agent's methods of enforcing and monitoring compliance with such policies, and inspecting significant correspondence with Lloyd's, the FCA and the PRA.

- The syndicate operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.
- We assessed the susceptibility of the syndicate's annual accounts to material misstatement, including how fraud might occur by considering the controls that the managing agent has established to address risks identified by the managing agent, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk including the valuation of incurred but not reported insurance liabilities and measurement of estimated premium. These procedures included testing manual journals and were designed to provide reasonable assurance that the syndicate annual accounts were free from fraud or error.

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

Use of our report

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

Angus Millar
(Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
London
3 March 2022

Statement of Comprehensive Income

Year ended 31 December 2021

	Note	2021 £m	2020 £m
Technical account – general business			
Earned premiums, net of reinsurance			
Gross premiums written	2	**380.2**	255.9
Outward reinsurance premiums		**(175.7)**	(132.7)
Net premiums written		**204.5**	123.2
Change in the provision for unearned premiums			
– Gross amount		**(51.6)**	(31.5)
– Reinsurers' share		**18.3**	13.6
Change in the net provision for unearned premiums	3	**(33.3)**	(17.9)
Earned premiums, net of reinsurance		**171.2**	105.3
Allocated investment return transferred from the non-technical account		**(0.4)**	1.8
Claims incurred, net of reinsurance			
Claims paid			
– Gross amount		**(193.7)**	(195.5)
– Reinsurers' share		**95.2**	119.9
Net claims paid		**(98.5)**	(75.6)
Changes in claims outstanding			
– Gross amount		**(94.2)**	4.8
– Reinsurers' share		**52.7**	(27.3)
Change in the net provision for claims	3	**(41.5)**	(22.5)
Claims incurred, net of reinsurance		**(140.0)**	(98.1)
Net operating expenses	4	**(43.3)**	(22.0)
Balance on the technical account for general business		**(12.5)**	(13.0)
Non-technical account			
Balance on the technical account for general business		**(12.5)**	(13.0)
Investment income	7	**0.9**	1.4
Unrealised/realised (loss)/gains on investments	7	**(1.3)**	0.6
Investment expenses and charges	7	**–**	(0.2)
Allocated investment return transferred to the technical account for general business	7	**0.4**	(1.8)
Exchange profit/(loss)		**1.6**	(1.4)
Loss for the financial year		**(10.9)**	(14.5)

All items relate only to continuing operations.

	2021 £m	2020 £m
Loss for the financial year	**(10.9)**	(14.5)
Currency translation differences	**(1.4)**	1.0
Total comprehensive loss for the year	**(12.3)**	(13.5)

Statement of Financial Position

at 31 December 2021

	Note	2021 £m	2020 £m
ASSETS			
Investments			
Financial investments at fair value through profit or loss	8	**98.8**	93.1
Deposits with ceding undertakings		**0.1**	–
Reinsurers' share of technical provisions			
Provision for unearned premiums	3	**73.9**	54.2
Claims outstanding	3	**282.1**	227.5
		356.0	281.7
Debtors			
Debtors arising out of direct insurance operations	9	**42.2**	2.2
Debtors arising out of reinsurance operations	10	**441.2**	341.3
Other debtors		**2.6**	3.5
		486.0	347.0
Cash and other assets			
Cash at bank and in hand	12	**52.7**	17.1
Other assets	11	**14.6**	8.8
		67.3	25.9
Prepayments and accrued income			
Deferred acquisition costs	3	**35.5**	15.0
Total assets		**1,043.7**	762.7
MEMBERS' BALANCES AND LIABILITIES			
Members' balances		**(46.3)**	(42.2)
Technical provisions			
Provision for unearned premiums	3	**170.3**	115.8
Claims outstanding	3	**458.0**	361.9
		628.3	477.7
Creditors			
Creditors arising out of direct insurance operations	13	**7.6**	4.7
Creditors arising out of reinsurance operations	14	**401.4**	285.3
Other creditors		**35.0**	28.0
		444.0	318.0
Accruals and deferred income		**17.7**	9.2
Total liabilities		**1,090.0**	804.9
Total members' balances and liabilities		**1,043.7**	762.7

Approved by the Board of Argo Managing Agency Limited on 3 March 2022 and signed on its behalf by:

D Argyle
Director

DJ Kirby
Director

Statement of Changes in Members' Balances

Year ended 31 December 2021

	2021 £m	2020 £m
At 1 January	**(42.2)**	(46.2)
Total comprehensive loss for the year	**(12.3)**	(13.5)
(Payment of profits to)/collection of losses from members' personal reserve funds	**8.2**	17.7
Members' agents' fees	**–**	(0.2)
At 31 December	**(46.3)**	(42.2)

Statement of Cash Flows

Year ended 31 December 2021

	2021 £m	2020 £m
Cash flows from operating activities		
Loss on ordinary activities	**(10.9)**	(14.5)
Increase in gross technical provisions	**150.6**	9.2
(Increase)/decrease in reinsurers' share of gross technical provisions	**(74.3)**	30.3
(Increase)/decrease in debtors	**(139.8)**	178.5
Increase/(decrease) in creditors	**119.1**	(183.5)
(Increase) in other asset/liabilities/foreign exchange	**(10.1)**	(59.1)
Investment Return	**0.4**	(1.8)
Foreign exchange	**(1.3)**	(1.5)
Net cash inflow/(outflow)/ from operating activities	**33.7**	(42.4)
Cash flows from Investing activities		
Purchase of financial instruments	**(123.4)**	(55.4)
Sale of financial instruments	**117.6**	88.1
Investment income received	**0.1**	1.8
Foreign exchange	**(1.3)**	6.2
Other	**(0.1)**	–
Net cash inflow from investing activities	**(7.1)**	40.7
Cash flows from Financing activities		
Receipt of losses from members in respect of underwriting participations	**8.2**	17.7
Net cash inflow from financing activities	**8.2**	17.7
Net increase in cash and cash equivalents	**34.8**	16.0
Cash and cash equivalents at beginning of year	**30.8**	14.8
Exchange differences on opening cash	**(0.1)**	–
Cash at bank and in hand	**52.7**	17.1
Short-term deposits with credit institutions	**12.8**	13.7
Cash and cash equivalents at end of year	**65.5**	30.8

Notes to the Financial Statements

Year ended 31 December 2021

1. Accounting Policies

Statement of compliance

The financial statements have been prepared in compliance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS102) and Financial Reported Standard 103 'Insurance Contracts' (FRS 103), being applicable UK GAAP accounting standards, and in accordance with the provision of Schedule 3 of the Large and Medium–sized Companies and Groups (Accounts and Reports) Regulations 2008 pursuant to section 369 of the Companies Act 2006.

The financial statements are prepared under the historical cost convention except for certain financial instruments which are measured at fair value.

Basis of preparation

The financial statement of Syndicate 1910 were authorised for issue by the board of directors on 3 March 2022.

The Financial statements are prepared in sterling which is the presentational currency of the Syndicate and rounded to nearest £0.1m unless otherwise stated. The functional currency of the Syndicate is US dollars.

As permitted by FRS103 the Syndicate continues to apply the existing accounting policies that were applied prior to this standard for its insurance contracts. The syndicate annual accounts have been prepared on the basis that the syndicate will continue to write future business unless it is inappropriate to do so. Further, having considered the solvency and liquidity position of the Syndicate, the directors of the managing agent consider it appropriate to prepare the Syndicate annual accounts on the going concern basis.

Judgement and key sources of estimation and uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that the actual outcomes could differ from those estimates. The following are the Syndicate's key sources of estimation uncertainty:

Premiums Written

Estimates are made for pipeline premiums, including amounts due to the Syndicate not yet notified. The main assumption underlying these estimates is that past premium development can be used to project future premium development.

Claims incurred and reinsurer's share

The provision for claims outstanding comprises amounts set aside for claims notified and claims incurred but not yet reported (IBNR). The amount of IBNR, which is based on statistical techniques of estimation applied by the Syndicate's in-house actuaries and reserving team, is reviewed by external consulting actuaries. These statistical techniques generally involve projecting, from past experience, the development of claims over time to form a view of the likely ultimate claims to be expected for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. The provision for claims also includes amounts for internal and external claims handling costs. For the most recent years, where a higher degree of volatility may arise from projections, estimates may partly be based on rating and other models of the business accepted, and assessments of underwriting conditions.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts. The Syndicate will evaluate the reinsurance programme in place for the class of business, the claims experience for the year, and the security rating of the reinsurance companies involved. The Syndicate uses a number of statistical techniques to assist in these estimates.

Hence the two most critical assumptions for claims provisions are that the past is a reasonable predictor of future claims development, and that rating and other models used, including pricing models for recent business, are fair indicators of the ultimate claims that will be incurred.

The uncertainty of such estimations generally decreases with the time that has elapsed since policy inception. In addition short tail claims such as property, where claims are typically notified and settled quickly, will normally have less uncertainty after a few years than long tail risks, such as some liability business, where it may be several years before claims are fully advised and settled. Where disputes exist over coverage under policies, or the relevant law governing a claim changes, uncertainty in the estimation of outcomes may increase.

