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SYNDICATE 1971

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2020

Syndicate 1971

Key performance indicators

Annual basis	2020 $'m	2019 $'m	Change
Gross premium written	102.2	84.3	21%
Net premium written	44.6	34.3	30%
Net premium earned	38.1	14.4	164%
Profit / (Loss) for the financial year	5.3	(1.2)	
Claims ratio	75%	83%	(8)%
Expense ratio	14%	25%	(11)%
Combined ratio	89%	108%	(19)%

Highlights:

- Apollo's Syndicate 1971 has reported top and bottom-line growth, as an innovation leader in the sharing economy space;
- The profit of $5.3m in 2020 reflects the positive contribution of earned profit from the 2019 year of account;
- The 2020 portfolio is split across several different subclasses, with the majority of the portfolio being either Delivery or Rideshare;
- The Rover class and non-auto General Liability business have benefited from a positive rating environment in 2020;
- ibott will continue to grow in 2021 through organic growth of existing accounts, participation on different layers of existing accounts and new business targets, including exploring potential new partnerships and the use of new distribution channels.

"We have seen premium expansion in the syndicate in 2020, with organic growth, new risks underwritten and additional participation on a number of layers of existing risks contributing to ibott's expansion. Our team is uniquely positioned to capitalise on the rapid growth in the global sharing economy market as rates continue to improve. We are excited about the range of opportunities available in 2021 as we explore potential new partnerships and distribution channels"

David Ibeson

Contents

Directors and administration

Managing agent

Apollo Syndicate Management Limited

Registered office

One Bishopsgate
London, EC2N 3AQ

Company registration number

09181578

Company secretary

AJ Gray

Directors

JM Cusack	(Non-Executive Chairman)
MEL Goddard	(Non-Executive Director)
MP Hudson	(Non-Executive Director)
AP Hulse	(Non-Executive Director)
DCB Ibeson	(Chief Executive Officer)
NJ Burkinshaw	
JD MacDiarmid	
VVV Mistry	
SAC White	

Active Underwriter

MJ Newman

Registered Auditor

Deloitte LLP
Statutory Auditor
Hill House, 1 Little New Street
London
EC4A 3TR

Syndicate 1971

Active Underwriter's report

The Special Purpose Arrangement Syndicate 1971 ("the syndicate") commenced underwriting for the 2019 year of account. For 2020, its business is written by way of a 90% quota share reinsurance of the ibott (Insuring Businesses of Tomorrow, Today) Rover class and the ibott General Liability class written by Syndicate 1969. Stamp capacity for the syndicate was $146.1m (£115.0m) for the 2020 year of account. ibott Rover is the market leading sharing economy platform for Apollo and a core growth class for the business.

We comment below on the 2020 calendar year result, 2020 underwriting and commercial developments, and the portfolio for 2021.

2020 calendar year result

The result for the 2020 calendar year is a profit of $5.3m (2019: loss of $1.2m) with a combined ratio of 88.8% (2019: 108.2%). The 2020 calendar year result aggregates the performance during the year of all open years of account (2019 and 2020).

The syndicate's calendar year profit is driven by the positive contribution of earned profit of $5.8m from the 2019 year of account, offset by a loss of $0.5m on the 2020 year of account. Both years of account continue to perform in line with expectations.

The earned result for the 2020 year of account in the calendar year reflects the slower earnings recognition of written premiums in the calendar year relative to net operating expenses incurred. This is a particular feature of the syndicate as a significant proportion of premium was underwritten in the second half of the year.

Notified claims experience in the calendar year has been minimal and within expectations. We recognise that a range of outcomes is possible for the ultimate result for this class, and have therefore made a provision within claims that have been incurred at the reporting date but have not yet been reported ("IBNR") in the calendar year to allow for this reserving uncertainty. This provision is in excess of our best estimate for claims costs, which remains in line with our original business plan.

2020 portfolio

2020 is the second full year of underwriting for the syndicate, after Apollo began underwriting Auto Liability Sharing Economy risks through a new ibott Rover class of business in Syndicate 1969 in the second half of 2018. The Lloyd's approved plan for 2020 was to write gross premium of $162.0m (£127.6m), which equates to $133.7m (£105.2m) net of commission. Our ultimate premium forecast will ultimately be lower than the approved plan due to active capacity management in the ibott classes and the impact of COVID-19, restricting the operations of many sectors of the book. We have also continued to be disciplined in our underwriting and only accepting business which meets our risk appetite for pricing and exposure.

Apollo has seen further premium growth in the class in 2020 compared to 2019, with growth through new business, participation on different layers of existing risks and organic growth. The 2020 portfolio is split across several different subclasses, with the majority of the portfolio being either Delivery or Rideshare. There has been a move to increase the Delivery segment this year, which now represents nearly 45% of the class by premium. The other principal segment is Rideshare, which makes up approximately 20% of the class. Other subclasses include Autonomous Vehicles, Micro Mobility and a Hired Non Owned Auto facility concentrating on smaller risks and start-ups.

Syndicate 1971

Active Underwriter’s report

The 2020 portfolio has benefited from a positive rating environment, which is driven by wider insurance market conditions rather than any loss experience. The ibott Rover class achieved overall rate increases of 19% for the year. For the non-auto General Liability business, overall rate increases were 25% for the year. The territorial split is currently heavily weighted towards the US, as this is where the most established companies are domiciled. We anticipate the US weighting will reduce year on year going forward as we explore new opportunities and geographically diversify the portfolio.

As a new proposition, the timing and quantum of written premium income is more uncertain and we continue to be highly selective in the new opportunities that we have underwritten. We consider this is the appropriate approach, but it has resulted in a shortfall in premium against plan.

2021 portfolio

The 2021 Lloyd’s approved plan for the syndicate is to underwrite $136.0m of premium income (£109.7m at the planning foreign exchange rate of $1.24). This equates to $114.1m (£92.0m) (net of commission). The stamp capacity for the syndicate is $146.1m (£115.0m). The syndicate will write a 90% quota share reinsurance of the ibott Rover class and ibott General Liability class written by Syndicate 1969. We are fully capitalised to deliver our business plan for 2021.

The Rover business will continue to grow in 2021 through organic growth of existing accounts, participation on different layers of existing accounts and new business targets, including exploring potential new partnerships and the use of new distribution channels.

The non-auto General Liability business has been written historically by Syndicate 1969 and we therefore have a historical record for this portfolio.

We are regularly asked to provide additional solutions for companies in this sector as they grow and innovate. We continue to see significant amounts of business as a result of our key relationships which allows us to evolve and develop the product offering to our client base.

I would like to thank you for your on-going support for ibott and look forward to updating you with our progress in the future.

MJ Newman
Active Underwriter
4 March 2021

Syndicate 1971

Report of the directors of the managing agent

The directors of the managing agent present their audited report, which incorporates the strategic review, for Syndicate 1971 for the year ended 31 December 2020.

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

Separate underwriting year accounts for Syndicate 1971 will be produced from the 2021 year end when the first year of account closes.

Principal activity

This report covers the business of Syndicate 1971 which was established for the 2019 year of account as a Special Purpose Arrangement. Trading as ibott (Insuring Businesses of Tomorrow, Today) the principal activity of the syndicate is writing automotive casualty risks relating to the shared economy in respect of its ibott Rover class of business. The business is written by Syndicate 1969 then ceded as a 90% quota share to the syndicate. The syndicate has a 50 percent third party quota share reinsurance with an AA rated European reinsurer.

The quota share contract with Syndicate 1969 operates on a funds withheld basis. Under this arrangement all transactions are undertaken by Syndicate 1969 on behalf of the syndicate, until closure of the year, when the declared result will be remitted to members. Investment income arising on the business is allocated to the funds withheld balance.

Syndicate 1971 trades through Lloyd's worldwide licenses and rating and has the benefit of the Lloyd's brand. Lloyd's has an A (Excellent) rating from A.M. Best, A+ (Strong) from Standard & Poor's and AA- (Very Strong) from Fitch.

The syndicate's capacity for the 2020 year of account was £115.0m ($146.1m at the Lloyd's planning rate of $1.27). Stamp capacity for the 2021 year of account is £115.0m ($142.6m at $1.24).

