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SYNDICATE 1971

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2021

Syndicate 1971

Key performance indicators

Annual basis	2021 $'m	2020 $'m	Change
Gross premium written	158.9	102.2	55%
Net premium written	84.7	44.6	90%
Net premium earned	73.6	38.1	93%
Profit for the financial year	8.9	5.3	68%
Claims ratio	83%	75%	8%
Expense ratio	5%	14%	(9)%
Combined ratio	88%	89%	(1)%

Highlights:

- Apollo's Syndicate 1971 has reported top and bottom-line growth, as an innovator and leader in the sharing economy space;

- The profit of $8.9m in 2021 reflects the positive contribution of earned profit from the 2021 and 2020 years of account;

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

- The entire portfolio has benefited from a positive rating environment in 2021.

"The iBott business has performed well in its first three years' operating as a Special Purpose Arrangement and has been successful in delivering a profit in its first underwriting year. 2022 sees another positive step in the business' development, with 1971 operating as a stand-alone syndicate for the 2022 year of account. The syndicate will continue to evolve and develop the ibott Rover account writing under the Apollo brand. Additional revenue will be sought through new business opportunities which are expected to increase the scale of profitable underwriting."

David Ibeson

Syndicate 1971

Contents

Directors and administration

Managing agent

Apollo Syndicate Management Limited

Registered office

One Bishopsgate
London, EC2N 3AQ

Company registration number

09181578

Company secretary

PC Bowden

Directors

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

Active Underwriter

MJ Newman

Registered Auditor

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

Report of the directors of the managing agent

The directors of the managing agent present their audited report, which incorporates the strategic review, for Syndicate 1971 ("the syndicate") for the year ended 31 December 2021.

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

Underwriting year accounts for the closed 2019 account of Syndicate 1971 are included following these annual accounts.

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

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

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

The syndicate's capacity for the 2021 year of account was £115.0m ($142.6m at the Lloyd's planning rate of $1.24). Stamp capacity for the 2022 year of account is £200.0m ($276.0m at the Lloyd's planning rate of $1.38).

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

Review of the business
The Special Purpose Arrangement Syndicate 1971 commenced underwriting for the 2019 year of account. For 2021, its business is written by way of a 90% quota share reinsurance of the ibott Rover class and the ibott General Liability class written by Syndicate 1969. With effect from the 1 January 2022, the 2022 year of account will underwrite on a standalone basis. In 2021, the syndicate achieved premium growth of 55% to $158.9m (2020: $102.2m) and achieved risk adjusted rate increases on renewals of 24% (2020: 19%). ibott Rover is the market leading sharing economy platform for Apollo and a core growth class for the business.

Syndicate 1971

Report of the directors of the managing agent

Results

	2021 $'m	2020 $'m	Change
Gross premium written	158.9	102.2	55%
Net premium written	84.7	44.6	90%
Net premium earned	73.6	38.1	93%
Profit for the financial year	8.9	5.3	68%
Claims ratio	83%	75%	7%
Expense ratio	5%	14%	(9)%
Combined ratio	88%	89%	(1)%

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

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

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

2021 calendar year result
The result for the 2021 calendar year is a profit of $8.9m (2020: profit of $5.3m) with a combined ratio of 87.7% (2020: 88.8%). The 2021 calendar year result aggregates the performance during the year of all open years of account (2019, 2020 and 2021).

The profit for the calendar year is split between a profit on the 2021 year of account of $3.6m and a profit on the 2020 and prior years of account of $5.3m. The 2021 calendar year result is broadly in line with expectations in the plan for the year.

The earned result for the 2021 year of account in the calendar year is pleasing as it reflects the earnings recognition of written premiums in the calendar year being greater than net operating expenses incurred. This is a particular feature of the syndicate this year as it continues to grow. Despite a significant proportion of premium being underwritten in the second half of the year, the volume of premium written has contributed significantly to earnings.

Notified claims experience in the calendar year has been minimal and within expectations. However we recognise that a range of outcomes is possible for the ultimate result for this class, and have therefore made a provision within claims that have been incurred at the reporting date but have not yet been reported ("IBNR") in the calendar year to allow for this reserving uncertainty. In particular, the assumptions underlying our reserving methodology reflect additional information obtained from pricing current and prospective business. The implications of this analysis have been incorporated into our reserving approach for all years of account, which together with margin added over and above actuarial best estimates, has contributed to the back year deterioration on a GAAP basis and the profit declared on the 2019 year of account. Margin on earned premium represents 11% of total reserves (2020: 9%).