The assessment of these provisions can be the most subjective aspect of an insurer's accounts and may result in greater uncertainty than found within the financial statements of other businesses. The directors of the Managing Agent consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available. However, ultimate liability can be varied by further information and events and this may result in significant adjustments to the provisions. Modifications to claims provisions established in prior years are shown in the financial statements for the period in which the adjustments are made. Provisions are not discounted for investment earnings that may arise on funds retained to meet future liabilities. The methods used, and the estimates made, are reviewed regularly.

Notes to the Financial Statements

Year ended 31 December 2021

1. Accounting Policies (continued)

Fair value of financial assets

The Syndicate uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

a. Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

b. Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

c. Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

See Note 8 for details of financial instruments classified by fair value hierarchy.

Basis of accounting

Under the annual basis of accounting, the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance, as follows:

Product Classification

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when an insurer agrees to compensate a policyholder if a specified uncertain future event adversely affects the policyholder. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Premiums Written

Premiums written comprise premiums on contracts of insurance incepted during the financial year and any adjustments made in the year to estimates of premiums written in prior years. Premiums are shown gross of commission payable and exclude taxes and duties levied on them.

Unearned Premiums

Written premium is earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the date of the statement of financial position, calculated on the basis of established earnings patterns or time apportionment as appropriate.

Reinsurance Premium Ceded

Outward reinsurance premiums are accounted for on an earned basis in the same accounting period as the premiums for the related direct or inwards business being reinsured, except for Losses Occurring During Treaty reinsurance which is earned from the start of the reinsurance policy over the life of the policy.

Claims Incurred and reinsurers' share

Gross claims incurred comprise claims and settlement expenses (both internal and external) occurring during the year, and the movement in provision for outstanding claims and settlement expenses brought forward. Allowance is made for the cost of claims incurred by the reporting period end date but not reported until after the reporting period end. Incurred claims outstanding are reduced by anticipated salvage and other recoveries from third parties.

Unexpired Risks Provision

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

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

At 31 December 2021 and 31 December 2020 the Syndicate did not have an unexpired risks provision.

Reinsurance assets

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

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

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. There were no such gains recognised in 2021 or 2020.

Ceded reinsurance arrangements do not relieve the Syndicate from its obligations to policyholders.

Net Operating Expenses (Including Acquisition Costs)

Net operating expenses include acquisition costs, profit and loss on exchange, and amounts charged to members through the Syndicate.

Where expenses are incurred by or on behalf of the Managing Agent for the administration of the managed Syndicate, they are apportioned using methods appropriate to the type of expense. Expenses which are incurred jointly for the Managing Agent and managed Syndicate are apportioned between the Managing Agent and Syndicate on bases dependant on the amount of work performed, resources used and the volume of business transacted.

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts are recognised by reference to premium written. They are deferred to the extent that they are attributable to and recoverable against premiums unearned at the balance sheet date. All other operating expenses are accounted for on an accruals basis.

Profit Commission

Profit commission within these financial statements is charged at a rate of 17.5% for 2018 and subsequent years of account. Such commission does not become payable until after the appropriate year of account closes normally at 36 months.

Distribution of profits and collection of losses

Lloyd's has regulations on solvency and the distribution of profits and payment of losses between a Syndicate and its members. Lloyd's continues to require Syndicate membership to be on an underwriting year basis, and profits and losses belong to members according to their membership. Normally profits and losses are transferred between a Syndicate and its members after results for an underwriting year are finalised after 36 months. This period may be extended if an underwriting year is placed in run-off. The Syndicate may make earlier on account distributions or cash calls according to the cash flow of that underwriting year, subject to Lloyd's regulations.

Foreign Currencies

The Syndicate's functional currency is US Dollars and its presentational currency is Sterling.

Transactions denominated in currencies other than the functional currency are initially recorded in the functional currency at the exchange rate ruling at the date of the transactions. Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisition costs) denominated in foreign currencies are retranslated into the functional currency at the exchange rate ruling on the reporting date.

Exchange differences are recorded in the non-technical account and translation differences are treated as OCI and dealt within the statement of comprehensive income.

Exchange Rates

The rates of exchange used in preparing the financial statements were:

	2021		2020	
	Average	**Closing**	Average	Closing
Euro	**1.16**	**1.19**	1.13	1.11
US dollar	**1.38**	**1.34**	1.29	1.36
Canadian dollar	**1.73**	**1.70**	1.72	1.74
Japanese yen	**150.91**	**153.56**	137.51	140.81
Australian dollar	**1.83**	**1.85**	1.87	1.77

1. Accounting Policies (continued)

Financial Investments

As permitted by FRS 102 the Syndicate has elected to apply the recognition and measurement provisions of IAS 39 – Financial instruments (as adapted for use in the EU) to account for all the financial instruments.

The Syndicate classifies it financial investments as financial assets at fair value through profit and loss.

The Syndicate's documented investment strategy is to manage financial investments acquired on a fair value basis.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date the Syndicate commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of asset within the time frame generally established by regulation or convention in the market place.

Directly held investments that are held as fixed assets are stated at cost less provision for permanent diminution in value. Investments held as current assets are stated at the lower of cost and market value.

Financial assets at fair value through profit or loss has two sub categories namely financial assets held for trading and those designated at fair value through profit or loss at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading as are all derivatives, including embedded derivatives, that are not designated as hedging instruments. For investments designated as at fair value through profit or loss, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value at each reporting date. Fair value adjustments and realised gains and losses are recognised in the income statement.

Overseas deposits

Overseas deposits are stated at market value as at the date of the statement of financial position. The cost of investments held within these deposits is determined either on the same basis as Syndicate investment, or on a basis of notification received from Lloyd's.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

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 market value are calculated as the difference between sale proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the valuation at the 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.

Allocation of actual investments return on investments supporting the general insurance technical provisions and associated members' balance is made from the non-technical account to the technical account. Investment return related to non-insurance business and members' balance is attributed to the non-technical account. Investment return has been wholly allocated to the technical account as all investments relate to technical accounts.

Taxation

Under Schedule 19 of the Finance Act 1993 Managing Agents are not required to deduct basic rate income tax from trading income. Managing Agents can recover UK basic rate income tax deducted from Syndicate investment income, and consequently any distribution to members or members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for United States federal income tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year have been included in the balance sheet under the heading 'other debtors'.

No provision has been made for any other foreign taxes payable by members on underwriting results.

Pension costs

Argo Management Services Limited is a service company and fellow group company of the Managing Agency, which operates a defined contribution pension scheme. Pension contributions are recharged to group companies and the Syndicate based on employees' time and are included within net operating expenses.

2. Segmental analysis

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

2021	Gross premiums written £m	Gross premiums earned £m	Gross claims incurred £m	Gross operating expenses £m	Reinsurance balance £m	Total £m
Direct insurance:						
Fire and other damage to property	**1.0**	**1.0**	**–**	**0.9**	**(0.6)**	**1.3**
Other	**7.3**	**4.8**	**(0.9)**	**0.5**	**(1.5)**	**2.9**
	8.3	**5.8**	**(0.9)**	**1.4**	**(2.1)**	**4.2**
Reinsurance acceptances	**371.9**	**322.8**	**(287.0)**	**(62.2)**	**10.1**	**(16.3)**
Total	**380.2**	**328.6**	**(287.9)**	**(60.8)**	**8.0**	**(12.1)**

2020	Gross premiums written £m	Gross premiums earned £m	Gross claims incurred £m	Gross operating expenses £m	Reinsurance balance £m	Total £m
Direct insurance:						
Fire and other damage to property	(2.8)	(0.7)	(0.6)	0.6	0.1	(0.6)
Other	10.1	9.2	(1.4)	(0.2)	(3.1)	4.5
	7.3	8.5	(2.0)	0.4	(3.0)	3.9
Reinsurance acceptances	248.6	215.9	(188.7)	(36.7)	(9.2)	(18.7)
Total	255.9	224.4	(190.7)	(36.3)	(12.2)	(14.8)

Commissions on direct insurance gross premiums earned during 2021 were £0.7m (2020: £2.6m).

The reinsurance balance is the aggregate total of all those items included in the technical account which relate to reinsurance outwards transactions including items recorded as reinsurance commissions and profit participation.

The reinsurance balance includes reinsurance commission receivable. Gross operating expenses are different to net operating expenses shown in the income statement as commissions in respect of outward reinsurance were received and net off in arriving at the net operating expenses for 2021.

