Important information about Syndicate Reports and Accounts

SYNDICATE 1414

ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

CONTENTS

31 December 2021

MANAGING AGENT - CORPORATE INFORMATION

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

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors of the managing agent, Ascot Underwriting Limited (AUL), present their strategic report for the year ended 31 December 2021.

Principal activity and review of the business

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

For the 2021 year of account Ascot Corporate Name Limited (ACNL) is the sole corporate member, a company incorporated in England and Wales, and ultimately owned by Canada Pension Plan Investment Board. The final allocated premium income capacity for each of the last four underwriting years and the prospective year is shown below:

Year	Syndicate Capacity £m
2018	600
2019	600
2020	650
2021	900
2022	950

The managing agent of Syndicate 1414 is Ascot Underwriting Limited (AUL). AUL is a wholly owned subsidiary of Ascot Underwriting Group Limited (AUGL), which is also the parent of ACNL.

AUL owned two subsidiaries during the year, Ascot Underwriting Asia (Private Limited) (AUA) a platform allowing Syndicate 1414 to underwrite Lloyd's Asia risks which is currently in run-off and expected to be closed during 2022, and Ascot Insurance Services Limited (AIS) a service company for Syndicate 1414 providing services between the Syndicate and businesses who are acting as coverholders for the Syndicate.

Syndicate 1414 utilises Lloyd's Brussels (Lloyd's Insurance Company S.A) to underwrite European Union (EU) and European Economic Area (EEA) business following the UK's exit from the EU. A Part VII transfer of existing European business was completed on 30 December 2020, see note 2c, for further information.

Key performance indicators

The key performance indicator for the Syndicate is considered to be profitability. The directors measure profitability of the syndicate by reference to the combined ratio. The combined ratio for the last two years is set out in the table below:

	Year ended 31 December 2021	Year ended 31 December 2020
Net loss ratio[1]	**55.6%**	57.1%
Net expense ratio[2]	**34.0%**	32.3%
Combined ratio[3]	**89.6%**	89.4%

Gross written premium increased from £824.3m in 2020 to £1,043.8m in 2021, an increase of 27%, this is being driven by a combination of rate increases seen in 2020 which have continued into 2021 and the onboarding of new business lines and teams during the period; notably Professional Indemnity and Binders Liability. Following the rate increases achieved by many classes during 2020 we have had further rate increases in 2021, Syndicate 1414 achieved an average rate increase of 9.4% against a plan of 11.6%, and prior year of 12.8%. The Board of AUL ("Ascot" or "the Board") have monitored rate movements year-to-year on a consistent basis as well as rate adequacy. 2021 was another challenging year in the insurance and reinsurance market given the above average natural catastrophe bill. This most certainly reinforces the view that property pricing needs to increase further in 2022 with markets recognising that current levels are not respecting non-modelled risk and the increased effects of climate change.

Net written premium increased from £493.4m in 2020 to £724.3m in 2021, an increase of 47% and a resultant premium retention ratio of 69% for 2021 versus 60% for 2020, this is being driven by the above mentioned increases in gross premiums written whilst continuing to protect the exposure of the Syndicate with the use of an extensive reinsurance program.

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

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

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

Net loss ratio

	Note	**Year ended 31 December 2021**	Year ended 31 December 2020	Variance
Current accident year		**50.2%**	49.7%	0.5%
Prior accident years	**10**	**5.4%**	7.4%	(2.0)%
Net loss ratio		**55.6%**	57.1%	(1.5)%

During 2021, the current year accident loss ratio was impacted by notable events being Winter Storm Uri, gross loss of £48.6m and net £29.8m; European Floods, gross loss of £36.6m and net £22.6m; Hurricane Ida, gross loss of £68.5m and net £3.3m; US Tornados, gross loss of £19.5m and net £9.0m and Amplify Energy, gross loss of £20.8m and net £6.0m. The impact to the Syndicate result across these events was a gross loss of £194.0m and net loss of £70.7m, representing 11.8% of the current accident year ratio.

Non-catastrophe current accident year loss ratio for 2021 of 38.5% compares favourably with the prior year of 43.6%, being driven by the improved rating environment referred to earlier, offset by the increased frequency and severity of medium and larger losses that has been prevalent for the past five years, alongside the fact that 2020 experienced a record number of named hurricanes.

Of the 5.4% prior accident year loss ratio, 4.0% comes from catastrophe events, most notably on Hurricane Laura and 2010 New Zealand Earthquake. The 2021 income statement impact for these events is a gross loss impact of £14.4 and £10.0m respective, and a net deterioration of £11.7m and £10.0m respective.

Net expense ratio

	Year ended 31 December 2021	Year ended 31 December 2020	Variance
Acquisition cost ratio	**26.9%**	27.2%	(0.4)%
Administrative expenses ratio	**7.2%**	5.1%	2.1%
Net expense ratio	**34.0%**	**32.3%**	**1.7%**

Ascot's acquisition cost ratio is an improvement of (0.4)%, year on year, following a change in the mix of business and positive underwriter actions.

Ascot has always been careful to manage its administrative expense ratio and through 2021 has been actively looking for ways to improve this position. Whilst 2021 reflects a deterioration of 2.1%, year on year, this is being driven by the growth seen in the income of the business, adding new teams and associated supporting functions, as well as the proportional increase seen from associated Lloyd's levies and charges.

Results and performance

The result for the 2021 financial year, as set out on pages 11 and 12, is a profit of £55.7m (2020: profit of £68.2m) and a combined ratio of 89.6%% (2020: 89.4%).

Profits will continue to be distributed by reference to the results of individual underwriting years. Under Lloyd's rules the 2019 year of account was closed at 31 December 2021 with a profit of £18.6m or 3.1% of stamp capacity of £600.0m.

