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Aspen Managing Agency Limited

Syndicate 4711

Report and accounts

For the year ended
31 December 2020

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Directors and Advisors

Managing Agent
Aspen Managing Agency Limited

Directors
P Webster (Chair)
N Waller
M Cain
H Purves
T Froehlich
R Milner
S Stanford
S Liddell
P Cooper

Company secretary
H Lipscomb

Managing Agent's registered office
30 Fenchurch Street,
London, EC3M 3BD
United Kingdom

Managing Agent's registered number
06459521

Syndicate:

Active underwriter
S Stanford

Bankers
Citibank N.A.
RBC Dexia
Deutsche Bank

Investment managers
Conning Asset Management Limited

Registered Auditor
KPMG LLP
15 Canada Square
London
E14 5GL

Report of the Directors of the Managing Agent

The Directors of the Managing Agent present their report in respect of Syndicate 4711 ("the Syndicate") 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 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').

Strategic Report

The result for the year ended 31 December 2020 is a loss of £53.0m (31 December 2019 : loss of £57.4m) and is set out in the Profit and Loss Account on page 18. A breakdown of the 2020 performance is shown on page 5.

The Managing Agent is a subsidiary of Aspen Insurance Holdings Limited ("AIHL") a company registered in Bermuda. AIHL is the parent company of the Aspen Group. Copies of the consolidated financial statements may be obtained from the registered office at 141 Front Street, Hamilton, Bermuda HM19.

Overview of the business

The principal activity of the Syndicate is the transaction of general insurance and reinsurance business at Lloyd’s. A description of the Syndicate’s business is as follows:

<u>Marine & Energy Insurance</u>:

The Marine & Energy Insurance sub-segment was comprised of Marine & Energy Liability, Specie and Upstream Energy.

- Specie: The specie business line focuses on the insurance of niche high value property items including fine art, general and bank related specie, jewellers’ block and armoured car.
- Upstream Energy: Coverage is offered to insureds principally for physical damage, control of well, loss of hire, and business interruption; as well as other ancillary coverages for both operational and construction risks. Upstream exposures exist both offshore and onshore and cover is provided for exploration and drilling, construction and development of a field and then the production and processing of hydrocarbons up to the point of refining.
- Marine & Energy Liability: We ceased underwriting Marine & Energy Liability in February 2020. Both onshore and offshore coverages were written at a variety of attachment points, including at primary levels where appropriate. The marine account offered protection and indemnity, and maritime employers' coverage, although we consider other marine coverage. The energy account considers clients from upstream through the entire process up to and including downstream risk.

<u>Financial and Professional Lines Insurance:</u>

The Financial and Professional Lines sub-segment was comprised of Credit & Political Risks, Accident & Specialty, Technology Liability, Management Liability, Financial Institutions, Professional Indemnity and Accident & Health.

- Credit and Political Risks: Business written covers the credit and contract frustration risks on a variety of trade and non-trade related transactions, as well as political risks (including multi-year war on land cover). There is worldwide coverage, but with concentrations in a number of countries, such as Russia, China, Brazil, the Netherlands and the United States.
- The Accident & Specialty portfolio comprises four core product lines written from London and Singapore. These lines are Kidnap & Ransom, Piracy, Terrorism & Political Violence and Active Assailant. There is also an incidental amount of product recall income written within the international portfolio.

- Technology Liability: This account includes a worldwide portfolio of policies, covering Cyber-specific and technology errors and omissions covers, which can be written on a blended or stand-alone basis. Cyber-specific covers include first party costs (network-based extortion, network-based business interruption and data recovery expenses) and third party liabilities related to the breach of contractual or statutory data protection obligations.

- Management Liability: This account comprises Commercial Directors and Officers ("D&O") and Transactional Liability. The D&O business provides products including prospectus liability, pension trustee liability and D&O liability for commercial insureds globally. Transactional liability includes a worldwide book of representations and warranties, tax liability and contingency business through facilities.

- The Financial Institutions business provides a comprehensive range of insurance products, e.g. D&O liability, bankers blanket bond, comprehensive crime, professional indemnity, prospectus liability and pension trustee liability for financial institutions around the world.

- Professional Indemnity: this account comprises limited commercial professional indemnity cover for incidental EEA exposures.

- Accident & Health: We ceased underwriting Accident & Health in March 2020. It was a global portfolio focusing on niche business and relationships providing products that offered protection for individuals, groups and companies from the consequences of accidental death, disability and global travel. An extensive range of accident and health covers were offered, including: individual and group personal accident ("PA")/disability, credit card, evacuation/repatriation, war, occupational accident, medical expenses, aviation PA, non-US sports PA/disability and other specialist products. In addition, there was the ability to provide protection for a wide range of reinsurance clients on an excess of loss and proportional basis.

<u>Other, including</u>:

- Environmental: Cover is provided for damages arising from pollution resulting from an insured's activities including bodily injury, property damage, clean-up costs and biodiversity damage. Clients include heavy industries (metals, mining and paper), energy (upstream/midstream/downstream), hydrocarbon supply (storage and distribution), ports/terminals, construction companies & projects, manufacturing, waste treatment & storage, transportation, hospitality, commercial real estate, airports/ fixed base operators and environmental professionals.

- Global Casualty: Consists of a broad portfolio of excess casualty business, including Fortune 1000, manufacturing, and construction.

- Reinsurance: This account consists of various businesses requiring our Lloyd’s capacity and includes space and bloodstock business written through consortia, international property facultative, some casualty business.

2020 Performance

Overall premium for the year has decreased to £349.4m (2019: £379.4m), with the loss for the financial year of £53.0m (2019: £57.4m loss) reflecting an increase in current year reserves and the impact of COVID-19. During 2020 Aspen made the decision to cease writing Marine and Energy Liability and Accident and Health business which accounts for the reduction in premiums written since 2019.

<u>Marine and Energy Insurance</u>

Gross written premium decreased to £52.1m from £112.7m in 2019. This is as a result of the decision to exit the Marine and Energy Liability class. A loss, albeit improved from prior year, has been driven by current year losses on Energy.

Financial and Professional Lines Insurance

Gross written premiums have increased in the year to £214.9m from £201.7m in 2019. This is mostly as a result of having a full year of written premium through a large coverholder relationship and growth in FI and Management Liability which has offset a reduction in premium on Accident and Health as a result of a decision to exit this class.A significant loss on this business in the year is driven by claims deterioration on Accident and Health, mostly as a result of COVID-19 and additional claims margin on FI and Management Liability.

Other including Global Casualty Insurance and Reinsurance

Gross written premium has increased in the year to £82.4m from £65.0m in 2019. This is mostly due to growth in excess casualty and UK P&C business. An underwriting profit in P&C has been offset by a loss on Reinsurance classes, mostly as a result of COVID-19.

Foreign taxes

The Syndicate has recognised a benefit against expenses during 2020 which relates to cash received on foreign taxes on 2017 underwriting year and prior which were initially written off against profit or loss as an application of prudence.

Key performance indicators

The key financial performance indicators during the year were:

	(£ in millions)
Capacity	565.0
Gross written premium	349.4
Gross earned premium	364.7
Net earned premium	122.2
Investment return	10.0
Loss for the financial year	(53.0)
Expense ratio	64.5 %
Claims ratio	87.7 %
Combined ratio	152.2 %

The above ratios have been calculated using net earned premium.

Outwards reinsurance arrangements

We purchase reinsurance and retrocession to mitigate and diversify our risk exposure to a level consistent with our risk appetite and to increase our insurance and reinsurance underwriting capacity. These agreements provide for recovery of a portion of our losses and loss adjustment expenses from our reinsurers. The amount and type of reinsurance that we purchase varies from year to year and is dependent on a variety of factors, including, but not limited to, the cost of a particular reinsurance contract and the nature of our gross exposures assumed, with the aim of securing cost-effective protection.

We have reinsurance covers in place for the majority of our insurance classes of business, most of which are on a non-proportional and / or proportional treaty basis. The level of proportional cover was broadly similar to 2019. During 2021 we anticipate a slight increase in non-proportional protection, in particular across casualty and FinPro classes, as we see favourable terms and ceding commission in this area.

The Syndicate has a 20% whole account quota share for the years of account 2009 to 2020 to protect the net retained account. This reinsurance is placed with ABL, a subsidiary within the Aspen Group.

For the 2015 to 2020 underwriting years of account, all MEC business written by the Aspen Group was agreed to be written to the Syndicate and an additional 50% quota share was purchased to reduce volatility. This quota share was purchased with AIUK, another subsidiary within the Aspen Group whose ultimate holding company is AIHL.

On March 2, 2020, AIHL entered into an adverse development reinsurance agreement with Cavello Bay Reinsurance Limited (“Cavello”), a Bermuda insurance company and wholly owned subsidiary of Enstar Group Limited. Under this agreement, AIHL will cede to Cavello, losses incurred on or prior to December 31, 2019 on a diversified mix of property, liability and specialty lines across the U.S., U.K and Europe, in excess of $3.8 billion, up to an aggregate limit of $4.6 billion (coverage of $0.8 billion). The reinsurance agreement also provides for $0.3 billion of cover in excess of $4.8 billion. The consideration for this agreement is $0.8 billion plus interest at 3.75% per annum, compounding daily, from the effective date January 1, 2020 to the closing date. The Syndicate's participation in this Group reinsurance arrangement is 10%, and it has recognised $77.0m of ceded premiums and reinsurance recoveries under the contract in the profit or loss account.

Investment performance

The investment policy of the Syndicate is set by the Board of Aspen Managing Agency Limited ("AMAL") and managed with support from the Aspen Group Treasury function. The Board monitors investment performance and approves the appointment of investment managers. Conning Asset Management Limited manage the Syndicate’s investments. Furthermore investments are also required to be made in line with the restrictions put in place by Lloyd’s.

As at 31 December 2020, the Syndicate held £189.8m in fixed income investments, which were located in various countries in Europe excluding the UK; being Sweden, France, Luxembourg, Netherlands and Germany. All such investments had a Standard & Poor's rating of at least BBB+. Investment risk is analysed in note 4 to these accounts.

The Syndicate maintains investment funds in US dollars and Canadian dollars.

As at 31 December 2020 the total value of cash and investments was £324.5m (2019: £291.1m). Of the total value, 60.3% was held in US dollars, 13.0% was invested in money market funds and 31.2% was invested in Canadian and US government bonds. Overall the investment yield for the year was 2.3% (2019: 2.3%) on an annualised basis.

Further analysis of the Syndicate's investments can be found in the notes 10 and 11 to these accounts.

Financial Position

The balance sheet of the Syndicate shows total assets of £1,321.2m (2019: £1,190.8m) and a members' balances deficit of £104.5m (2019: £84.8m). Of the total assets, £240.4m is represented by financial investments.

The Syndicate maintains all its investments in fixed income bonds and liquidity funds all with a rating of at least BBB+.

Insurance reserves include a net provision for claims outstanding of £366.4m (2019: £386.3m) and a provision for unearned premium of £126.9m (2019: £125.5m) net of reinsurance.

Principal Risks and Uncertainties

Risk management has been embedded in the management and culture of the Aspen Group since its formation in 2002. Aspen Managing Agency Limited ("AMAL") and the Syndicate, as operating entities within the Aspen Group, operate within the Group’s established risk management practices.