Investment performance
The syndicate received an allocation of the investment return from Syndicate 1969 of an investment loss of \$0.3m (2020: positive investment return \$1.0m). This represents the investment income attributable to business undertaken by Syndicate 1969 on behalf of the syndicate, itself influenced by the very low running yield on investments, together with unrealised losses as a result of rises in interest rates in the final quarter of the year.

Capital
For Syndicate 1971 ASML assesses the syndicate's capital requirements through a rigorous process of risk identification and quantification using an internal capital model at a 1:200 year confidence level. The model is based on Solvency II regulatory requirements and has been approved by Lloyd's. The ultimate Solvency Capital Requirement ("SCR") is subject to an uplift determined by Lloyd's based on their assessment of the economic capital requirements for the Lloyd's market in total. The SCR together with the Lloyds' uplift is referred to as the Economic Capital Assessment ("ECA"). In the first two years of operation of Syndicate 1971, the capital has been set by Lloyd's using a combination of market benchmarks and the syndicate's own business plan. The ECA for the 2021 underwriting year was set at 72% of capacity. Following approval of the 1971 internal model in 2021, the 2022 underwriting year ECA was assessed as 51% of capacity.

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

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

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

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

Report of the directors of the managing agent

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

The managing agent recognises that the syndicate's business is to accept risk which is appropriate to enable it to meet its objectives and that it is not realistic or possible to eliminate risk entirely. The syndicate shares all the risks associated with the ibott Rover business written by Syndicate 1969 under the quota share contract and the funds withheld arrangement including those associated with the assets and liabilities that arise. The principal risks and uncertainties facing the syndicate have been identified as insurance risk, financial risk, credit risk, liquidity risk and market risk.

Insurance risk is the risk the syndicate faces that the amount of claims and benefit payments, or the timing thereof, differs from expectations. The Underwriting Committee oversees the management of underwriting risk and the implementation of a disciplined underwriting strategy that is focused on writing quality business, product pricing and the purchase of a comprehensive reinsurance programme. The Board sets limits to the syndicate's exposure to events both on a gross and net of reinsurance basis and adherence to these limits is reported monthly to the Underwriting Committee.

Financial risk for the syndicate is the risk the financial assets are insufficient to fund the obligations arising from its insurance contracts as they fall due. An investment mandate reflecting the syndicate's risk appetite is in place and has been approved by the Board. Compliance with this is controlled through the investment manager's systems and monitored through the monthly and quarterly reporting process.

Credit risk is the risk of financial loss to the syndicate if a counterparty fails to discharge a contractual obligation. The syndicate is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts and its ongoing expenses. ASML manages credit risk by placing limits on exposure to a single counterparty and reference to the credit rating of the counterparty. On a quarterly basis the Finance Committee reviews the credit exposures.

Liquidity risk is the risk that the syndicate will encounter difficulty in meeting obligations arising from its insurance contracts and financial liabilities as they fall due. ASML's approach to managing liquidity risk includes use of daily liquidity monitoring, quarterly cash flow forecasts and management of asset duration. Contingency funding plans are in place to ensure that adequate liquid financial resources are in place to meet obligations as they fall due in the event of reasonably foreseeable abnormal circumstances.

Market risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract will fluctuate because of changes in market prices, excluding those that are caused by credit downgrades which are included under credit risk. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk. For each of the major components of market risk the syndicate has policies and procedures in place which detail how each risk should be managed and monitored.

Numeric analysis of the risks set out above is included in note 4 to the annual accounts. The use of financial derivatives is governed by ASML risk management policies. ASML does not use derivative financial instruments for speculative purposes. The Board has agreed a number of key risk indicators and approved the corresponding appetite for each measure. A traffic light indicator is used for monitoring current levels of risk based upon agreed thresholds and tolerances.

