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SYNDICATE 6117

ANNUAL ACCOUNTS

Argo Managing Agency Limited

Report and Syndicate Annual Accounts
For the year ended 31 December 2020

Syndicate 6117



ARGO GLOBAL

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Section 1:
Syndicate 6117
Report and Syndicate Annual Accounts

Directors and Advisors

MANAGING AGENT'S REGISTERED OFFICE

Argo Managing Agency Limited
1 Fen Court
London EC3M 5BN

MANAGING AGENT'S REGISTERED NUMBER

03768610

DIRECTORS

AP Latham (Chairman)
D Argyle
F-X Boisseau
J S Bullock
PJ Grant
H-J Guenther
MJ Harris
DJ Kirby
KA Nealon

SYNDICATE

Argo Syndicate 6117

ACTIVE UNDERWRITER

DJ Kirby

BANKERS

Barclays Bank Plc
Citibank NA
RBC Dexia

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 Special Purpose Arrangement ("SPA") 6117 which reinsures Argo Syndicate 1910.

2020 saw the start of the global Covid-19 epidemic which brought with it significant challenges for our underwriting and operational structure.

RESULTS SUMMARY

Gross written premiums increased from £77.3m in 2019 to £81.9m in 2020. The result for 2020 is a loss of £10.3m compared to a £0.6m loss last year. The total comprehensive loss of £9.9m in 2020 compares to a total comprehensive loss of £0.6m in 2019. The Combined Ratio increased from 100.5% to 113.4%.

Our booked losses relating to Covid-19 are £17.6m which translates into an increase in our Combined Ratio of 24.9 percentage points. The majority of these losses were from event cancellation covers.

Our performance in 2020 was impacted by the frequency of natural catastrophes rather than the severity of individual events seen in previous years. Global insured losses from natural disasters in 2020 were \$82bn (2019 \$57bn). Natural disasters in the United States accounted for \$67bn (2019 \$26bn). The hurricane season in the North Atlantic was a record both in terms of total number of storms and those making landfall in the United States. The most destructive of these was Hurricane Laura which made landfall in Louisiana. Other events worth noting were Storm Derecho and a series of wildfire losses across the Western United States. In contrast, losses in Asia were lower than in previous years and experience in Europe was relatively benign (Source: Munich Re NatCat Service). The impact of these natural catastrophes worsened the Combined Ratio by 25.0 percentage points after reinsurance/retrocessional recoveries.

I am disappointed to report a loss to capital providers from the 2018 and prior years of a negative 6.9% return. Last year this was forecast at a negative 9.6% return.

PORTFOLIO & EXPERTISE

Because of the major losses in recent years and the impact of Covid-19, the market anticipated a material increase in the rating environment for reinsurance. This has not materialised as strongly as we had hoped. It remains limited in Property reinsurance. The diversification of the portfolio mentioned in this report last year was executed successfully. Underwriters continue to show discipline and good risk selection.

THIRD PARTY CAPITAL

We are very grateful to all our capital providers for their continued support of the Syndicate.

STAFF COMMITMENT

As mentioned at the start of this report, we have faced unprecedented operational challenges in 2020 with all staff working from home for prolonged periods. I would like to thank staff for their continued commitment, resilience and enthusiasm.

Tony Latham
Chairman

4 March 2021

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 2020.

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 ("Lloyd's Regulations 2008").

RESULTS

The total recognised income for calendar year 2020 is a loss of £9.5m (2019 loss: £0.6m). Profits/(losses) will be distributed/collected by reference to the results of individual underwriting years.

CALENDAR YEAR RESULTS

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

	2020 £m	2019 £m
Gross written premium	81.9	77.3
Loss for the financial year	(10.3)	(0.6)
Total comprehensive loss	(9.9)	(0.6)
Combined ratio %	113.4%	100.5%

The combined ratio is made up of the claims and expense ratio.

UNDERWRITING YEARS OF ACCOUNT SUMMARY

The return on capacity for the 2018 closed year of account at 31 December 2020 is shown below together with forecasts for the two open years of account.

Year of account summary	2020 F* £m	2019 F £m	2018 A £m
Stamp capacity	80.4	95.2	96.1
Stamp premium income	71.9	84.7	79.5
Stamp utilisation	89.3%	89.0%	82.7%
Gross written premium	72.8	85.6	80.3
Loss	*	(12.7)	(6.6)
Loss/return on stamp	*	(13.3%)	(6.9%)

* A formal forecast range for the 2020 year of account will be released at the time of publishing results for the 15 months to 31 March 2021.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Syndicate was established in 2014 as a 'sidecar' Special Purpose Agreement, writing a whole account quota share of Syndicate 1910. This was 40% quota share for the 2018, 2019 and 2020 years of account. Both syndicates are managed by Argo Managing Agency Limited having previously been managed by Asta Managing Agency Ltd. The syndicate is charged an overriding commission on all gross premium written as well as its share of all Lloyd's levies, subscriptions and costs. A profit commission is payable to Syndicate 1910 based on the profit earned under the contract. The Syndicate will take a 30.5% share of the entirety of Syndicate 1910's business for 2021.