A Risk Universe has been agreed for Syndicate 4711, which defines the different types of risk that Syndicate 4711 faces and how they are monitored and measured. This framework is updated at least annually and applied throughout the year. The risks are defined in the Risk Universe at 3 levels:

- Main risk classification
- Risk category
- Risk sub category

The main risks faced by Syndicate 4711 are defined as follows:

Core risks - those risks inherent in the running of Syndicate 4711's business are listed below:

1) Insurance risk: the variation of actual technical results from their expected values other than as a result of execution, operational or counterparty risks, relating both to exposures from business written in the period (underwriting risk) and exposures from business written in prior periods (reserving risk).

2) Market risk: The risk of variation in the market value of the Syndicate's assets as a result of changes in the market prices of securities or foreign currencies.

Non-core risks are all risks other than core risks. These are quantified as far as possible and, wherever practical, minimised or avoided. These are listed below:

3) Credit risk: The risk of diminution in the value of insurance receivables as a result of counter-party default.

4) Liquidity Risk: The risk that Syndicate 4711 is unable to make payments or provide collateral when required.

5) Operational Risk: The risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events.

6) Strategic Risk: The risk of adverse impact on shareholder value or income and capital of adverse business decisions, poor execution or failure to respond to market changes.

7) Emerging Risk: The risk that events not previously identified emerge and impact the profitability and/or balance sheet of Syndicate 4711.

8) Regulatory Risk: The risk of non-compliance with regulatory requirements including ensuring we understand and comply with changes to those requirements is a regulatory risk. There is a residual risk that changes in regulation impact our ability to operate profitably in some jurisdictions or some lines of business.

9) Taxation Risk: The risk that we do not understand, plan for and manage our tax obligations is an taxation risk. There is a residual risk that changes in taxation impact our ability to operate profitably in some jurisdictions or some lines of business.

Operational risk is the most complex of the major risk classifications because it includes diverse risk scenarios arising from multiple processes and circumstances. Because of this we record identified operational risks and their related risk assessments, owners and identified controls in a separate Syndicate 4711 'Operational Risk Register'. The Operational Risk Register continues to be maintained and monitored via a quarterly review process.

Key risk limits are also utilized and applied by Syndicate 4711. These key limits supplement the Syndicate 4711 risk appetite statement and ensure, amongst other things, that specific key accumulation risks faced by Syndicate 4711 are measured, monitored and managed within defined tolerances.

Reporting against the Syndicate 4711 Risk Appetite and Key Risk Limits has formed part of the quarterly Chief Risk Officer ("CRO") reports to the AMAL Executive Committee and Board throughout 2020. The Risk Appetite and Key Risk Limits are formally reviewed annually as part of the business planning process. Changes to the Key Risk Limits throughout the year are reported on via the quarterly CRO reports.

During 2020, the risk management framework has been completely reviewed and re-established with upgraded risk strategy, risk management policies, risk taxonomy and risk and control self-assessment process. The risk governance framework has also been reviewed and new meetings have been established to ensure that the firm has a clear and transparent mechanism for the reporting, escalation and resolution of risk issues.

Risk reporting across the organisation has been developed to increase the amount and granularity to ensure the organisation is able to analyse and react appropriately to any risk issues or events in a timely manner.

The Risk and Control framework is also being re-evaluated through an enhanced risk and control self-assessment process which will allow all functional areas to evaluate the risks within their organisation. This will also enable the functional areas to evaluate all of the key controls. This will allow for a complete overview of the risk and controls across the firm.

UK's Decision to leave the EU

The United Kingdom’s decision to withdraw from the E.U. could adversely impact our business, results of operations and financial condition.

The Syndicate faces new regulatory costs and challenges as a result U.K.’s decision to leave the E.U. (commonly known as “Brexit”). The U.K. left the E.U. as of January 31, 2020. The transitional arrangement, under which E.U. law will broadly remain in force in the U.K. ended on December 31, 2020.

The Syndicate’s EEA Lloyd’s operations are able to continue through Lloyd’s Brussels, however, there are restrictions on the conduct of business in the E.U. e.g. the syndicate underwriters are advised not to meet with EEA policyholders and intermediaries which may impact the future volume of EEA business written. Lloyd’s Europe are reviewing the operating model in 2021 and this is likely to result in further changes some of which may help the Syndicate in terms of future EEA business but it may also result in additional operational complexity and costs. The introduction of Lloyd’s Europe has already added some operational complexity and cost as there are separate processes required for all business transacted through Lloyd’s Europe.

Lloyd’s has completed a part VII transfer of EEA business to Lloyd’s Europe to allow the continued servicing of that business. This has involved significant effort and costs for the Syndicate to provide and reconcile data and adjust processes to be able to separately process and report on future activity in relation the transferred business.

The long-term effect of Brexit on the value of our investment portfolio at this time is uncertain, and such volatility and uncertainty will likely continue as negotiations progress to determine the future terms of the U.K.’s relationship with the E.U.

The 2021 planned premium to be written through the Lloyd's Brussels subsidiary is £74.3m which is 17.5% of the total planned premium.

The accounting treatment of this transaction is described more fully in note 1 on page 24 Basis of Preparation.

Climate Change

Our investment portfolio and our credit and political risk underwriting exposures may be materially adversely affected by global climate change regulation.

World leaders met at the 2015 United Nations Climate Change Conference in December 2015 in Paris and agreed to limit global greenhouse gas emissions in the atmosphere to a level which would not increase the average global temperature by more than 2°Celsius, with an aspiration of limiting such increase to 1.5° Celsius (the “Paris Agreement”). In order for governments to achieve their existing and future international commitments to limit the concentration of greenhouse gases under the Paris Agreement, there is widespread consensus in the scientific community that a significant percentage of existing proven fossil fuel reserves may not be consumed. In addition, divestment campaigns, which call on asset owners to divest from direct ownership of commingled funds that include fossil fuel equities and bonds, likewise signals a change in society’s attitude towards the social and environmental externalities of doing business.

As a result of the above, energy companies and other companies engaged in the production or storage of fossil fuels may experience unexpected or premature devaluations or write-offs of their fossil fuel reserves. As at December 31 2020, we had $0.6million of direct investment in the energy sector within our Managed Portfolio. Government policies to slow global climate change by, for example, setting limits on carbon emissions may also have an adverse impact on other sectors, such as utilities, transportation and manufacturing. A material change in the asset value of fossil fuels or the securities of energy companies and companies in these other sectors may therefore materially adversely affect our investment portfolio and our results of operations and financial condition.

We provide credit and political risk insurance to banks and other institutions providing lending to government and private organisations. In some cases the lending relates to private organizations involved in the energy sector or governments or government agencies which are dependent on fossil fuels for their revenue. A material change in the asset value of fossil fuels may therefore materially adversely affect our exposures to credit and political risk.

Global climate change may have an adverse effect on our operating results and financial condition if we do not adequately assess and price for any increased frequency and severity of catastrophes resulting from these environmental factors. The Syndicate does not have material exposure to natural catastrophes compared to peers, however, it does have some exposure.

There is widespread consensus in the scientific community that there is a long-term upward trend in global air and sea temperatures which is likely to increase the severity and frequency of severe weather events over the coming decades. Rising sea levels are also expected to add to the risks associated with coastal flooding in many geographical areas. Large scale climate change could also increase both the frequency and severity of natural catastrophes and our loss costs associated with property damage and business interruption due to storms, floods and other weather-related events. In addition, global climate change could impair our ability to predict the costs associated with future weather events and could also give rise to new environmental liability claims in the energy, manufacturing and other industries we serve.

Given the scientific uncertainty of predicting the effect of climate cycles and climate change on the frequency and severity of catastrophes and the lack of adequate predictive tools, we may not be able to adequately model the associated exposures and potential losses in connection with such catastrophes which could have a material adverse effect on our business, financial condition or operating results.

COVID-19

The global spread of COVID-19, and the governmental and regulatory actions taken to mitigate their effects, have led to significant and ongoing economic and societal disruption, including significant market volatility. The level of COVID-19 infections continues to rise in certain countries and the threat of new outbreaks and new strains of the virus still looms. Many of the direct and indirect effects resulting from such outbreaks are still active or developing and, as such, it is not possible at this time to provide a definitive estimate of potential insurance, reinsurance or investment exposures or any other direct or indirect effects the COVID-19 crisis may have on our results of operations, financial condition or liquidity. Accordingly, any assessment as to underwriting or investment exposure which we make at this time represents our current best estimates based on actuarial, reserving and investment management process and may be subject to significant further variation or amendment as circumstances develop or outcomes become clearer.

In addition, financial market volatility could adversely affect our investment results or access to the capital markets. While our investment portfolio comprises primarily government and other fixed income securities, and we are not significantly exposed to equity markets, our corporate bond portfolio could be subject to default, interest and inflation risk in the event of extended disruption to trade and changes to economic policy.

Court cases against businesses alleging liability in respect of responses to the COVID-19 crisis as well as cases in a number of jurisdictions, including class actions in the United States and the U.K. and a test case brought by the U.K. Financial Conduct Authority (the “FCA”) in the United Kingdom (the final judgment, which was released by the Supreme Court on January 15, 2021 and seen as favorable to policyholders, is legally binding on the insurers that are parties to the test case but is expected to have consequences for a significant number of other policyholders and insurers), brought by or on behalf of policyholders relating to insurance contract terms and interpretations thereof, have already been filed, and this trend is likely to continue. We could be materially adversely affected by the outcome of such cases. Moreover, it is not possible to predict when or how litigation related to the COVID-19 crisis and coverage disputes will be finally resolved, which further impairs our ability to estimate potential insurance or reinsurance exposure.

We also face operational risks as a result of the COVID-19 crisis. We have transitioned to a work from home model for most employees and, as a result, there is a risk that business operations will be disrupted due to, cybersecurity attacks or data security incidents, higher than anticipated web traffic and call volumes as well as lack of sufficient broadband internet connectivity for employees and third parties working from home, among other things. In addition, illnesses suffered by key employees could prevent or delay the performance of critical business and financial reporting functions; widespread illnesses suffered by our employees may render us unable to perform normal business functions and operate our business on a day-to-day basis.

We rely on vendors, including some located overseas, for a number of services. As the COVID-19 crisis has had a global impact, our vendors could also experience disruptions to their operations and while we have contingency plans for some level of disruption, there can be no assurance that issues with the business operations of our vendors would not have a material effect on our own operations.

Further, we cannot predict at this time how the COVID-19 crisis will impact demand for our insurance and reinsurance products in the future. While we expect demand for (re)insurance may, as a result of the COVID-19 crisis, increase in some lines of business, and decrease in others, the future impact of the COVID-19 crisis on our industry and our business will depend on a range of factors, including the duration of mitigation efforts and the availability of vaccines and/or other alternative treatment solutions, the severity of the impact of mitigation efforts on businesses and business activity, the scope and efficacy of governmental stimulus and other relief efforts, the extent to which legislative or regulatory efforts or court cases succeed in shifting some of the burden of the pandemic to insurers (particularly for business interruption) on a retroactive basis, and the severity and duration of, and the speed of recovery from, recessionary impacts.

Our disclosures should be read in the context of the evolving COVID-19 crisis and the related uncertainties, whether or not specific reference is made thereto.