Report of the directors of the managing agent

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

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

The syndicate is not expected to be materially directly impacted by Brexit from an underwriting standpoint given that it writes only a small amount of European insurance and reinsurance business. Lloyd's has established an insurance company trading as Lloyd's Brussels which gives syndicates access to the EU market. ASML commenced writing business through Lloyd's Brussels from 1 January 2019. During 2020 the 2018 and prior business of the syndicate was subject to a Part VII transfer to Lloyd's Brussels. All Brussels' business was 100% reinsured back to the respective syndicates.

Prospectively, the UK Government and regulators continue to review the application of Solvency II requirements for UK regulated firms in a post-Brexit environment. The impacts of any proposed changes will be assessed in terms of potential impact upon the syndicate.

In accordance with the requirements of the PRA's Supervisory Statement 3/19 to designate an officer under the Senior Manager & Certification Regime as responsible for the financial risks of climate change, we have allocated that responsibility to the Chief Risk Officer. An agreed plan of action continues to be developed and implemented by appropriately skilled and experienced teams within the business in order to ensure that the full range of potential climate change-related impacts affecting the underwriting and investment portfolios are appropriately managed.

The ongoing impact of the global pandemic and associated government actions continues to create uncertainty across all principal risk categories. Apollo's insurance liabilities are not directly materially affected by the pandemic, however Apollo may be exposed to secondary factors, such as asymmetric inflationary factors as a result of changing consumer habits (e.g. the increased demand for delivery business), or changes in loss activity or revenue as a result of changing consumer behaviour (such as increase in high speed crashes as a result of reduced road traffic). At a whole account level it as not anticipated that the overall impact on profitability expectations will be materially affected.

Apollo has successfully adapted its operational model in response to a series of UK "hard" and "soft" lockdowns, enabling its employees to work from both home and the office (when not contrary to government advice). It is not anticipated that Apollo's operational risk environment is materially heightened as a result of the change in business model. Apollo continues to monitor for changes in employee attitudes and working norms as a result of a potential shift in the insurance broader market.

Corporate governance
The ASML Board is chaired by Julian Cusack, who is supported by four further non-executive directors, all of whom are independent. Nicolas J Burkinshaw resigned from the Board on 7 May 2021. James Slaughter, Chief Underwriting Officer, was appointed to the Board on 6 July 2021. Andrew J Gray resigned as Company Secretary to the Board on 16 March 2021. Peter Bowden was appointed as his replacement on the same day. Farah Buckley

was appointed as an independent Non-Executive Director on 1 July 2021. David Ibeson is the Chief Executive Officer and there were four further executive directors throughout 2021.

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

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

Section 172 statement

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

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

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

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

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

Staff matters

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

Report of the directors of the managing agent

Terms and conditions offered to employees, as part of their overall remuneration package, remain competitive with the rest of the London Market insurance industry and staff are provided with opportunities to develop their skills and capabilities. The managing agent seeks to provide a good working environment for its staff that is safe, supportive and complies with relevant legislation and also actively supports flexible working. The operational effectiveness of all aspects of remote working is monitored continually by management as well as being tested and challenged by risk management and internal audit.

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

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

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

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

Aligned with the recent Financial Conduct Authority and Prudential Regulation Authority Operational Resilience and Third Party Oversight policies, Apollo has successfully undertaken a thorough self-assessment of our operational resilience. We continue to focus on ensuring we maintain robust and resilient plans to prevent, adapt, respond and recover from operational disruptions with the primary objective to protect our customers and integrity of our business.

Environmental, Social and Governance
During 2021 ASML has developed and begun implementing a formal ESG Strategy that includes approaches to manage the financial risks associated with climate change and proactive diversity and inclusion initiatives. The majority of the ESG related activities were coordinated by the ASML Social Responsibility and Impact Group (SRIG) which comprises of representatives from across Apollo, both in terms of seniority and breadth of business activities. The SRIG is currently chaired by an ASML Board director, and the group helps the Board and Executive team to govern these considerations in an open, engaged, and constructive manner.

Report of the directors of the managing agent

From an environmental perspective ASML is committed to a long-term sustainable approach to protecting the environment, as well as to socially responsible underwriting and sustainable investing. This now includes specific ESG related underwriting and investment risk appetites to be implemented during 2022 and a public commitment to be net carbon zero by year end 2023 for emissions that are within ASML's control (for Scope 1 & 2 emissions). ASML will seek to support clients and partners to transition to a low carbon sustainable economy.