Future outlook

Following two years of positive rate increases for the Ascot portfolio,we have planned for most classes to witness further increases in 2022 albeit at lower levels than the last couple of years, but the compound effects are worth noting.

Covid 19 is still not behind us as a market as many claims are still being negotiated or are awaiting court/arbitration dates, these have been held up due to their extended closure. Therefore, we still categorise Covid 19 as a "live cat" and hope that more progress can be made on the claims in 2022.

The management of Ascot are very bullish on the prospects for 2022 as our core book is extremely well set given that we have had three to four years of rate increases, coupled with conditions improvement in most classes. As ever we will direct our writings towards those books of business with the comparatively stronger rate adequacy. The renewal portfolio is in a strong position, and this is again proved by it's outperformance of the Lloyd's market in 2021. We will continue to refine and optimise each portfolio and push most of the underwriters to grow their books as we are in a good market in most classes. The exceptions to this are: Terrorism and P.A. where we will continue to write controlled small portfolios. Our outwards reinsurance renewals were somewhat challenging, but we are pleased to say that we have achieved full coverage of the core programme and essentially the structures and retentions are as previously set in 2021, this will see us well set to achieve our goals in 2022.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

It is great that Lloyd's will return to profitability in 2021 but the market must not consider that this is job done. We must expect the threat of heightened natural catastrophe losses as part of the way we business plan and price business. With the likely result to be a mid-nineties combined ratio we do not view this as a "hard market" result and the underwriters at Ascot will do all they can to continue to push rate and terms/conditions.

Principal risks and uncertainties

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

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

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

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

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

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

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

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

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

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

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

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

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

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

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

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

2020-2021 greenhouse gas emission figures[4] (tonnes CO_2 equivalent)

Greenhouse Gas (GHG) Emissions	Unit	2021	2020
Scope 1 – Direct	tCO_2e	24	35
Scope 2 (location based) – Indirect	tCO_2e	99	126
Scope 2 (market based) – Indirect[5]	tCO_2e	0	0
Total (Location)	tCO_2e	**123**	**161**
Total (Market)	tCO_2e	**24**	**35**

As evidenced above in the year-on-year reduction in greenhouse gas emissions despite the return of employees to the office in 2021 on a hybrid working basis, the management company of 20 Fenchurch Street have undertaken a number of energy efficiency projects during the year to reduce the building's carbon footprint and continue the transition to renewable energy.

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

Climate Change and Transition Risk - this is the risk of climate change and the transition to a low carbon economy on the Syndicate's underwriting and investment portfolios. As a global insurer the impact of climate change is fundamental to our business as we are witnessing a higher frequency and severity in natural catastrophes and extreme weather events. The Syndicate has embedded catastrophe aggregation management principles within the infrastructure of its underwriting process which includes sensitivity analyses and scenario analyses to better understand this risk. ESG metrics are monitored for investment holdings to manage both transition risk as well as the contribution of ESG factors to investment performance.

Social - Ascot endeavours not only to be a good corporate citizen and trusted insurer, but also a respected employer that prioritises the importance of staff wellbeing and success.

Governance - Ascot is committed to fostering and promoting responsible corporate governance and transparency. Strong governance practices underpin our commitment to ethics and integrity, board diversity and stakeholder engagement across all facets of the business. Oversight and discussion of ESG related items takes place across all committees of the governance framework with notable developments escalated to the Risk Committee, Executive Committee and ultimately, the Board. The structure is further supported by an Ascot Group Sustainability Steering Committee which has a more focused remit on ESG matters with specific workstreams responsible for aiding strategic decision making on ESG aspects of underwriting, operations, investments, social governance and communications.

Diversity and Inclusion - The Board continues to place emphasis on ensuring diversity in its broadest sense within the Company. It is committed to maintaining female Board and Executive level representation in line with targets that have been set across the Lloyd's market and actively monitors the development of diversity in senior management roles

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

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

Andrew L Brooks
Chief Executive Officer
Ascot Underwriting Limited
28 February 2022

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

MANAGING AGENT'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors of the managing agency, Ascot Underwriting Limited, present their report and audited annual financial statements for the year ended 31 December 2021.

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

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

Results and performance

This has been discussed in the strategic report.

Future outlook

This has been discussed in the strategic report.

Directors

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

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

Company Secretary
Elizabeth H Guyatt

Active Underwriter

Mark L Pepper was active underwriter of Syndicate 1414 throughout 2021. Mr Pepper began his career in insurance in 1987 and joined Ascot at its inception in 2001 to lead the Treaty team. He was promoted to the role of Chief Underwriting Officer in 2009 and is a member of the Board.

Risk management

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

Statement of Managing Agent’s responsibilities

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

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

MANAGING AGENT'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

Statement of Managing Agent's responsibilities (continued)

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

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

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

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

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

Charitable Donations

During the year the Syndicate made donations for charitable purposes of £nil (2020: £nil).