Future developments

The Syndicate's capacity for 2021 has remained at £565 million (2020: £565 million).

The Syndicate continues to transact in the classes of general insurance and reinsurance business that it has transacted in historically.

1 January 2021 renewals have demonstrated some hardening of rates across the market with planned rate increases expected across a number of lines of business. We continue to review our operating model and cost structure in light of the overall strategy of the Aspen Group and to ensure we are well positioned for any further favourable developments in market conditions.

Directors

The directors of AMAL at the date of this report are set out on page 3. Changes in Directors during 2020 and up to the date of this report are as follows:

		Date of Appointment	Date of Resignation
P Webster	Chair	16th May 2019	
M Dean	Director	21st October 2015	13th May 2020
J Roome	Non-executive Director	24th May 2017	30th September 2020
M Cain	Non-executive Director	17th October 2017	
H Purves	Non-executive Director	22nd October 2019	
N Waller	Non-executive Director	30th January 2020	
T Froehlich	Non-executive Director	25th February 2020	
G Dawe	Director	15th November 2019	11th December 2020
R Milner	CEO	13th November 2020	
S Stanford	Director	25th January 2021	
S Liddell	Non-executive Director	8th February 2021	
P Cooper	Non-executive Director	24th February 2021	

Directors' and Officers' liability insurance

The Aspen Group has continued to maintain a Directors and Officers insurance policy, which was in place throughout the year ended 31 December 2020, and provides cover for its directors and officers of the Syndicate. During the year and up to and including the date of approval of this report, the Syndicate's Articles provided a qualifying third party indemnity to the Company's Directors and Officers.

Research and development

The Syndicate has not undertaken any research and development activities during the year.

Disclosure of information to the Auditors

The directors each confirm that:

- So far as they are aware, there is no relevant audit information of which the Syndicate's auditors are unaware, and
- They have 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 auditors are aware of that information.

Charitable and Political contributions

The Syndicate made no political or charitable donations during 2020 (2019: Nil).

Auditors

Pursuant to Section 14 (2) of Schedule 1 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate accounts) Regulations 2008, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board

Sarah Stanford
Director

04 March 2021

Statement of Managing Agent's Responsibilities

The directors of the managing agent are 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 requires the directors of the managing agent to prepare their Syndicate's annual accounts for each financial year. Under that law they have elected to prepare the annual accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 the directors of the managing agent must not approve the annual accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Syndicate and of the profit or loss of the Syndicate for that period. In preparing these annual accounts, the directors of the managing agent are 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 annual accounts; and
- Assess the syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so.

The directors of the managing agent are responsible for keeping adequate accounting records that are sufficient to show and explain the Syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the Syndicate and enable them to ensure that the Syndicate annual accounts comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of Syndicate annual accounts that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Syndicate and to prevent and detect fraud and other irregularities.

The directors of the managing agent are responsible for the maintenance and integrity of the Syndicate and financial information included on the Syndicate's website. Legislation in the UK governing the preparation and dissemination of Syndicate annual accounts may differ from legislation in other jurisdictions.

Richard Milner
Director

04 March 2021

Independent Auditor's Report to the Member of Syndicate 4711

Opinion

We have audited the Syndicate annual accounts of Syndicate 4711 ("the Syndicate") for the year ended 31 December 2020 which comprise the Statement of Profit or Loss: Technical account – General business, Statement of Profit or Loss: non-technical account, Balance Sheet – Assets, Balance Sheet – Liabilities, Statement of Changes in Members' Balances, Statement of Cash Flows, and related notes, including the accounting policies in note 3.

In our opinion the Syndicate annual accounts:

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Syndicate in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors of the Managing Agent have prepared the Syndicate annual accounts on the going concern basis as they do not intend to cease underwriting or to cease its operations, and as they have concluded that the Syndicate's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the Syndicate annual accounts ("the going concern period").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Syndicate's business model including the impact of Brexit, and analysed how those risks might affect the Syndicate's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the Syndicate annual accounts is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Syndicate's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Syndicate will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the directors, the audit committee, internal audit, the risk and compliance officers and inspection of policy documentation as to the Syndicate and Managing Agent's high-level policies and procedures to prevent and detect fraud including the internal audit function, and the Syndicate's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.

- Reading board, audit committee and risk committee meeting minutes.
- Using analytical procedures to identify any usual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements related to both the valuation of claims reserves and outward reinsurance recoveries on claims reserves.

This is because of their direct impact on the Syndicate's profit and financial position. Valuation of these liabilities, especially in respect of the incurred but not reported (IBNR) component, and the associated impact on the reinsurance recoveries, is highly judgemental as it requires a number of assumptions to be made in respect of ultimate loss ratios, frequency and severity of claims all of which carry high estimation uncertainty and are difficult to corroborate creating opportunity for management to commit fraud.

On this audit we do not believe there is a fraud risk related to revenue recognition because there is limited management judgement involved in the determination of all material revenue streams as the amounts are determined by reference to notifications from external parties with a large proportion booked through the direct interface with the Lloyd's platform reducing the risk of fraud.

In determining the audit procedures to address the identified fraud risks, we took into account the results of our evaluation and testing of the operating effectiveness of the anti-fraud risk controls.

We performed procedures including:

- Involving our own actuarial specialists to assist in our challenge of management's selection of assumptions. This included evaluating the appropriateness of management's chosen methodologies and the assumptions adopted in respect of ultimate loss ratios (gross and net) by comparing to relevant historical Syndicate experience data and comparing estimates of total catastrophe losses to expectations derived from our understanding of current trends in loss development and industry benchmarking in order to identify specific trends and outliers.
- Using our own modelling tools to re-project ultimate losses for certain individual classes of business (based on our risk assessment) and comparing this to the Syndicate's estimates; and
- in respect of case reserves, selected a sample of notified claims and agreed management's booked amounts to external loss notification information.

To address the pervasive risk as it relates to management override, we also performed procedures identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These criteria included testing journals posted to IBNR after the date of the year end reserving committee meeting, any journals posted to the cash account balance with the other side of the journal posted to an unexpected/unusual account, journals posted by users who are not ordinarily expected to post journals such as senior management and infrequent posters and journals containing descriptions or words that might be indicative of unusual or inappropriate entries.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the Syndicate annual accounts from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Managing Agent's regulatory and legal correspondence. We discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Syndicate is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the Syndicate annual accounts varies considerably.

Firstly, the Syndicate is subject to laws and regulations that directly affect the annual accounts including financial reporting legislation (including Lloyd's regulations) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related annual accounts items.

Secondly , the Syndicate is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the annual accounts, for instance through the imposition of fines or litigation or the loss of the Syndicate's license to operate. We identified the following areas as those most likely to have such an effect: corruption and bribery, compliance with regulations relating to sanctions due to the nature of the business written by the syndicate, financial products and services regulation and the Solvency II regime including capital requirements, recognising the financial and regulated nature of the Syndicate's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the annual accounts, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the annual accounts, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information - Report of the Directors of the Managing Agent

The Directors are responsible for the Report of the Directors of the Managing Agent. Our opinion on the Syndicate annual accounts does not cover that report and we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the Report of the Directors of the Managing Agent and, in doing so, consider whether, based on our Syndicate annual accounts audit work, the information therein is materially misstated or inconsistent with the Syndicate annual accounts or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Report of the Directors of the Managing Agent;
- in our opinion the information given in the Report of the Directors of the Managing Agent is consistent with the Syndicate annual accounts; and
- in our opinion the information given in the Report of the Directors of the Managing Agent have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

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 to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Syndicate annual accounts are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Responsibilities of the Directors of the Managing Agent

As explained more fully in their statement set out on page 13, the Directors of the Managing Agent are responsible for: the preparation of the Syndicate annual accounts and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of Syndicate annual accounts that are free from material misstatement, whether due to fraud or error; assessing the Syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the Syndicate annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Syndicate annual accounts.
A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

Kushan Tikkoo (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
KPMG LLP
15 Canada Square
London
E14 5GL

04 March 2021

Profit and Loss Account: Technical and Non-Technical Account - General Business
for the year ended 31 December 2020

	Notes	2020 £000	2019 £000
Gross premiums written	5	**349,388**	379,371
Outward reinsurance premiums		**(227,219)**	(207,889)
Net premiums written		**122,169**	171,482
Change in the provision for unearned premiums			
Gross amount	13	**15,288**	(13,572)
Reinsurers' share	13	**(15,271)**	(4,758)
Net change in provision for unearned premiums		**17**	(18,330)
Earned premiums, net of reinsurance		**122,186**	153,152
Allocated investment return transferred from the non-technical account	10	**10,036**	6,738
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	5	**(234,839)**	(244,994)
Reinsurers' share		**107,492**	113,144
Net claims paid		**(127,347)**	(131,850)
Change in the provision for claims			
Gross amount	13	**(94,845)**	(71,765)
Reinsurers' share	13	**114,957**	72,799
Net change in the provision for claims		**20,112**	1,034
Claims incurred, net of reinsurance		**(107,235)**	(130,816)
Net operating expenses	6	**(78,775)**	(81,618)
Balance on the technical account - for general business		**(53,788)**	(52,544)
Non-Technical Account			
Investment income	10	**5,102**	7,401
Realised gains/(losses) on investments	10	**5,435**	(2,279)
Unrealised gains on investments	10	**1,260**	2,001
Investment management charges	10	**(1,761)**	(385)
Allocated investment return transferred to general business technical account	10	**(10,036)**	(6,738)
Other charges	7	**823**	(4,854)
Loss for the financial year		**(52,965)**	(57,398)

All operations are continuing.

Statement of Other Comprehensive Income
for the year ended 31 December 2020

	2020	2019
	£000	£000
Loss for the financial year	**(52,965)**	(57,398)
Foreign currency translation differences	**2,320**	2,995
Total recognised losses in the financial year	**(50,645)**	(54,403)

The notes on pages 24 to 54 form an integral part of these annual accounts.

Balance sheet - Assets
at 31 December 2020

	Notes	2020 £000	2019 £000
Investments			
Financial investments	11	**240,425**	209,013
Reinsurers' share of technical provisions			
Provision for unearned premiums	13	**87,362**	105,028
Claims outstanding	13	**555,829**	458,061
		643,191	563,089
Debtors - due within one year			
Debtors arising out of direct insurance operations - intermediaries		**134,851**	131,061
Debtors arising out of reinsurance operations		**160,182**	135,470
Other Debtors		**380**	1,230
		295,413	267,761
Debtors - due after one year			
Debtors arising out of direct insurance operations - intermediaries		**1,579**	3,469
Debtors arising out of reinsurance operations		**1,175**	2,706
		2,754	6,175
Other assets			
Cash at bank and in hand	14	**14,303**	19,976
Other	14	**69,723**	62,126
		84,026	82,102
Prepayments and accrued income			
Deferred acquisition costs	12	**54,659**	59,550
Other prepayments and accrued income		**742**	3,156
		55,401	62,706
TOTAL ASSETS		**1,321,210**	1,190,846

The notes on pages 24 to 54 form an integral part of these annual accounts.