All premiums were concluded in the UK. The geographical analysis of premium by destination (or by situs of risk) is as follows:

	Gross premiums written		Gross premiums written	
	2021 £m	**2021 %**	2020 £m	2020 %
UK	**42.1**	**11.1**	33.0	12.9
Canada	**10.1**	**2.7**	7.9	3.1
US	**171.5**	**45.1**	101.9	39.8
Rest of Europe	**17.3**	**4.5**	10.4	4.1
Other	**139.2**	**36.6**	102.7	40.1
Total	**380.2**	**100.0**	255.9	100.0

Notes to the Financial Statements

Year ended 31 December 2021

3. Technical provisions

	2021 Gross provisions £m	2021 Reinsurers' share £m	2021 Net £m	2020 Gross provisions £m	2020 Reinsurers' share £m	2020 Net £m
Claims outstanding						
Balance at 1 January	**361.9**	**(227.5)**	**134.4**	379.4	(269.1)	110.3
Change in claims outstanding	**94.2**	**(52.7)**	**41.5**	(4.8)	27.3	22.5
Effect of FX and other movements	**1.9**	**(1.9)**	**–**	(12.7)	14.3	1.6
Balance at 31 December	**458.0**	**(282.1)**	**175.9**	361.9	(227.5)	134.4
Claims notified	**148.1**	**(93.9)**	**54.2**	146.8	(90.1)	56.7
Claims incurred but not reported	**309.9**	**(188.2)**	**121.7**	215.1	(137.4)	77.7
Balance at 31 December	**458.0**	**(282.1)**	**175.9**	361.9	(227.5)	134.4
Unearned premiums						
Balance at 1 January	**115.8**	**(54.2)**	**61.6**	89.1	(42.9)	46.2
Change in unearned premiums	**51.6**	**(18.3)**	**33.3**	31.5	(13.6)	17.9
Effect of movements in exchange rates	**2.9**	**(1.4)**	**1.5**	(4.8)	2.3	(2.5)
Balance at 31 December	**170.3**	**(73.9)**	**96.4**	115.8	(54.2)	61.6
Deferred acquisition costs						
Balance at 1 January	**15.0**	**–**	**15.0**	8.1	–	8.1
Change in deferred acquisition costs	**18.9**	**–**	**18.9**	7.5	–	7.5
Effect of movements in exchange rates	**1.6**	**–**	**1.6**	(0.6)	–	(0.6)
Balance at 31 December	**35.5**	**–**	**35.5**	15.0	–	15.0

4. Net operating expenses

	2021 £m	2020 £m
Acquisition costs	**62.5**	29.6
Change in deferred acquisition costs	**(18.9)**	(6.9)
Administration expenses	**17.2**	13.6
Reinsurance commissions and profit participation	**(17.5)**	(14.3)
Net operating expenses	**43.3**	22.0

Members' standard personal expenses amounting to £2.6m (2020: £1.9m) are included in administrative expenses. Members' standard personal expenses include Lloyd's subscriptions, New Central Fund contributions, Managing Agent's fees and profit commission.

Following the sale in 2020 of AMA's participation rights in Syndicate 1910 and Ariel Re Bermuda Limited ("ARBL"), the Managing General Agency (MGA) agreement between 1910 and ARBL remained in force. ARBL, as the MGA, incurs significant costs underwriting business on behalf of Syndicate 1910 and is reimbursed via a coverholder commission of 10% of premiums written. This expense is included in part within net operating expenses and also in acquisition costs. This is a new arrangement for 2021. Prior to 2021, "ARBL" costs were recharged to the syndicate on a basis that reflected the syndicate's use of resources.

5. Auditor's remuneration

	2021 £m	2020 £m
Audit of the Syndicate annual accounts	**0.4**	0.3
Other services supplied pursuant to such legislation	**0.2**	0.1
	0.6	0.4

Auditor's remuneration is included as part of the administrative expenses in note 4 to the financial statements.

6. Staff costs and emoluments of the directors of the managing agent

The following amounts were recharged to the syndicate as salary costs (this excludes any benefits where the costs are retained elsewhere in the Managing Agency or other companies in the group):

	2021 £m	2020 £m
Wages and salaries	**0.2**	7.4
Social security costs	**0.2**	0.8
Pension costs	**0.1**	0.4
	0.5	8.6

The average number of full-time equivalent employees working for the syndicate during the year was as follows:

	2021	2020
Underwriting	**2**	32
Administration and finance	**8**	49
Claims	**1**	5
	11	86

The reduction in staff costs is due to the change in the way in which ARBL coverholder costs are recharged to the syndicate. Prior to 2021, ARBL costs were recharged as a management charge and booked to individual expense lines, including staff costs. In 2021, ARBL costs have been charged as a coverholder fee at a flat rate of 10% of GWP and booked as a single line item within operating expenses.

The directors of Argo Managing Agency Limited received the following aggregate remuneration, charged to the syndicate and included within net operating expenses:

	2021 £m	2020 £m
Emoluments	**0.3**	0.6
Payments to defined contribution pension schemes	**–**	–
	0.3	0.6

The aggregate remuneration paid to the applicable active underwriter, charged as a syndicate expense:

	2021 £m	2020 £m
Emoluments	**0.3**	0.2
Payments to defined contribution pension schemes	**–**	–
	0.3	0.2

The above amounts exclude any benefits not recharged to the syndicate.

7. Investment Return

	2021 £m	2020 £m
Income from other financial investments	**0.9**	1.4
Net (losses)/gains on realisation of investments		
Fair value through profit or loss designated upon initial recognition	**(0.8)**	0.4
Net unrealised (losses)/gains on investments		
Fair value through profit or loss designated upon initial recognition	**(0.5)**	0.2
Investment expenses and charges	**–**	(0.2)
Total investment return	**(0.4)**	1.8

Average funds available for investment by currency

	2021 £m	2020 £m
United States dollars	**97.6**	97.2
Canadian dollars	**17.7**	10.5
Australian dollars	**5.9**	1.1

Analysis of the financial year investment yield by currency

	2021 %	2020 %
United States dollars	**(1.02)**	1.78
Canadian dollars	**0.08**	0.98
Australian dollars	**0.03**	2.60

"Average fund" is the average of bank balances, overseas deposits and investments held at the end of each month during the financial year. For this purpose, investments are revalued at month-end market prices, which include accrued income where appropriate.

8. Financial investments at fair value

	Carrying value £m	Purchase price £m
2021		
Designated at fair value through profit or loss		
– Shares and other variable yield securities and units in unit trusts	**45.6**	**45.6**
– Debt securities and other fixed income securities	**48.2**	**55.2**
– Loans with credit institutions	**5.0**	**5.0**
	98.8	**105.8**
2020		
Designated at fair value through profit or loss		
– Shares and other variable yield securities and units in unit trusts	49.7	49.7
– Debt securities and other fixed income securities	38.4	38.2
– Loans with credit institutions	5.0	5.0
	93.1	92.9

Amounts included within Shares and other variable yield securities include CIS/Unit Trusts where funds are invested in a single entity which invests in investments. These have the attributes of a cash instrument with the carrying value and purchase price being the same.

There was no material change during the period, and cumulatively, in the fair value of the financial instruments held at fair value through profit and loss attributable to changes in credit risk.

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

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

8. Financial investments at fair value (continued)

The following table shows financial investments recorded at fair value analysed between the three levels in the fair value hierarchy.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
31 December 2021				
Shares and other variable yield securities and units in unit trusts	**45.6**	**–**	**5.0**	**50.6**
Debt securities and other fixed income securities	**–**	**48.2**	**–**	**48.2**
Other assets	**8.3**	**6.3**	**–**	**14.6**
	53.9	**54.5**	**5.0**	**113.4**
31 December 2020				
Shares and other variable yield securities and units in unit trusts	49.7	–	5.0	54.7
Debt securities and other fixed income securities	0.8	37.6	–	38.4
Other assets	4.4	4.4	–	8.8
	54.9	42.0	5.0	101.9

Included in the level 1 category are financial assets that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Syndicate, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Included in the level 2 category are financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. For example, assets for which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Syndicate's own models whereby the significant inputs into the assumptions are market observable.

Included in the level 3 category, are financial assets measured using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Therefore, unobservable inputs reflect the Syndicate's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Syndicate's own data.

9. Debtors arising out of direct insurance operations

	2021 £m	2020 £m
Due within one year: intermediaries	**42.2**	2.2

10. Debtors arising out of reinsurance operations

	2021 £m	2020 £m
Due within one year		
Due from ceding insurers and intermediaries under reinsurance business	**323.6**	186.9
Due from reinsurers and intermediaries under reinsurance contracts ceded	**117.6**	154.4
	441.2	341.3
Due after one year	**–**	–
	441.2	341.3

11. Other assets

	2021 £m	2020 £m
Overseas deposits in Australia	**0.8**	1.0
Overseas deposits in Illinois and Kentucky USA	**3.7**	4.0
Overseas deposits in South Africa and other countries	**10.1**	3.8
	14.6	8.8

12. Cash at bank and in hand

	2021 £m	2020 £m
Cash at bank and in hand	**52.7**	17.1

13. Creditors arising out of direct insurance operations

	2021 £m	2020 £m
Due within one year – intermediaries	**7.6**	4.7

14. Creditors arising out of reinsurance operations

	2021 £m	2020 £m
Due within one year	**401.4**	285.3

15. Related parties

Lloyd's market regulations require that a managing agent is responsible for employing the underwriting staff and managing the affairs of each syndicate at Lloyd's on behalf of the syndicate members. The managing agent of Syndicate 1910 is Argo Managing Agency Limited (AMA).

The immediate parent company of AMA is Argo Underwriting Agency (AUA) which was acquired by Argo International Holdings Limited (formerly Argo Acquisition Limited) on 14 May 2008.

Argo International Holdings Limited is a wholly owned subsidiary of Argo Group International Holdings Limited (Argo Group) headquartered in Hamilton, Bermuda. Information on the Argo Group and its subsidiaries is available at www.argolimited.com, or from Wellesley House South, 90 Pitts Bay Road, Pembroke, HM08 Bermuda.