Disclosure of information to auditors

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

- as far as each of them is aware, there is no information relevant to the audit of the Syndicate's annual financial statements for the year ended 31 December 2021 of which the auditors are unaware; and
- the directors have taken all steps that they ought to have taken in their duty as directors in order to make themselves aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

Independent auditors

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

Approved by order of the board

Helen R Jones-Bak
Chief Financial Officer
Ascot Underwriting Limited

28 February 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 1414

Report on the audit of the syndicate annual financial statements

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

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have audited the syndicate annual financial statements which comprise:

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

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

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

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

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

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

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

28 February 2022

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2021

TECHNICAL ACCOUNT – GENERAL BUSINESS	*Note*	**2021 £'000**	2020 £'000
Earned premiums, net of reinsurance			
Gross premiums written	3	1,043,753	824,295
Outward reinsurance premiums		(319,404)	(330,910)
Net premiums written		**724,349**	493,385
Change in the provision for unearned premiums			
Gross amount		(130,681)	(63,271)
Reinsurers' share		7,481	20,715
		(123,200)	(42,556)
Earned premiums, net of reinsurance		**601,149**	450,829
Allocated investment return transferred from the non-technical account		(7,816)	18,925
Total technical income		**593,333**	469,754
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		343,434	333,439
Reinsurers' share		(143,556)	(138,971)
Net claims paid		**199,878**	194,468
Change in the provision for claims			
Gross amount		225,524	12,276
Reinsurers' share		(91,185)	50,678
		134,339	62,954
Claims incurred, net of reinsurance		**334,217**	257,422
Net operating expenses	6 , 9	204,608	145,820
Total technical charges		**538,825**	403,242
Balance on the Technical Account for General Business	10	**54,508**	66,512

STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
for the year ended 31 December 2021

NON-TECHNICAL ACCOUNT	*Note*	**2021 £'000**	2020 £'000
Balance on the General Business Technical Account		**54,508**	66,512
Investment income	7	13,467	14,852
Investment expenses and charges		(2,431)	(956)
Unrealised gains on investments		(6,546)	8,456
Unrealised losses on investments		(12,745)	27
Total investment return		**(8,255)**	22,379
Allocated investment return transferred to the general business technical account		7,816	(18,925)
Non-technical account - investment return		**(439)**	3,454
Non-technical account – profit/(loss) on exchange		1,609	(1,790)
Profit for the period		**55,678**	68,176
Other comprehensive income – currency translation		(9,694)	(3,965)
Total comprehensive income		**45,984**	64,211

Statement of Changes in Members' Balances

	2021 £'000	2020 £'000
Members' balances at the beginning of the reporting period	**74,899**	75,692
Profit for the financial year	55,678	68,176
Other comprehensive income – currency translation	(9,694)	(3,965)
Total comprehensive income for the year	**45,984**	64,211
Distribution of (profit)/loss on closed year of account	39,096	(76,975)
Funds in Syndicate retained/(released)	(81,338)	14,674
Other	11,316	(2,703)
Members' balances at the end of the reporting period	**89,957**	74,899

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

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

STATEMENT OF FINANCIAL POSITION
as at 31 December 2021

ASSETS	*Note*	**2021 £'000**	2020 £'000
Investments			
Other financial investments	11	**698,959**	567,366
Deposits with ceding undertakings		**4,236**	—
Reinsurers' share of technical provisions			
Provision for unearned premiums		101,873	94,883
Claims outstanding		335,464	241,498
		437,337	336,381
Debtors			
Amounts due within one year:			
Debtors arising out of direct insurance operations		62,901	60,976
Debtors arising out of reinsurance operations		272,559	238,455
Amount due from related companies		1,312	4,911
Other debtors		19,280	16,642
Amounts due after more than one year:			
Debtors arising out of reinsurance operations		39,271	24,468
	12	**395,323**	345,452
Other Assets			
Cash at bank and in hand	13	32,159	7,794
Lloyd’s overseas deposits		40,937	34,471
		73,096	42,265
Prepayments and accrued income			
Accrued interest and rent		3,109	2,683
Deferred acquisition costs		107,044	66,741
Other prepayments and accrued income		1,787	966
		111,940	70,390
TOTAL ASSETS		**1,720,891**	1,361,854

STATEMENT OF FINANCIAL POSITION (CONTINUED)
as at 31 December 2021

LIABILITIES	*Note*	**2021 £'000**	2020 £'000
Capital and reserves			
Members' balance		**89,957**	74,899
Technical provisions			
Provision for unearned premiums		450,478	318,088
Claims outstanding		955,353	722,413
		1,405,831	1,040,501
Creditors			
Amounts due within one year:			
Creditors arising out of direct insurance operations		5,600	14,084
Creditors arising out of reinsurance operations		159,718	113,156
Amount due to related companies		1,885	971
Amounts due after more than one year:			
Creditors arising out of reinsurance operations		41,661	96,211
	14	**208,864**	224,422
Accruals and deferred income		**16,239**	22,032
TOTAL LIABILITIES		**1,720,891**	1,361,854

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

Andrew L Brooks
Chief Executive Officer
28 February 2022

Helen R Jones-Bak
Chief Financial Officer
28 February 2022

STATEMENT OF CASH FLOWS
for the year ended 31 December 2021

	Note	**2021 £'000**	2020 £'000
Net cash flows from operating activities	15	**189,334**	128,094
Cash flows from investing activities			
Purchase of equity and debt instruments		(366,679)	(459,215)
Sale of equity and debt instruments		213,735	368,963
Investment income received		9,203	17,424
Movements in deposits with ceding undertakings		(4,236)	—
Net cash generated from investing activities		**(147,977)**	(72,828)
Cash flows from financing activities			
Distribution loss/(profit)		39,096	(76,975)
Profit (released)/retained as Funds in Syndicate		(81,338)	14,674
Other		10,288	(2,703)
Net cash used in financing activities		**(31,954)**	(65,004)
Net decrease in cash and cash equivalents		**9,403**	(9,738)
Cash and cash equivalents at the beginning of the year		44,967	53,391
Foreign exchange on cash and cash equivalents		(746)	1,314
Cash and cash equivalents at the end of the year		**53,624**	44,967
Cash and cash equivalents consists of:			
Cash at bank and in hand		32,159	7,795
Short term deposits with credit institutions		21,465	37,172
Cash and cash equivalents at end of year		**53,624**	44,967