Balance Sheet - Liabilities
at 31 December 2020

	Notes	2020 £000	2019 £000
Capital and reserves			
Member's balance		**(104,523)**	(84,821)
Technical provisions			
Provision for unearned premiums	13	**214,242**	230,529
Claims outstanding	13	**922,242**	844,320
		1,136,484	1,074,849
Creditors - due within one year			
Creditors arising out of direct insurance operations - intermediaries		**34,276**	46,531
Creditors arising out of reinsurance operations		**108,766**	86,732
Other creditors		**64,103**	1,680
		207,145	134,943
Accruals and deferred income	15	**82,104**	65,875
TOTAL LIABILITIES		**1,321,210**	1,190,846

The financial statements on pages 18 to 54 were approved by the Board of Aspen Managing Agency Limited on 25 February 2021 and were signed on its behalf by:

Richard Milner
Director

04 March 2021

Statement of changes in Members' Balances
at 31 December 2020

	2020	2019
	£000	£000
Member's balances at 1 January	**(84,821)**	(71,294)
Loss for the financial year	**(52,965)**	(57,398)
Other recognised gains relating to the financial year	**2,320**	2,995
Contribution from member	**31,477**	41,770
Member's FIT	**(534)**	(894)
Member's balance carried forward at 31 December	**(104,523)**	(84,821)

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

Cash Flow Statement
for the year ended 31 December 2020

	Notes	2020 £000	2019 £000
Cash flows from operating activities			
Operating result		**(52,965)**	(57,398)
Increase in gross technical provisions		**61,636**	53,877
Increase in reinsurers' share of gross technical provisions		**(80,103)**	(46,630)
(Increase)/Decrease in debtors and accrued income		**(16,926)**	66,151
Increase/(Decrease) in creditors		**88,431**	(101,465)
Investment return		**(10,036)**	(6,738)
Other		**1,786**	2,101
Net cash flows from operating activities		**(8,177)**	(90,102)
Cash flows from investing activities			
Purchase of equity and debt instruments		**(123,254)**	(79,701)
Sale of equity and debt instruments		**91,340**	111,186
Purchase of derivatives		**(513,856)**	(673,504)
Sale of derivatives		**517,364**	670,290
Investment income received		**7,030**	8,336
Net cash flows from investing activities		**(21,376)**	36,607
Cash flows from financing activities			
Contribution from member		**31,477**	41,770
Open year cash calls		**—**	—
Net cash flows from financing activities		**31,477**	41,770
Net increase/(decrease) in cash and cash equivalents		**1,924**	(11,725)
Cash and cash equivalents at 1 January		**82,102**	93,827
Cash and cash equivalents at 31 December		**84,026**	82,102
Cash at bank and in hand	14	**14,303**	19,976
Short term deposits with credit institutions	14	**69,723**	62,126
Cash and cash equivalents at 31 December		**84,026**	82,102

The notes on pages 24 to 54 form an integral part of these annual accounts.

Notes to the Accounts

At 31 December 2020

1. Basis of preparation

Syndicate 4711 ('The Syndicate') comprises of a member of the Society of Lloyd's that underwrites insurance business in the London Market. The address of the syndicate's managing agent is 30 Fenchurch Street, London, EC3M 3BD.

The financial statements have been prepared in compliance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and FRS 102 and FRS 103, being applicable UK GAAP accounting standards, and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

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

The financial statements are presented in Pound Sterling ("GBP"), which is the syndicate's presentational currency, the Syndicate's functional currency is US dollars. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

AIHL entered into an adverse development reinsurance agreement with Cavello as described in the Report of the Directors on page 7. The Syndicate's participation in this Group reinsurance arrangement is 10%, and it has recognised $77.0m of ceded premiums and reinsurance recoveries under the contract in the profit or loss account.

On 30 December 2020, the Syndicate transferred its EEA non-life insurance policies written between 1993 and 2020 to Lloyd's Insurance Company S.A. ('Lloyd's Brussels') pursuant to Part VII of the Financial Services and Markets Act 2000. The value of the net liabilities transferred was $72.9m. The Syndicate transferred cash of the same amount to Lloyd's Brussels. Lloyd's Brussels subsequently reinsured the same liabilities back to the Syndicate on the same day. The reinsurance premium received was of the same amount of $72.9m. There was no gain or loss arising on either transaction.

Both the cash transferred for the Part VII transfer and the premium subsequently received back from Lloyd's Brussels have been included in the 'gross written premiums' line of the income statement. This is the appropriate treatment that best reflects the connection between economic substance of both the Part VII transfer and the associated reinsurance arrangement, and the resulting economic substance of the combined transaction.

On the balance sheet, certain policy-level balances impacted by the transfer that were previously reflected as amounts arising from direct insurance operations, have been reclassified to amounts arising from inwards reinsurance business.

The transaction has no impact on equity.

Going concern

Management has conducted a full going concern assessment for the Syndicate taking into consideration sources of capital, liquidity and stress testing. The Syndicate is expected to remain a key platform for the Aspen Group. The corporate member has already formed and provided capital for the 2021 underwriting year. On the basis of this and expected improvement in performance as a result of planned rate increases and remediation activities Aspen also expect to have the ability and intention to form a 2022 underwriting year. Therefore Aspen continue to adopt the going concern basis of accounting for Syndicate 4711.

2. Judgments and key sources of estimation uncertainty

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

Notes to the Accounts

At 31 December 2020

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

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

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate Managing Agent's in house actuaries and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time in view of the likely ultimate claims to be experienced and for more recent underwriting, having regard to 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. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of business accepted and assessments of underwriting conditions. In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate so no adverse run-off deviation is envisaged.

Further information about the risk that the provision for claims outstanding could be materially different from the ultimate cost of claims settlement is included in note 4.

3. Significant accounting policies

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Syndicate's financial statements.

Gross Premiums

Gross written premiums comprise total premiums receivable for the whole period of cover for contracts entered into in the reporting period plus any adjustments to such premiums receivable in respect of business written in prior reporting periods. All premiums are shown gross of commissions payable to intermediaries and exclusive of taxes and levies. Estimates are made for pipeline premiums, representing amounts due to the Syndicate not yet notified. Revisions to estimates are recognised as they arise.

Reinsurance premiums

Reinsurance premiums relating to reinsurance placed by the Syndicate are accounted for using the same accounting methodology as we use for inwards premiums.

Unearned premiums

Written premiums are recognised as earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date.

Acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance and reinsurance contracts.

Deposits with ceding undertakings

Deposits with ceding undertakings are measured at cost less allowance for impairment.

Notes to the Accounts

At 31 December 2020

Retroactive reinsurance

Retroactive reinsurance contracts are accounted for consistently in accordance with the Syndicate's current accounting policies.

On initial recognition the premiums and reinsurance recoveries under the contract will be recognised in the profit and loss account and gains arising on reassessment of the reinsurance recoverable amount are recognised in full in the profit and loss account with no deferral.

Claims

Claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.
Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Technical Provisions

Technical provisions comprise claims outstanding, provisions for unearned premiums, provisions for unexpired risk and equalisation provisions.

Claims provision

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The Syndicate takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability is not discounted for the time value of money.

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported to the Syndicate, at the reporting date. The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Syndicate, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insured until many years after the event giving rise to the claims has happened. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the Syndicate uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims.

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

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

Notes to the Accounts

At 31 December 2020

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

- Initial expected loss ratio ("IELR") method: This method calculates an estimate of ultimate losses by applying an estimated loss ratio to an estimate of ultimate earned premium for each accident year.
- Bornhuetter-Ferguson ("BF") method: The BF method uses as a starting point an assumed IELR and blends in the loss ratio implied by the claims experience to date by using benchmark loss development patterns on paid claims data ("Paid BF") or reported claims data ("Reported BF").
- Loss development ("Chain Ladder"): This method uses actual loss data and the historical development profiles on older accident years to project more recent, less developed years to their ultimate position.
- Exposure-based method: This method is used for specific large typically catastrophic events such as a major hurricane. All exposure is identified and we work with known market information and information from our cedants to determine a percentage of the exposure to be taken as the ultimate loss.

In addition to these methodologies, our actuaries may use other approaches depending upon the characteristics of the line of business and available data.

Provisions for unearned premiums

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

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Unearned premiums are deemed monetary items and are valued using the closing rate.

Unexpired risks

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

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

Deferred acquisition costs

Acquisition costs, arising from the conclusion of insurance contracts are deferred commensurate with the unearned premium provision. Deferred acquisition costs are deemed to be monetary items and are valued using the closing rate.

Reinsurance assets

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

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result

Notes to the Accounts
At 31 December 2020

of an event that occurred after initial recognition of the reinsurance asset that the Syndicate may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Syndicate will receive from the reinsurer. The impairment loss is recorded in the statement of profit or loss.

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of profit or loss.

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

Financial Instruments

As permitted by FRS 102, the Syndicate has elected to apply the recognition and measurement provisions of IAS 39 Financial Instruments to account for all of its financial instruments.

The Syndicate classifies its financial assets into the following categories: Shares and other variable-yield securities and units in unit trusts - at fair value through profit or loss; Debt securities and other fixed income securities - at fair value through profit or loss; and Deposits with credit institutions - loans and receivables. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

Financial assets at fair value through profit or loss

A financial asset is classified into this category at inception if:

- They are acquired principally for the purpose of selling in the short term; or
- If they form part of a portfolio of financial assets in which there is evidence of short term profit-taking; or
- If so designated by management to minimise any measurement or recognition inconsistency with the associated liabilities.

Financial assets designated as at fair value through profit and loss at inception are those that are managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Syndicate's key management personnel. The Syndicate's investment strategy is to invest in listed and unlisted fixed interest rate debt securities, and derivatives designated upon initial recognition at fair value through profit or loss.

The fair values of financial instruments traded in active markets are based on quoted bid prices on the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair values of financial instruments that are not traded in an active market (for example over-the-counter derivatives), are established by the directors using valuation techniques which seek to arrive at the price at which an orderly transaction would take between market participants.

Notes to the Accounts
At 31 December 2020

Net gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the profit and loss account within 'Unrealised gains on investments' or 'Unrealised losses on investments' in the period in which they arise.

Impairment

For financial assets not at fair value through profit or loss, the Syndicate assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Investment return

Investment return comprises all investment income (which includes the interest income for financial assets carried at amortised cost, using the effective interest method), realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest payable on financial liabilities carried at amortised cost, using the effective interest method.

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

An allocation of actual investment return on investments supporting the general insurance technical provisions and associated equity is made from the non-technical account to the technical account.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts; and
- There is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Foreign currencies

Transactions in foreign currencies are translated to the functional currency using the exchange rates at the date of the transactions. The Syndicate's assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the balance sheet date. For the purposes of foreign currency translation, unearned premiums and deferred acquisition costs are treated as if they are monetary items.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in.fair value, and are used by the Syndicate in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

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Bank overdrafts that are repayable on demand and form an integral part of the syndicate's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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 (currently at 20%) 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 ("FIT") 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.

The Syndicate will make payments on account of United States FIT due on underwriting results and investment income on behalf of its Member. These payments are recorded under the heading 'other debtors' and are recovered by the Syndicate from its Members.

Member's expenses

Member's expenses comprise managing agent's fees, Lloyd's subscriptions and central fund contributions.

Managing agent's fees are recognised in full in the calendar year in which they are paid.

Lloyd's subscriptions and central fund contributions are earned in line with the gross premiums written to the same year of account.