Apollo Syndicate Management Limited ("ASML") is approved as a managing agency at Lloyd's and is authorised by the Prudential Regulation Authority. ASML is regulated by the Financial Conduct Authority and Prudential Regulation Authority.

Report of the directors of the managing agent

Results

	2020 $'m	2019 $'m	Change
Gross premium written	102.2	84.3	21%
Net premium written	44.6	34.3	30%
Net premium earned	38.1	14.4	164%
Profit / (Loss) for the financial year	5.3	(1.2)	
Claims ratio	75%	83%	(8)%
Expense ratio	14%	25%	(11)%
Combined ratio	89%	108%	(19)%

Notes:
The claims ratio is the ratio of net claims incurred to net premiums earned.
The expense ratio is the ratio of net operating expenses to net premiums earned.
The combined ratio is the sum of the claims and expense ratios.
The expense and combined ratios exclude investment return and foreign exchanges gains and losses.

ASML uses a range of key performance indicators, including those shown in the table, to measure the performance of the syndicate against its objectives and overall strategy. These indicators are regularly reviewed and are measured against plan and prior year outcomes.

Gross written premium increased 21% to $102.2m (2019: $84.3m). The result for the year was a profit of $5.3m (2019: loss of $1.2m). Profits and losses are distributed and called respectively by reference to the results of individual underwriting years.

The syndicate predominantly writes business denominated in US Dollars and therefore reports accordingly. This aids comparability between years and reduces volatility in the reported results caused by foreign currency exchange rates.

Review of the business
The syndicate writes a new and growing book of business. A new class, ibott General Liability, was written from 2020 which contributed to the growth in the book. The business inceptions are weighted towards the second half of the year and therefore there is significant business still to earn at the year end. The expense ratio is falling as volumes build and business from the first year of operation earns through.

The reported result reflects the level of reserving for the business written. The business is expected to be profitable, however a cautious approach to reserving has been adopted and there has been limited recognition of underwriting profit at this stage of development. As a relatively new class of liability business in an evolving area data; is limited and the reserving is consequently highly judgemental. The syndicate has not incurred any insurance losses associated with the COVID-19 pandemic.

The syndicate has written 71% of its planned income for the 2020 year of account. Reduced economic activity as a result of the COVID-19 pandemic impacted the client base and did adversely impact premium volumes. Conversely rate increases were 19% compared to a plan that did not originally expect any risk adjusted improvements.

ibott Rover is becoming established in the Lloyd's market and receives excellent support from a wide range of brokers and insureds in the sector. The syndicate is well positioned to take advantage of new underwriting opportunities as the sharing economy develops and to benefit from general improvements in the rating environment.

Further information regarding the syndicate underwriting portfolio is contained in the Active Underwriter's report.

Investment performance

The syndicate received an allocation of investment income of $1.0m (2019: $0.2m) from Syndicate 1969. This represents the investment income attributable to business undertaken by Syndicate 1969 on behalf of the syndicate.

Capital

For Syndicate 1969 ASML assesses the syndicate's capital requirements through a rigorous process of risk identification and quantification using an internal capital model at a 1:200 year confidence level. The model is based on Solvency II regulatory requirements and has been approved by Lloyd's. The ultimate Solvency Capital Requirement ("SCR") is subject to an uplift determined by Lloyd's based on their assessment of the economic capital requirements for the Lloyd's market in total. The SCR together with the Lloyds' uplift is referred to as the Economic Capital Assessment ("ECA"). Syndicate 1969's capital assessment includes its retained share of the ibott Rover portfolio. In the first two years of operation of Syndicate 1971, the capital has been set by Lloyd's using a combination of market benchmarks and the syndicate's own business plan. The ECA for the 2020 underwriting year was set at 52% of capacity and for the 2021 underwriting year is 72% of capacity. A bespoke internal model framework for the syndicate will be developed and submitted for approval to Lloyd's during the 2021 calendar year.

Lloyd's unique capital structure provides excellent financial security to policyholders and capital efficiency for members. The Lloyd's chain of security underlies the financial strength that ultimately backs insurance policies written at Lloyd's and has three links:

1. All premiums received by syndicates are held in trust as the first resource for settling policyholders' claims;
2. Every member is required to hold capital in trust funds at Lloyd's which are known as Funds at Lloyd's ("FAL"). FAL is intended primarily to cover circumstances where syndicate assets are insufficient to meet participating members' underwriting liabilities. FAL is set with reference to the ECA's of the syndicates that the member participates on. Since FAL is not under the control of the managing agent, it is not shown in the syndicate accounts. The managing agent is, however, able to make a call on members' FAL to meet liquidity requirements or to settle underwriting losses if required; and
3. Lloyd's central assets are available at the discretion of the Council of Lloyd's to meet any valid claim that cannot be met through the resources of any member further up the chain. Lloyd's also retains the right to request a callable contribution equal to 3% of members' capacity on the syndicate.

Principal risks and uncertainties

The managing agent has established a risk management function for the syndicate with clear terms of reference from the Board of Directors and its committees. The ASML Board approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of these policies.

The risk appetites are set annually as part of the syndicate business planning and capital setting process. The risk management function is also responsible for maintaining the syndicate's Own Risk and Solvency Assessment ("ORSA") process and provides regular updates to the Board. The formal ORSA report for the syndicate is provided to the Board annually for approval.

Report of the directors of the managing agent

The managing agent recognises that the syndicate's business is to accept risk which is appropriate to enable it to meet its objectives and that it is not realistic or possible to eliminate risk entirely. The principal risks and uncertainties facing the syndicate have been identified as insurance risk, financial risk, credit risk, liquidity risk and market risk. A description of these risks and how they are managed, with appropriate numeric analysis, is set out in the note 4 to the annual accounts. The Board has agreed a number of key risk indicators and approved the corresponding appetite for each measure. The use of financial derivatives is governed by ASML risk management policies, ASML does not use derivative financial instruments for speculative purposes.

A traffic light indicator is used for monitoring current levels of risk based upon agreed thresholds and tolerances. The risk appetites are subject to ongoing review and appropriateness to reflect the level of uncertainty associated with this class.

Emerging risks
As set out above, the principal risk for Syndicate 1971 is the uncertainty associated with the risk profile of the individual contracts written within the syndicate. A number of the risks written are genuinely new to the Lloyd's market. Consequently, traditional approaches to pricing and reserving may not always be appropriate in setting the price charged to clients. There are few reasonable benchmarks available for setting best estimate reserves. Apollo seeks to mitigate this risk by seeking to develop trust and long-term mutually sustainable relationships with clients in the segments that are defined within the syndicate's risk appetite.

The agreement for the implementation of the Brexit withdrawal agreement legislation was ratified by the Council of the European Union ("EU") on 30 January 2020. The UK's withdrawal from the EU took effect on 31 January 2020 with a transition period ending on 31 December 2020. An agreement on future trade was reached by 31 December 2020 and took effect from 1 January 2021.

To date the only material impact of Brexit on ASML has been the reduction in the value of Sterling relative to US Dollars since the vote. This has materially reduced ASML's (mainly Sterling) expenses relative to its (mainly US Dollar) premium income. There are a number of scenarios where Sterling could appreciate against US Dollars in the future, as has happened in the first weeks of 2021, but the longer term drivers of Sterling's value depend on international trade and political factors which are very difficult to predict at present.

The syndicate is not expected to be impacted by Brexit from an underwriting standpoint given that it currently writes only a small amount of European insurance and reinsurance business. Lloyd's has established an insurance company trading as Lloyd's Brussels which gives syndicates access to the EU market. ASML commenced writing business through Lloyd's Brussels from 1 January 2019. All Brussels' business is 100% reinsured back to the respective syndicates.

Per the PRA's Supervisory Statement 3/19 requirements, the Chief Risk Officer has been nominated as the designated SM&CR holder who has responsibility for the financial risks of climate change. An agreed plan of action continues to be implemented by appropriately skilled and experienced teams within the business in order to ensure that the range of potential climate change-related impacts from physical asset risks to transition risks within the underwriting and investment portfolios are appropriately managed. Climate risk is included within the overall Apollo risk management framework with appropriate consideration within risk and underwriting committees, as well as within Environmental, Social and Governance ('ESG') discussions within Apollo and with ibott clients.