AMA has provided service and support to Syndicate 1910 in its capacity as Managing Agent since 7 February 2017.

Members' expenses include agent's fees and profit commission payable to the managing agent, subscriptions and central guarantee fund contributions paid to Lloyd's. These are charged on an underwriting year of account, rather than on a financial year basis. When the year of account result is finalised, usually after 36 months, profit commission of 17.5% is charged on the profit. Within the financial statements for the 2021 financial year, Managing Agent's fee of £0.9m (2020: £0.8m) have been included in net operating expenses with £nil (2020: £nil) for profit commission. As at 31 December 2021 the amount owed to AMA in respect of profit commission was £nil (2020: £nil), there were no unpaid fees, (2020: £nil).

15. Related parties (continued)

Argo corporate members, subsidiaries of Argo Group International Holdings Limited, participated in the 2021 and 2020 years of account of Syndicate 1910 as follows:

	2021 Year of Account	2020 Year of Account
Argo (No. 604) Limited	0.0%	44.2%
Argo (Alpha) Limited	0.0%	4.0%

The managing agent incurs a proportion of the expenses incurred in operating the syndicate and recharge them to the syndicate on a basis that reflects the syndicate's use of resources. The recharges are included in the net operating expenses, acquisition costs, claims incurred and investment expenses and charges. Included within the recharges are amounts relating to the remuneration of directors of AMA. The total amount recharged by the managing agent to the syndicate during 2021 was £3.4m (2020 £8.3m) excluding agent's fees and profit commission. At 31 December 2021 an amount of £4.0m (2020: £7.1m) was due to the managing agent from the syndicate for expenses. No interest is payable on this amount.

Following the sale in 2020 of AMA's participation rights in Syndicate 1910 and Ariel Re Bermuda Limited ("ARBL"), the Managing General Agency (MGA) agreement between Syndicate 1910 and ARBL remained in force. ARBL is the principal underwriter of risk on behalf of Syndicate 1910 and in 2021 £316.6m (2020: £194.4m) of premium was underwritten by ARBL on behalf of 1910. ARBL, as the MGA, incurs significant cost underwriting business on behalf of Syndicate 1910 and is reimbursed via a coverholder commission of 10% on premiums written. This recharge is included within net operating expenses and acquisition costs. This is a new arrangement for 2021 as previously "ARBL" recharged costs to the syndicate on a basis that reflected the syndicate's use of resources. These recharges were previously included in the net operating expenses, acquisition costs, claims incurred and investment expenses and charges, the total expense recharge in 2020 was £13.0m.

Ariel is in the process of setting up its own managing agency, Ariel Re Managing Agency Limited ("ARMA") and is awaiting approval from the PRA. Upon receipt of regulatory approval, it is intended that Managing Agency responsibilities will be transferred to ARMA.

AMA also manage a Special Purpose Syndicate 6117, backed by individual names advised by the member's agent Hampden which has written a whole account quota share of the net premiums, claims and expenses of Syndicate 1910 2021 Underwriting Year. The net amount of premium ceded with Syndicate 6117 under the whole account quota share was £84.0m (2020: £76.1m as restated) with overriding and profit commission earned of £1.9m (2020: £2.5m). As this quota share reinsurance is placed on a funds withheld basis, the net amount due as at 31 December 2021 of £111.3m (2020 £95.5m) will not become payable until the relevant underwriting year closes after 36 months.

16. Disclosure of interests

Managing Agent's interest

Argo Managing Agency Limited is currently the Managing Agent for Lloyd's Syndicates 1200, 1910 and 6117.

The Financial Statements of the Managing Agency can be obtained by application to the Registered Office (see page 72).

17. Funds at Lloyd's

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

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the Managing Agent, no amount has been shown in these annual accounts by way of such capital resources. However, the Managing Agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses. Refer to note 20 for further details.

18. Pension obligations

AMS operates a defined contribution pension scheme for its employees including Syndicate staff. Pension contributions relating to Syndicate staff are charged to the Syndicate and included within net operating expenses. The cost of the contributions made for the year was £0.1m (2020: £0.4m) and there were no outstanding or prepaid contributions at the end of this year or the previous year.

19. Items not reflected in the statement of financial position

The Syndicate has not been party to any arrangement, which is not reflected in its statement of financial position, where material risks and benefits arise for the Syndicate.

20. Risk management

a) Governance framework

The primary objective of the Syndicate's risk and financial management framework is to protect the Syndicate's members from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Managing Agent has established a risk management function for the Syndicate with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managements. Lastly, Syndicate policy framework which sets out the risk profiles for the Syndicate, risk management, control and business conduct standards for the Syndicate's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Syndicate.

The board of directors of the Managing Agent approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the identification of risk and its interpretation to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the Syndicate goals, and specify reporting requirements. Significant emphasis is placed on assessment and documentation of risks and controls, including the articulation of "risk appetite". The Board sets risk appetite annually as part of the Syndicate's business planning and capital setting process. The risk management function is also reasonable for reviewing the Syndicate's Own Risk and Solvency Assessment ('ORSA'), recommending the assessment to the Board for approval.

b) Capital management objectives, policies and approach Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulation Authority (PRA) under the Financial Services and Markets Act 2000.

Effective 1 January 2016, Lloyd's is subject to the Solvency II capital regime and the Solvency I figures are no longer applicable from that date. Although the capital regimes has changed, this has not significantly impacted the Solvency Capital requirement of the Syndicate, since this has been previously calculated based on Solvency II principles, as described below.

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

Although Lloyd's capital setting processes use a capital requirement set at Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at Syndicate level. Accordingly the capital requirement in respect of Syndicate 1910 is not disclosed in these financial statements.

Lloyd's capital setting process

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

20. Risk management (continued)

A Syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the Syndicate on which it is participating but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2021 was 35% (2020: 35%) of the member's SCR 'to ultimate'.

Provision of capital by members

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

Accordingly, the ending members balances reported on the statement of financial position on page 83, represent resources available to meet the member's and Lloyd's capital requirements.

c) Insurance risk

The principal risk the Syndicate faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Syndicate is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Syndicate purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Syndicate's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Syndicate has reinsurance arrangements. It is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Syndicate's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations substantially dependent upon any single reinsurance contract.

The Syndicate writes predominately short-tail property-catastrophe business in the US and internationally. Reserving risk is managed through the Syndicate's reserving committee.

The Syndicate uses both its own and commercially available risk management software to assess catastrophe exposure.

However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from an unmodelled event are greater than those arising from a modelled event.

As a further guide to the level of catastrophe exposure written by the Syndicate, the following table shows hypothetical claims arising from the RDS on the Syndicates in force exposure at 31 December 2021.

	Estimated Gross loss £m	Estimated Net loss £m
Two events – North East Windstorm	268.5	29.7
Florida Windstorm – Miami Dade	162.3	4.0
Florida Windstorm – Pinellas	264.3	11.6
Gulf of Mexico Windstorm – Major Hurricane landing in Galveston, Texas	276.8	18.7
California Earthquake – San Francisco	252.2	24.5
California Earthquake – Los Angeles	253.9	35.9

The table below sets out the concentration of outstanding claim liabilities by type of contract.

	2021			2020		
	Gross Liabilities £m	**Re-Insurance Liabilities £m**	**Net Liabilities £m**	Gross Liabilities £m	Re-Insurance Liabilities £m	Net Liabilities £m
Marine and Aviation	**0.6**	**–**	**0.6**	0.8	–	0.8
Fire and Property	**1.4**	**(1.2)**	**0.2**	1.3	(0.7)	0.6
Third-party Liability	**–**	**–**	**–**	4.0	–	4.0
Pecuniary Loss	**5.4**	**–**	**5.4**	–	–	–
RI acceptances	**450.6**	**(280.9)**	**169.7**	355.8	(226.8)	129.0
	458.0	**(282.1)**	**175.9**	361.9	(227.5)	134.4

All business is written in the UK.

The principal assumption underlying the liability estimates is that the future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each underwriting year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: once-off occurrence; changes in market factors such as public attitude to claiming: economic conditions: as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

20. Risk management (continued)

Sensitivities

The claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit and members' balances. The correlation of assumption will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

	Five % increase £m	Five % decrease £m
2021		
Gross amount of increase/(decrease) in reserves	**31.4**	**(31.4)**
Net amount of increase/(decrease) in reserves	**13.6**	**(13.6)**
2020		
Gross amount of increase/(decrease) in reserves	23.9	(23.9)
Net amount of increase/(decrease) in reserves	9.8	(9.8)

The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

Claims development tables

The tables following show the Syndicate's cumulative incurred claims development, including both claims notified and IBNR for each underwriting year, together with the cumulative payments to date on a gross and net of reinsurance basis at the balance sheet date.

The Syndicate has elected to translate estimated claims and claims payments at a consistent rate of exchange as determined by the balance sheet date.

The Syndicate has taken advantage of the transitional rules of FRS 103 that permit only five years of information to be disclosed upon adoption. The claims development information disclosed is being increased from five years to ten years.

In settling claims provisions the Syndicate gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an underwriting year is greatest when the underwriting year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherent in the estimation process, the actual overall claim provision may not always be in surplus.