4. Risk and capital management

Introduction and overview

The Syndicate is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and policyholder liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are insurance risk, market risk (including interest rate risk and currency risk) credit risk, and liquidity risk.

The key risks for the Syndicate are largely unchanged during the last year. The ongoing soft market conditions and its impact on the achievability of both top line and bottom line performance remain a key focus.

Risk Governance and Risk Management Strategy

The Board of Directors of AMAL ("the Board") considers effective identification, measurement, monitoring, management and reporting of the risks facing our business to be key elements of its responsibilities. The Board ensures that the Syndicate operates an effective risk management and control framework which includes risk management, compliance and internal control systems. The Syndicate, as an operating entity within the Aspen Group, benefits from the Group's established risk management practices. The Group's risk management policies are established to identify and analyse the risks faced by the Group and the Managing Agency, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Syndicate and managing agency's activities. Further details on the Group wide risk management strategy can be found in the consolidated financial statements of Aspen Insurance Holdings Limited ("AIHL") which are available to the public.

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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, licence 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 Syndicate 4711 is not disclosed in these financial statements.

Lloyd's capital setting process

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

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

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member ("funds at Lloyd's"), in the form of Letters of Credit ("LOC'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 it participates. Accordingly all of the assets less liabilities of the syndicate, as represented in the members' balances reported on the balance sheet on page 21, represent resources available to meet members' and Lloyd's capital requirements. As the Syndicate has a members' balances deficit this increases the amount of assets required to be held in trust as funds at Lloyd's.

Insurance Risk

Insurance risk is defined as the risk that underwriting results vary from their expected amounts, including the risk that reserves established in respect of prior periods are understated.

Insurance risk includes the following:

a. Underwriting risk: The variation of accident year technical result from its expected value. Underwriting risk can be further split into sub-categories including:
- Catastrophe accumulation risk: The risk that losses from natural catastrophes exceed expected levels.
- Pricing calibration risk: The risk that actual technical results differ from expected values as a result of invalid assumptions, methodology or parameters used in the pricing process.

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- Large claims risk: The risk that losses from a single man-made event, or group of related events, exceed the expected levels.
- Attritional risk: The risk that the total of all losses other than catastrophe and large losses exceeds the expected level.
- Reinsurance mitigation risk: The risk that gross losses are not reduced by reinsurance recoveries to the extent expected.

b. Reserving risk: The variation in policyholder reserves for prior accident years.

Processes for addressing risk

We model our exposure to underwriting and reserving risks using the Internal Model to measure the associated capital requirements on both the one year SCR measure stipulated by Solvency II and the ultimate SCR basis used by Lloyd’s to set capital requirements. Our Internal Model has been assessed by Lloyd’s as meeting the tests and standards for Solvency II approval. Lloyd’s internal model of which our model is a part has been approved by the PRA. Modelling of insurance risk exposures is the key process for monitoring and managing insurance risk.

The Reserving policy and Aspen Group Underwriting Risk Policy evidence how Aspen manages the risk of loss or of adverse change in the values of insurance and reinsurance liabilities, resulting from inadequate pricing and provisioning assumptions.

The Underwriting Risk Policy requires and defines the use of Aspen Underwriting Principles ("AUPs") and/or Underwriting Guidelines for each underwriting team, and similarly the Group Pricing Standard establishes the requirements that must be addressed by the Pricing Policy Document ("PPD") for each portfolio. AUPs set out a series of key principles translated into specific guidelines, requirements, processes and management controls, the compliance of which is mandatory for all Underwriters. The PPDs set out a series of standards and principles to apply to all business underwritten.

The Group Claims risk policy sets out the core risk management requirements for the Claims process. The Syndicate Claims Procedures apply to claims handling in respect of Syndicate claims. It covers the full claims cycle and is supported by a range of detailed procedures. It includes specific considerations in respect of the handling of Syndicate claims.

The Reinsurance Mitigation Policy defines Aspen’s approach to managing the risk that gross losses are not reduced by reinsurance recoveries to the extent expected. The Insurance Accumulation Risk policy defines Aspen’s approach to categorise, set tolerances and limit, measure, monitor, report and escalate Natural Catastrophe and Non Natural Catastrophe accumulations.

The Key Risk limits are monitored and reported in the Chief Risk Officer’s (”CRO’s”) report to the AMAL Board.

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Concentration of insurance risk

The Syndicate's exposure to insurance risk is well diversified. The following table provides an analysis of the geographical breakdown of its premiums by class of business:

Year 2020	**Accident and Health**	**Marine, aviation and transport**	**Fire and other damage to property**	**Third party liability**	**Miscellaneous**	**Reinsurance**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
UK	**638**	**2,174**	**3,457**	**39,416**	**4,818**	**37,183**	**87,686**
Asia	**128**	**434**	**691**	**7,880**	**963**	**7,433**	**17,529**
Europe	**405**	**1,381**	**2,197**	**25,051**	**3,062**	**23,631**	**55,727**
US	**894**	**3,047**	**4,846**	**55,248**	**6,753**	**52,117**	**122,905**
Other	**477**	**1,624**	**2,585**	**29,462**	**3,601**	**27,792**	**65,541**
Total	**2,542**	**8,660**	**13,776**	**157,057**	**19,197**	**148,156**	**349,388**

Year 2019	Accident and Health	Marine, aviation and transport	Fire and other damage to property	Third party liability	Miscellaneous	Reinsurance	Total
	£000	£000	£000	£000	£000	£000	£000
UK	2,241	2,803	2,741	30,477	13,078	36,933	88,273
Asia	779	975	953	10,599	4,548	12,844	30,698
Europe	637	797	780	8,667	3,719	10,503	25,103
US	4,056	5,071	4,958	55,128	23,656	66,805	159,674
Other	1,920	2,402	2,348	26,109	11,204	31,640	75,623
Total	9,633	12,048	11,780	130,980	56,205	158,725	379,371

Sensitivity of insurance risk

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 classes of business and the nature of the risk being written and can arise from developments in case reserving for large losses and catastrophes, or from changes in estimates of IBNR.

A five percent increase or decrease in total claims liabilities would have the following effect on profit or loss:

2020		2019	
5 per cent increase	**5 per cent decrease**	5 per cent increase	5 per cent decrease
£000	**£000**	£000	£000
(17,442)	**17,442**	**(18,502)**	**18,502**

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Claims Development

Reserves are required owing to the time between the occurrences, reporting and eventual settlement of a loss, which, for some lines of business, can be several years. Since reserves are an estimate of the likely outcome of these future events, they are subject to a degree of volatility. That is, the actual emergence of ultimate losses can be expected to differ, perhaps materially, from any estimate of such losses.

The users should be aware that loss payment and loss reporting patterns are not the only considerations in establishing loss reserves.

In setting claims provisions the Syndicate gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. Due to the nature of the type of business written certain classes have a higher level of uncertainty than others and therefore an increased potential for volatility. The ME Liability class of business in particular has historically shown higher levels of reserve volatility and as such there is significant uncertainty around reserve projections for this business line.

Due to the uniqueness of the COVID-19 pandemic event and the lack of historical data, traditional actuarial techniques do not apply. Our loss estimates for COVID-19 have been based on an assessment of potential exposures and are therefore subject to considerable uncertainty.

The table below shows the breakdown of the Covid-19 impact by class of business and by Insurance and Reinsurance:

Class of Business	**Gross Ultimate Claims**	**Ultimate Reinsurance Recoveries**	**Net Ultimate Claims**
	£000	**£000**	**£000**
Accident & Health	(19,967)	10,171	(9,796)
Other Specialty	(6,104)	3,109	(2,995)
Property	(4,738)	2,413	(2,325)
Other	(3,159)	1,610	(1,549)
Total	(33,968)	17,303	(16,665)

Claims development is shown in the tables below, both gross and net of reinsurance ceded, on an underwriting year basis. Balances have been translated at exchange rates prevailing at 31 December 2020 in all cases.

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Gross

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Pure underwriting year	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Estimate of gross claims at end of underwriting year	72,609	77,058	90,098	76,818	103,286	97,087	113,259	99,633	92,905	113,368	
One year later	172,607	160,881	172,417	194,279	245,904	249,261	248,882	252,955	282,438	—	
Two years later	165,356	173,892	182,131	210,199	236,002	285,726	318,322	281,889	—	—	
Three years later	162,357	191,162	159,173	203,378	241,867	283,183	315,662	—	—	—	
Four years later	158,125	190,089	165,983	224,376	245,953	274,832	—	—	—	—	
Five years later	156,299	191,904	164,928	223,283	241,671	—	—	—	—	—	
Six years later	153,134	191,482	166,571	226,425	—	—	—	—	—	—	
Seven years later	171,878	187,292	167,552	—	—	—	—	—	—	—	
Eight years later	162,587	184,483	—	—	—	—	—	—	—	—	
Nine years later	160,070										
Less gross claims paid	156,049	170,441	135,524	175,940	170,835	181,331	177,068	107,351	51,786	3,545	
Gross reserve	4,021	14,042	32,028	50,485	70,836	93,501	138,594	174,538	230,652	109,823	918,520
2010 and prior years											3,722
Gross claims reserves											922,242

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Net

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Pure underwriting year	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Estimate of net claims at end of underwriting year	55,617	56,909	67,879	56,293	57,326	55,764	51,856	37,593	42,322	59,726	
One year later	104,016	118,502	123,544	134,517	148,464	143,249	115,106	102,374	122,873	—	
Two years later	96,954	127,039	131,882	139,948	131,996	155,927	144,643	97,991	—	—	
Three years later	91,402	139,941	115,994	135,441	135,836	152,236	140,646	—	—	—	
Four years later	89,543	136,634	120,365	140,790	136,872	140,382	—	—	—	—	
Five years later	88,016	135,439	119,543	140,498	118,443	—	—	—	—	—	
Six years later	85,992	134,540	119,713	144,117	—	—	—	—	—	—	
Seven years later	93,341	131,682	119,431	—	—	—	—	—	—	—	
Eight years later	90,435	128,423	—	—	—	—	—	—	—	—	
Nine years later	88,720	—		—	—	—	—	—	—	—	
Less net claims paid	87,394	119,136	100,268	119,486	93,127	105,531	97,342	43,431	26,753	2,430	
Net reserve	1,326	9,287	19,163	24,631	25,316	34,851	43,304	54,560	96,120	57,296	365,854
2010 and prior years											559
Net claims reserves											366,413

Market Risk

Market risk is the risk of variation in the income generated by, and the fair value of, our investment portfolio, cash and cash equivalents and derivative contracts including the effect of changes in foreign currency exchange rates. Within our Risk Universe we define six categories of market risk:

(i) Foreign currency risk;
(ii) Fixed Income Security risk which sub-divides into
- interest rate risk; and
- spread risk

(iii) Equity risk
(iv) Market risk mitigation risk
(v) Asset concentration risk
(vi) Valuation risk

Processes for addressing risk

As with Insurance risk, we model our exposure to market risks using the Internal Model to measure the associated capital requirements on both the one year Solvency Capital Requirement ("SCR") measure stipulated by Solvency II and the ultimate SCR basis used by Lloyd's to set capital requirements.

The Investment Risk Policy describes the measurement of market risks, and specifically describes what is permissible with regards to the use of derivatives in order to manage currency positions, portfolio duration and hedge interest rate risk in the investment portfolio.