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. Statement of compliance

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

2. Summary of significant accounting policies

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

a. Basis of preparation

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

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

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

b. Going concern

In arriving at a determination of going concern, the directors consider a number of risks, taking into account economic, regulatory and environmental considerations as referenced in the Strategic Report:

i. Insurance risk – this includes Underwriting and Reserving risk.
ii. Credit risk – this is the risk of loss arising from the inability of reinsurers or intermediaries to meet their financial obligations to the Syndicate.
iii. Market risk – this represents the potential loss of value or earnings arising from changes in the market price of assets as a result of external market and economic factors.
iv. Operational risk – the risk is that the Syndicate's operations are adversely impacted from inadequate or failed internal processes, people or systems or from external events.
v. Liquidity risk – the risk is that sufficient cash may not be available to settle obligations when due at a reasonable cost.
vi. Currency risk – the risk is that the fair value or future cash flows of a financial instrument will fluctuate owing to changes in foreign exchange rates.
vii. Group risk – the risk that the activities of companies within Ascot Group have an adverse impact on each other.
viii. Climate risk – the risk of climate change on the Syndicate's underwriting and investment portfolios.

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

c. Part VII transfer

Syndicate 1414 utilises Lloyd's Brussels (Lloyd's Insurance Company S.A) to underwrite European Union (EU) and European Economic Area (EEA) business following the UK's exit from the EU. A Part VII transfer of existing European business was completed on 30 December 2020.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

d. Critical accounting judgements and estimation uncertainty

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

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

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

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

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

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

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

ii. Pipeline premium

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

e. Basis of accounting for underwriting activities

The technical results of Syndicate 1796 are presented on an annual accounting basis in accordance with FRS 103, under which insurance profits and losses are recognised as they are earned.

f. Premiums written

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

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

g. Unearned premiums

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

h. Deferred acquisition costs

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

i. Claims incurred

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

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

j. Claims provisions and related reinsurance recoveries

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

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

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

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

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

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

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

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

k. Unexpired risk provision

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

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

l. Expense allocation and pensions

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

m. Foreign currency

i. Functional and presentation currency

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

ii. Transactions and balances

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

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

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

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

n. Financial instruments

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

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

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

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

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

n. Financial instruments (continued)

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

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

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

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

o. Investment return

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

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

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

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

p. Taxation

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

3. Segmental information

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

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

Year ended 31 December 2021

	Gross premiums written	**Gross premiums earned**	**Gross claims incurred**	**Gross operating expenses**	**Reinsurance balance**	**Net technical result**
			£'000s			
Direct						
Fire & Other Damage to Property	207,781	193,511	(130,254)	(50,597)	1,889	14,549
Marine, Aviation & Transport	192,692	184,898	(85,516)	(50,213)	(16,003)	33,166
Third-Party Liability	203,954	158,624	(78,309)	(47,576)	(18,340)	14,399
Accident & Health	10,492	13,626	(12,498)	(5,977)	2,999	(1,850)
Energy	23,299	24,258	(35,677)	(6,531)	15,723	(2,227)
Pecuniary loss	16,496	15,963	(2,722)	(5,778)	(5,460)	2,003
Motor (other)	578	578	(808)	(581)	1,059	248
Other	564	619	139	(50)	(96)	612
Total Direct	**655,856**	**592,077**	**(345,645)**	**(167,303)**	**(18,229)**	**60,900**
Reinsurance Acceptances	387,897	320,995	(223,313)	(68,176)	(28,082)	1,424
Total	**1,043,753**	**913,072**	**(568,958)**	**(235,479)**	**(46,311)**	**62,324**

Year ended 31 December 2020

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

(a) Unless specific to a class, gross operating expenses have been allocated to class groups in proportion to their respective gross premium income. The difference between the gross operating expenses in note 4 and that on the Statement of Comprehensive Income relates to reinsurance commissions and profit participations, as detailed in note 6.
(b) The reinsurance balance comprises outward reinsurance premiums payable less reinsurance recoveries receivable less ceded commissions receivable.
(c) Brokerage and commission is deducted from gross premiums received by the Syndicate on normal commercial terms.
(d) The above segmental analysis is based on a mapping from Syndicate 1414's own business classes to the required Prudential Regulatory Authority classes.

Geographical analysis by origin

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

Geographical analysis by underwriting location

	2021	2020
	£'000	£'000
United Kingdom	949,867	725,242
United States of America	49,439	43,282
Bermuda	42,963	53,570
China	1,275	591
Singapore	209	1,610
Total gross written premium	**1,043,753**	824,295

4. Risk management

a. Overview

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

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

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

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

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

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

b. Insurance risk

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

The key components of Insurance risk for Ascot are:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On an ongoing basis, there are:

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

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

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

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

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

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

The Syndicate’s sensitivity to insurance risk can be demonstrated by analysing the impact of a swing in the gross and net loss ratios on the income statement: A 10% swing in the gross loss ratio would change the 2021 result by £91.3m (2020: £76.1m). A 10% swing in the net loss ratio would change the result by £60.1m (2020: £45.1m).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

c. Credit risk

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

Credit risk: ability to pay

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

As at 31 December 2021	AAA	AA	A	BBB	BB & Below	Unrated	Total
				£'000s			
Shares and other variable yield securities and unit trusts	1,276	11,778	13,167	3,021	—	2,650	**31,892**
Debt securities	219,237	87,202	297,342	63,286	—	—	**667,067**
Overseas deposits	20,479	2,770	4,651	2,822	1,362	8,853	**40,937**
Deposits with ceding undertakings	—	—	4,236	—	—	—	**4,236**
Reinsurers' share of technical provisions - claims outstanding	159	72,540	178,918	—	—	83,847	**335,464**
Reinsurance debtors	—	8,216	48,587	—	—	7	**56,810**
Cash at bank and in hand	—	1,555	30,604	—	—	—	**32,159**
Insurance debtors	—	—	—	—	—	62,901	**62,901**
Other debtors[6]	—	—	—	—	—	489,425	**489,425**
Total credit risk	**241,151**	**184,061**	**577,505**	**69,129**	**1,362**	**647,683**	**1,720,891**

Within the unrated reinsurers' share of outstanding claims of £83.8m (2020: £44.0m), £83.7m relates to collateralised reinsurers (2020: £43.9m). Within the unrated reinsurance debtors of £7k (2020: £1.5m), £0k (2020: £1.1m) relates to collateralised reinsurers.