Gross insurance contract outstanding claims provision as at 31 December 2021

Underwriting year	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	Total £m
Estimate of cumulative claims incurred										
At end of underwriting year	26.2	45.0	42.6	77.2	342.1	304.3	164.0	123.1	235.2	
One year later	35.0	47.2	133.5	76.8	370.3	362.3	242.3	208.6		
Two years later	31.8	40.2	134.5	74.6	383.1	340.0	250.8			
Three years later	29.3	36.6	138.2	65.7	388.3	322.0				
Four years later	30.0	32.1	136.0	65.2	378.8					
Five years later	28.6	31.8	134.3	61.0						
Six years later	28.6	31.9	133.7							
Seven years later	28.1	32.0								
Eight years later	27.8									
Current estimate of cumulative gross claims incurred	27.8	32.0	133.7	61.0	378.8	322.0	250.8	208.6	235.2	
Less cumulative gross paid	(25.8)	(32.3)	(132.0)	(51.0)	(341.3)	(308.4)	(179.2)	(65.8)	(58.4)	
Liability for gross outstanding claims (2013 to 2021)	(2.0)	0.3	(1.7)	(10.0)	(37.5)	(13.6)	(71.6)	(142.8)	(176.8)	(455.7)
Liability for gross outstanding claims (2012 and prior)										(2.3)
Total gross outstanding claims all years										(458.0)

Net insurance contract outstanding claims provision as at 31 December 2021:

Underwriting year	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	Total £m
Estimate of cumulative claims incurred										
At end of underwriting year	23.3	15.4	30.8	42.0	89.0	99.2	88.4	64.8	103.3	
One year later	31.2	22.0	119.7	41.1	98.1	111.8	123.9	112.5		
Two years later	28.3	23.2	120.2	29.4	95.7	111.6	125.6			
Three years later	23.8	19.5	121.6	26.8	92.3	106.3				
Four years later	24.6	21.3	127.5	23.1	90.5					
Five years later	23.6	21.5	126.9	18.0						
Six years later	23.6	21.6	126.5							
Seven years later	23.3	21.7								
Eight years later	23.1									
Current estimate of cumulative net claims incurred	23.1	21.7	126.5	18.0	90.5	106.3	125.6	112.5	103.3	
Less cumulative net paid	(21.9)	(22.0)	(125.6)	(12.4)	(86.9)	(113.4)	(99.1)	(33.6)	(38.1)	
Liability for net outstanding claims (2013 to 2021)	(1.2)	0.3	(0.9)	(5.6)	(3.6)	7.1	(26.5)	(78.9)	(65.2)	(174.5)
Liability for net outstanding claims (2012 and prior)										(1.4)
Total net outstanding claims all years										(175.9)

20. Risk management (continued)

d) Financial risk

1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the exposure to credit risk:

- Investment guidelines are established setting out the quality of investments to be included within the Syndicates portfolio. The policy is monitored by the Investment Committee.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits. If the counterparty is downgraded or does not have a good credit rating, then collateral is sought to mitigate any risk. This is monitored by the Reinsurance Security Committee.

The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through collateral agreements.

31 December 2021	**Neither past due nor impaired £m**	**Past due £m**	**Impaired £m**	**Total £m**
Financial investments				
– Shares and other variable yield securities	**50.6**	**–**	**–**	**50.6**
– Debt securities	**48.2**	**–**	**–**	**48.2**
– Overseas deposits as assets	**14.6**	**–**	**–**	**14.6**
Reinsurers' share of claims outstanding	**282.1**	**–**	**–**	**282.1**
Deposits with ceding undertakings	**0.1**	**–**	**–**	**0.1**
Debtors arising out of direct insurance operations	**35.0**	**7.2**	**–**	**42.2**
Debtors arising out of reinsurance operations – due from reinsurers and intermediaries under reinsurance contracts ceded	**117.6**	**–**	**–**	**117.6**
Other debtors	**398.9**	**36.7**	**–**	**435.6**
Cash at bank and in hand	**52.7**	**–**	**–**	**52.7**
	999.8	**43.9**	**–**	**1,043.7**

31 December 2020	Neither past due nor impaired £m	Past due £m	Impaired £m	Total £m
Financial investments				
– Shares and other variable yield securities	54.7	–	–	54.7
– Debt securities	38.4	–	–	38.4
– Overseas deposits as assets	8.8	–	–	8.8
Reinsurers' share of claims outstanding	227.5	–	–	227.5
Deposits with ceding undertakings	–	–	–	–
Debtors arising out of direct insurance operations	1.8	0.4	–	2.2
Debtors arising out of reinsurance operations – due from reinsurers and intermediaries under reinsurance contracts ceded	154.4	–	–	154.4
Other debtors	238.7	20.9	–	259.6
Cash at bank and in hand	17.1	–	–	17.1
	741.4	21.3	–	762.7

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2021 by classifying assets according to independent credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade and have not been rated. Debtors, other than amounts due from reinsurers, have been excluded from the table as these are not rated.

31 December 2021	**AAA £m**	**AA £m**	**A £m**	**BBB £m**	**<BBB £m**	**Not rated £m**	**Total £m**
Shares and other variable yield securities and unit trusts	**26.8**	**–**	**4.9**	**–**	**–**	**18.9**	**50.6**
Debt securities	**1.5**	**23.2**	**19.0**	**4.5**	**–**	**–**	**48.2**
Overseas deposits	**4.7**	**0.5**	**1.0**	**0.6**	**0.3**	**7.5**	**14.6**
Deposits with ceding undertakings	**0.1**	**–**	**–**	**–**	**–**	**–**	**0.1**
Reinsurers' share of claims outstanding	**0.4**	**38.3**	**210.2**	**1.0**	**–**	**32.2**	**282.1**
Debtors arising out of reinsurance operations – due from reinsurers and intermediaries under reinsurance contracts ceded	**0.8**	**2.3**	**70.5**	**0.5**	**–**	**43.6**	**117.7**
Cash at bank and in hand	**–**	**–**	**52.7**	**–**	**–**	**–**	**52.7**
	34.3	**64.3**	**358.3**	**6.6**	**0.3**	**102.2**	**566.0**

31 December 2020	AAA £m	AA £m	A £m	BBB £m	<BBB £m	Not rated £m	Total £m
Shares and other variable yield securities and unit trusts	36.8	–	5.0	–	–	12.9	54.7
Debt securities	0.8	20.1	15.4	2.1	–	–	38.4
Overseas deposits	2.7	0.7	1.0	2.1	0.1	2.2	8.8
Deposits with ceding undertakings	–	–	–	–	–	–	–
Reinsurer' share of claims outstanding	–	–	171.6	–	4.1	51.8	227.5
Debtors arising out of reinsurance operations – due from reinsurers and intermediaries under reinsurance contracts ceded	–	–	141.4	–	2.5	10.5	154.4
Cash at bank and in hand	–	–	17.1	–	–	–	17.1
	40.3	20.8	351.5	4.2	6.7	77.4	500.9

Maximum credit exposure

It is the Syndicate's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business.

During the year, no credit exposure limits were exceeded.

20. Risk management (continued)

2) Liquidity risk

Liquidity risk is the risk that the Syndicate will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between the gross cash out-flows and expected reinsurance recoveries.

The following policies and procedures are in place to mitigate the Syndicate's exposure to liquidity risk:

- A liquidity policy exists that sets out the assessment and determination of what constitutes liquidity risk. Compliance with the policy is regularly reviewed for pertinence and for changes in the risk environment.
- Guidelines on asset allocation, portfolio limit structures and maturity profiles of assets are set, in order to ensure that sufficient funding is available to meet insurance and investments contracts obligations.
- Contingency funding plans are set up which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.

Certain reinsurance contracts have provisions to draw down on collateral.

The table below summarises the maturity profile of the Syndicate's financial liabilities based on remaining undiscounted contractual obligations, including interest payable, and outstanding claim liabilities based on the estimated timing of claim payments result from recognised insurance liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately.

	No stated maturity £m	**Up to a year £m**	**1-3 years £m**	**3-5 years £m**	**Over 5 years £m**	**Total £m**
31 December 2021						
Outstanding claims liabilities	**–**	**154.3**	**185.5**	**69.4**	**48.8**	**458.0**
Creditors	**–**	**444.0**	**–**	**–**	**–**	**444.0**
	–	**598.3**	**185.5**	**69.4**	**48.8**	**902.0**

	No stated maturity £m	Up to a year £m	1-3 years £m	3-5 years £m	Over 5 years £m	Total £m
31 December 2020						
Outstanding claims liabilities	–	145.4	127.3	54.5	34.7	361.9
Creditors	–	318.0	–	–	–	318.0
	–	463.4	127.3	54.5	34.7	679.9

3) Market risk

a) Currency risk

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

The Syndicate's functional currency is USD and its exposure to foreign exchange risk arises primarily with respect to transactions in Euro, GBP 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.