Report of the directors of the managing agent

Corporate governance
The ASML Board is chaired by Julian Cusack, who was supported by four further non-executive directors, three of whom are independent. Jens Schäfermeier resigned from the Board on 30 September 2020. David Ibeson is the Chief Executive Officer and there were four further executive directors throughout 2020.

Defined operational and management structures are in place and terms of reference exist for all Board and executive committees.

The ASML Board meets at least four times a year and more frequently when business needs require. The Board has a schedule of matters reserved for its decision and was supported by the Audit Committee, the Risk Committee and the Remuneration and Nominations Committee. These committees are comprised of independent non-executive directors.

Section 172 statement
The directors adopt the responsibilities to promote the success of the syndicate as if s172 of the Companies Act were applicable and have acted in accordance with these responsibilities during the year. The Board has identified the following key stakeholders: capital providers to the managed syndicates, employees, the shareholder of ASML, Lloyd’s and regulators, policyholders and brokers.

Throughout the year the board considered the wider impact of strategic and operational decisions on its stakeholders. Examples include the development and execution of the business plans for the managed syndicates; the assessment and raising of capital; communications with capital providers; and changes to Board composition. The Board considers that the interests of all stakeholders were aligned for these decisions.

The support and engagement of capital providers of the syndicate is imperative to the future success of our business. We have regular meetings with capital providers and members’ agents throughout the year to discuss the performance and future prospects for the syndicates which they support. Feedback received during these meetings enables the board to factor the views of these key stakeholders into the development of business plans for future years.

Developing and maintaining relationships with brokers and policyholders is central to the success of the syndicate. In normal times underwriters travel widely with our broking partners to visit clients and attend industry events to promote the Lloyd’s brand and ensure we continue to provide an excellent service to our policyholders. In the face of the constraints imposed by the COVID-19 pandemic, we have maintained contact with brokers and clients by video conference and all other communication mechanisms at our disposal. In developing insurance propositions and marketing them with our broking partners and in settling claims, we always seek to treat customers fairly.

We maintain open and transparent relationships with our regulators and Lloyd’s, which are managed through our compliance team. Regular meetings are held with representatives of Lloyd’s and the PRA and significant regulatory engagements are reported to the Board.

Report of the directors of the managing agent

Staff matters
ASML's people are a key asset and resource and their retention and development are fundamental to the success of the business. ASML's strategy is to build a strong culture of staff engagement, communication and contribution recognition. This is achieved through monthly staff briefings, a fully open plan cross-function office environment, seeking feedback and a continued focus on diversity, inclusion and also mental health. ASML strives to act as a single team where employees work closely across functions, have mutual respect and enjoy working in a collaborative environment, whether in the office or remotely. An external independent hotline and an internal mechanism of communication mean that staff can call anonymously if they have work related concerns.

Terms and conditions offered to employees, as part of their overall remuneration package, remain competitive with the rest of the London Market insurance industry and staff are provided with opportunities to develop their skills and capabilities. The managing agent seeks to provide a good working environment for its staff that is safe, supportive and complies with relevant legislation.

Prior to COVID-19 ASML had begun to implement a flexible working policy to enable staff members to work away from the office. As a consequence the transition to a full remote operating model has been effected smoothly, evidenced through the use of technology to support underwriting and non-underwriting activities. The effectiveness of all aspects of remote working is monitored continually by management as well as tested and challenged by risk management and internal audit.

Business operations
ASML is Lloyd's-centric with a purely London-based operation and distribution model. ASML fully embraces and supports Lloyd's vision of being a broker market, as well as accessing local markets through third party cover holders.

ASML aims to maintain a lean back office function utilising technology and outsourcing arrangements where flexibility is required or greater efficiency can be achieved. As a mid-sized business, ASML is able to expand and contract as market conditions dictate. Through the use of specific outsourcing, ASML maintains an appropriate support function commensurate with its underwriting capacity. We continue to invest in actuarial, risk management and data management resources in order to ensure that the discipline we aim for in underwriting is matched by the intensity of scrutiny given to pricing, reserving and other second line of defence and assurance activities.

Lloyd's has rolled out its electronic placement platform ("PPL"). ASML has embraced this change and is benefitting from the enhancements it brings. Lloyd's provided a target percentage of business for processing through PPL and ASML have comfortably exceeded this threshold with more than 95% processed by the end of 2020.

Lloyd's Blue Print and Future of Lloyd's initiatives is offering a number of radical ideas for the future of the market. In our opinion there is a distance to go before these can be translated into workable options but we continue to participate in consultations actively and position ourselves as necessary to maximise the benefit to ASML, its syndicates, its capital providers and the future development of the Lloyd's brand.

As a result of the COVID-19 pandemic the ASML office has been closed for much of the year. All employees are able to work remotely from home and have access to business systems. Whilst social distancing policies have changed the working environment significantly, all ASML teams are able to continue to operate in support of brokers and policy holders. This has been helped by the significant progress the Lloyd's market has made in recent years with electronic placement of risks and claims handling. The banking and investment operations use online processes and have not been impacted by the pandemic.

Report of the directors of the managing agent

Environmental, Social and Governance

ASML is developing an ESG strategy in parallel to implementing approaches to manage the financial risks associated with climate change and proactive diversity and inclusion initiatives. From an environmental perspective, the ESG focus is upon environmental and socially responsible underwriting and sustainable investing. The initiative is being led by the ASML Board and is coordinated within the business by a group comprising representatives throughout Apollo. The strategy is intended to complement the approach set out by the Corporation of Lloyd's.

From an operational perspective, whilst the strategy is being developed and implemented, supporting data to enable appropriate future disclosures is being defined. At this point in time, the syndicate is not required to comply with Streamlined Energy and Carbon Reporting ('SECR') and no quantification of carbon emissions is included in this report. ASML's carbon emissions are predominantly associated with running a compact office in London and business travel. There has been no international business travel since the business has moved to operate remotely following the COVID-19 restrictions. As a consequence of the current operating model it is anticipated that the requirement for international travel should reduce. Within the fixed income investment portfolios ASML has begun to monitor the ESG scores and benchmarked Scope 1 and 2 carbon emissions/intensity scores. No carbon offsetting has been directly purchased.

Directors and directors' interests

The directors who held office at the date of signing this report are shown on page 2. Directors' interests are shown in note 14 as part of the related parties note to the accounts.

Annual General Meeting

The directors do not propose to hold an Annual General Meeting for the syndicate. If any members' agent or direct corporate supporter of the syndicate wishes to meet with them the directors are happy to do so.

Disclosure of information to the auditor

Each person who is a director of the managing agent at the date of approving this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the syndicate's auditor is unaware; and
- each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the syndicate's auditor is aware of that information.

Auditor

Deloitte LLP has indicated its willingness to continue in office as the syndicate's auditor. The managing agent hereby gives formal notification of a proposal to re-appoint Deloitte LLP as auditor of Syndicate 1971 for a further year.

Future developments

The syndicate will continue to evolve and develop the ibott Rover account writing under the Apollo brand. Additional revenue will be sought through new business opportunities which are expected to bring sufficient scale to achieve profitable underwriting.

The syndicate has placed a 50 percent quota share outwards reinsurance programme again for 2021. This continues to be provided by a major AA rated European reinsurer.

Report of the directors of the managing agent

The syndicate will continue to receive an allocation of the Syndicate 1969 investment income and this will increase as the balance sheet grows. Investment returns are largely dependent on the performance of a short dated fixed income portfolio. There were positive valuation adjustments due to reductions in US federal interest rates during the COVID-19 pandemic and the portfolio is now constrained by the returns achievable in a lower yielding investment environment.

The syndicate has received positive support from capital providers. A strong, diversified and knowledgeable spread capital base gives significant competitive advantage and maintaining this will remain a focus.

There are expected to be operating efficiencies through the establishment of new ASML business initiatives which share the Apollo resources. These include operation of new specialist legacy Syndicate 1994 for the 2021 year of account. The allocation of expenses and any conflicts of interest between the syndicates will be carefully monitored and managed.

I would like to take this opportunity to thank our staff for their hard work and commitment to the business during the last year.

Approved on behalf of the Board.