REINSURANCE PROGRAMME PURCHASE

The syndicate does not buy reinsurance independently of its host Syndicate 1910, but benefits from the reinsurance protection purchased by Syndicate 1910 as premiums and claims are ceded, under the whole account quota-share net of Syndicate 1910's reinsurance.

INVESTMENTS

The syndicate operates on a funds withheld basis, and so does not operate its own bank accounts or hold any investments, but benefits from the investment return earned by host Syndicate 1910 which cedes a share of expenses net of credit for its own investment income.

FOREIGN EXCHANGE EXPOSURE POLICY

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

PRINCIPAL RISKS AND UNCERTAINTIES

Note 12 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 (2019: £nil).

OUTLOOK AND FUTURE DEVELOPMENTS

The syndicate will continue to write a whole account quota share of Syndicate 1910. Syndicate 1910 will cede 30.5% of its business to S6117 for the 2021 year of account.

The capacity for the 2021 year of account is £74.7m (2020 year of account £80.4m).

Syndicate 6117 is not participating on Lloyd's Europe platform as no direct business is written in Europe.

Report of the Directors of the Managing Agent

DIRECTORS AND OFFICERS SERVING IN THE YEAR

The directors of the managing agent, who served during the year ended 31 December 2020 and to the date of this report, were:

Directors and officers

A P Latham (independent non-executive; Chairman)

D Argyle

F-X B Boisseau (independent non-executive)

J S Bullock (non-executive)

P J Grant (independent non-executive)

H-J Guenther (independent non-executive)

Appointed 6 February 2020

MJ Harris (non-executive)

DJ Kirby

T Mills (company secretary)

J Moffatt

Appointed 8 January 2020

K A Nealon (independent non-executive)

M Wilken

Resigned 12 June 2020

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

4 March 2021

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 6117

OPINION

We have audited the syndicate annual accounts of syndicate 6117 (‘the syndicate’) for the year ended 31 December 2020 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Members’ Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 13, 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 2020 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, 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 to adopt the going concern basis of accounting for a period of at least twelve 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 annual report set out on pages 3 to 7, 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 annual report.

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 there is 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 2008

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

- the information given in the managing agent’s report for the financial year 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 6117

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 8, 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 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 annual accounts' items.
- For both direct and other laws and regulations, our procedures involved: making enquiry of the directors of the managing agent and senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the managing agent's methods of enforcing and monitoring compliance with such policies, 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 materially 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

4 March 2021

Notes:

1. The maintenance and integrity of the syndicate web site is the responsibility of the manager; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the syndicate annual accounts since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of syndicate annual accounts may differ from legislation in other jurisdictions.

Income Statement

Year ended 31 December 2020

	Note	2020 £m	2019 £m
Technical account – general business			
Earned premiums, net of reinsurance			
Gross premiums written	2	81.9	77.3
Outward reinsurance premiums		–	–
Net premiums written		81.9	77.3
Change in the provision for unearned premiums			
– Gross amount		(11.2)	1.2
– Reinsurers' share		–	–
Change in the net provision for unearned premiums	3	(11.2)	1.2
Earned premiums, net of reinsurance	2	70.7	78.5
Claims incurred, net of reinsurance			
Claims paid			
– Gross amount	3	(50.0)	(58.8)
– Reinsurers' share		–	–
Change in the provision for claims			
– Gross amount	2, 3	(15.4)	(9.8)
– Reinsurers' share		–	–
Change in the net provision for claims	3	(15.4)	(9.8)
Claims incurred, net of reinsurance		(65.4)	(68.6)
Net operating expenses	4	(14.8)	(10.3)
Balance on the technical account for general business		(9.5)	(0.4)
Non-technical account			
Balance on the technical account for general business		(9.5)	(0.4)
Foreign exchange losses		(0.8)	(0.2)
Loss for the financial year		(10.3)	(0.6)

Statement of Comprehensive Income

Year ended 31 December 2020

	2020 £m	2019 £m
Loss for the financial year	(10.3)	(0.6)
Currency translation differences	0.4	–
Total comprehensive loss for the year	(9.9)	(0.6)

Statement of Changes in Members' Balances

Year ended 31 December 2020

	2020 £m	2019 £m
Members' balances brought forward at 1 January	(43.4)	(35.0)
Loss for the financial year	(9.9)	(0.6)
Members' agents' fees	0.4	(0.0)
Transfers from members' personal reserve funds	20.2	(7.8)
Members' balances carried forward at 31 December	(32.7)	(43.4)

Statement of Financial Position

at 31 December 2020

	Note	2020 £m	2019 £m
ASSETS			
Debtors			
Debtors arising out of direct reinsurance operations	7	95.5	70.2
Members' balances and liabilities			
Members' balances		(32.7)	(43.4)
Technical provisions			
Provision for unearned premiums	3	37.1	28.7
Claims outstanding	3	89.8	80.5
		126.9	109.2
Creditors			
Other creditors including taxation and social security		1.3	4.4
Total liabilities		128.2	113.6
Total members' balances and liabilities		95.5	70.2

Approved by the Board of Argo Managing Agency Limited on 4 March 2021 and signed on its behalf by:

D Argyle
Director

D J Kirby
Director

Statement of Cash Flows

As at 31 December 2020

	Note	2020 £m	2019 £m
Cash flows from operating activities			
Loss on ordinary activities		(10.3)	(0.6)
Increase in gross technical provisions		17.7	22.6
Increase in debtors		(28.3)	(14.2)
Movement in other asset/liabilities/foreign exchange		0.7	–
Net cash inflows/(outflows) from operating activities		(20.2)	7.8
Cash flows from financing activities			
Transfer of loss from /(profit to) members' personal reserve funds		20.2	(7.8)
Net cash inflows/(outflows) from financing activities		20.2	(7.8)
Net change in cash and cash equivalents		–	–
Cash and cash equivalents at beginning of year		–	–
Cash and cash equivalents at end of year		–	–

Notes to the Financial Statements

Year ended 31 December 2020

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' (FRS 102) and Financial Reporting 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.

BASIS OF PREPARATION

The financial statement of Syndicate 6117 were authorised for issue by the board of directors on 4 March 2021. The Financial statements have been prepared in accordance with applicable accounting standards. The functional currency of the Syndicate is US dollars and the Financial statements are prepared in sterling, and rounded to the nearest £0.1m unless otherwise stated.

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.

JUDGEMENT AND KEY SOURCES OF 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

Gross written premiums comprise the Syndicate's share of the total premiums receivable by Syndicate 1910, net of reinsurance purchased by Syndicate 1910 and net of acquisition costs paid by Syndicate 1910, for the whole period of cover provided by the contracts entered into during the reporting period, regardless of whether these are wholly due for payment in the reporting period, together with any adjustments arising in the reporting period to such premiums receivable in respect of business written in prior reporting periods. Syndicate 1910 recognises premium on the date on which the policy commences. Syndicate 1910 states gross written premium gross of brokerage payable and excludes taxes and duties levied on them.

Syndicate 1910 makes estimates for pipeline premiums, representing amounts due to the Syndicate not yet notified, as well as adjustments made in the year to premiums written in prior accounting periods.

Claims incurred and reinsurer's share

Gross claims incurred comprise the Syndicate's share of claims and settlement expenses (both internal and external) paid by Syndicate 1910 in the year, and the movement in provision for outstanding claims and settlement expenses, including an allowance for the cost of claims incurred by the balance sheet date, but not reported until after the year end. These amounts are ceded from Syndicate 1910 net of reinsurance.

The provision for claims in Syndicate 1910 comprises amounts set aside for claims notified and claims incurred, but not yet reported (IBNR).

The amount included in respect of IBNR in Syndicate 1910 is based on statistical techniques of estimation applied by external consulting actuaries. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. The provision for claims in Syndicate 1910 also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

The reinsurers' share of provisions for claims in Syndicate 1910 is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business and the claims experience for the year. Syndicate 1910 uses a number of statistical techniques to assist in making these estimates.

Accordingly, the two most critical assumptions as regards claims provisions in Syndicate 1910 are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

The directors consider that Syndicate's share of the provisions for gross claims and related reinsurance recoveries in Syndicate 1910 are fairly stated on the basis of the information currently available to them. However, ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided.

Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

SIGNIFICANT ACCOUNTING POLICIES

Unearned Premiums

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

Unexpired risks

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

The provision for unexpired risks is calculated separately by reference to classes of business which are managed together, after taking into account relevant investment return.

At 31 December 2020 and 31 December 2019 the syndicate did not have an unexpired risks provision.

Acquisition costs

Acquisition costs comprise over-rider and profit commission paid to Syndicate 1910. The share of Syndicate 1910's acquisitions cost is not the cost of acquiring the business from Syndicate 6117's perspective and therefore the Syndicate's share of these costs are netted off within the Syndicate's Gross written premium.

Acquisition costs are considered written, as earned, and therefore there are no deferred acquisition costs.

Profit commission

Profit commission is charged by ceding Syndicate 1910 at a rate of 17.5% of the profit on the 2018 and future years of account. The syndicate also incurs its share of the profit commission charged by the managing agent to Syndicate 1910 based on the profit on a year of account basis. This commission is payable to Syndicate 1910.

Profit commission does not become payable until the appropriate year of account closes, normally at 36 months.

Funds withheld

The syndicate operates on a "funds with-held basis" and operates no bank accounts of its own and holds no investments. Investment income earned by Syndicate 1910 is ceded to the syndicate within administration expenses.

Syndicate operating expenses

Where expenses are incurred by the Managing Agent or on behalf of the Managing Agent on the administration of managed syndicates, these expenses are apportioned using various methods depending on the type of expense. Expenses which are incurred jointly for the Managing Agent and managed syndicates are apportioned between the Managing Agent and the Syndicates depending on the amount of work performed, resources used and volume of business transacted. The syndicate incurs its share of the operating expenses and personal expenses of Syndicate 1910, and also may incur expenses on its own behalf which are then paid by Syndicate 1910, and then recharged to the Syndicate.

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.