Use of derivatives is limited to interest rate swaps, forward rate transactions, bond options, interest rate futures, foreign exchange spot and forward transactions and currency options. The Syndicate started to use derivatives to hedge unmatched currency balance sheet positions during 2018.

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The Asset and Liability Management Policy defines Aspen's approach to duration and currency matching. Management monitors the value, currency and duration of cash and investments held by the Syndicate to ensure that the Syndicate is able to meet the insurance and other liabilities as they become due. The following components of both cash matching and duration matching are employed to manage the investment portfolio:

- The average duration of liabilities;
- The outlook for interest rates and the yield curve;
- The need for cash to pay claims;
- Total return.

As with Insurance risks market risk is inherently unpredictable. It is difficult to predict the frequency of events of this nature and to estimate amount of loss that any given occurrence will generate. As with Insurance risks as well as modelling our exposures and the capital required to address potential market risks using our internal model, we define and monitor a number of Key Risk limits to measure and manage our Market risk exposure.

Key Risk limits regarding the shape (in terms of limits on asset type concentrations), overall credit rating and volatility of the Syndicate investment portfolio have been defined by management and approved by the AMAL Board.

The Key Risk limits are monitored and reported in the CRO's report to the AMAL Board.

Foreign currency risk

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

	Sterling	Euro	US dollar	Other	Total
Year 2020	**£000**	**£000**	**£000**	**£000**	**£000**
Financial investments:					
Shares and other variable yield securities and units in unit trusts	**—**	**—**	**26,821**	**15,254**	**42,075**
Debt securities and other fixed income securities	**—**	**—**	**159,335**	**30,416**	**189,751**
Loans with credit institutions	**6,127**	**—**	**—**	**—**	**6,127**
Derivative asset	**—**	**—**	**2,472**	**—**	**2,472**
	6,127	**—**	**188,628**	**45,670**	**240,425**
Reinsurers' share of technical provisions	**35,254**	**18,710**	**555,415**	**33,812**	**643,191**
Debtors	**40,523**	**27,969**	**208,355**	**20,940**	**297,787**
Cash and cash equivalents	**21,185**	**2,894**	**7,003**	**52,944**	**84,026**
Other assets	**7,504**	**5,939**	**37,975**	**4,363**	**55,781**
Total Assets	**110,593**	**55,512**	**997,376**	**157,729**	**1,321,210**
Technical provisions	**(152,230)**	**(81,326)**	**(760,923)**	**(142,005)**	**(1,136,484)**
Creditors	**3,190**	**3,534**	**(153,458)**	**3,692**	**(143,042)**
Other Creditors	**(42,933)**	**265**	**(95,305)**	**(8,234)**	**(146,207)**
Total liabilities	**(191,973)**	**(77,527)**	**(1,009,686)**	**(146,547)**	**(1,425,733)**
Net assets/(liabilities)	**(81,380)**	**(22,015)**	**(12,310)**	**11,182**	**(104,523)**

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The sterling liability balances above include liabilities in other currencies that will be settled in sterling.

	Sterling	Euro	US dollar	Other	Total
Year 2019	£000	£000	£000	£000	£000
Financial investments:					
Shares and other variable yield securities and units in unit trusts	(27)	—	15,614	4,529	20,116
Debt securities and other fixed income securities	—	—	152,968	33,118	186,086
Loans with credit institutions	1,166	—	—	—	1,166
Derivative asset	—	—	1,645		1,645
	1,139	—	170,227	37,647	209,013
Reinsurers' share of technical provisions	40,785	15,785	478,776	27,743	563,089
Debtors	55,485	22,081	178,579	16,561	272,706
Cash and cash equivalents	18,060	3,314	9,826	50,902	82,102
Other assets	(1,305)	5,157	54,809	5,275	63,936
Total Assets	114,164	46,337	892,217	138,128	1,190,846
Technical provisions	(146,369)	(61,904)	(758,566)	(108,010)	(1,074,849)
Creditors	804	—	(134,062)	(5)	(133,263)
Other Creditors	(24,921)	1,331	(37,212)	(6,753)	(67,555)
Total liabilities	(170,486)	(60,573)	(929,840)	(114,768)	(1,275,667)
Net assets/(liabilities)	(56,322)	(14,236)	(37,623)	23,360	(84,821)

The Syndicate manages its foreign exchange risk against its functional currency. Foreign exchange arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

In order that the Syndicate can manage the currency mismatch risks within the regulatory parameters required a limit of unhedged currency mismatches, approved by the AMAL Board, is in force. This limit ensures that the value of assets in each currency is above 85% of the value of insurance liabilities in that currency and less than 115% of the value of insurance liabilities in that currency, subject to these assets exceeding 5% of the value of assets in all currencies. This ensures the Syndicate's compliance with Lloyd's regulatory requirements. The Syndicate uses derivatives to hedge unmatched currency balance sheet positions.

The Syndicate is primarily exposed to currency risk in respect of liabilities under policies of insurance denominated in currencies other than the U.S. Dollar, the Syndicate's functional currency. Other significant currencies to which the Syndicate is exposed are the Pound Sterling, Australian Dollars, Canadian Dollars and the Euro. The Syndicate seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

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The Syndicate's sensitivity to exchange rate risk in relation to GBP is shown below:

	2020 Profit or loss for the year	2019 Profit or loss for the year
	£000	£000
Currency Risk		
10 percent increase in GBP/USD exchange rate	**5,639**	5,690
10 percent decrease in GBP/USD exchange rate	**(6,893)**	(6,954)

Fixed Income Securities - Interest rate risk

The Syndicate's investment portfolio consists primarily of fixed income securities. Fluctuations in interest rates have a direct impact on the market valuation of these securities. The Syndicate manages interest rate risk by maintaining short to medium duration financial assets to reduce the effect of interest rate changes on fair value, and taking out interest rate swaps where appropriate.

The Syndicate’s sensitivity to interest rate risk is shown below:

	2020 Profit or loss for the year	2019 Profit or loss for the year
	£000	£000
Interest rate risk		
=+ 50 basis points shift in yield curves	**(1,616)**	(1,539)
=- 50 basis points shift in yield curves	**1,616**	1,539

Fixed Income Securities - Spread Risk

The yield of a non-government fixed income security can be divided into two parts:

- The ‘risk free’ rate, being the yield of the treasury security issued by the country in which the issuer operates which is closest to it in maturity
- The ‘spread’ of the yield over the risk free rate (= total yield - risk free rate)

The spread is normally positive because it represents the extra consideration required by the market to compensate for the greater risk (compared to the Government issuer) of default on interest or redemption. The spread may also be influenced by the actual or perceived liquidity or marketability of the security.

The spread of a bond also adjusts over time to reflect the spread required on similar new issues. This movement up or down in spread therefore also contributes to overall market risk and we call this ‘spread risk’. We also include within spread risk the risk that a security falls in value as a result of being downgraded by a rating agency as this will also cause the spread to increase. We also include the risk of actual default on interest or redemption as a special case of spread risk. This default risk is actually a type of credit risk but it is convenient to deal with it here under market risk because of the way we model it in the Internal Model as an extreme case of downgrade risk.

We manage spread risk by limiting the overall credit quality of our investment portfolio and the concentrations of investments with specific issuers of investments. This risk is mitigated by limiting exposure to any single counterparty.

Equity Risk

We define Equity risk as the risk of adverse movements in the market price of investments (or their derivatives) other than fixed income securities. Unlike Fixed Income Securities the value of equities is not directly linked to interest rates and spreads, there are many factors that affect the value of investments.

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The Syndicate does not invest in equities so this risk is not currently relevant to the Syndicate.

Market risk mitigation risk

We define Market risk mitigation risk as the risk of variation in the value or effectiveness of hedging positions. The Syndicate uses derivatives to hedge against market risk.

Valuation risk

We define Valuation risk as the risk that the valuation approach for "private assets" for which there are no readily available market prices results in incorrect values.

The Syndicate does not invest in private assets so this risk is not currently relevant to the Syndicate.

Asset concentration risk

The aggregate value of our investment portfolio may be at greater risk if it is over exposed to the same asset or a group of similar assets with similar risk dynamics.

Concentrations which we seek to manage for this reason include types of asset (e.g. mortgage backed securities), economic sector of issuer and securities of the same issuer.

Credit Risk

Credit risk is the risk of loss to the Syndicate if a counterparty to a financial instrument or reinsurance agreement fails to meet its contractual obligations. The Syndicate is exposed to credit risk through its investment holdings (cash, debt securities and other fixed income securities), its reinsurers' shares of insurance liabilities and amounts due from reinsurers in respect of claims already paid. As already stated within our Internal Model and our management process we treat credit risk relating to our fixed Income security investments as part of Market risk.

The Syndicate is also exposed to credit risk through the diminution in the value of insurance receivables as a result of counterparty default. This principally comprises default and concentration risks relating to amounts receivable from intermediaries, policyholders and reinsurers. Reinsurance and retrocession does not isolate the Syndicate from its obligations to policyholders. In the event that a reinsurer or retrocessionaire fails to meet its obligation, the Syndicate's obligations remain.

Processes for addressing risk

As with Insurance risk, we model our exposure to credit risks using the Internal Model to measure the associated capital requirements on both the one year SCR measure stipulated by Solvency II and the ultimate SCR basis used by Lloyd's to set capital requirements.

The processes for addressing credit risk in relation to financial Instruments has already been dealt with as part of the explanation of our processes to address Market Risk. The Group Insurance Credit Risk policy defines the processes for assessing, monitoring and managing credit exposure to intermediaries, policyholders and reinsurance counterparties. The Syndicate manages the levels of credit risk by placing limits on its exposure to a single counterparty, or groups of counterparty. Such risks are subject to regular review.

The creditworthiness of reinsurers for which the Syndicate has ongoing contracts is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy.

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The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the balance sheet, with analysis by credit ratings of the counterparties issued by Standard and Poor's. AAA is the highest possible rating.

	AAA	**AA**	**A**	**BBB**	**Not rated**	**Total**
Year 2020	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Financial Investments:						
Shares and other variable yield securities and unit trusts	**—**	**—**	**—**	**—**	**42,075**	**42,075**
Debt securities	**55,936**	**77,938**	**47,306**	**8,571**	**—**	**189,751**
Loans with credit institutions	**—**	**—**	**—**	**—**	**6,127**	**6,127**
Overseas deposits as investments	**33,970**	**6,264**	**5,390**	**3,797**	**20,302**	**69,723**
Derivative assets	**—**	**—**	**2,472**	**—**	**—**	**2,472**
	89,906	**84,202**	**55,168**	**12,368**	**68,504**	**310,148**
Reinsurer's share of claims outstanding	**—**	**63,126**	**492,703**	**—**	**—**	**555,829**
Reinsurance debtors	**—**	**6,801**	**53,084**	**—**	**—**	**59,885**
Cash at bank and in hand	**—**	**—**	**—**	**—**	**14,303**	**14,303**
Total	**89,906**	**154,129**	**600,955**	**12,368**	**82,807**	**940,165**

	AAA	AA	A	BBB	Not rated	Total
Year 2019	£000	£000	£000	£000	£000	£000
Financial Investments:						
Shares and other variable yield securities and unit trusts	—	—	—	—	20,116	20,116
Debt securities	51,322	83,305	50,279	1,180	—	186,086
Loans with credit institutions	—	—	—	—	1,166	1,166
Overseas deposits as investments	34,258	7,356	5,892	4,701	9,919	62,126
Derivative assets	—	—	1,645	—	—	1,645
	85,580	90,661	57,816	5,881	31,201	271,139
Reinsurer's share of claims outstanding	—	97,180	360,881	—	—	458,061
Reinsurance debtors	—	7,055	26,199	—	—	33,254
Cash at bank and in hand	—	—	—	—	19,976	19,976
Total	85,580	194,896	444,896	5,881	51,177	782,430

The Syndicate has debtors arising from direct insurance and reinsurance operations that are past due but not impaired at the reporting date. The Syndicate do not consider these debtors to be impaired on the basis of stage of collection of amount owed to the Syndicate.