DCB Ibeson
Chief Executive Officer
4 March 2021

Statement of managing agent’s responsibilities

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

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

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

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

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

Legislation in the UK governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions

Independent auditor's report to the members of Syndicate 1971

Report on the audit of the syndicate annual financial statements

Opinion
In our opinion the syndicate annual financial statements of Syndicate 1971 (the 'syndicate'):
- give a true and fair view of the state of the syndicate's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have audited the syndicate annual financial statements which comprise:
- the profit and loss account;
- the balance sheet;
- the statement of changes in members' balances;
- the cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 14.

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 operations 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.

Independent auditor's report to the members of Syndicate 1971

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.

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.

Independent auditor's report to the members of Syndicate 1971

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 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 in the following area, and our specific procedures performed to address it are described below:

- 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 and we tested the late journal entries to technical provisions.

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

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 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.

Independent auditor's report to the members of Syndicate 1971

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 managing agent's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the active underwriter's report the managing agent's report has 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 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 Knight, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
4 March 2021

Profit and loss account
For the year ended 31 December 2020

Technical account – General business	Notes	2020 $'000	2019 $'000
Gross premiums written	5	102,236	84,253
Outward reinsurance premiums		(57,658)	(49,932)
Net premiums written		44,578	34,321
Change in the provision for unearned premiums:			
Gross amount	6	(14,123)	(52,070)
Reinsurers' share	6	7,605	32,155
Change in the net provision for unearned premiums		(6,518)	(19,915)
Earned premiums, net of reinsurance		**38,060**	**14,406**
Allocated investment return transferred from the non-technical account	11	**958**	**195**
Claims paid			
Gross amount		(6,728)	(30)
Reinsurers' share		3,295	2
Net claims paid		(3,433)	(28)
Change in the provision for claims			
Gross amount	6	(52,270)	(28,021)
Reinsurers' share	6	27,185	16,090
Change in the net provision for claims		(25,085)	(11,931)
Claims incurred, net of reinsurance		**(28,518)**	**(11,959)**
Net operating expenses	7	(5,288)	(3,628)
Balance on the technical account - general business		**5,212**	**(986)**

All operations relate to continuing activities.

The notes on pages 22 to 41 form an integral part of these annual accounts.

Profit and loss account
For the year ended 31 December 2020

Non-technical account	Notes	2020 $'000	2019 $'000
Balance on the technical account - general business		**5,212**	**(986)**
Investment income	11	958	195
Allocated investment return transferred to the technical account - general business		(958)	(195)
Profit / (Loss) on foreign exchange		84	(230)
Profit / (Loss) for the financial year		**5,296**	**(1,216)**

There were no amounts recognised in other comprehensive income in the current year other than those included in the profit and loss account.

Statement of changes in members' balances
For the year ended 31 December 2020

	2020 $'000	2019 $'000
Members' balances brought forward at 1 January	(1,352)	-
Profit / (Loss) for the financial year	5,296	(1,216)
Members' agents' fees	(121)	(136)
Members' balances carried forward at 31 December	**3,823**	**(1,352)**

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

Balance sheet
at 31 December 2020

Assets	Notes	2020 $'000	2019 $'000
Reinsurers' share of technical provisions			
Provision for unearned premiums	6	39,762	32,157
Claims outstanding	6	43,283	16,091
		83,045	48,248
Debtors			
Other debtors	12	71,438	32,780
Prepayments and accrued income			
Deferred acquisition costs	7	5,931	4,450
Total assets		**160,414**	**85,478**

Liabilities	Notes	2020 $'000	2019 $'000
Capital and reserves			
Members' balances		3,823	(1,352)
Technical provisions			
Provision for unearned premiums	6	66,195	52,074
Claims outstanding	6	80,366	28,036
		146,561	80,110
Accruals and deferred income	7,13	10,030	6,720
Total liabilities		**156,591**	**86,830**
Total liabilities and members' balances		**160,414**	**85,478**

The annual accounts on pages 18 to 41 were approved by the Board of Apollo Syndicate Management Limited on 4 March 2021 and were signed on its behalf by:

JD MacDiarmid
Finance Director
4 March 2021

Statement of cash flows
for the year ended 31 December 2020

	Notes	2020 $'000	2019 $'000
Cash flows from operating activities			
Operating profit / (loss) for the financial year		5,296	(1,216)
Adjustments for:			
Increase in gross technical provisions		66,451	80,110
Increase in reinsurers' share of technical provisions		(34,797)	(48,248)
Increase in debtors		(38,658)	(32,780)
Increase in other assets / liabilities		1,829	2,270
Investment return		(958)	(195)
Net cash outflow from operating activities		**(837)**	**(59)**
Cash flows from investing activities			
Investment income received		958	195
Net cash inflow from investing activities		**958**	**195**
Cash flows Net cash outflow from financing activities			
Members' agents' fees paid on behalf of members		(121)	(136)
Net cash outflow from financing activities		**(121)**	**(136)**
Net increase / (decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at 1 January		-	-
Cash and cash equivalents at 31 December		**-**	**-**

As a Special Purpose Arrangement syndicate all cash receipts and payments are undertaken by the host Syndicate 1969. The cash flow reflects the line by line elements of Syndicate 1969 that relate to the syndicate with the exception of the cash balance itself which is reflected as a movement in the debtor due from Syndicate 1969.

Notes to the annual accounts

1. Basis of preparation
The syndicate comprises a group of members of the Society of Lloyd's that underwrite insurance business in the London Market. The address of the syndicate's managing agent is One Bishopsgate, London EC2N 3AQ.

The annual accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, 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").

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

The syndicate's functional and presentation currency is US Dollars. All amounts have been rounded to the nearest thousand and are stated in US Dollars unless otherwise indicated.

After making enquiries, the directors have a reasonable expectation that continued capital support will be in place such that the syndicate will continue to write new business in future underwriting years of account. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual accounts.

2. Critical accounting judgements and key sources of estimation uncertainty
In preparing these annual accounts, the directors of the managing agent have made judgements, estimates and assumptions that affect the application of the syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which they are identified if the revision affects only that period and future periods if the revision affects both current and future periods.

Critical judgements in applying the syndicate's accounting policies
There are no critical judgements, apart from those involving estimations (which are dealt with separately below), in the process of applying the syndicate's accounting policies.

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

The syndicate's principal estimate is the provision for claims outstanding, including claims that have been incurred at the reporting date but have not yet been reported ("IBNR"), and the related reinsurers' share. Other significant estimates are written and earned gross premiums, outwards reinsurance premium ceded and earned, acquisition costs and the valuation of investments.

Gross written premium
Gross written premium comprises contractual amounts, underwriter estimates at a policy level, reflecting guidance provided by clients and cover holders, and actuarial estimates at a portfolio level based on historical experience.

Notes to the annual accounts

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

The gross written premium payable on a policy is often variable, dependent on the volume of trading undertaken by the insured during a coverage period. For example, if distances driven under ride sharing policies already incepted increase substantially over the course of the period of cover additional premiums may be received for the additional exposure insured. Estimates of such additional premiums are included in premiums written but may have to be adjusted if economic conditions or other underlying trading factors differ from those expected.

Claims outstanding

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

The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date and includes IBNR. This is a complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. The estimate of IBNR is generally subject to a greater degree of uncertainty than that for reported claims.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the managing agent's in-house actuaries. These techniques normally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be expected and, for more recent underwriting, the use of benchmarks and initial expected loss ratios from business plans. The syndicate's business is largely a new class of business with data limitations, longer tailed features and increased inherent uncertainty in the likely quantum and incidence of claims. In this situation where there is limited prior experience of the specific business written considerable use is made of information obtained in the course of pricing individual risks accepted and experience of analogous business. Account is taken of variations in business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs.

Accordingly, the most critical assumptions as regards claims provisions are that the past is a reasonable indicator of the likely level of claims development, that the notified claims estimates are reasonable and that the rating and other models used for current business are based on fair reflections of the likely level of ultimate claims to be incurred. The level of uncertainty with regard to the estimations within these provisions generally decreases with the length of time elapsed since the underlying contracts were on risk.