Ibott client segments include mobility, rideshare, and delivery. The ibott team have ongoing research and thought leadership initiatives with reinsurance counterparts and clients to promote the use of environmentally friendly and efficient modes of transport. Ibott has been a contributor to industry initiatives, including with Lloyd's, to elevate the level of environmental and social benefits of the sharing economy.

At Apollo our people are at the heart of everything we do and we are committed to creating a diverse and inclusive workplace, one where difference is celebrated and everyone is welcome, included and can thrive.

We operate a zero tolerance policy to bullying and harassment and all forms of discrimination. This includes all of the protected characteristics of the Equality Act of 2010 as well as neurodiversity, parental and caring responsibilities, socio-economic status and working patterns.

ASML conducted a diversity survey which had a 91% completion rate. The Lloyd's Culture survey was also completed with above market average engagement and positive results when compared to Lloyd's benchmark data. ASML also provided all staff with racial awareness training, and inclusive hiring manager training and inclusive leadership training for business managers and leaders. During the 2021 calendar year, ASML began to sponsor and support six Lloyd's market inclusion networks, and has nominated "Inclusion Champions" who each represent ASML on these Lloyd's inclusion networks and provide a link back to the business. ASML also sponsored an event within the 2021 Dive In festival in relation to neurodiversity. Neurodiversity training has been undertaken by teams within ASML to further develop in-house learning.

The ASML CEO and Board Chair are both Ambassadors for Race Action through Leadership. In 2021 ASML also became a member of the Employers Network for Equality and Inclusion (ENEI) and the Employers Initiative on Domestic Abuse (EIDA). We also worked with SEO London to provide internships at Apollo and with BeMeta to provide our employees with access to weekly 30 minute sessions of mental health coaching.

We also sponsored Dive In for the first time, sponsoring the UK Workability events on neurodiversity and disability and added ACIN Recruit, the recruitment arm of the African Caribbean Insurance Network, to our list of preferred recruitment suppliers.

From a gender perspective, the ratio of female to male Board directors is 20% at year-end 2021 (11% at year-end 2020). The ratio is 26% (2020: 18%) for the Executive and direct reports (excluding executive assistants). Within the overall business the ratio of male:female employees is 65%:35%. Further details in relation to current and planned D&I activities conducted within ASML can be found on the Apollo website.

The ASML Board drives the tone for good governance and the overall ESG strategy. ASML has aligned its strategy with five of the UN Sustainable Development Goals in the short to medium term. The Board and Executive are actively engaged in embedding ESG considerations throughout the governance committees within ASML, and have supported related considerations within ASML suppliers and outsource service partners.

At this point in time, the syndicate is not required to comply with Streamlined Energy and Carbon Reporting ('SECR').

Report of the directors of the managing agent

ASML will continue to develop data and formalise ESG reporting metrics, which will include the development of specific climate related stress and scenario testing. ASML has engaged an independent ESG rating specialist and will work with them to identify and continue to drive improvements throughout 2022.

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

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

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

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

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

Events after the balance sheet date
For 2022 the syndicate will no longer operate as a Special Purpose Arrangement syndicate reinsuring through Syndicate 1969; it will underwrite as a stand-alone syndicate. The syndicate will continue to evolve and develop the ibott Rover account writing under the Apollo brand. Additional revenue will be sought through new business opportunities which are expected to increase the scale of profitable underwriting.

Apollo completed a corporate reorganisation during 2021, the effect of which was that ASML became a wholly owned subsidiary of a new holding company, Apollo Group Holdings Limited ("AGHL"). Prior to 31 August 2021 ASML was a subsidiary of Apollo Partners LLP ("APL"). On 11 October 2021 AGHL agreed an investment by Alchemy Special Opportunities Fund IV LP ("Alchemy"). Alchemy's investment in AGHL was completed on 11 February 2022, following receipt of regulatory approvals.