Notes to the Financial Statements

Year ended 31 December 2020

Exchange rates

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

	2020 Closing	2019 Closing
Euro	1.11	1.17
US dollar	1.36	1.29
Canadian dollar	1.74	1.72
Japanese yen	140.8	140.1
Australian dollar	1.77	1.90

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. As the Syndicate has no bank accounts of its own distributions are made on its behalf by Syndicate 1910 and treated as payments against Reinsurance premium receivable balances in the 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.

2. SEGMENTAL ANALYSIS

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

	Gross premiums written £m	Gross premiums earned £m	Gross claims incurred £m	Gross operating expenses £m	Reinsurance balance £m	Total £m
2020						
Reinsurance acceptances	81.9	70.7	(65.4)	(14.8)	–	(9.5)
	Gross premiums written £m	Gross premiums earned £m	Gross claims incurred £m	Gross operating expenses £m	Reinsurance balance £m	Total £m
2019						
Reinsurance acceptances	77.3	78.5	(68.6)	(10.3)	–	(0.4)

All premiums were concluded in the UK.

3. TECHNICAL PROVISIONS

	Gross provisions £m	2020 Reinsurance assets £m	Net £m	Gross provisions £m	2019 Reinsurance assets £m	Net £m
Claims outstanding						
Balance at 1 January	80.5	–	80.5	57.6	–	57.6
Change in claims outstanding	15.4	–	15.4	9.8	–	9.8
Effect of movements in exchange rates	(6.1)	–	(6.1)	13.1	–	13.1
Balance at 31 December	89.8	–	89.8	80.5	–	80.5
Claims notified	36.9	–	36.9	25.7	–	25.7
Claims incurred but not reported	52.9	–	52.9	54.8	–	54.8
Balance at 31 December	89.8	–	89.8	80.5	–	80.5
Unearned premiums						
Balance at 1 January	28.7	–	28.7	29.0	–	29.0
Change in unearned premiums	11.2	–	11.2	(1.2)	–	(1.2)
Effect of movements in exchange rates	(2.8)	–	(2.8)	0.9	–	0.9
Balance at 31 December	37.1	–	37.1	28.7	–	28.7

4. NET OPERATING EXPENSES

	2020 £m	2019 £m
Acquisition costs	6.7	0.9
Administration expenses	8.1	9.4
Net operating expenses	14.8	10.3

Members' standard personal expenses amounted to nil (2019: nil).

Notes to the Financial Statements

Year ended 31 December 2020

5. AUDITOR'S REMUNERATION

	2020	2019
	£m	£m
Audit of the Syndicate annual accounts	0.2	0.1
Other services pursuant to regulations and Lloyd's byelaws	–	–
	0.2	0.1

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

No emoluments of the Argo Managing Agency Limited were charged to the Syndicate during the year.

The emoluments of the active underwriter are borne by the host Syndicate, and are not separately identifiable from the fee charged to the Syndicate.

The host syndicate cedes to the Syndicate a share of an administration fee that does not separately identify staff costs.

7. DEBTORS ARISING OUT OF REINSURANCE OPERATIONS

	2020	2019
	£m	£m
Due within one year – intermediaries	95.5	1.5
Due after one year – intermediaries	–	68.7
	95.5	70.2

8. RELATED PARTIES

Below is the related party note included in the report and accounts of Syndicate 1910, the host Syndicate for Syndicate 6117. 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 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 calendar year basis. When the year of account result is finalised, usually after 36 months, 17.5% on the profit for the 2020 and 2019 years of account and 1.5% on the profit up to £7.5m and 1% thereafter on the 2018 year of account. Within the financial statements for the 2020 calendar year, Managing Agent's fee of £0.8m (2019: £1.3m) have been included in net operating expenses with £nil (2019: £nil) for profit commission. As at December 2020 the amount owed to AMA in respect of profit commission was £nil (2019: £nil), there were no unpaid fees, (2019: £nil).

The 2020 year of account of Syndicate 1910 is supported 44.2% by Argo (No. 604) Limited, 4.0% by Sompo (Alpha) Limited (2019: 39.9% by Argo (No. 604) Limited, 4.8% by Sompo (Alpha) Limited), a subsidiary of Argo Group International Holdings Ltd.

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 2020 was £8.3m (2019: £10.2m) excluding agent's fees and profit commission. At December 2020 an amount of £7.1m (2019: £10.2m) was due to the managing agent from the syndicate for expenses. No interest is payable on this amount.

Ariel Re Bermuda Limited (ARBL) incurs a large 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 ARBL to the syndicate during 2020 was £13.0m (2019: £20.1m).

At December 2020 an amount of £3.0m (2019: £5.7m) was due to ARBL from the syndicate for expenses. No interest is payable on this amount.

Ariel Re UK Limited (ARUK) incurred a proportion of the expenses in operating the syndicate and recharged them to the syndicate on a basis that reflected 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 ARUK to the syndicate during 2020 was £nil (2019: £nil). At December 2020 an amount of £nil (2019: £nil) was due to ARUK from the syndicate for expenses.