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

Credit risk: willingness to pay

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

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

At 31 December 2021	**Not yet due**	**0-90 Days**	**91-180 Days**	**181-365 Days**	**366+ Days**	**Total**
			£'000s			
Shares and other variable yield securities and unit trusts	31,892	—	—	—	—	**31,892**
Debt securities	667,067	—	—	—	—	**667,067**
Overseas deposits	40,937	—	—	—	—	**40,937**
Deposits with ceding undertakings	4,236	—	—	—	—	**4,236**
Reinsurer' share of claims outstanding	335,464	—	—	—	—	**335,464**
Reinsurance debtors	56,810	—	—	—	—	**56,810**
Cash at bank and in hand	32,159	—	—	—	—	**32,159**
Insurance debtors	56,791	4,491	417	725	477	**62,901**
Other debtors	466,068	17,169	1,595	2,770	1,823	**489,425**
Total credit risk	**1,691,424**	**21,660**	**2,012**	**3,495**	**2,300**	**1,720,891**

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

d. Market Risk

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

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

Market risk: interest rate risk

The majority of the Investment portfolio is made up of debt securities and other fixed income securities. An increase of 100 basis points in interest yields, with all other variables constant, would decrease the valuation of the Syndicate’s investments by an estimated £18.0m (2020: £15.6m decrease) and the impact on the result would be a decrease of £18.0m (2020: £15.6m decrease). A comparable decrease in interest rates would increase the valuation and increase the result by an estimated £15.4m (2020: £6.9m).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

Market risk: currency risk

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

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

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

At 31 December 2021	GBP	USD	EUR	CAD	AUD	OTH	Total
				£'000s			
Financial investments	39,060	575,726	15,422	68,751	—	—	**698,959**
Overseas deposits	4,074	5,487	—	14,887	11,356	5,133	**40,937**
Reinsurers' share of technical provisions	24,838	369,090	26,932	16,477	—	—	**437,337**
Insurance and reinsurance receivables	61,627	282,062	18,702	12,340	—	—	**374,731**
Cash and cash equivalents	4,589	1,676	25,230	5	—	659	**32,159**
Other assets	28,335	90,223	10,690	7,482	20	18	**136,768**
Total assets	**162,523**	**1,324,264**	**96,976**	**119,942**	**11,376**	**5,810**	**1,720,891**
Technical provisions	(156,871)	(1,080,634)	(90,142)	(78,184)	—	—	**(1,405,831)**
Insurance and reinsurance payables	(19,746)	(167,234)	(12,324)	(7,572)	—	(103)	**(206,979)**
Other creditors[7]	(493)	(15,863)	(1,392)	(370)	—	(6)	**(18,124)**
Total liabilities	**(177,110)**	**(1,263,731)**	**(103,858)**	**(86,126)**	**—**	**(109)**	**(1,630,934)**
Net assets/(liabilities)	**(14,587)**	**60,533**	**(6,882)**	**33,816**	**11,376**	**5,701**	**89,957**

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

If the Canadian dollar, Euro, US dollar, Australian dollar, South African rand and Singapore dollar were to weaken against sterling by 10%, with all other variables remaining constant, profit would be lower by an estimated £9.4m (2020: lower by £7.6m). Net assets would be reduced by £9.5m (2020: reduced by £7.4m).

[7] Other creditors comprise: Amounts owed to related companies and Accruals and deferred income.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

e. Liquidity Risk

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

At 31 December 2021	**< 1 Year**	**1 – 2 Years**	**2 – 5 Years**	**> 5 Years**	**Total**
			£'000s		
Other financial investments	117,162	76,218	391,850	113,729	698,959
Reinsurers' share of technical provisions - claims outstanding	108,928	106,372	85,629	34,535	335,464
Debtors arising out of direct insurance operations	62,901	—	—	—	62,901
Debtors arising out of reinsurance operations	272,559	39,271	—	—	311,830
Cash at bank and in hand	32,159	—	—	—	32,159
Overseas deposits	40,937	—	—	—	40,937
Assets analysed	**634,646**	**221,861**	**477,479**	**148,264**	**1,482,250**
Claims outstanding	351,687	217,099	264,940	121,627	955,353
Creditors arising out of direct insurance operations	5,600	—	—	—	5,600
Creditors arising out of reinsurance operations	159,718	41,661	—	—	201,379
Liabilities analysed	**517,005**	**258,760**	**264,940**	**121,627**	**1,162,332**
Net assets analysed	**117,641**	**(36,899)**	**212,539**	**26,637**	**319,918**