At the time of writing, there are clear humanitarian concerns in relation to the military conflict between Russia and Ukraine. The ASML Board and Risk Committee continue to monitor macro geopolitical and economic factors that could directly and/or indirectly impact the syndicate's risk profile. From an ASML perspective, we have assessed our financial, insurance, and operational risk positions. This will remain an area of focus for ASML as the situation develops over time. Insurance risk and asset exposures have been collated and will be monitored. For the syndicate, the overall level of insurance and asset exposure is negligible. Operational considerations include an enhanced security posture to potential increase in cyber/information security threats.

Report of the directors of the managing agent

Economic uncertainty may increase concerns around global inflationary pressures and supply chain issues. The syndicate underwriting and ASML actuarial teams have worked collaboratively to understand the effects of ‘conventional’ and ‘social’ inflation to determine base assumptions to include in our 2022 business plan. Additional volatility testing contributes to an understanding of the supporting solvency capital requirements.

Future developments
The syndicate has placed a 50 percent quota share outwards reinsurance programme again for 2022. This continues to be provided by a major AA rated European reinsurer.

In addition to Apollo’s aligned support of underwriting of the syndicate, Apollo has also received positive support from a committed base of capital providers. A strong, diversified and knowledgeable spread capital base gives significant competitive advantage and maintaining this will remain a focus. I thank them for their support

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

Approved on behalf of the Board.

DCB Ibeson
Chief Executive Officer
8 March 2022

Statement of managing agent's responsibilities

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

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

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

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

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

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

Independent auditor's report to the members of Syndicate 1971

Report on the audit of the syndicate annual financial statements

Opinion
In our opinion the syndicate annual financial statements of Syndicate 1971 (the 'syndicate'):
- give a true and fair view of the state of the syndicate's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have audited the syndicate annual financial statements which comprise:
- the profit and loss account;
- the balance sheet;
- the statement of changes in members' balances;
- the cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 15.

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

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

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

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

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

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

Independent auditor's report to the members of Syndicate 1971

Other information

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

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

We have nothing to report in this regard.

Responsibilities of managing agent

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

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

Auditor's responsibilities for the audit of the syndicate annual financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

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

Independent auditor's report to the members of Syndicate 1971

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

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

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

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

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

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

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

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

Independent auditor’s report to the members of Syndicate 1971

Report on other legal and regulatory requirements

Opinions on other matters prescribed by The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008
In our opinion, based on the work undertaken in the course of the audit:

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

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

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

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

We have nothing to report in respect of these matters.

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

Adam Knight, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
8 March 2022

Syndicate 1971

Profit and loss account
For the year ended 31 December 2021

Technical account – General business	Notes	2021 $'000	2020 $'000
Gross premiums written	5	158,889	102,236
Outward reinsurance premiums		(74,218)	(57,658)
Net premiums written		84,671	44,578
Change in the provision for unearned premiums:			
Gross amount	6	(9,345)	(14,123)
Reinsurers' share	6	(1,707)	7,605
Change in the net provision for unearned premiums		(11,052)	(6,518)
Earned premiums, net of reinsurance		**73,619**	**38,060**
Allocated investment return transferred from the non-technical account	11	**(343)**	**958**
Claims paid			
Gross amount		(8,654)	(6,728)
Reinsurers' share		4,385	3,295
Net claims paid		(4,269)	(3,433)
Change in the provision for claims			
Gross amount	6	(105,117)	(52,270)
Reinsurers' share	6	48,732	27,185
Change in the net provision for claims		(56,385)	(25,085)
Claims incurred, net of reinsurance		**(60,654)**	**(28,518)**
Net operating expenses	7	(3,882)	(5,288)
Balance on the technical account - general business		**8,740**	**5,212**

All operations relate to continuing activities.

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

Profit and loss account

For the year ended 31 December 2021

Non-technical account	Notes	2021 $'000	2020 $'000
Balance on the technical account - general business		**8,740**	**5,212**
Investment income	11	(343)	958
Allocated investment return transferred to the technical account - general business		343	(958)
Profit on foreign exchange		170	84
Profit for the financial year		**8,910**	**5,296**

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

Statement of changes in members' balances

For the year ended 31 December 2021

	2021 $'000	2020 $'000
Members' balances brought forward at 1 January	3,823	(1,352)
Profit for the financial year	8,910	5,296
Members' agents' fees	(135)	(121)
Members' balances carried forward at 31 December	**12,598**	**3,823**