The reserve setting process is integrated within Apollo's governance framework. The proposed best estimate reserves are reviewed in detail by the Reserving Committee on a quarterly basis and confidence margins added to increase the probability that the reserves are sufficient to meet liabilities so far as they can reasonably be foreseen. These reserves, including margins, are then subject to further review by the Audit Committee on behalf of the Board. The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available. The ultimate liability will vary as a result of subsequent information and events, which may result in significant adjustments to the amounts provided. The estimate of the provision for claims outstanding will develop over time and the estimated claims expense will continue to change until all the claims are paid. The historic development of claims incurred estimates is set out in the loss development triangles by year of account in note 4. The adjustment in the current year for the revision to the prior year estimate of the provision for claims outstanding is disclosed in note 6.

Notes to the annual accounts

3. Significant accounting policies

The following principal accounting policies have been applied consistently in accounting for items which are considered material in relation to the syndicate's annual accounts.

Gross premiums written

Premiums written comprise premiums on contracts of insurance incepted during the financial year as well as adjustments made in the year to premiums on policies incepted in prior accounting periods. Additional or return premiums are treated as a re-measurement of the initial premium. Estimates are made for pipeline premiums, representing amounts due to the syndicate not yet received or notified.

Premiums are shown gross of brokerage payable and are exclusive of taxes and duties thereon.

Outwards reinsurance premiums

Written outwards reinsurance premiums comprise the estimated premiums payable for contracts entered into during the period. Non-proportional reinsurance contracts are recognised on the date on which the policy incepts and proportional reinsurance is recognised when the underlying gross premium is written.

Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Provisions for unearned premiums

Written premiums are recognised as earned over the life of the policy and computed using the daily pro-rata method. Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

Outwards reinsurance premiums are earned in the same accounting period as the premiums for the related direct or inwards business being reinsured.

Claims provisions and related recoveries

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years.

Incurred claims outstanding are reduced by anticipated salvage and other recoveries from third parties. The amount of any salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

The provision for claims outstanding is assessed on an individual case by case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of IBNR claims as well as claims incurred but not enough reported ("IBNER").

The reinsurers' share of provisions for claims is based on amounts of claims outstanding and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. Where the security rating provides an indication that the recoverable amount may be impaired a proportion of the balance will be provided for as a provision for bad debt by applying a percentage based on historical experience.

Notes to the annual accounts

3. Significant accounting policies (continued)

Adjustments to the amounts of claims provisions established in prior years are reflected in the annual accounts for the period in which the adjustments are made. The provisions are not discounted for the investment earnings that may be expected to arise in the future on the funds retained to meet the future liabilities. The methods used, and the estimates made, are reviewed regularly.

Unexpired risks provision

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

A provision for unexpired risks is calculated separately by reference to classes of business which are regarded as managed together after taking into account relevant investment return. All the classes of the syndicate are considered to be managed together.

Investment return

Investment return is comprised solely of interest earned on the funds withheld balance. Interest is calculated based on the balance on the experience account, held by Syndicate 1969 on behalf of the syndicate. Interest on each currency is credited at the same yield earned by Syndicate 1969 in the period.

Investment return is initially recorded in the non-technical account and subsequently transferred to the technical account to reflect the investment return on funds supporting the underwriting business.

Net operating expenses

Net operating expenses include acquisition costs, administrative expenses and members' standard personal expenses. Operating expenses are paid by the host Syndicate 1969 and recharged to the syndicate. No mark-up is applied.

Acquisition costs

Acquisition costs represent costs arising from the conclusion of insurance contracts. They include both direct costs such as brokerage and commission, and indirect costs such as administrative expenses connected with the processing of proposals and the issuing of policies. Acquisition costs include fees paid to consortium leaders in return for business written on behalf of the syndicate as a consortium member.

Acquisition costs are earned in line with the earning of the gross premiums to which they relate. The deferred acquisition cost asset represents the proportion of acquisition costs which corresponds to the proportion of gross premiums written that is unearned at the balance sheet date.

Reinsurers' commissions and profit participations

Under certain outwards reinsurance contracts the syndicate receives a contribution towards the expenses incurred. The outwards reinsurance contracts may allow the ceding of acquisition costs and in certain instances an allocation of administrative expenses. Reinsurance arrangements can also pay an overriding or profit commission.

The reinsurers' share of expenses is included with operating expenses and earned in line with the related expense. The reinsurers' share of deferred acquisition cost liability corresponds to the gross deferred acquisition costs and is recorded within accruals and deferred income on the balance sheet.

Notes to the annual accounts

3. Significant accounting policies (continued)

Managing agent's fees

The managing agent charges a management fee of 0.9% of syndicate capacity. This expense is recognised over the 12 months following commencement of the underwriting year to which it relates.

The managing agent has agreed contractual terms with the capital providers to the syndicate for the payment of profit commission based on the performance of the individual years of account of the syndicate. Profit commission is accrued in line with the contractual terms and the development of the result of the underlying years of account.

Amounts charged to the syndicate do not become payable until after the appropriate year of account closes, normally at 36 months, although the managing agent may receive payments on account of anticipated profit commission if interim profits are released to members.

Foreign currencies

Transactions in foreign currencies are translated into US Dollars which is the functional and presentational currency of the syndicate. Transactions in foreign currencies are translated using the exchange rates at the date of the transactions or at the appropriate average rates of exchange for the period. The syndicate's monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historic cost are translated to the functional currency using the exchange rate at the date of the transaction. For the purposes of foreign currency translation, unearned premiums and deferred acquisition costs are treated as monetary items.

Foreign exchange differences arising on translation of foreign currency amounts are included in the non-technical account.

Pension costs

Apollo operates a defined contribution pension scheme. Pension contributions relating to managing agency staff working on behalf of the syndicate are charged to the syndicate and included within net operating expenses.

Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the syndicate during the year have been included in the balance sheet under the heading 'other debtors'. No provision has been made for any other overseas tax payable by members on underwriting results.

Funds withheld

The underlying premiums and claims are settled by Syndicate 1969 with policy holders as they fall due. Within the syndicate these are accounted for on a funds withheld basis. Reinsurance debtors and creditors arising between the syndicate and Syndicate 1969 are not settled until the year of account has closed. Claims outstanding together with other non-technical transactions are settled when the year of account closes.

Notes to the annual accounts

3. Significant accounting policies (continued)
Cash calls made during the period are paid to Syndicate 1969 and credited to the funds withheld balance. These will therefore reduce the amount due for payment to Syndicate 1969 on closure of a loss-making year.

4. Risk and capital management
Introduction and overview
This note presents information about the nature and extent of insurance and financial risks to which the syndicate is exposed, the managing agent's objectives, policies and processes for measuring and managing insurance and financial risks, and for managing the syndicate's capital.

The nature of the syndicate's exposures to risk and its objectives are, due to the nature of the quota share contract and funds withheld arrangement therein, shared with Syndicate 1969. The syndicate shares all the risks associated with the ibott Rover business written by Syndicate 1969 including those associated with the assets and liabilities that arise. There have been no significant changes to the ASML policies for managing risk in the current year.

Risk management framework
The primary objective of the syndicate's risk management framework is to protect the syndicate's members from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. All staff providing services to the syndicate are trained to recognise the critical importance of having efficient and effective risk management systems in place.

The Board of Directors of the managing agent has overall responsibility for the establishment and oversight of the syndicate's risk management framework. The Board has established a Risk Committee which oversee the operation of the syndicate's risk management framework and reviews and monitors the management of the risks to which the syndicate is exposed.

ASML has established a risk management function, together with terms of reference for the Board of Directors, its committees and the associated executive management committees which identify the risk management obligations of each. The function is supported by a clear organisational structure with documented delegated authorities and responsibilities from the Board of Directors to executive management committees and senior managers. The framework sets out the risk appetites for the syndicate and includes controls and business conduct standards.

Under the risk management framework, ASML's Risk and Capital Committee oversees the risk management function at an executive level. The management of specific risk grouping is delegated to several executive committees: the Underwriting Committee and the Reserving Committee are responsible for developing and monitoring insurance risk management policies; the management of aspects of financial risks is the responsibility of the Finance Committee. In addition, the syndicate is exposed to conduct and operational risks and the management of aspects of these risks is the responsibility of the Underwriting Committee and the Operations Committee respectively. Accordingly, the risk management function and the Risk and Capital Committee operates as the second line of defence above these committees.