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At 31 December 2020

An analysis of the carrying amounts of past due debtors is presented in the table below.

2020	**Debtors arising from direct insurance operations £000**
Past Due but not impaired financial assets:	
Past due by:	
1 to 30 days	**4,829**
31 to 90 days	**7,220**
91 to 180 days	**4,610**
More than 180 days	**—**
Past Due but not impaired financial assets:	**16,659**
Impaired financial assets	**—**
Gross value of past due and impaired financial assets	**16,659**
Neither overdue nor impaired financial assets	**119,772**
Net carrying value	**136,431**

No reinsurance debtors are passed due.

2019	Debtors arising from direct insurance operations £000
Past Due but not impaired financial assets:	
Past due by:	
1 to 30 days	4,240
31 to 90 days	13,849
91 to 180 days	(1,094)
More than 180 days	3,610
Past Due but not impaired financial assets:	20,605
Impaired financial assets	—
Gross value of past due and impaired financial assets	20,605
Neither overdue nor impaired financial assets	113,925
Net carrying value	134,530

No reinsurance debtors are passed due.

Liquidity Risk

Liquidity risk is defined as the risk of failing to maintain sufficient liquid financial resources to meet liabilities as they fall due or to provide collateral as required for commercial or regulatory purposes.

Liquidity risk includes the following:

(a) Payment default risk: The risk that there is insufficient cash to make payments when due and that no additional cash can be made available by borrowing, sale of assets or capital raising.
(b) Risk of unplanned asset realisation losses: The risk that securities are required to be sold at a loss to meet liquidity requirements.
(c) Risk of failure of credit facility: The risk that advances from the credit facility are unavailable.
(d) Group liquidity risk: The risk that liquidity cannot be secured for a Group company from elsewhere in the Group.

Notes to the Accounts
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(e) Collateral risk: The risk that the Syndicate is unable to provide collateral to a third party when contractually required to do so.

Processes for addressing risk

Unlike Insurance, Market and Credit Risk we do not model and manage liquidity risk using our internal model. This is because it is not a risk that is mitigated by holding capital against it.

The Managing Agency's annual Stress & Scenario Testing ("SST") process is used to determine the basis of the Key Liquidity risk limit. The Liquidity Risk policy provides further details of how Liquidity risks are identified, monitored, managed and modelled. This includes details of an escalation process for a breach of the minimum free funds limit.

The Liquidity Risk Policy highlights the measures that Aspen have put in place in order to maintain an agreed amount of assets in cash and cash equivalents. These measures include concentration limits to ensure the liquidity of assets, appropriateness of the marketability or realisability of assets and a liquidity contingency funding plan.

Liquidity stress testing is carried out against the Syndicate & Group's risk profile at least annually by the Risk Management function as part of the SST programme. This allows management to identify the potential strains on the Syndicate's liquidity as a result of the scenarios assessed as well as gaining understanding of the Group's ability to support the liquidity needs of entities such as the Syndicate as the need arises.

The table below analyses the Syndicate's monetary assets and liabilities into their relevant maturity groups based on the period remaining at the year end to their contractual maturities or expected settlement dates:

			Undiscounted net cash flows			
	Carrying amount	Total cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Year 2020	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Financial investments:						
Shares and other variable yield securities and units in unit trusts	42,075	42,075	42,075			
Debt securities	189,751	189,751	28,378	153,763	7,610	—
Reinsurers share of technical provisions	643,191	643,191	313,968	201,469	106,480	21,274
Debtors and accrued interest	298,909	298,909	298,909	—		
Cash at bank and in hand	14,303	14,303	14,303			
Other	69,723	69,723	69,723			
Loans with credit institutions	6,127	6,127	6,127	—	—	—
Derivative assets	2,472	2,472	2,472	—	—	—
Total assets	1,266,551	1,266,551	775,955	355,232	114,090	21,274
Technical provisions	1,136,484	1,136,484	600,834	326,587	173,880	35,183
Creditors	207,145	207,145	207,145	—	—	—
Total Liabilities	1,343,629	1,343,629	807,979	326,587	173,880	35,183

Notes to the Accounts

At 31 December 2020

			Undiscounted net cash flows			
	Carrying amount	Total cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Year 2019	£000	£000	£000	£000	£000	£000
Financial investments:						
Shares and other variable yield securities and units in unit trusts	20,116	20,116	20,116	—	—	—
Debt securities	186,086	186,086	37,102	146,494	2,490	—
Reinsurer's share of technical provisions	563,089	563,089	279,585	171,711	92,764	19,029
Debtors and accrued interest	277,092	277,092	275,078	2,014	—	—
Cash at bank and in hand	19,976	19,976	19,976	—	—	—
Other	62,126	62,126	62,126	—	—	—
Loans with credit institutions	1,166	1,166	1,166	—	—	—
Derivative assets	1,645	1,645	1,645	—	—	—
Total assets	1,131,296	1,131,296	696,794	320,219	95,254	19,029
Technical provisions	1,074,849	1,074,849	575,660	298,678	164,204	36,307
Creditors	134,943	134,943	134,943	—	—	—
Total Liabilities	1,209,792	1,209,792	710,603	298,678	164,204	36,307

Notes to the Accounts

At 31 December 2020

5. Segmental Information

An analysis of the underwriting result before investment return is presented in the table below:

2020

	Gross premiums written	**Gross premiums earned**	**Gross claims incurred**	**Gross operating expenses**	**Reinsurance balance**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Direct insurance:						
Marine aviation and transport	**8,660**	**12,414**	**(10,894)**	**(3,056)**	**7,186**	**5,650**
Energy	**8,274**	**30,394**	**(13,814)**	**(2,919)**	**(20,942)**	**(7,281)**
Fire and other damage to property	**13,776**	**12,676**	**(7,561)**	**(4,861)**	**37**	**291**
Third party liability	**157,057**	**147,697**	**(117,189)**	**(55,412)**	**3,195**	**(21,709)**
Pecuniary loss	**10,923**	**14,227**	**(43,079)**	**(3,854)**	**14,941**	**(17,765)**
Accident & health	**2,542**	**6,667**	**(15,169)**	**(897)**	**6,207**	**(3,192)**
Total direct	**201,232**	**224,075**	**(207,706)**	**(70,999)**	**10,624**	**(44,006)**
Reinsurance	**148,156**	**140,601**	**(121,978)**	**(52,272)**	**13,831**	**(19,818)**
Total	**349,388**	**364,676**	**(329,684)**	**(123,271)**	**24,455**	**(63,824)**

2019

	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
	£000	£000	£000	£000	£000	£000
Direct insurance:						
Marine aviation and transport	12,048	21,336	(25,935)	(4,153)	(30,587)	(39,339)
Energy	44,266	43,398	(72,235)	(15,259)	47,004	2,908
Fire and other damage to property	11,781	11,296	(7,462)	(4,061)	1,775	1,548
Third party liability	130,980	118,175	(84,152)	(45,149)	(17,619)	(28,745)
Pecuniary loss	11,938	13,074	(8,152)	(4,115)	(1,076)	(269)
Accident & health	9,633	13,471	(9,605)	(3,320)	4,083	4,629
Total direct	220,646	220,750	(207,541)	(76,057)	3,580	(59,268)
Reinsurance	158,725	145,049	(109,218)	(54,712)	18,867	(14)
Total	379,371	365,799	(316,759)	(130,769)	22,447	(59,282)

All premiums were underwritten in the UK.

Notes to the Accounts

At 31 December 2020

6. Net operating expenses

	2020	2019
	£000	£000
Brokerage and commissions	**79,998**	83,354
Other acquisition costs	**18,171**	18,828
Change in deferred acquisition costs	**4,512**	(3,350)
Administrative expenses	**20,590**	31,938
Reinsurer's commissions and profit participations	**(44,496)**	(49,152)
	78,775	81,618

	2020	2019
	£000	£000
Administrative expenses include:		
Auditors' remuneration:		
Fees payable to the Syndicate's auditors for the audit of these financial statements	**240**	210
Fees payable to the Syndicate's auditors and its associates in respect of other services pursuant to legislation	**160**	195
Managing agent's fees	**3,390**	3,348

Total commissions for direct insurance business for the year amounted to £49.2m (2019: £48.6m).

Members' standard personal expenses amounting to £3.9m (2019: £5.2m) are included in other acquisition costs and administrative expenses. Members' standard personal expenses include Lloyd's Members subscriptions, Central Fund contributions, and managing agent's fees.

7. Other Charges

Other charges consist of foreign exchange gains and losses on monetary assets and liabilities, arising from translation into US Dollars at the exchange rate prevailing at the balance sheet date.

8. Key management personnel compensation

The directors of AMAL received £705,000 (2019: £1,832,000) aggregate remuneration which has been charged to the Syndicate and included within net operating expenses:

No other compensation was payable to key management personnel.

The active underwriter received the following aggregate remuneration charged to the Syndicate.

	2020	2019
	£000	£000
Emoluments	**620**	406

Notes to the Accounts

At 31 December 2020

9. Staff numbers and costs

The Syndicate has no employees of its own. All of the personnel employed in the Syndicate's business are employed by Aspen Insurance UK Services Limited ("AIUKS"). AIUKS is a fellow subsidiary of AIHL.

AIUKS encourages its employees to develop their full potential by providing opportunities for training and professional development. Such opportunities, as well as career development and promotion, are equally available to disabled employees, whether newly recruited or existing employees who become disabled whilst in AIUKS's employment.

AIUKS's equal opportunities policy aims to ensure that no potential or existing employee receives less favourable treatment because of his / her sex, actual or perceived sexual orientation, gender (including gender reassignment), marital or family state, age, ethnic origin, disability, race, colour, nationality, national origin, creed, political affirmation, part-time status, or any other condition, unless it can be shown to be legally justifiable.

10. Investment return

The investment return (comprising total income, expenses, net gains or losses, including changes in fair value, recognised on all financial assets and liabilities) transferred from the technical account to the non-technical account is as follows:

	2020	2019
	£000	£000
Investment income	**5,102**	7,401
Realised gains/ (losses) on investments	**5,435**	(2,279)
Unrealised gains on investments	**1,260**	2,001
Investment management charges including interest	**(1,761)**	(385)
	10,036	6,738

The table below presents the average amounts of funds in the year per currency and analysis by major currency the average investment yields in the year.