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

Syndicate 1971

Balance sheet
As at 31 December 2021

Assets	Notes	2021 $'000	2020 $'000
Reinsurers' share of technical provisions			
Provision for unearned premiums	6	38,075	39,762
Claims outstanding	6	92,025	43,283
		130,100	83,045
Debtors			
Other debtors	12	150,223	71,438
Prepayments and accrued income			
Deferred acquisition costs	7	5,131	5,931
Total assets		**285,454**	**160,414**

Liabilities	Notes	2021 $'000	2020 $'000
Capital and reserves			
Members' balances		12,598	3,823
Technical provisions			
Provision for unearned premiums	6	75,580	66,195
Claims outstanding	6	185,473	80,366
		261,053	146,561
Accruals and deferred income	7,13	11,803	10,030
Total liabilities		**272,856**	**156,591**
Total liabilities and members' balances		**285,454**	**160,414**

The annual accounts on pages 18 to 41 were approved by the Board of Apollo Syndicate Management Limited on 8 March 2022 and were signed on its behalf by:

JD MacDiarmid
Finance Director
8 March 2022

Statement of cash flows
for the year ended 31 December 2021

	Notes	2021 $'000	2020 $'000
Cash flows from operating activities			
Operating profit for the financial year		8,910	5,296
Adjustments for:			
Increase in gross technical provisions		114,492	66,451
Increase in reinsurers' share of technical provisions		(47,056)	(34,797)
Increase in debtors		(79,128)	(38,658)
Increase in other assets / liabilities		2,574	1,829
Investment return		343	(958)
Net cash inflow / (outflow) from operating activities		**135**	**(837)**
Cash flows from investing activities			
Investment return		-	958
Net cash inflow / (outflow) from investing activities		**-**	**958**
Cash flows from financing activities			
Members' agents' fees paid on behalf of members		(135)	(121)
Net cash outflow from financing activities		**(135)**	**(121)**
Net increase / (decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at 1 January		-	-
Cash and cash equivalents at 31 December		**-**	**-**

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

Notes to the annual accounts

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

The annual accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, Financial Reporting Standard 102. The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and Financial Reporting Standard 103 Insurance Contracts ("FRS 103") issued by the Financial Reporting Council.

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

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

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

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

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

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

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

The syndicate's principal estimates are claims outstanding and gross written premium specifically in relation to the provision for claims that have been incurred at the reporting date but have not yet been reported ("IBNR") and pipeline premium respectively.

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

Notes to the annual accounts

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

The gross written premium payable on a policy is often variable, dependent on the volume of trading undertaken by the insured during a coverage period. Estimates of such additional premiums are included in premiums written but may have to be adjusted if economic conditions or other underlying trading factors differ from those expected. Gross premiums written are disclosed in note 4.

Claims outstanding

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

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

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

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

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

Notes to the annual accounts

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

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

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

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

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

Provisions for unearned premiums
Written premiums are recognised as earned over the life of the policy. Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the balance sheet date, calculated on the basis of earnings patterns reflecting the risk profile of the underlying policies or time apportionment as appropriate.

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

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

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

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

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

Notes to the annual accounts

3. Significant accounting policies (continued)

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

Unexpired risks provision

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

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

Investment return

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

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

Net operating expenses

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

Acquisition costs

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

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

Reinsurers' commissions and profit participations

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

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

Notes to the annual accounts

3. Significant accounting policies (continued)

Managing agent's fees

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

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

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

Foreign currencies

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

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

Pension costs

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

Taxation

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

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

Funds withheld

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

Notes to the annual accounts

3. Significant accounting policies (continued)

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

4. Risk and capital management

Introduction and overview

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

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

Risk management framework

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

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

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

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

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

Notes to the annual accounts

4. Risk and capital management (continued)

Insurance Risk

Management of insurance risk

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

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

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

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

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

Gross written premium analysed by source	2021 $'000	2020 $'000
US	154,748	100,849
UK	3,820	-
Other EU countries	225	1,097
Other	96	290
Total	**158,889**	**102,236**

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

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

Notes to the annual accounts

4. Risk and capital management (continued)

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

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

Sensitivity to insurance risk

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

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

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

	2021		2020	
	Gross	Net	Gross	Net
	$'000	$'000	$'000	$'000
5% movement	(9,274)	(4,672)	(4,018)	(1,854)