The table below summarises the exposure of the financial assets and liabilities (translated to Sterling) to foreign currency exchange risk at the reporting date, as follows:

	GBP £m	**Euro £m**	**USD £m**	**CAD £m**	**AUD £m**	**JPY £m**	**OTH £m**	**Total £m**
Assets	**115.6**	**18.1**	**821.1**	**30.6**	**16.2**	**23.4**	**18.7**	**1,043.7**
Liabilities	**(136.6)**	**(29.9)**	**(855.5)**	**(20.2)**	**(11.9)**	**(24.0)**	**(11.9)**	**(1,090.0)**
Net asset/(liabilities) as at 31 December 2021	**(21.0)**	**(11.8)**	**(34.4)**	**10.4**	**4.3**	**(0.6)**	**6.8**	**(46.3)**

	GBP £m	Euro £m	USD £m	CAD £m	AUD £m	JPY £m	OTH £m	Total £m
Assets	54.4	33.7	554.7	26.4	14.0	61.3	18.2	762.7
Liabilities	(80.1)	(33.9)	(555.1)	(21.2)	(12.3)	(82.0)	(20.3)	(804.9)
Net asset/(liabilities) as at 31 December 2020	(25.7)	(0.2)	(0.4)	5.2	1.7	(20.7)	(2.1)	(42.2)

The Syndicate matches its currency position so holds net assets across a number of currencies. The Syndicate takes into consideration the underlying currency of the Syndicate's required capital and invests its assets proportionately across these currencies so as to protect the solvency of the Syndicate, against variation in foreign exchange rates.

Sensitivity to changes in foreign exchange rates

The table below gives an indication of the impact on profit of a percentage change in the relative strength of Sterling against the value of the US dollar, Canadian dollar and Euro dollar simultaneously. The analysis is based on the information as at 31 December 2021.

	Impact on profit and member's balances	
£m	**2021**	2020
Sterling weakens		
10% against other currencies – increase in loss	**(2.8)**	(1.8)
20% against USD – increase in loss	**(8.6)**	(0.1)
Sterling strengthens		
10% against USD – increase in profit	**3.1**	–
20% against USD – increase in profit	**5.7**	–

b) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Syndicate to cash flow interest risk, whereas fixed rate instruments expose the Syndicate to fair value interest risk.

The Syndicate has no significant concentration of interest rate risk.

Insurance liabilities are not discounted and therefore not exposed to interest rate risk.

20. Risk management (continued)

The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit and members' balance of the effects of changes in interest rates on: fixed and variable financial assets and liabilities.

The first of these measures the impact on profit or loss for the year (for items recorded at fair value through profit or loss) and on members' balance (for available for sale investments) that would arise from a reasonably possible change in interest rates at the reporting date on financial instruments at the period end. The second of these measures the change in interest income or expense over the period of the year attributable to a reasonably possible change in interest rates, based on floating rate assets and liabilities held at the reporting date.

The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, the variables were altered on an individual basis. It should be noted that movements in these variables are non-linear.

	2021 £m	2020 £m
Interest Rate Risk		
Profit from 50 basis point increase	**(0.4)**	(0.9)
Loss from 50 basis point decrease	**0.4**	0.9
Impact of 50 basis point increase on net assets	**(0.4)**	(0.9)
Impact of 50 basis point decrease on net assets	**0.4**	0.9

The method used for deriving sensitivity information and significant variables did not change from the previous period

21. Events after the reporting date

During 2022, the following amounts are proposed to be transferred to the members' personal reserve fund.

	£m
2019 Year of Account	**0.2**

With regard to the current crisis in the Ukraine, whilst we hope for a swift peaceful outcome to the conflict with minimal loss of life and human suffering, we note that we do have certain underwriting exposures in the region. At this point in time whilst the outcome of the conflict is uncertain we do not believe there will be a material financial impact to the Syndicate.

Section 4:
Syndicate 1910
Underwriting Year Accounts

Report of the Directors of the Managing Agent

The directors of the managing agent present their report on the 2019 year of account of Syndicate 1910 as closed at 31 December 2021.

Review of the 2019 year of account

The 2019 year has closed with a 0.1% profit on stamp capacity.

Year of account summary	2019 £m
Stamp capacity – net of 6117	206.2
Stamp capacity – gross of 6117	301.4
Stamp premium income	288.4
Stamp utilisation	95.7%
Gross premiums written	303.0
Profit	0.3
Declared profit on stamp	0.1%

A commentary is provided in the annual accounts. Please refer to page 74.

Auditors

The syndicate's auditors, Ernst & Young LLP, have indicated their willingness to continue in the office of syndicate's auditors.

Approved by the Board of Argo Managing Agency Limited and signed on behalf of the Board:

D J Kirby
Director

3 March 2022

Statement of Managing Agent's Responsibilities

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

In preparing these syndicate underwriting year accounts, the managing agent is required by the Syndicate Accounting Byelaw (No 8 of 2005) ("the Syndicate Accounting Byelaw"), to:

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

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

Report of the Independent Auditors

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNDICATE 1910 2019 CLOSED YEAR OF ACCOUNT

OPINION

We have audited the syndicate underwriting year accounts for the 2019 year of account of syndicate 1910 ('the syndicate') for the three years ended 31 December 2021 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Members' Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate underwriting year accounts:

- give a true and fair view of the profit for the 2019 closed year of account;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and have been properly prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the syndicate underwriting year accounts section of our report. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate underwriting year accounts in the UK, including the FRC's Ethical Standard as applied to other entities of public interest, 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.

EMPHASIS OF MATTER – CLOSURE OF THE 2019 YEAR OF ACCOUNT

We draw attention to the Basis of preparation in Note 1 which explains that the 2019 year of account of syndicate 1910 has closed and all assets and liabilities have been transferred by reinsurance to close at 31 December 2021.

As a result, the 2019 year of account of syndicate 1910 is no longer a going concern. The reinsurance to close occurs in the normal course of business for a syndicate year of account at the 36 months stage of development and the syndicate underwriting year accounts have been prepared on the basis that the recorded assets and liabilities will be realised and discharged in the normal course of business.

Our opinion is not modified in respect of this matter.

OTHER INFORMATION

The other information comprises the information included in the Syndicate 1910 Underwriting Year Accounts, other than the syndicate underwriting year accounts and our auditor's report thereon. The managing agent is responsible for the other information contained within the Syndicate 1910 Underwriting Year Accounts.

Our opinion on the syndicate underwriting year accounts does not cover the other information and, except to the extent otherwise explicitly stated in this 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 underwriting year accounts or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the syndicate underwriting year accounts themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) requires us to report to you, if in our opinion:

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate underwriting year accounts are not in agreement with the accounting records.

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 109 the managing agent is responsible for the preparation of the syndicate underwriting year accounts in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and The Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) 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 the syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error.

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

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

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

Explanation as to what extent 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the managing agent and management.

Our approach was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the syndicate and determined that the most significant are direct laws and regulations related to elements of Lloyd's Byelaws and Regulations, and the financial reporting framework (UKGAAP) and requirements referred to by Lloyd's in the Instructions. Our considerations of other laws and regulations that may have a material effect on the syndicate underwriting year accounts included permissions and supervisory requirements of Lloyd's of London, the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- We obtained a general understanding of how the syndicate is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the syndicate. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the syndicate, Lloyd's of London and other UK regulatory bodies; reviewed minutes of the Board and Risk Committee of the managing agent; and gained an understanding of the managing agent's approach to governance.
- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related syndicate underwriting year accounts' items.
- For both direct and other laws and regulations, our procedures involved: making enquiries of the directors of the managing agent and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the managing agent's methods of enforcing and monitoring compliance with such policies, and inspecting significant correspondence with Lloyd's, the FCA and the PRA.
- The syndicate operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the

appropriate competence and capabilities, which included the use of specialists where appropriate.

- We assessed the susceptibility of the syndicate's underwriting year accounts to material misstatement, including how fraud might occur by considering the controls that the managing agent has established to address risks identified by the managing agent, or that otherwise seek to prevent, deter, or detect fraud. We also considered areas of significant judgement, and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk risk including the valuation of incurred but not reported insurance liabilities and measurement of estimated premium. These procedures included testing manual journals and were designed to provide reasonable assurance that the syndicate underwriting year accounts were free from fraud or error.

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

USE OF OUR REPORT

This report is made solely to the syndicate's members, as a body, in accordance with The Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate and the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Angus Millar
(Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
London

3 March 2022

Income Statement 2019 Year of Account

for the three years ended 31 December 2021

	Note	2019 year of account £m
Technical account – general business		
Earned premiums, net of reinsurance		
Gross premiums written		303.0
Outward reinsurance premiums		(161.5)
Earned premiums, net of reinsurance		141.5
Reinsurance to close premium received, net of reinsurance	3	18.5
Allocated investment return transferred from the non-technical account		0.4
Claims incurred, net of reinsurance		
Claims paid		
Gross amount		(215.8)
Reinsurers' share		107.4
Net claims paid		(108.4)
Reinsurance to close premium payable, gross amount		(138.4)
Reinsurance recoveries anticipated on the reinsurance to close premium payable		106.7
Reinsurance to close premium payable, net of reinsurance	4	(31.7)
Claims incurred, net of reinsurance		(140.1)
Net operating expenses		
Acquisition costs		(6.9)
Administrative expenses		(14.9)
Personal expenses		(2.0)
Net operating expenses	6	(23.8)
Balance on the technical account for general business		(3.5)
Non-technical account		
Balance on the technical account for general business		(3.5)
Profit on exchange		3.8
Investment income		1.0
Realised gains on investments		0.9
Realised losses on investments		(1.5)
Allocated investment return transferred to the technical account for general business	8	(0.4)
Profit for the closed year of account		0.3

There are no recognised gains or losses in the accounting period other than those dealt with in the income statement and so no statement of other comprehensive income has been prepared.