	2020	2019
	£000	£000
Average amount of syndicate funds available for investment during year:		
Sterling	**25,018**	16,664
Euro	**2,894**	3,300
US dollar	**195,630**	180,110
Canadian dollar	**56,772**	46,474
Singapore dollar	**2,128**	2,477
Australian dollar	**41,841**	42,076
	324,283	291,101
Gross calendar year investment yield:	**%**	%
Sterling	**0.74**	(0.38)
Euro	**(0.88)**	(0.89)
US dollar	**1.70**	1.35
Canadian dollar	**2.61**	1.36
Australian dollar	**2.03**	4.43
Combined in Sterling	**2.28**	2.31

Notes to the Accounts

At 31 December 2020

11. Financial Investments

The Syndicate classifies its financial instruments held at fair value in its balance sheet using a fair value hierarchy, as follows:

Level 1 -Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 -Prices based on recent transactions in identical assets (either unadjusted or adjusted)
Level 3 -Prices determined using a valuation technique

The table below analysis financial instruments held at fair value in the Syndicate's balance sheet at the reporting date by its level in the fair value hierarchy.

	Market value		Cost	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Shares and other variable yield securities and units in unit trusts	**42,075**	20,116	**42,075**	20,116
Debt securities and other fixed income securities	**189,751**	186,086	**187,611**	184,049
Loans with credit institutions	**6,127**	1,166	**6,127**	1,166
Derivative assets	**2,472**	1,645	**2,472**	1,645
	240,425	209,013	**238,285**	206,976
Derivative liabilities	**(361)**	(786)	**(361)**	(786)

All financial investments are listed.

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

There have been no day 1 profits recognised in respect of financial instruments designated at fair value through profit or loss.

	Level 1	**Level 2**	**Level 3**	**Total**
2020	**£000**	**£000**	**£000**	**£000**
Shares and other variable yield securities and units in unit trusts	**—**	**42,075**	**—**	**42,075**
Debt securities and other fixed income securities	**67,096**	**122,655**	**—**	**189,751**
Deposits with credit institutions	**69,723**	**—**	**—**	**69,723**
Loans with credit institutions	**6,127**			**6,127**
Derivative assets	**2,472**	**—**	**—**	**2,472**
Total	**145,418**	**164,730**	**—**	**310,148**
Derivative liabilities	**(361)**	**—**	**—**	**(361)**

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2019	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Shares and other variable yield securities and units in unit trusts	—	20,116	—	20,116
Debt securities and other fixed income securities	65,895	120,191	—	186,086
Deposits with credit institutions	62,126	—	—	62,126
Loans with credit institutions	1,166	—	—	1,166
Derivative assets	1,645	—	—	1,645
Total	130,832	140,307	—	271,139
Derivative liabilities	(786)	—	—	(786)
Total	(786)	—	—	(786)

Information on the methods and assumptions used to determine fair values for each major category of financial instrument measured at fair value is provided below.

Debt securities are generally valued using prices provided by external pricing vendors. Pricing vendors will often determine prices by consolidating prices of recent trades for identical or similar securities obtained from a panel of market makers into a composite price. The pricing service may make adjustments for the elapsed time from a trade date to the valuation date to take into account available market information. Lacking recently reported trades, pricing vendors will use modeling techniques to determine a security price.

Some government and supranational securities are listed on recognised exchanges and are generally classified as level 1 in the fair value hierarchy. Those that are not listed on a recognised exchange are generally based on composite prices of recent trades in the same instrument and are generally classified as level 2 in the fair value hierarchy.

Corporate bonds, including asset backed securities, that are not listed on a recognised exchange or are traded in an established over-the-counter market are also mainly valued using composite prices. Where prices are based on multiple quotes and those quotes are based on actual recent transactions in the same instrument the securities are classified as level 2, otherwise they are classified as level 3 in the fair value hierarchy.

12. Deferred acquisition costs

The table below shows changes in deferred acquisition costs assets from the beginning of the period to the end of the period.

	2020 **£000**	2019 £000
Balance at 1 January	**59,550**	57,967
Amortisation	**(4,512)**	3,351
Effect of movements in exchange rates	**(379)**	(1,768)
Balance at 31 December	**54,659**	59,550

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13. Technical provisions

The table below shows changes in the insurance contract liabilities and assets from the beginning of the period to the end of the period.

2020	**Gross provisions**	**Reinsurance assets**	**Net**
	£000	**£000**	**£000**
Claims outstanding			
Balance at 1 January	**844,320**	**(458,061)**	**386,259**
Change in claims outstanding	**94,845**	**(114,957)**	**(20,112)**
Effect of movements in exchange rates	**(16,923)**	**17,189**	**266**
Balance at 31 December	**922,242**	**(555,829)**	**366,413**
Claims notified	**390,964**	**(123,984)**	**266,980**
Claims incurred but not reported	**531,278**	**(431,845)**	**99,433**
Balance at 31 December	**922,242**	**(555,829)**	**366,413**
Unearned premiums			
Balance at 1 January	**230,529**	**(105,028)**	**125,501**
Change in unearned premiums	**(15,288)**	**15,271**	**(17)**
Effect of movements in exchange rate	**(999)**	**2,395**	**1,396**
Balance at 31 December	**214,242**	**(87,362)**	**126,880**

2019	Gross provisions	Reinsurance assets	Net
	£000	£000	£000
Claims outstanding			
Balance at 1 January	797,389	(402,432)	394,957
Change in claims outstanding	71,765	(72,799)	(1,034)
Effect of movements in exchange rates	(24,834)	17,170	(7,664)
Balance at 31 December	844,320	(458,061)	386,259
Claims notified	371,650	(110,248)	261,402
Claims incurred but not reported	472,670	(347,813)	124,857
Balance at 31 December	844,320	(458,061)	386,259
Unearned premiums			
Balance at 1 January	223,582	(114,027)	109,555
Change in unearned premiums	13,572	4,758	18,330
Effect of movements in exchange rate	(6,625)	4,241	(2,384)
Balance at 31 December	230,529	(105,028)	125,501

14. Cash and Cash Equivalents

	2020	2019
	£000	£000
Cash at bank and in hand	**14,303**	19,976
Deposits with credit institutions	**69,723**	62,126
Total cash and cash equivalents	**84,026**	82,102

Only deposits with credit institutions with maturities of three months or less that are used by the Syndicate in the management of its short-term commitments are included in cash and cash equivalents.

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15. Accruals and deferred income

	2020	2019
	£000	£000
Claims Payable	**32,512**	14,081
Profit Commission Accrual	**11,549**	7,854
Other Accruals	**14,209**	15,241
Reinsurers' share of deferred acquisition costs	**23,834**	28,699
Total accruals and deferred income	**82,104**	65,875

16. Related parties

AMAL is the managing agency of the Syndicate. The Syndicate has paid the following amounts to AMAL in the year:

	2020	2019
	£000	£000
Managing agency fees	**3,390**	3,348

The Syndicate is supported by Aspen Underwriting Limited ("AUL"), which provides 100% of its underwriting capacity.

The ultimate holding company and controlling party of AMAL and AUL as at 31 December 2020 is Highlands Holdings Limited a company incorporated in Bermuda.

AIUKS provides services to the Syndicate. The amounts charged to and balances due from the Syndicate at the end of the year are:

	2020	2019
	£000	£000
Expenses recharged	**24,982**	28,224
Year end balance	**—**	—

ABL provides services to the Syndicate. The amounts charged to and balances due from the Syndicate at the end of the year are:

	2020	2019
	£000	£000
Expenses recharged	**336**	169
Year end balance	**—**	—

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Aspen Reinsurance America ("ARA") provides services to the Syndicate. The amounts charged to and balances due from the Syndicate at the end of the year are:

	2020	2019
	£000	£000
Expenses recharged	**1,915**	2,602
Year end balance	**728**	—

The Syndicate also participates in a 50% Quota Share with AIUK. This Quota Share arrangement commenced in January 2015.

The Syndicate has incurred the following amounts in the year and the balances due from the syndicate at the end of the year relating to these are:

	2020	2019
	£000	£000
Quota share ceded (to) / from AIUK	**(1,938)**	29,539
Year end balance	**2,494**	2,356

The Syndicate cedes a 20% Quota Share Treaty for years of account 2009 to 2020 to ABL.

The Syndicate has recognised the following amounts in the year and the balances due from/(to) the Syndicate at the end of the year relating to these are:

	2020	2019
	£000	£000
Quota share ceded from ABL	**(854)**	2,406
Year end balance	**12,744**	4,128

The Syndicate also cedes premium to ABL as part of its excess of loss ceded reinsurance arrangements, with the following reinsurance amounts in the year and the balances due to the Syndicate at the end of the year are:

	2020	2019
	£000	£000
Ceded (to) / from ABL	**(673)**	6,535
Year end balance	**(17,001)**	(14,371)

The Syndicate also participates in a reciprocal ($10m xs $10m) excess of loss reinsurance with Aspen Insurance (UK) Limited ("AIUK").

Notes to the Accounts
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The Syndicate has been charged the following amounts in the year and the balances due from the Syndicate at the end of the year are:

	2020	2019
	£000	£000
Incurred Claims Movement	**(1,020)**	(2,268)
Year end balance	**—**	—

Aspen UK Syndicate Services Limited ("AUKSSL") is an intermediary which is 100% owned by Aspen and serves as a Lloyd's broker.

The Syndicate has written the following premium amounts in the year and the balances due to the Syndicate at the end of the year are:

	2020	2019
	£000	£000
Gross premium written in year	**56**	620
Year end debtor balance	**154**	719

Asset Protection Jersey ("APJ"), an insurance company, which is 100% owned by Aspen, reinsures all of its business through a quota share agreement with the Syndicate.

The Syndicate has written the following premium amounts in the year and the balances due to the Syndicate at the end of the year are:

	2020	2019
	£000	£000
Gross premium written in year	**685**	2,589
Year end debtor balance	**665**	262

Aspen Singapore PTE Limited (“ASPL”) acts as an agent for Lloyd’s Asia Scheme and provides services to the Syndicate.

The amounts charged to and balances due to the Syndicate at the end of the year are:

	2020	2019
	£000	£000
Expenses	**2,157**	2,198
Year end debtor balance	**(411)**	3

Notes to the Accounts
At 31 December 2020

Cash Calls

Cash calls from member's personal reserve funds of £Nil (2019: £Nil) and collection of losses to the member's personal reserve funds of £31.5m (2019: £41.8m) were made during the year. Directors have been provided with assurances that sufficient capital will be made available when required.

17. Funds at Lloyd's

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

FAL is set with regards to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the managing agent, no amount has been shown in these accounts by way of such capital resources. However, the managing agent is able to make a call on the member's FAL to meet liquidity requirements or to settle losses on behalf of the Syndicate.

FAL is provided in the form of investments from Aspen Bermuda Limited ("ABL"), unsecured letter of credit and unsecured third-party financing facilities.

The FAL lodged exceeds the £104.5m member balance deficit as at 31 December 2020.

18. Foreign exchange rates

The following currency exchange rates have been used for principal foreign currency translations:

	2020	**2020**	2019	2019
	Year-end rate	**Average rate**	Year-end rate	Average rate
Euro	**1.18**	**1.14**	1.18	1.14
US dollar	**1.33**	**1.28**	1.33	1.28
Canadian dollar	**1.72**	**1.69**	1.72	1.69