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

Financial risk

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

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

Notes to the annual accounts

4. Risk and capital management (continued)

Credit risk

Credit risk is the risk of financial loss to the syndicate if a counterparty fails to discharge a contractual obligation. The syndicate shares the Syndicate 1969 risk of financial loss on balances relating to the funds withheld arrangement in respect of the following:

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

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

Management of credit risk

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

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

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

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

Exposure to credit risk

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

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

Financial assets that are past due or impaired

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

Notes to the annual accounts

4. Risk and capital management (continued)

Liquidity risk

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

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

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

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

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

4. Risk and capital management (continued)

2021	Carrying amount $'000	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Reinsurers' share of technical provisions	130,100	40,966	29,618	46,304	13,212
Debtors, prepayments and accrued income	155,354	48,918	35,367	55,292	15,777
Total assets	**285,454**	**89,884**	**64,985**	**101,596**	**28,989**
Technical provisions	(261,053)	(82,201)	(59,430)	(92,912)	(26,510)
Accruals and deferred income	(11,803)	(3,716)	(2,687)	(4,201)	(1,199)
Total liabilities	**(272,856)**	**(85,917)**	**(62,117)**	**(97,113)**	**(27,709)**

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

Market risk

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

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

Management of market risk

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

Interest rate risk

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

Notes to the annual accounts

4. Risk and capital management (continued)

ASML limits exposure to absolute return bond funds. These funds manage exposure to changes in market value resulting from movements in bond yields by managing to a very short or even negative duration.

Currency risk

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

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

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

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

	Sterling	Euro	US Dollar	Other	Total
2021	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Total assets	(4,488)	(113)	289,872	183	285,454
Total liabilities	(5,487)	-	(266,966)	(403)	(272,856)
Net assets / (liabilities)	**(9,975)**	**(113)**	**22,906**	**(220)**	**12,598**

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

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

4. Risk and capital management (continued)

Profit / (Loss) for the year	2021 $'000	2020 $'000
Currency risk		
10 percent strengthening of Sterling against US Dollar	(1,108)	(208)
10 percent weakening of Sterling against US Dollar	907	171
10 percent strengthening of Euro against US Dollar	(13)	2
10 percent weakening of Euro against US Dollar	10	(1)

Other price risk

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

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

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

Capital management

Capital framework at Lloyd's

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

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

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

Lloyd's capital setting process

As a new syndicate, Lloyd's establishes a syndicate-level Solvency Capital Requirement (SCR) for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). Lloyd's also calculate the syndicate's SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting

Notes to the annual accounts

4. Risk and capital management (continued)

Solvency II requirements. ASML use an internal model developed in house to calculate the SCR as opposed to adopting a standard formula. The SCR is reviewed and approved by the Board through the Own Risk Solvency Assessment ("ORSA") process and an independent annual internal model validation process.

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

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

The level of year end reserves is validated by external consulting actuaries through their report to management and their provision of a Statement of Actuarial Opinion to the managing agency and Lloyd's on gross and net reserves by year of account at 31 December 2021.

Provision of capital by members

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

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

Claims development

The syndicate's current exposure is predominantly US motor liability via the Delivery and Rideshare segments.

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive underwriting year at each reporting date, together with cumulative payments to date. Balances have been translated at exchange rates prevailing at 31 December 2021 in all cases.

Gross claims development as at 31 December 2021:

Pure underwriting year	**2019 $'000**	**2020 $'000**	**2021 $'000**	**Total $'000**
Incurred gross claims				
At end of underwriting year	28,074	27,770	44,978	
One year later	59,351	83,054		
Two years later	72,855			
Incurred gross claims	72,855	83,054	44,978	200,887
Less gross claims paid	(11,508)	(3,881)	(25)	(15,414)
Gross claims outstanding provision	**61,347**	**79,173**	**44,953**	**185,473**

Notes to the annual accounts

4. Risk and capital management (continued)

Net claims development as at 31 December 2021:

Pure underwriting year	2019 $'000	2020 $'000	2021 $'000	Total $'000
Incurred gross claims				
At end of underwriting year	11,980	14,278	23,705	
One year later	26,263	43,413		
Two years later	34,063			
Incurred gross claims	34,063	43,413	23,705	101,181
Less gross claims paid	(5,715)	(1,992)	(26)	(7,733)
Gross claims outstanding provision	**28,348**	**41,421**	**23,679**	**93,448**

All balances presented are in respect of premiums earned to the balance sheet date and therefore reflect the pattern of earnings and risk exposed over a number of calendar years.