Statement of Financial Position 2019 Year of Account

at 31 December 2021

	Note	2019 year of account £m
Assets		
Investments	9	83.5
Debtors		
Debtors arising out of direct insurance operations		5.2
Debtors arising out of reinsurance operations	10	133.3
Other debtors	11	0.5
Reinsurance recoveries anticipated on gross reinsurance to close premium payable		110.0
Other assets		
Cash at bank and in hand		36.8
Other	12	6.0
Prepayments and accrued income		1.0
Total assets		376.3
Liabilities		
Amounts due from members	13	0.2
Reinsurance to close premium payable, gross amount		143.6
Creditors		
Creditors arising out of direct insurance operations	14	7.6
Creditors arising out of reinsurance operations	15	196.0
Other creditors including taxation and social security	16	28.9
Accruals and deferred income		–
Total liabilities		376.3

Approved by the Board of Argo Managing Agency Limited on 3 March 2022 and signed on its behalf by:

D Argyle
Director

D J Kirby
Director

Statement of Changes in Members' Balances

2019 Year of Account

	2019 year of account £m
Profit for the 2019 closed year of account	0.3
Members' agents' fees	(0.1)
Amounts due to members at 31 December 2021	0.2

Statement of Cash Flows 2019 Year of Account

for the 36 months ended 31 December 2021

	2019 year of account £m
Cash flows from operating activities	
Profit on ordinary activities	0.3
Increase in in debtors, prepayments and accrued interest	(0.2)
Increase in creditors	71.2
Investment return	(0.4)
Non-cash consideration for net RITC receivable	(19.1)
Foreign exchange on net RITC receivable	0.6
Net RITC premium payable	33.5
Net cash inflow from operating activities	85.9
Cash flows from investing activities	
Purchase of financial instruments	(194.1)
Sale of financial instruments	185.2
Investment income received	0.4
Foreign exchange	(2.7)
Overseas deposits received from net RITC received	(0.8)
Net cash outflow from investing activities	(12.0)
Cash flows from financing activities	
Members' agents' fees paid on behalf of members	(0.1)
Net cash inflow from financing activities	(0.1)
Net increase in cash and cash equivalents	73.8
Cash and cash equivalents at 1 January 2019	–
Cash and cash equivalents at 31 December 2021	
Cash at bank and in hand	36.8
Short term deposits with credit institutions	37.0
	73.8

Notes to the Underwriting Year Accounts

for the 2019 closed year of account at 31 December 2021

1. Accounting Policies

Statement of compliance

The syndicate underwriting year accounts have been prepared under the 2008 Regulations and in accordance with the Syndicate Accounting Byelaw (No.8 of 2005) and applicable accounting standards in the United Kingdom. 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) have been applied to the extent that they are relevant for a proper understanding of the underwriting year accounts.

The 2019 year of account has closed and all assets and liabilities have been transferred to a reinsuring year of account. The risks that it is exposed to in respect of the reported financial position and financial performance are significantly less than those relating to the open years of account as disclosed in the Syndicate Annual Accounts. Accordingly, these underwriting year accounts do not have associated risk disclosures as required by section 34 of FRS 102. Full disclosures relating to these risks are provided in the syndicate Annual Accounts

Basis of preparation

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These accounts relate to the 2019 year of account which has been closed by reinsurance to close at 31 December 2021; consequently the statement of financial position, represents the assets and liabilities of the 2019 year of account, and the income statement and statement of cash flows reflect the transactions for that year of account during the 36 month period until closure.

The financial statements for the period ended 31 December 2021 were approved for issue by the board of directors on 3 March 2022.

The financial statements are prepared in sterling which is the presentational currency of the syndicate and rounded to the nearest £0.1m. The functional currency of the syndicate is US dollars.

As permitted by FRS 103 the syndicate continues to apply the existing accounting policies that were applied prior to this standard for its insurance contracts.

As each syndicate year of account is a separate annual venture, there are no comparative figures.

Judgement and key sources of estimation and uncertainty

Premiums written

Estimates are made for pipeline premiums, including amounts due to the syndicate not yet notified. The main assumption underlying these estimates is that past premium development can be used to project future premium development.

Claims incurred and reinsurers' share

The provision for claims outstanding comprises amounts set aside for claims notified and claims incurred but not yet reported (IBNR). The amount of IBNR, which is based on statistical techniques of estimation applied by the syndicate's in-house actuaries and reserving team, is reviewed by external consulting actuaries. These statistical techniques generally involve projecting, from past experience, the development of claims over time to form a view of the likely ultimate claims to be expected for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. The provision for claims also includes amounts for internal and external claims handling costs. For the most recent years, where a higher degree of volatility may arise from projections, estimates may partly be based on rating and other models of the business accepted, and assessments of underwriting conditions.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts. The syndicate will evaluate the reinsurance programme in place for the class of business, the claims experience for the year, and the security rating of the reinsurance companies involved. The syndicate uses a number of statistical techniques to assist in these estimates.

Hence the two most critical assumptions for claims provisions are that the past is a reasonable predictor of future claims development, and that rating and other models used, including pricing models for recent business, are fair indicators of the ultimate claims that will be incurred.

The uncertainty of such estimations generally decreases with the time that has elapsed since policy inception. In addition short tail claims such as property, where claims are typically notified and settled quickly, will normally have less uncertainty after a few years than long tail risks, such as some liability business, where it may be several years before claims are fully advised and settled. Where disputes exist over coverage under policies, or the relevant law governing a claim changes, uncertainty in the estimation of outcomes may increase.

The assessment of these provisions can be the most subjective aspect of an insurer's accounts and may result in greater uncertainty than found within the financial statements of other businesses. The directors of the managing agent consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available. However, ultimate liability can be varied by further information and events and this may result in significant adjustments to the provisions. Modifications to claims provisions established in prior years are shown in the financial statements for the period in which the adjustments are made. Provisions are not discounted for investment earnings that may arise on funds retained to meet future liabilities. The methods used, and the estimates made, are reviewed regularly.

Fair value of financial assets

The Syndicate uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

a. Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

b. Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

c. Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.
See Note 9 for details of financial instruments classified by fair value hierarchy.

Basis of accounting

Underwriting transactions

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

The reinsurance to close premium is determined by reference to outstanding technical provisions, (including those for outstanding claims and unexpired risks) relating to the closed year and to all previous closed years reinsured therein.

Although this estimate of net outstanding liabilities must be fair and reasonable, it is implicit in the procedure that ultimate liabilities will differ from the premium so determined. The reinsurance to close premium transfers liability in respect of all claims, reinsurance premiums, return premiums and other payments for the closing year (and previous closed years reinsured therein) to the members of the successor year of account. It also gives members the benefit of refunds, recoveries, premiums due and other income insofar as they have not been credited previously.

Gross premiums are allocated to years of account on the basis of the inception date of the policy. Commission and brokerage are charged to the year of account to which the relevant policy is allocated. Policies written under binding authorities, lineslips or consortium arrangements are allocated to the year of account into which the arrangement incepts. Additional and return premiums follow the year of account of the original premium. Premiums are shown gross of brokerage payable, and exclude taxes and duties levied on them.

Outward reinsurance premiums ceded are attributed to the same year as the original risk being protected.

Notes to the Underwriting Year Accounts

for the 2019 closed year of account at 31 December 2021

1. Accounting Policies (continued)

Gross claims paid are allocated to the same year of account where the corresponding premiums are allocated, and include internal and external claims settlement expenses. Notified claims are estimated on a case by case basis as reported, with regard to any information available from loss adjusters, and previous experience of the cost of settling claims with similar characteristics. Reinsurance recoveries are allocated to the year of account to which the claim was charged.

Derivative financial instruments

The Syndicate uses derivatives in the form of forward foreign currency contracts. Such derivative financial instruments are initially recognised at fair value on the date that the derivative contract is entered into and are subsequently re-measured at fair value through the profit or loss at each balance sheet date. The Syndicate has not used hedge accounting for any of its derivatives.

Investments and investment return

Investments are stated at current value as at the balance sheet date. For this purpose listed investments and overseas deposits are stated at market value and deposits with credit institutions are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date.

Investment return is wholly allocated to the general business technical account.

Income (including interest accrued at the time of purchase, sale or revaluation of fixed interest securities) and realised and unrealised capital appreciation are allocated to underwriting accounts in proportion to average balances on each underwriting account for the financial year.

Overseas deposits

Overseas deposits are stated at market value as at the balance sheet date. The cost of investments held within these deposits is determined either on the same basis as syndicate investments, or on a basis of notification received from Lloyd's.

Taxation

The result for a closed year, net of personal expenses, is accounted to Names and members' agents, on behalf of the underwriting members for whom they act.