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

5. Claims development tables

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

Pure underwriting year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
Estimate of gross claims						**£'000s**					
At end of reporting year	263,830	118,174	138,690	124,411	141,479	462,546	291,555	118,038	169,764	312,313	2,140,800
One year later	308,402	218,034	271,917	246,758	297,714	634,349	449,477	238,600	359,352	—	3,024,603
Two years later	324,107	228,979	285,908	269,023	309,102	629,270	468,977	273,554	—	—	2,788,920
Three years later	319,779	217,026	279,640	260,994	298,612	637,528	476,605	—	—	—	2,490,184
Four years later	317,365	211,825	305,158	266,902	302,125	648,735	—	—	—	—	2,052,110
Five years later	315,696	210,391	294,984	273,424	306,584	—	—	—	—	—	1,401,079
Six years later	313,205	203,864	293,124	274,890	—	—	—	—	—	—	1,085,083
Seven years later	303,715	206,379	294,513	—	—	—	—	—	—	—	804,607
Eight years later	302,580	208,938	—	—	—	—	—	—	—	—	511,518
Nine years later	304,971	—	—	—	—	—	—	—	—	—	304,971
At 31 December 2021	304,971	208,938	294,513	274,890	306,584	648,735	476,605	273,554	359,352	312,313	3,460,455
Less: Gross claims paid	(297,986)	(202,824)	(282,784)	(247,758)	(274,078)	(562,923)	(345,620)	(135,408)	(123,870)	(44,829)	(2,518,080
Gross claims reserves	6,985	6,114	11,729	27,132	32,506	85,812	130,985	138,146	235,482	267,484	942,375
Gross claims reserves 2011 & prior											12,978
Gross reserves in balance sheet											**955,353**

Pure underwriting year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
Estimate of net claims						**£'000s**					
At end of reporting year	129,040	116,327	115,459	99,961	113,915	180,420	105,695	79,591	127,324	190,555	1,258,287
One year later	193,803	205,097	222,718	192,561	220,795	268,867	225,078	157,096	234,726	—	1,920,741
Two years later	189,299	211,161	224,758	203,859	229,171	271,223	258,122	173,003	—	—	1,760,596
Three years later	185,065	199,915	221,677	198,748	224,937	275,327	262,113	—	—	—	1,567,782
Four years later	181,084	194,865	226,887	202,163	227,078	280,751	—	—	—	—	1,312,828
Five years later	179,958	191,619	221,645	207,889	229,164	—	—	—	—	—	1,030,275
Six years later	178,854	188,208	220,690	208,515	—	—	—	—	—	—	796,267
Seven years later	175,634	188,383	221,832	—	—	—	—	—	—	—	585,849
Eight years later	174,550	188,311	—	—	—	—	—	—	—	—	362,861
Nine years later	177,015	—	—	—	—	—	—	—	—	—	177,015
At 31 December 2021	177,015	188,311	221,832	208,515	229,164	280,751	262,113	173,003	234,726	190,555	2,165,985
Less: Net claims paid	(171,959)	(184,332)	(210,556)	(186,592)	(206,577)	(208,907)	(176,661)	(89,259)	(97,499)	(24,720)	(1,557,062
Net claims reserves	**5,056**	**3,979**	**11,276**	**21,923**	**22,587**	**71,844**	**85,452**	**83,744**	**137,227**	**165,835**	**608,923**
Net reserves 2011 & prior											10,966
Net reserves in balance sheet											**619,889**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

6. Net operating expenses

	2021 £'000	2020 £'000
Technical account:		
Acquisition costs	216,113	155,831
Change in deferred acquisition costs	(45,842)	(2,217)
	170,271	153,614
Administrative expenses	35,297	30,197
Reinsurance commissions and profit participations	(30,871)	(50,762)
Other acquisition costs	22,102	19,939
Other Lloyd's personal expenses	7,809	(7,168)
Total net operating expenses	**204,608**	145,820

Administration expenses include:	2021 £'000	2020 £'000
Auditor's remuneration		
-fees payable to the Syndicate's auditors for the audit of the Syndicate annual Financial Statements	245	264
-audit-related assurance services	96	110

Fees payable to Deloitte LLP for the audit of the annual accounts of AUL are £11k (2020: £11k) and for the Managing Agent's subsidiaries AIS and AUA £7k (2020: £7k) and S$45k (2020: S$31k) respectively. There were no other fees payable for the provision of other non-audit services.

Of the total acquisition costs of £216.1m (2020: £155.8m) shown above, £147.6m relates to direct business (2020: £116.1m).

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

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

7. Investment Income

	2021 £'000	2020 £'000
From financial instruments designated as at fair value through profit or loss	11,588	10,599
Interest on cash at bank	(2)	211
Other interest and similar income	414	82
Realised gains on investments	1,467	3,960
Net investment income	**13,467**	14,852

Investment income of £3.2m (2020: £2.8m) arising from Funds in Syndicate has been included in the above amounts. The investment income arising from Funds in Syndicate have not been transferred to the technical account.

8. Staff costs

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

	2021 £'000	2020 £'000
Salaries and related costs	19,129	16,999
Social security costs	2,252	1,998
Other pension costs	1,375	1,201
	22,756	20,198

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

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

	2021 No.	2020 No.
Underwriting	83	70
Operations, Administration and IT	55	56
Claims	9	10
Executive management	7	7
Finance	16	17
Corporate	4	4
Risk management	26	23
Compliance	24	20
	224	**207**

9. Emoluments of the directors of Ascot Underwriting Limited

The directors of AUL, including the active underwriter, received the following aggregate remuneration, of which £752k (2020: £842k) was charged to the Syndicate.