The amount of premium written under the Managing General agency (MGA) agreement with ARBL in the period was £194.4m (2019: £265.0m). At 31 December, the amount receivable was £113.1m (2019: £100.3m). AMA also manage a Special Purpose Syndicate 6117, backed by individual names advised by the member's agent Hampden which has written a 40% whole account quota share of the net premiums, claims and expenses of Syndicate 1910 2020 Underwriting Year (2019: 40%). The net amount of premium ceded with Syndicate 6117 under the whole account quota share was £81.9m (2019: £81.7m) with overriding and profit commission earned of £2.5m (2019: £3.0m). As this quota share reinsurance is placed on a funds withheld basis, the net amount due as at 31 December 2020 of £95.5m (2019: £63.4m) will not become payable until the relevant underwriting year closes after 36 months.

9. 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 2).

10. 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 12 for further details.

11. OFF-BALANCE SHEET ITEMS

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.

Notes to the Financial Statements

Year ended 31 December 2020

12. RISK MANAGEMENT

The syndicate writes a quota share of the host Syndicate 1910. Therefore the risk policies described below are implemented at the host level.

a) Governance framework

The primary objective of the Managing Agent in approaching 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 its syndicates 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 the Managing Agent has a syndicate policy framework which sets out the risk profiles for its syndicates, risk management, control and business conduct standards for the Syndicate's operations, and is being enhanced following the novation between managing agencies. 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".

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 6117 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.

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 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 2020 was 35% of the member's SCR 'to ultimate'.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (funds at Lloyd's), 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 14, 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 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 out of the RDS on the Syndicates in-force exposure at 31 December 2020 (Syndicate 6117 share).

	Estimated Gross loss £m	Estimated Net loss £m
Two events – North East Windstorm	28.8	28.8
Florida Windstorm – Miami Dade	18.4	18.4
Florida Windstorm – Pinellas	34.8	34.8
Gulf of Mexico Windstorm – Major Hurricane landing in Galveston, Texas	22.0	22.0
California Earthquake – San Francisco	25.6	25.6
California Earthquake – Los Angeles	26.2	26.2
Japanese Earthquake – based on 1923 Great Kanto Earthquake	18.9	18.9

The table below sets out the concentration of outstanding claim liabilities by type of contract (Syndicate 6117 share).

	Gross Liabilities £m	2020 Re-Insurance Liabilities £m	Net Liabilities £m	Gross Liabilities £m	2019 Re-Insurance Liabilities £m	Net Liabilities £m
RI acceptances	89.8	–	89.8	80.5	–	80.5

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.

Notes to the Financial Statements

Year ended 31 December 2020

12. 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.

(Syndicate 6117 share):	Five % increase £m	Five % decrease £m
2020		
Gross amount of increase/(decrease) in reserves	6.3	(6.3)
Net amount of increase/(decrease) in reserves	6.3	(6.3)
2019		
Gross amount of increase/(decrease) in reserves	4.0	(4.0)
Net amount of increase/(decrease) in reserves	4.0	(4.0)

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.

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.

(Syndicate 6117 share): Underwriting year	2018 £m	2019 £m	2020 £m	Total £m
Estimate of cumulative claims incurred				
At end of underwriting year	68.5	62.2	45.2	175.9
One year later	78.4	86.5	–	164.9
Two years later	77.6	–	–	77.6
Current estimate of cumulative claims incurred	77.6	86.5	45.2	209.3
Less cumulative gross paid	74.7	49.5	5.3	129.5

* Gross and net technical items are the same.

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 honour their obligation to the Syndicate. The Syndicate's net exposure and credit risk is the risk of default by Syndicate 1910.

31 December 2020	Neither past due nor impaired £m	Total £m
Debtors arising out of reinsurance insurance operations	95.5	95.5

31 December 2019	Neither past due nor impaired £m	Total £m
Debtors arising out of reinsurance insurance operations	70.2	70.2

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2020 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 2020	A £m	Total £m
Debtors arising out of reinsurance insurance operations	95.5	95.5

31 December 2019	A £m	Total £m
Debtors arising out of reinsurance insurance operations	70.2	70.2

2) Liquidity risk

The Syndicate operates on a funds withheld basis and operates no bank accounts of its own. All transactions are incurred and settled in the first instance by the host Syndicate 1910. On closing a year of account, profits or losses earned by Syndicate 6117 are settled between the host Syndicate and the members.

Notes to the Financial Statements

Year ended 31 December 2020

12. RISK MANAGEMENT (CONTINUED)

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.

(Syndicate 6117 share):	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						
Claims outstanding	–	34.1	31.4	14.1	10.2	89.8
	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 2019						
Claims outstanding	–	52.5	21.3	5.3	1.4	80.5

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 US Dollars and its exposure to foreign exchange risk arises primarily with respect to its share of transactions by Syndicate 1910 in Euro, GBP and Canadian dollars. Syndicate 6117 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 Syndicate's share of the financial assets and liabilities of Syndicate 1910 (translated to Sterling) to foreign currency exchange risk at the reporting date, as follows:

(Syndicate 6117 share):	GBP £m	Euro £m	USD £m	CAD £m	AUD £m	JPY £m	OT £m	Total £m
Assets	(8.8)	9.0	75.3	8.9	4.5	4.1	2.5	95.5
Liabilities	(20.8)	(9.3)	(67.1)	(5.6)	(3.3)	(18.2)	(3.9)	(128.2)
Net asset/(liabilities) as at 31 December 2020	(29.6)	(0.3)	8.2	3.3	1.2	(14.1)	(1.4)	(32.7)
	GBP £m	Euro £m	USD £m	CAD £m	AUD £m	JPY £m	OT £m	Total £m
Assets	(18.7)	3.6	67.7	6.3	3.7	8.0	(0.4)	70.2
Liabilities	(4.3)	(8.0)	(68.4)	(1.5)	(2.3)	(25.1)	(4.0)	(113.6)
Net asset/(liabilities) as at 31 December 2019	(23.0)	(4.4)	(0.7)	4.8	1.4	(17.1)	(4.4)	(43.4)

The host Syndicate, Syndicate 1910, matches its currency position so holds net assets across a number of currencies. Syndicate 1910 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 Syndicate 1910, against variation in foreign exchange rates. The net assets of Syndicate 6117 are held by Syndicate 1910 on a funds withheld basis and are due to Syndicate 6117 after 3 years.

13. POST BALANCE SHEET EVENTS

During 2020, the following amounts are proposed to be collected from members.

	2020 £m
2018 Year of Account	(6.6m)

Section 2:
Syndicate 6117
Underwriting Year Accounts

Report of the Directors of the Managing Agent

The Directors of Argo Managing Agency Limited present their report at 31 December 2020 for the 2018 closed year of account.

BUSINESS REVIEW

Syndicate 6117 writes a 40% quota-share of the whole account of Syndicate 1910's 2018 year of account.

We are disappointed to announce that the 2018 year of account on the traditional Lloyd's three-year accounting basis has closed with a loss before members' agents' fees of £6.6m, which equates to a return on capacity of (6.9)%.

This represents a disappointing return on capacity driven by an active year of large catastrophe losses and a weaker rating environment than previously experienced.

Year of account summary	2018 £m
Stamp capacity	96.1
Stamp premium income	79.5
Stamp utilisation	82.7%
Gross premiums written	80.3
Loss	(6.6)
Declared loss on stamp	(6.9%)

Effective 31 December 2020, the 2018 Year of Account of the Syndicate was closed into the 2019 Year of Account of Syndicate 1910.

DISCLOSURE OF INFORMATION TO THE AUDITORS

So far as each person who was a Director of the Managing Agent at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with their report, of which the auditors are unaware. Having made enquiries of fellow Directors of the agency and the Syndicate's auditors, each Director has taken all the steps that he/she is obliged to take as a Director in order to make he/she aware of any relevant audit information and to establish that the auditors are aware of that information.

The board of directors of the Managing Agent has overall responsibility for the establishment and oversight of the Syndicate's risk and capital management.

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:

DJ Kirby
Director

4 March 2021

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 6117 2018 CLOSED YEAR OF ACCOUNT

OPINION

We have audited the syndicate underwriting year accounts for the 2018 year of account of syndicate 6117 ('the syndicate') for the three years ended 31 December 2020 which comprise the Income Statement, the Statement of Changes in Members' Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 14, 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 loss for the 2018 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, 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 2018 YEAR OF ACCOUNT

We draw attention to the Basis of preparation note which explains that the 2018 year of account of syndicate 6117 has closed and all assets and liabilities transferred to the 2019 year of account by reinsurance to close at 31 December 2020.

As a result, the 2018 year of account of syndicate 6117 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 annual report, 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 annual report.

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 there is 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 29, 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 enquiry of the directors of the managing agent and senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the managing agent's methods of enforcing and monitoring compliance

Report of the Independent Auditors

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNDICATE 6117 2018 CLOSED YEAR OF ACCOUNT

with such policies, 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 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 materially 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

4 March 2021

Notes:

1. The maintenance and integrity of the syndicate web site is the responsibility of the manager; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the syndicate underwriting year accounts since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of syndicate underwriting year accounts may differ from legislation in other jurisdictions.

Income Statement 2018 Year of Account

For the three years ended 31 December 2020

	Note	2018 year of account £m
Technical account – general business		
Earned premiums, net of reinsurance		
Gross premiums written	4	74.8
Outward reinsurance premiums		–
Earned premiums, net of reinsurance		74.8
Reinsurance to close premiums received, net of reinsurance		20.0
Allocated investment return transferred from the non-technical account		0.0
Claims incurred, net of reinsurance		
Gross amount	4	(80.1)
Reinsurers' share		–
Net claims paid		(80.1)
Reinsurance to close premium payable, net of reinsurance	6	(12.9)
Net operating expenses	7	(8.9)
Balance on the technical account for general business		(7.1)
Non-technical account		
Balance on the technical account for general business		(7.1)
Profit on exchange		0.5
Loss for the closed year of account		(6.6)

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 2018 Year of Account

as closed at 31 December 2020

	Note	2018 year of account £m
Assets		
Debtors		
Debtors arising out of reinsurance operations	10	6.3
Total assets		6.3
Liabilities		
Amounts due from members		(7.0)
Reinsurance to close premium payable, to close the account	6	12.9
Creditors		
Other creditors	11	0.4
Total liabilities		6.3