The risk management function reports to each meeting of the Risk Committee on its activities. The Reserving Committee, Underwriting Committee, Finance Committee, and Operations Committee report regularly to the Executive Committee and work closely with the risk management function on their activities as well as reporting to the Board of Directors and the relevant non-executive sub committees.

Notes to the annual accounts

4. Risk and capital management (continued)

Insurance Risk

Management of insurance risk

The principal risk the syndicate faces under insurance contracts is that the actual claims and benefit payments, or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of claims.

A key component of the management of underwriting risk for the syndicate is a disciplined underwriting strategy that is focused on writing quality business and not writing for premium volume. There is inherent risk in managing planning and premium volumes in a transactional account, in particular given the relatively new risks that are presented to the underwriters. Product pricing is designed to incorporate appropriate premiums for each type of assumed risk. The underwriting strategy includes underwriting limits on the syndicate's total exposure to specific risks together with limits on geographical and industry segment exposures to ensure that a well-diversified book is maintained.

Contracts can contain a number of features which help to manage the underwriting risk such as the use of deductibles, or capping the maximum permitted loss, or number of claims (subject to local regulatory and legislative requirements).

Where an individual exposure is deemed surplus to the syndicate's appetite, additional facultative reinsurance is purchased.

The table below shows the gross premium by the location of the insured as a proxy for risk location. This gives an indication of the syndicate's exposure to loss written in calendar year by geographic area.

Gross written premium analysed by source	2020 $'000	2019 $'000
US	100,849	83,793
UK	-	215
Other EU countries	1,097	165
Other	290	80
Total	**102,236**	**84,253**

The Reserving Committee oversees the management of reserving risk. The use of proprietary and standardised modelling techniques, internal and external benchmarking and the review of claims development are all instrumental in mitigating reserving risk.

The managing agent's in-house actuaries perform a reserving analysis on a quarterly basis liaising closely with underwriters, claims and reinsurance personnel. The aim of this exercise is to produce a probability-weighted average of the expected future cash outflows arising from the settlement of incurred claims and claims on unearned premium. These projections include an analysis of claims development compared to the previous 'best estimate' projections. The output of the reserving analysis is reviewed by external consulting actuaries in order for them to provide the Statement of Actuarial Opinion ("SAO") on the year-end reserves.

Notes to the annual accounts

4. Risk and capital management (continued)

The Reserving Committee performs a comprehensive review of the projections, both gross and net of reinsurance. Following this review the Reserving Committee makes recommendations to the Audit Committee and Board of Directors as to the claims provisions to be established.

In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate to increase the probability that the reserves are sufficient to meet liabilities.

Sensitivity to insurance risk

The syndicate manages risk exposures within defined industry segments. The largest segments by premium volume are the Delivery and Rideshare accounts. This includes both primary and excess business that has limited claims volumes. As such prudent assumptions have been made to account for the potential volatility in these accounts.

The liabilities established could be significantly lower or higher than the ultimate cost of settling the claims arising. This level of uncertainty varies between the segments of business and the nature of the risk being underwritten and can arise from developments in case reserving for attritional losses, large losses, or from changes in estimates of IBNR claims.

A five percent increase or decrease in the ultimate cost of settling claims arising is considered to be reasonably possible at the reporting date. A five percent increase or decrease in total earned claims liabilities would have the following effect on profit or loss and members' balances.

	2020		2019	
	Gross	**Net**	**Gross**	**Net**
	$'000	**$'000**	**$'000**	**$'000**
5% movement	(4,018)	(1,854)	(1,402)	(597)

On a net of reinsurance basis the effects could be more complex depending on the nature of the loss. The incidence of profit commission payable to intermediaries may also affect the gross and net impact on results and members' balance.

Financial risk

Under the funds withheld arrangement in the quota share contract with Syndicate 1969 the syndicate has exposure to financial risk. The primary objective of the ASML investment management process is to maintain capital value, which is of particular importance in volatile financial market conditions. A secondary objective is to optimise the risk-adjusted total return whilst being constrained by capital preservation and liquidity requirements. A low to medium risk investment policy has been adopted and Syndicate 1969 assets have been invested in short dated fixed income government and corporate bonds, absolute return bond funds and money market funds.

The investment management of a short dated fixed income bond portfolio is outsourced to a third party. An investment mandate reflecting ASML's risk appetite is in place and has been approved by the Board. Compliance with this is implemented through the investment managers systems and monitored through the monthly and quarterly reporting process.

Notes to the annual accounts

4. Risk and capital management (continued)
Credit risk
Credit risk is the risk of financial loss to the syndicate if a counterparty fails to discharge a contractual obligation. The syndicate shares the Syndicate 1969 risk of financial loss on balances relating to the funds withheld arrangement in respect of the following:

- holdings in collective investment schemes;
- short dated fixed income government and corporate bonds;
- amounts due from intermediaries;
- cash and cash equivalents; and
- other debtors and accrued interest.

The syndicate has direct exposure to the reinsurers' share of insurance liabilities through the common account excess of loss cover in place.

Management of credit risk
The syndicate is exposed to the credit risk associated with the Syndicate 1969 investment portfolio of securities which are rated BBB or above. The bond portfolio is managed to single issuer limits set by credit rating and there is a limit to the overall exposure to BBB rated securities. ASML limits the amount of cash and cash equivalents that can be deposited with a single counterparty and maintains an authorised list of counterparties.

ASML manages reinsurer credit risk by placing limits on its exposure to a single counterparty, by reference to the credit rating of the counterparty. The syndicate's exposure to reinsurance counterparties is monitored by the reinsurance team as part of their credit control processes. On a quarterly basis the Finance Committee reviews the credit exposures to reinsurance counterparties.

ASML assesses the creditworthiness of all reinsurers by reviewing public rating information and by internal investigations. The impact of reinsurer default is regularly assessed and managed accordingly. Where reinsurance is transacted with unrated reinsurers, the reinsurer is required to fully collateralise its exposure through depositing funds in trust for the syndicate.

The syndicate is exposed to intermediary debtor credit risk ceded under the quota share. ASML reviews intermediary performance against the terms of business agreements by the compliance function. The status of intermediary debt collection is reported to the Finance Committee.

Exposure to credit risk
All assets are due from Syndicate 1969, which benefits from Lloyd's credit rating from Standard and Poor's of A+. It is not practical to look through this to analyse the credit rating of the syndicate's share of the Syndicate 1969 assets.

The syndicate's common account proportional reinsurance programme is placed predominantly with traditional reinsurance carriers with a credit rating of A or above.

Notes to the annual accounts

4. Risk and capital management (continued)

Financial assets that are past due or impaired

The syndicate does not have any directly held receivables that are past due and impaired or any other impaired assets at the reporting date. The syndicate shares in the Syndicate 1969 risk associated with debtors arising from direct insurance and reinsurance operations that are past due but not impaired at the reporting date. These debtors have been individually assessed for impairment by considering information such as the occurrence of significant changes in the counterparty's financial position, patterns of historical payment information and disputes with counterparties.

Liquidity risk

Liquidity risk is the risk that the syndicate will encounter difficulty in meeting obligations arising from its insurance contracts and financial liabilities as they fall due. Due to the funds withheld nature of the contract the syndicate underwrites, liquidity risk is borne by Syndicate 1969. The syndicate is therefore indirectly sensitive to the liquidity risk as all cash payments are made by Syndicate 1969 on behalf of the syndicate.

ASML's approach to managing its liquidity risk is as follows:

- forecasts are prepared and revised on a regular basis to predict cash outflows from insurance contracts and overheads over the short, medium and long term;
- the syndicate purchases assets with durations not greater than its estimated insurance contract liabilities and expense outflows;
- assets purchased by the syndicate are required to satisfy specified marketability requirements;
- the syndicate maintains cash and liquid assets to meet daily calls; and
- the syndicate regularly updates its contingency funding plans to ensure that adequate liquid financial resources are in place to meet obligations as they fall due in the event of reasonably foreseeable abnormal circumstances.