	2021 £'000	2020 £'000
Directors' remuneration	**1,378**	1,495

The active underwriter and the highest paid director, received the following remuneration which was charged to the syndicate:

	2021 £'000	2020 £'000
Remuneration of active underwriter	**129**	179
Remuneration of highest paid director	**267**	247

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

The profit on the technical account of £54.5m (2020: profit £66.5m) includes a run-off deficit of £32.2m for prior accident years (2020: £33.5m deficit). This included a deficit of £23.1m for reinsurance acceptance business and a deficit of £9.1m on direct business (2020: deficit of £20.3m for reinsurance acceptance business and a deficit of £13.2m on direct business).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

11. Other financial investments

Total investments of the Syndicate, amounting to £699.0m (2020: £567.4m), are held under the terms of Lloyd's Premium Trust Deeds. Under the terms of the deeds these assets are held as security for obligations to policyholders and amounts may only be released under certain limited circumstances. £25.2m (2020: £105.5m) of the market value of the investments relates to Funds in Syndicate used by Ascot Corporate Name Limited to meet its Funds at Lloyd's requirements (see Note 19). Other investments comprise asset-backed securities.

Investments, all of which are listed apart from US Treasuries with market value £48.1m (2020: £40.0m) and included within Debt securities and other fixed income securities are analysed below:

	2021 £'000	2020 £'000
Market value		
Shares and other variable-yield securities and units in unit trusts	31,892	40,847
Debt securities and other fixed-income securities:		
Held at fair value through profit or loss	667,067	526,519
	698,959	567,366
Cost		
Shares and other variable-yield securities and units in unit trusts	31,892	40,761
Debt securities and other fixed-income securities		
Held at fair value through profit or loss	674,358	514,724
	706,250	555,485

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

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

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

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

For the 2019 and 2020 Underwriting Years, Lloyd's of London required syndicates to make loans to the Lloyds's central fund in order to facilitate the injection of capital into Lloyd's Brussels. The amount of the loans by Syndicate was in reference to total premium income, rather than in relation to the amount of business transacted by the Syndicate through Lloyd's Brussels, which is less than 10% of total premium income. There have been three loans made by the Syndicate to date in an aggregate amount of £10,694,166; each of the three loans is for a minimum term of five years and pays interest on an annual basis.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

As at 31 December 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
		£'000s		
Shares and other variable yield securities and units in unit trusts	**21,198**	**—**	**10,694**	**31,892**
Debt securities and other fixed income securities	**48,070**	**618,997**	**—**	**667,067**
Overseas deposits	**8,799**	**32,138**	**—**	**40,937**
Total	**78,067**	**651,135**	**10,694**	**739,896**

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

12. Debtors

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

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

	2021 **£'000**	2020 £'000
Amounts due within one year:		
Debtors arising out of direct insurance operations	62,901	60,976
Debtors arising out of reinsurance operations	272,558	238,455
Amount due from related companies	1,312	4,911
Other debtors	19,280	16,642
Amounts due after more than one year:		
Debtors arising out of reinsurance operations	39,272	24,468
Total debtors due	**395,323**	345,452

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

13. Cash at bank and in hand

	2021 **£'000**	2020 £'000
Syndicate funds Syndicate premium trust funds	**32,159**	7,794

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

14. Creditors

	2021 £'000	2020 £'000
Amounts due within one year:		
Creditors arising out of direct insurance operations	5,600	14,084
Creditors arising out of reinsurance operations	159,718	113,156
Amounts owed to related companies	1,885	971
Amounts due after more than one year:		
Creditors arising out of reinsurance operations	41,661	96,211
	208,864	224,422

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

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

	2021 £'000	2020 £'000
Profit for the period	55,678	68,176
Increase in gross technical provisions	355,148	76,836
(Increase)/Decrease in reinsurers' share of gross technical provisions	(97,663)	26,152
(Increase) in debtors	(87,353)	(90,770)
(Decrease)/Increase in creditors	(23,763)	73,263
Movement in other assets/liabilities	(13,344)	1,025
Removal of investment return	8,255	(22,379)
OCI - Currency translation differences	(9,695)	(3,965)
Other – FX on opening balances	2,071	(244)
Net cash generated from operating activities	**189,334**	128,094

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

	2021 £'000	2020 £'000
Net cash (outflow) for the year	24,288	(12,999)
Cash flow arising from movement in:		
Overseas deposits	6,128	(1,306)
Portfolio investments	126,041	101,864
Movement arising from cash flows	**156,457**	**87,559**
Changes in market value and exchange rates	5,967	(20,589)
Total movement in portfolio investments	**162,424**	**66,970**
Total portfolio at 1 January	**609,631**	**542,661**
Total portfolio at 31 December	**772,055**	**609,631**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

17. Movements in cash, portfolio investments and financing

	At 1 January 2021	Cash Flow	Changes to market value & currencies	At 31 December 2021
		£'000s		
Cash at bank	7,794	24,288	77	32,159
Overseas deposits	34,471	6,128	338	40,937
Portfolio investments:				
Shares and other variable-yield securities and units in unit trusts	40,847	(9,355)	400	31,892
Debt securities and other fixed-income securities	526,519	135,396	5,152	667,067
Total portfolio investments	**567,366**	**126,041**	**5,552**	**698,959**
Total cash, portfolio investments and financing	**609,631**	**156,457**	**5,967**	**772,055**

18. Net cash outflow on portfolio investments

	2021 £'000	2020 £'000
Sale of shares and other variable yield securities	24,718	8,364
Purchase of shares and other variable yield securities	(15,363)	(24,269)
Sale of debt securities and other fixed income securities	88,806	86,430
Purchase of debt securities and other fixed income securities	(224,202)	(172,389)
Net cash outflow on portfolio investments	**(126,041)**	(101,864)

19. Funds at Lloyd's

The Syndicate's corporate member, ACNL, is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities and can therefore be considered as the capital supporting the operations of the syndicate. The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on Prudential Regulatory Authority requirements and resource criteria. FAL is set after considering a number of factors including the nature and amount of risk to be underwritten by the member and assessment of the reserving risk in respect of business that has been underwritten.