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income of the syndicate. Managing agents can recover UK basic rate income tax deducted from syndicate investment income, and consequently any distribution to members or members' agents is gross of tax. Capital appreciation falls within trading income and will also be distributed gross of tax. It remains the responsibility of underwriting members to agree their personal tax liabilities with the Inland Revenue.

All payments on account of United States and Canadian federal income tax, pending receipt of final assessments and reimbursements by Lloyd's, are included in the balance sheet under the heading of other debtors. It is the personal responsibility of members resident in the United States or Canada, to agree and settle their United States or Canadian taxation liabilities. Members resident in other countries for tax purposes are responsible for agreeing and settling any tax liabilities with the taxation authorities of their country of residence.

Syndicate operating expenses

Syndicate operating expenses are allocated to the year of account for which they are incurred.

Where expenses are incurred by or on behalf of the managing agent for the administration of the managed syndicate, they are apportioned using methods appropriate to the type of expense. Expenses which are incurred jointly for the managing agent and managed syndicate are apportioned between the managing agent and syndicate on bases dependent upon the amount of work performed, resources used and the volume of business transacted. Syndicate operating expenses do not include expenses incurred in the settlement of claims.

Syndicate staff participate in a profit sharing scheme that reflects annually accounted profit of the syndicate and the Argo Group. This is paid to staff in April annually.

Pension costs

Argo Management Services Limited is a service company which operates a defined contribution pension scheme. Pension contributions are recharged to group companies and the syndicate based on employees' time and are included within net operating expenses.

Profit commission

Profit commission within these financial statements is charged at a rate of 17.5%

Insurance debtors and creditors

Notes 10, 14 and 15 show the totals of all the syndicate's outstanding debit and credit transactions as processed by Xchanging Ins-sure Services Limited; no account has been taken of any offsets which may be applicable in calculating the net amounts due between the syndicate and each of its counterparty insureds, reinsurers or intermediaries as appropriate.

Basis of currency translation

Transactions in euros, US, Canadian, Australian dollars and Japanese yen are translated at average rates of exchange for each financial year as a proxy for transaction rates. The exception to this is that the reinsurance to close receivable and payable are translated at the transaction rates of exchange ruling at the effective dates of the contracts. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

Monetary assets and liabilities are retranslated into sterling at the rate of exchange at the balance sheet date unless contracts to sell currency for sterling have been entered into prior to the year end, in which case the contracted rates are used. Any differences are included in profit and loss on exchange.

Where euros or Canadian dollars are bought or sold relating to the profit or loss of a closed underwriting account after 31 December, any exchange profit or loss arises in the underwriting account into which the liabilities of that year have been reinsured. Where the US dollar element of the profit or loss of a closed underwriting account is bought or sold by members on that year, any exchange profit or loss accrues to those members.

The balance sheet rates of exchange used in respect of items in these accounts were:

	EUR	USD	CAD	JPY	AUD
31 December 2021	1.19	1.34	1.70	153.56	1.85

Notes to the Underwriting Year Accounts

for the 2019 closed year of account at 31 December 2021

2. Segmental Analysis

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

	Gross premiums written and earned £m	Gross claims incurred £m	Gross operating expenses £m	Reinsurance balance £m	Total £m
Direct insurance:					
Fire and other damage to property	1.0	–	0.8	(0.6)	1.2
Other	4.7	(2.6)	0.3	(0.8)	1.6
	5.7	(2.6)	1.1	(1.4)	2.8
Reinsurance acceptances	423.3	(351.6)	(38.6)	(39.8)	(6.7)
Technical result before investment income	429.0	(354.2)	(37.5)	(41.2)	(3.9)

Reinsurance acceptances includes the reinsurance to close premium of £18.5m received from the 2018 year of account and the reinsurance to close payable to the 2020 year of account of 33.5m of Syndicate 1910.

The reinsurance balance includes reinsurance commission receivable. Gross operating expenses are different to net operating expenses shown in the income statement as commissions in respect of outward reinsurance were received and net off in arriving at the net operating expenses.

All premiums written are for contracts concluded in the UK.

The analysis of gross premiums (excluding RITC received) by geographical area is as follows:

	North America	Canada	UK	Europe	Other	Total
£m	135.5	5.9	51.1	7.0	103.5	303.0

3. Reinsurance premium received to close the 2018 and previous years of account

	2019 year of account £m
Gross reinsurance to close received	126.0
Reinsurance recoveries anticipated	(107.5)
Reinsurance to close premium received, net of reinsurance	18.5

4. Reinsurance premium payable to close the 2019 and previous years of account

	2019 year of account £m
Gross outstanding claims	107.8
Reinsurance recoveries anticipated	(75.5)
Net outstanding claims	32.3
Provision for gross claims incurred but not reported	29.8
Reinsurance recoveries anticipated	(31.2)
Provision for net claims incurred but not reported	(1.4)
Claims handling provision	0.7
Unearned premiums	5.3
Unearned premiums – Reinsurers' share	(3.4)
Net premium for reinsurance to close	33.5

The 2019 year of account and previous years have been reinsured to close into the 2020 year of account.

Certain Clean Energy risks have exposure which is greater than 36 months and, as a consequence, the 2019 year of account has deferred the premiums and its associated liability to future years.

5. Technical account balance before allocated investment return and net operating expenses

	2019 year of account £m
Balance excluding investment return and operating expenses, other than acquisition costs	
Profit attributable to business allocated to the 2019 pure year of account	9.9
Profit attributable to business reinsured into the 2019 year of account	9.7
	19.6
Allocated investment return transferred from the non- technical Account	0.4
Net operating expenses other than acquisition costs	(19.7)
	0.3

6. Net operating expenses

	2019 year of account £m
Brokerage and commission	14.5
Reinsurers' commissions and profit participation	(14.4)
Other acquisition costs	6.8
Acquisition costs	**6.9**
Administrative expenses excluding personal expenses	**14.9**
Lloyd's central fund contributions	0.6
Lloyd's subscriptions	0.6
Managing agent's fees	0.8
Managing agent's profit commission	–
Personal expenses	**2.0**
	23.8
Administrative expenses include:	
Auditors' remuneration consisting of audit and other services	0.5

Notes to the Underwriting Year Accounts

for the 2019 closed year of account at 31 December 2021

7. Staff costs and emoluments of the directors of the managing agent

All staff are employed by Argo Management Services Limited (AMS). The following amounts were recharged to the syndicate as salary costs (this excludes any benefits where the costs are retained elsewhere in the managing agency or other companies in the group):

	2019 year of account £m
Wages and salaries	8.2
Social security costs	1.9
Pension costs	0.7
	10.8

The average number of full-time equivalent employees employed by AMS but working for the syndicate during the three years was as follows:

	2019 year of account
Underwriting	26
Administration and finance	44
Claims	4
	74

8. Net investment income and expenses

	2019 year of account £m
Income from investments	1.0
Gains on realisation of investments	0.9
Losses on realisation of investments	(1.5)
Investment management expenses, including interest	–
	0.4

For further information regarding investment income and average funds, please refer to note 7 of the annual accounts.

9. Investments

	2019 year of account Market value £m	Cost £m
Shares and other variable yield securities and units in unit trusts	37.1	37.1
Debt securities and other fixed income securities	45.4	52.0
Loans with credit institutions	1.0	1.0
	83.5	90.1

The following table shows financial investments recorded at fair value analysed between the three levels in the fair value hierarchy.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Shares and other variable yield securities and units in unit trusts	34.3	–	3.8	38.1
Debt securities and other fixed income securities	–	45.4	–	45.4
	34.3	45.4	3.8	83.5

10. Debtors arising out of reinsurance operations

	2019 year of account £m
Due within one year	133.3

11. Other debtors

	2019 year of account £m
Due within one year:	
Other	0.5

12. Other assets

	2019 year of account £m
Overseas deposits in Australia	0.1
Overseas deposits in Illinois and Kentucky USA	3.5
Overseas deposits in South Africa and other countries	2.4
	6.0

Notes to the Underwriting Year Accounts

for the 2019 closed year of account at 31 December 2021

13. Amounts due to members

	2019 year of account £m
Profit for the 2019 closed year of account	0.3
Members' agents' fees	(0.1)
Amounts due to members' at 31 December 2021	0.2

14. Creditors arising out of direct insurance operations

	2019 year of account £m
Due within one year: intermediaries	7.6

15. Creditors arising out of reinsurance operations

	2019 year of account £m
Due within one year	196.0

16. Other creditors

	2019 year of account £m
Due within one year:	
Early close accrual	16.9
Inter year loan	11.8
	28.7
Due after one year	
Balance with associates	0.2
	28.9

17. Events after the reporting date

The reinsurance premium to close of the 2019 year of account at 31 December 2021 was agreed by the managing agent on 10 February 2022. The technical provisions at 31 December 2021 have been presented in the balance sheet under the headings "reinsurance recoveries anticipated on gross reinsurance to close premium payable" and "reinsurance to close premium payable, gross amount" in accordance with the format prescribed by Lloyd's Syndicate Accounting Byelaw.

The following amounts will be transferred to members' personal reserve funds in April 2022 in US Dollars:

2019 year of account	$309,853

18. Related parties

All related party information is provided in note 15 to the annual accounts. This is shown on page 95.

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