ASML maintains sufficient premium trust funds in money market funds to meet daily liquidity requirements. Holdings in money market funds are well diversified, very liquid and generally low risk. There is, however, a risk that the fund does not have sufficient liquidity to meet all redemptions in extreme conditions. The fixed income short dated government and corporate bond portfolio is relatively liquid and can be realised within a matter of days under normal market conditions. Whilst less liquid in nature the limited proportion of investments held in absolute return bond funds can be realised within a few days in normal market conditions. ASML is able to make cash calls from the members of the managed syndicates to fund losses in the event that funds are needed ahead of closing the year of account.

Liquidity risk

The syndicate operates on a funds withheld basis and the maturity analysis presented in the table below shows the underlying remaining contractual maturities that will be fulfilled by Syndicate 1969 for the insurance contracts and financial assets and liabilities. For insurance and reinsurance contracts, the contractual maturity is the estimated date when the gross undiscounted contractually required cash flows will occur. Unearned premium and deferred acquisition cost maturities reflect the expected claim payment profile. Syndicate 1969 manages its total liquidity and in addition to the cash flows below will recover losses and pay profits.

4. Risk and capital management (continued)

2020	Carrying amount $'000	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Financial investments:					
Reinsurers' share of technical provisions	83,045	22,737	18,733	32,297	9,278
Debtors, prepayments and accrued income	77,369	21,181	17,453	30,090	8,645
Total assets	**160,414**	**43,918**	**36,186**	**62,387**	**17,923**
Technical provisions	(146,561)	(40,125)	(33,061)	(57,000)	(16,375)
Accruals and deferred income	(10,030)	(2,746)	(2,262)	(3,901)	(1,121)
Total liabilities	**(156,591)**	**(42,871)**	**(35,323)**	**(60,901)**	**(17,496)**

2019	Carrying amount $'000	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Financial investments:					
Reinsurers' share of technical provisions	48,248	11,381	10,082	20,658	6,127
Debtors, prepayments and accrued income	37,230	1,050	33,710	1,905	565
Total assets	**85,478**	**12,431**	**43,792**	**22,563**	**6,692**
Technical provisions	(80,110)	(18,897)	(16,740)	(34,300)	(10,173)
Accruals and deferred income	(6,720)	(1,585)	(1,404)	(2,877)	(854)
Total liabilities	**(86,830)**	**(20,482)**	**(18,144)**	**(37,177)**	**(11,027)**

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract will fluctuate because of changes in market prices, excluding those that are caused by credit downgrades which are included under credit risk. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk within the framework set by the managing agent's investment policy.

Management of market risk
For each of the major components of market risk the syndicate has policies and procedures in place which detail how each risk should be managed and monitored. The management of each of these major components of market risk and the exposure of the syndicate at the reporting date to each major component are addressed below.

Interest rate risk
The syndicate shares interest rate risk through the allocation of investment return under the funds withheld arrangement. Interest rate risk arises primarily from the exposure to financial investments and overseas deposits. Exposure to significant fluctuations in market value due to changes in bond yields is managed through investment in short duration securities; the key risk indicator is set at less than three years. Investment types include short dated fixed income bonds, absolute return bond funds and money market funds.

Notes to the annual accounts

4. Risk and capital management (continued)
ASML limits exposure to absolute return bond funds. These funds manage exposure to changes in market value resulting from movements in bond yields by managing to a very short or even negative duration.

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

The syndicate writes business primarily in Sterling, Euros, US Dollars and Canadian Dollars and is therefore exposed to currency risk arising from fluctuations in the exchange rates of its functional currency (US Dollars) against these currencies.

The foreign exchange policy is to maintain assets in the currency in which the cash flows from liabilities are to be settled in order to hedge the currency risk inherent in these contracts so far as is allowed by regulatory requirements and for any profit or loss to be reflected in the net assets of the functional currency. As a syndicate operating on a funds withheld basis actions cannot be taken within the syndicate to match currencies. However the host, Syndicate 1969, can take actions to match currencies on behalf of the syndicate.

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

2020	**Sterling $'000**	**Euro $'000**	**US Dollar $'000**	**Other $'000**	**Total $'000**
Total assets	(657)	16	160,379	676	160,414
Total liabilities	(1,219)	-	(154,989)	(383)	(156,591)
Net assets / (liabilities)	**(1,876)**	**16**	**5,390**	**293**	**3,823**

2019	**Sterling $'000**	**Euro $'000**	**US Dollar $'000**	**Other $'000**	**Total $'000**
Total assets	(4,990)	(10)	90,463	15	85,478
Total liabilities	(555)	-	(86,275)	-	(86,830)
Net assets / (liabilities)	**(5,545)**	**(10)**	**4,188**	**15**	**(1,352)**

An analysis of the syndicate's sensitivity to currency risk is presented in the table below. The table shows the effect on profit or loss of reasonably possible changes in the relevant risk variable. The sensitivity analysis assumes that all other variables remain constant and that the exchange rate movement occurs at the end of the reporting period. The impact of exchange rate fluctuations could differ significantly over a longer period. The occurrence of a change in foreign exchange rates may lead to changes in other market factors as a result of correlations.

4. Risk and capital management (continued)

Profit / (Loss) for the year	2020 $'000	2019 $'000
Currency risk		
10 percent strengthening of Sterling against US Dollar	(208)	(616)
10 percent weakening of Sterling against US Dollar	171	504
10 percent strengthening of Euro against US Dollar	2	(1)
10 percent weakening of Euro against US Dollar	(1)	1

Other price risk
The syndicate is subject to other price risk through the funds withheld arrangement with Syndicate 1969. Investments in Syndicate 1969 comprise holdings in short dated fixed income government and corporate bonds, absolute return bond funds and money market funds. The bond portfolio is low risk being both short dated and predominantly credit rating A or above with a modest exposure to BBB rated securities and therefore it has limited sensitivity to market movements.

Up to 20% of the Syndicate 1969 investment portfolio can be invested in absolute return bond funds which, whilst more sensitive to market risk, are still relatively low risk and managed against a LIBOR benchmark. Given the volatility during the COVID-19 pandemic the absolute return fund holding has been reduced to a nominal amount (2019: 6%). The money market funds are near cash and therefore have minimal exposure to market movements.

It is not practical to allocate the Syndicate 1969 assets to the syndicate and therefore a fair value hierarchy categorising the assets to which the syndicate is exposed according to the level of judgement exercised in valuation has not been provided.

Capital management
Capital framework at Lloyd's
The Society of Lloyd's ("Lloyd's") is a regulated undertaking and subject to supervision by the Prudential Regulatory Authority ("PRA") under the Financial Services and Markets Act 2000, and in accordance with the Solvency II Framework.

Within this supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's would comply with the Solvency II requirements, and beyond that to meet its own financial strength, license and ratings objectives.

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at syndicate level. Accordingly, the capital requirement in respect of the syndicate's members is not disclosed in these annual accounts.

Lloyd's capital setting process
As a new syndicate, Lloyd's establishes a syndicate-level Solvency Capital Requirement (SCR) for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). Lloyd's also calculate the syndicate's SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. ASML use an internal model developed in house to calculate the SCR for more mature syndicates as opposed to adopting a standard formula.

Notes to the annual accounts

4. Risk and capital management (continued)

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for their own share of underwriting liabilities on the syndicates on which they participate but not for other members' shares. Accordingly, the capital requirements that Lloyd's sets for each member operates on a similar basis. Each member's SCR is based on the member's share of the syndicate's SCR 'to ultimate'.

Where a member participates on more than one syndicate, Lloyd's sums together each syndicate's SCR but a credit for diversification is allowed to reflect the spread of risk consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's rather than a Solvency II requirement, is to meet Lloyd's financial strength, license and ratings objectives.

The level of year end reserves is validated by external consulting actuaries through their report to management and their provision of a Statement of Actuarial Opinion to the managing agency and Lloyd's on gross and net reserves by year of account at 31 December 2020.

Provision of capital by members

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

Accordingly all of the assets less liabilities of the syndicate, as represented in the members' balances reported on the balance sheet, represent resources available to meet members' and Lloyd's capital requirements.

Claims development

The syndicate's current exposure is predominantly US motor liability via the Delivery and Rideshare segments (approximately 65% and 20% of the 2020 premium volume respectively).