At the balance sheet date, ACNL has met its FAL requirement to support its underwriting capacity by way of cash deposits of £952 (2020: £936); cash and securities provided by fellow group companies to the value of US$470.9m [£347.6m] (2020: US$468.4m [£343.7m]); Funds in Syndicate (FIS) to the value of US$34.1m [£25.2m] (2020: US$144.5m [£106.0m]) and a Letter of Credit to the value of US$250.0m [£184.6m] (2020: US$250.0m [£183.4m]). The managing agent is able to make a call on the member's FAL to meet liquidity requirements or to settle losses. The managing agent believes that in the light of these capital arrangements it is appropriate to prepare the financial statements on a going concern basis.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

20. Movements in insurance liabilities and reinsurance assets

	2021			2020		
	Gross £'000	**RI £'000**	**Net £'000**	Gross £'000	RI £'000	Net £'000
At 1 January						
Unearned premium net of deferred acquisition costs	251,347	(94,883)	156,464	206,186	(75,768)	130,418
Notified claims	424,188	(140,531)	283,657	457,433	(174,500)	282,933
Incurred but not reported	298,225	(100,967)	197,258	278,123	(126,563)	151,560
Total at 1 January	**973,760**	**(336,381)**	**637,379**	941,742	(376,831)	564,911
Cash paid for claims settled in year	(343,434)	143,556	(199,878)	(333,439)	138,971	(194,468)
Movement in provisions in year	568,958	(234,742)	334,216	345,715	(88,294)	257,421
Unearned premium net of deferred acquisition costs	92,087	(6,990)	85,097	45,161	(19,115)	26,046
Net exchange differences	7,416	(2,780)	4,636	(25,419)	8,888	(16,531)
Total at 31 December	**1,298,787**	**(437,337)**	**861,450**	973,760	(336,381)	637,379
Unearned premium net of deferred acquisition costs	343,434	(101,873)	241,561	251,347	(94,883)	156,464
Notified claims	484,183	(173,457)	310,726	424,188	(140,531)	283,657
Incurred but not reported	471,170	(162,007)	309,163	298,225	(100,967)	197,258
Total at 31 December	**1,298,787**	**(437,337)**	**861,450**	973,760	(336,381)	637,379

21. Related parties

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

AIS charged a service fee of £20,189 to the Syndicate for 2021 (2020: £17,806); the fee is equal to the actual expenses relating to the introduction of business to Syndicate 1414, plus a mark-up of 5.0% (2020: 5.0%). At 31 December 2021, the insurance balance owed by AIS to Syndicate 1414 was £5,679,037 (2020: £3,117,841), and the non-insurance balance owed to AIS was £645 (2020: £34).

Ethos Speciality Insurance Services LLC (ESI) is a coverholder of Syndicate 1414 and is remunerated by coverholder fees with the amount charged of £13,338,848 in 2021 (2020: £5,868,444). At 31 December 2021 the amount due to ESI was £11,758,804 (2020: £6,253,511).

Expenses totalling £34,132,736 (2020: £32,088,633) and £2,297,715 (2020: £0) were recharged from Ascot Underwriting Holdings Limited (AUH) and Ascot Group Limited (AGL) to the Syndicate respectively. At 31 December 2021 the amount due from AUH was £1,312,143 (2020: £1,692,012) and AGL £0 (2020: £0).

Further, expenses of £301,946 (2020: £0) were recharged from Ascot US Services Company (USC) to the Syndicate. At 31 December 2021 the amount due to USC was £6,229 (2020: £0)

Ascot Underwriting Inc. (AUI) and Ascot Underwriting Bermuda Limited (AUB) charge a coverholder fee to Syndicate 1414 for the underwriting services they provide; this fee is based on 12.5% (2020: 12.5%) of gross written premiums for the 2021 underwriting year and amounted to US$8,616,407 (2020: US$5,729,955) and US$7,341,752 (2020: US$7,853,337) respectively for all underwriting years combined at year-end. Expenses totalling US$132,583 were recharged from AUI to the Syndicate. At 31 December 2021 the amount due to AUI was US$2,171,977 (2020: US$512,719) and the amount due to AUB was US$349,415 (2020: US$810,043).

AUA is in run-off and as a result charges a coverholder fee to the Syndicate based on actual expenses plus a 5.0% (2020: 5.0%) mark-up; for 2021 this fee amounted to S$193,998 (2020: S$679,334). At 31 December 2021 the amount due to AUA was S$11,094 (2020: due from AUA S$22,731).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

For the 2018 to 2020 underwriting years, the Syndicate has a 20.0% quota-share reinsurance agreement in place with ABL. The amount ceded to ABL in 2021 was US$16,640,225 (2020: US$15,339,987), and amount payable at the balance sheet date was US$37,717,828 (2020: US$16,642,271 payable). In addition, the Syndicate has a specific quota share over XL polices, ceding to ABL with the amount in 2021 being US$7,666,750 (2020: US$9,616,269). The amount payable at the balance sheet date was US$5,299,361 (2020: US$3,027,206). ABL paid expenses in the year of US$2,432,064 (2020: US$0) recharging these back to the Syndicate with the amount payable at the balance sheet date being US$5,000 (2020: US$0). ABL is a related party within the wider Ascot Group of companies, and has provided the cash and securities element of ACNL's Funds at Lloyd's for 2021 of US$486,565 and US$470,396,743 respectively (2020: US$24,205,058 and US$444,188,863).

22. Ultimate parent undertaking of Managing Agent and Corporate Member

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

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

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