Approved by the Board of Argo Managing Agency Limited on 4 March 2021 and signed on its behalf by:

D Argyle
Director

D J Kirby
Director

Statement of Changes in Members' Balances

2018 Year of Account

	2018 year of account £m
Loss for the 2018 closed year of account	(6.6)
Members' agents' fees	(0.4)
Amounts due from members at 31 December 2020	(7.0)

Statement of Cash Flows 2018 Year of Account

for the 36 months ended 31 December 2020

	Note	2018 year of account £m
Reconciliation of profit to net cash inflow from operating activities		
Loss for the closed year of account		(6.6)
Increase in debtors		(6.3)
Increase in creditors		0.4
RITC premium payable, net of reinsurance		12.9
Net cash inflow from operating activities		0.4
Cash flows from financing activities:		
Member's agents fees paid on behalf of members		(0.4)
Net increase in cash and cash equivalents		–
Cash and cash equivalent at 1 January 2018		–
Cash and cash equivalent at end of the year of account		–

Notes to the Underwriting Year Accounts

for the 2018 closed year of account at 31 December 2020

1. STATEMENT OF COMPLIANCE

The Syndicate underwriting year accounts have been prepared under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Lloyd's Regulations") and in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005) and applicable Accounting Standards in the United Kingdom, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and the 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 functional currency of the Syndicate is US dollars and the Financial statements are prepared in sterling, and rounded to the nearest £0.1m unless otherwise stated.

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 2018 year of account which has been closed by reinsurance to close at 31 December 2020. Consequently the statement of financial position represents the assets and liabilities of the 2018 year of account at the date of closure and the income statement and statement of cash flows reflects the transactions for that year of account during the 36 months period until closure.

The 2018 year of account has closed and all assets and liabilities have been transferred to a reinsuring year of account. The result for the year of account was declared in US dollars (\$5.1m) and will be collected in US dollars. To this extent, 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 described 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 disclosure relating to these risks are provided in the Syndicate Annual Accounts.

The financial statements for the period ended 31 December 2020 were approved for issue by the board of directors on 4 March 2021.

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

2. ACCOUNTING POLICIES

Significant accounting estimates and judgements

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

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

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

The ultimate cost of outstanding claims is estimated using a range of techniques including actuarial and statistical projections, benchmarking, case by case review and judgement. Statistical techniques assume that past claims development experience can be used as a basis to project ultimate claims costs. Judgement is used to assess the extent to which past trends may not apply in the future. Case estimates are generally set by skilled claims technicians applying their experience and knowledge to the circumstances of individual claims.

Whilst the Directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated based on the information currently available to them, the ultimate liability will vary as a result of subsequent information and events.

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 that three year period, outstanding liabilities can normally be determined with sufficient accuracy to permit the year of account to be closed by payment of a reinsurance to close premium to the successor year of account.

Gross premiums 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.

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

Gross claims paid are allocated to the same year of account as that to which the corresponding premiums are allocated and include internal and external claims settlement expenses.

The reinsurance to close premium is determined by reference to the outstanding technical provisions (including those for outstanding claims and unearned premiums, net of deferred acquisition costs and unexpired risks) relating to the closed year. Although this estimate of net outstanding liabilities is considered to be fair and reasonable, it is implicit in the estimation procedure that the ultimate liabilities will be at variance from the premium so determined. The reinsurance to close premium transfers the liability in respect of all claims, reinsurance premiums, return premiums and other payments in respect of the closing year to the members of the successor year of account and gives them the benefit of refunds, recoveries, premiums due and other income in respect of those years in so far as they have not been credited in these accounts.

The outstanding claims comprise amounts set aside for claims notified and claims incurred but not yet reported (IBNR).

Notified claims are estimated on a case by case basis with regard to the circumstances as reported, any information available from loss adjusters and previous experience of the cost of settling claims with similar characteristics. The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate's external consulting actuaries. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

The provision for claims includes amounts in respect of internal and external claims handling costs.

The Syndicate uses a number of statistical techniques to assist in making the above estimates. The two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred. The methods used, and the estimates made, are reviewed regularly.

Acquisition costs, comprising commission and other internal and external costs related to the acquisition of new insurance contracts are deferred to the extent that they are attributable to premiums at the balance sheet date.

Notes to the Underwriting Year Accounts

for the 2018 closed year of account at 31 December 2020

2. ACCOUNTING POLICIES (CONTINUED)

Syndicate operating expenses & profit commission

Costs incurred by the host, Syndicate 1910 are charged to the Syndicate under the Quota Share.

Cost incurred by the managing agent in respect of the Syndicate are charged to the host syndicate, recharged to the Syndicate and included within the relevant profit and loss account heading. Where expenses do not relate to any specific year of account they are apportioned between years of account on a basis which reflects the benefit obtained by each year of account from each type of expense.

Profit Commission

Profit commission is charged by ceding Syndicate 1910 at a rate of 17.5%. The Syndicate also incurs its share of the profit commission charged by the managing agent to Syndicate 1910 based on the profit on a year of account basis.