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive underwriting year at each reporting date, together with cumulative payments to date. Balances have been translated at exchange rates prevailing at 31 December 2020 in all cases.

Gross claims development as at 31 December 2020:

Pure underwriting year	2019 $'000	2020 $'000	Total $'000
Incurred gross claims			
At end of underwriting year	28,049	27,736	
One year later	59,242	-	
Incurred gross claims	59,242	27,736	86,978
Less gross claims paid	(6,558)	(54)	(6,612)
Gross claims outstanding provision	**52,684**	**27,682**	**80,366**

Notes to the annual accounts

4. Risk and capital management (continued)

Net claims development as at 31 December 2020:

Pure underwriting year	2019 $'000	2020 $'000	Total $'000
Incurred net claims			
At end of underwriting year	11,957	14,273	
One year later	29,422	-	
Incurred net claims	29,422	14,273	43,695
Less net claims paid	(6,558)	(54)	(6,612)
Net claims outstanding provision	**22,864**	**14,219**	**37,083**

All balances presented are in respect of premiums earned to the balance sheet date and therefore reflect the pattern of earnings and risk exposed over a number of calendar years. This is the first year of trading and therefore there is no historic development.

Year of account development

The table below presents the annual results split by year of account. Movements in results for closed years of account are reflected within the results for the year into which they closed by reinsurance to close.

Result before members' agents' fees	2020 $'000	2019 $'000
Year of account		
2019	5,800	(1,216)
2020	(504)	-
Calendar year result	**5,296**	**(1,216)**

5. Segmental analysis

All business written by the syndicate is reinsurance. All premiums were underwritten in the UK.

6. Technical provisions

Included within net calendar year claims incurred of $28,518,000 is a release of $1,052,000 in claims reserves established at the prior year end.

Notes to the annual accounts

6. Technical provisions (continued)

An analysis of the movement in technical provisions is set out below:

	Unearned premiums $'000	Claims outstanding $'000	Total $'000
Gross			
At 1 January 2020	52,074	28,036	80,110
Exchange adjustments	(2)	60	58
Movement in provision	14,123	52,270	66,393
At 31 December 2020	**66,195**	**80,366**	**146,561**
Reinsurance			
At 1 January 2020	32,157	16,091	48,248
Exchange adjustments	-	7	7
Movement in provision	7,605	27,185	34,790
At 31 December 2020	**39,762**	**43,283**	**83,045**
Net technical provisions			
At 31 December 2020	**26,433**	**37,083**	**63,516**
At 31 December 2019	**19,917**	**11,945**	**31,862**

7. Net operating expenses

	2020 $'000	2019 $'000
Brokerage and commission	8,690	6,290
Other acquisition costs	2,146	1,265
Change in deferred acquisition costs	(1,448)	(4,418)
Gross acquisition costs	9,388	3,137
Administrative expenses	4,294	2,203
Reinsurers' commissions and profit participation	(10,945)	(3,984)
Members' standard personal expenses	2,551	2,272
Total	**5,288**	**3,628**

Notes to the annual accounts

7. Net operating expenses (continued)

An analysis of the movement in deferred acquisition costs is set out below:

	2020 $'000	2019 $'000
Gross		
At 1 January 2020	4,450	-
Exchange adjustments	33	32
Movement in Provision	1,448	4,418
At 31 December 2020	**5,931**	**4,450**
Reinsurance		
At 1 January 2020	6,720	-
Exchange adjustments	-	-
Movement in provision	2,164	6,720
At 31 December 2020	**8,884**	**6,720**

The reinsurers' share of deferred acquisition costs are included in accruals and deferred income shown in note 13.

8. Auditor's remuneration

	2020 $'000	2019 $'000
Audit fees		
Fees payable to the syndicate's auditor for the audit of the syndicate's annual financial statements	19	15
Non-audit fees		
Audit related assurance services	45	33
Other assurance services	21	19
	66	52
Total	**85**	**67**

9. Staff number and costs

All staff are employed by the managing agency or related companies. The following amounts were recharged to the syndicate in respect of salary costs:

	2020 $'000	2019 $'000
Wages and salaries	1,361	965
Social security costs	110	91
Pension costs	81	52
Total	**1,552**	**1,108**

Notes to the annual accounts

9. Staff number and costs (continued)

The average monthly number of employees employed by the managing agency or related companies but working for the syndicate during the year was as follows:

	2020 Number	2019 Number
Underwriting	3	4
Management, administration and finance	6	3
Non-executive directors	5	5
Total	**14**	**12**

10. Emoluments of the directors of the managing agent

For the purposes of FRS 102, the directors of ASML are deemed to be the key management personnel.

For the period ending 31 December 2020, the directors of ASML received aggregate remuneration of $362,000 (2019: $445,000) which is charged as a syndicate expense.

Included in the aggregated remuneration are emoluments paid to the highest paid director amounting to $106,000 (2019: $153,000). The Active Underwriter received remuneration of $203,000 (2019: $167,000) which is charged as a syndicate expense.

11. Investment income

	2020 $'000	2019 $'000
Income received from related syndicates	958	195

Investment income represents amounts received by Syndicate 1969 attributable to the business undertaken on behalf of the syndicate.

12. Other debtors

	2020 $'000	2019 $'000
Amounts due from Syndicate 1969	71,438	32,780

Amounts due from Syndicate 1969 represents the net funds withheld balance receivable under the quota share contract. The balances attributable to each year of account are due on closure of the underlying years of account and, accordingly, are due after more than one year.

Notes to the annual accounts

13. Accruals and deferred income

	2020	2019
	$'000	$'000
Reinsurers' share of deferred acquisition costs	8,884	6,720
Profit Commission Accrual - ASML	1,146	-
Total	**10,030**	**6,720**

14. Related parties

All business with related parties is transacted on an arm's length basis.

ASML, the managing agent, is a wholly owned subsidiary of Apollo Partners LLP ("APL"). DCB Ibeson and SAC White, along with other members of the senior underwriting team, are partners of APL. Metacomet LLC, a US incorporated limited company, is a corporate partner of APL. Affiliated companies of Metacomet LLC participate on the syndicate.

The syndicate is a Special Purpose Arrangement with Syndicate 1969 as the host. A quota share reinsurance contract is in place for each year of account ceding all gross premiums and related expenses and investment income. The 2019 year of account applies an 80% quota share, with the 2020 year of account applying a 90% quota share. All transactions set out the annual accounts have been undertaken by Syndicate 1969 on behalf of the syndicate. On closure of a year of account the Syndicate 1971 distribution will be settled by the syndicate. The related party transactions and amounts outstanding at the balance sheet date are shown below:

	2020	2019
Syndicate 1969	$'000	$'000
Gross written premium receivable	102,236	84,253
Gross Claims payable	(6,728)	(30)
Expenses payable	(8,956)	(5,769)
Net interest receivable	958	195
Other debtors	71,438	32,780

In accordance with the Managing Agent's Agreement, ASML accrued managing agent's fees (0.9% of syndicate capacity) and profit commission (20% of profit). A two year deficit clause is in place which requires losses to be offset by future profits before further profit commission becomes payable.

APL employs all Apollo group staff, including underwriters, claims and reinsurance staff. APL provides the services of these staff and its partners to ASML to enable it to function as managing agent for the syndicate. APL also incurs a large proportion of the expenses in respect of operating the syndicate. The cost of these services and expenses are recharged to ASML which in turn recharges these to the syndicate, via Syndicate 1969, on a basis that reflects usage of resources.

Notes to the annual accounts

14. Related parties (continued)

ASML	2020 $'000	2019 $'000
Managing agent's fee	1,314	1,544
Expense recharges	6,265	4,718
Profit commission accrued	1,146	-

There are no amounts payable directly to ASML; these are reflected in the balances with Syndicate 1969.

APL is the parent company of certain capital providers for Syndicate 1971. MJ Newman and other members of the syndicate's underwriting team participate on the syndicate.

Hyperion Apollo Limited, a subsidiary of the Howden Group Holdings Limited, acquired a minority interest in APL on 31 May 2018. DCB Ibeson is the Non-Executive Chairman of DUAL International Ltd (an unregulated holding company within the Hyperion Group).