Amounts recharged by the Managing Agent include costs arising from the use of assets in the period. These rental costs are expensed in full in the period to which the recharge relates.

Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic income tax deducted from Syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax. It is the responsibility of members to agree and settle their individual tax liabilities with HM Revenue & Customs.

Members resident overseas for tax purposes are responsible for agreeing and settling any tax liabilities with the taxation authorities of their country of residence.

Foreign currency

The Syndicate's functional currency is USD and presentational currency is GBP.

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.

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

	EUR	USD	CAD	JPY	AUD
31 December 2020	1.11	1.36	1.74	140.81	1.77

3. RISK MANAGEMENT

Effective from 31 December 2020 the Syndicate closes by way of Reinsurance to Close ("RITC") in to the host Syndicate 1910's 2019 year of account. The RITC process means that Insurance, Financial, Credit, Liquidity, Market and Capital risks are transferred to the accepting Syndicate. Accordingly, these Underwriting Year accounts do not have any associated disclosures as required by section 34 of FRS 102. Full disclosures relating to these risks are provided in the main Annual accounts of the Syndicate.

4. SEGMENTAL ANALYSIS

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

2018 year of account	Gross premiums written and earned £m	Gross claims incurred £m	Gross operating expenses £m	Reinsurance balance £m	Net Reinsurance to close received/ (payable) £m	Total £m
Reinsurance	74.8	(80.1)	(8.9)	–	7.1	(7.1)
Total	74.8	(80.1)	(8.9)	–	7.1	(7.1)

All business is written in the United Kingdom.

Gross operating expenses are the same as net operating expenses.

5. ANALYSIS OF RESULT BY YEAR OF ACCOUNT

All results relate to the 2018 Year of account which has not accepted any Reinsurance to close premiums from prior years.

6. REINSURANCE TO CLOSE PREMIUM

	Reported £m	IBNR £m	Total £m
Gross and Net Reinsurance to Close Premium	15.4	(2.5)	12.9

The 2018 Year of Account has been reinsured to close into the 2019 Year of Account of host Syndicate 1910.

7. NET OPERATING EXPENSES

	£m
Acquisition costs	1.0
Administration expenses	7.9
Total	8.9

8. AUDITORS REMUNERATION

	£m
The closed year profit is stated after charging:	
Fees payable to the Syndicate's auditor for the audit of these financial statements	0.1
Fees payable to the Syndicate's auditor and its associates in respect of:	–
Other services pursuant to legislation	–
Total	0.1

The auditor did not receive any other remuneration other than that stated above.

Notes to the Underwriting Year Accounts

for the 2018 closed year of account at 31 December 2020

9. STAFF COSTS AND EMOLUMENTS OF THE DIRECTORS OF THE MANAGING AGENT

No emoluments of the Directors of Argo Managing Agency Limited were charged to the Syndicate during the year.

The emoluments of the active underwriter are borne by the host Syndicate, and are not separately identifiable from the fee charged to the Syndicate.

The host syndicate cedes to the Syndicate a share of an administration fee that does not separately identify staff costs.

10. DEBTORS ARISING OUT OF REINSURANCE OPERATIONS

	£m
Due within one year – Intermediaries	6.3
Due after one year	–
Total	6.3

11. OTHER CREDITORS

	£m
Amounts payable to Syndicate 1910	0.4

12. RELATED PARTIES

All related party information is provided in note 8 of the annual accounts.

13. DISCLOSURE OF INTERESTS

Managing Agent's interest

Argo Managing Agency Limited is 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 2).

14. POST BALANCE SHEET EVENT

During 2019, the following amounts are proposed to be collected from members.

	2020 £m
2018 Year of Account	6.6

Summary of Closed Year Results

for the 2018 closed year of account at 31 December 2020

	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m
Syndicate allocated capacity	57.9	38.1	51.7	106.8	96.1
Number of Underwriting members	956	993	1,000	995	906
Results for an illustrative share of £10,000	£'000	£'000	£'000	£'000	£'000
Gross premiums	6.7	6.6	7.3	8.9	7.8
Net premiums	6.7	6.6	7.3	8.9	7.8
Net claims	(1.1)	(1.8)	(2.5)	(9.2)	(9.7)
Reinsurance to close	(1.2)	(0.1)	–	(1.9)	(0.7)
Profit on exchange	0.7	(1.0)	0.4	(0.3)	0.1
Syndicate operating expenses	(2.4)	(2.3)	3.7	(1.3)	(0.9)
Total comprehensive income	2.7	1.4	1.5	(1.9)	(0.7)
Members agent fees	(0.1)	(0.1)	(0.1)	(0.0)	(0.0)
Profit on ordinary activities	2.6	1.3	1.4	(1.9)	(0.7)

Notes

1. The summary of closed year results has been prepared from the audited accounts of the Syndicate.
2. Members' agent fees have been stated at the amount which would be incurred pro rata by individual Names writing the illustrative premium income in the Syndicate. Foreign tax, which may be treated as a credit for personal tax purposes, has been excluded.
3. As regards the 2018 year of account, an illustrative share of £10,000 represents 0.010% of the respective allocated capacity.
4. 2014 is the first year of trading of Syndicate 6117.