Year of account development

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

Result before members' agents' fees	2021 $'000	2020 $'000
Year of account		
2019	(1,365)	5,800
2020	6,704	(504)
2021	3,571	-
Calendar year result	**8,910**	**5,296**

The 2019 year of account profit balance of $3,080,000 (after members' agents' fees of $139,000) will be distributed to members in 2022.

5. Segmental analysis

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

Notes to the annual accounts

6. Technical provisions

Included within net calendar year claims incurred of $60,654,000 there is a deterioration of $5,306,000 in claims reserves established at the prior year end (2020: release $1,052,000).

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

	Unearned premiums $'000	Claims outstanding $'000	Total $'000
Gross			
At 1 January 2021	66,195	80,366	146,561
Exchange adjustments	40	(10)	30
Movement in provision	9,345	105,117	114,462
At 31 December 2021	**75,580**	**185,473**	**261,053**
Reinsurance			
At 1 January 2021	39,762	43,283	83,045
Exchange adjustments	20	10	30
Movement in provision	(1,707)	48,732	47,025
At 31 December 20201	**38,075**	**92,025**	**130,100**
Net technical provisions			
At 31 December 2021	**37,505**	**93,448**	**130,953**
At 31 December 2020	**26,433**	**37,083**	**63,516**

7. Net operating expenses

	2021 $'000	2020 $'000
Brokerage and commission	9,163	8,690
Other acquisition costs	3,361	2,146
Change in deferred acquisition costs	774	(1,448)
Gross acquisition costs	13,298	9,388
Administrative expenses	5,673	4,294
Reinsurers' commissions and profit participation	(17,716)	(10,945)
Members' standard personal expenses	2,627	2,551
Total	**3,882**	**5,288**

Notes to the annual accounts

7. Net operating expenses (continued)

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

	2021 $'000	2020 $'000
Gross		
At 1 January 2021	5,931	4,450
Exchange adjustments	(26)	33
Movement in Provision	(774)	1,448
At 31 December 2021	**5,131**	**5,931**
Reinsurance		
At 1 January 2021	8,884	6,720
Exchange adjustments	4	-
Movement in provision	(333)	2,164
At 31 December 2021	**8,555**	**8,884**

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

8. Auditor's remuneration

	2021 $'000	2020 $'000
Audit fees		
Fees payable to the syndicate's auditor for the audit of the syndicate's annual financial statements	23	19
Non-audit fees		
Audit related assurance services	45	45
Other assurance services	23	21
	68	66
Total	**91**	**85**

ASML incurred audit fees payable to the syndicate's auditors of $18,000 and other assurance services of $3,000.

9. Staff number and costs

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

	2021 $'000	2020 $'000
Wages and salaries	2,044	1,361
Social security costs	196	110
Pension costs	128	81
Total	**2,368**	**1,552**

Notes to the annual accounts

9. Staff number and costs (continued)

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

	2021 Number	2020 Number
Underwriting	5	3
Management, administration and finance	19	18
Total	**24**	**21**

There are 5 Non-Executive directors on the ASML board who allocate their time to the syndicate.

10. Emoluments of the directors of the managing agent

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

For the period ending 31 December 2021, the remuneration recharged to the syndicate for the directors of ASML is $370,000 (2020: $362,000) which is charged as a syndicate expense.

Included in the remuneration are emoluments paid to the highest paid director amounting to $86,000 (2020: $106,000). The remuneration amount recharged to the syndicate for the Active Underwriter is $177,000 (2020: $203,000) which is charged as a syndicate expense.

11. Investment income

	2021 $'000	2020 $'000
Income received from related syndicates	(343)	958

Investment income represents the return achieved by Syndicate 1969 and attributable to the business undertaken on behalf of the syndicate.

12. Other debtors

	2021 $'000	2020 $'000
Amounts due from Syndicate 1969	150,223	71,438

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

13. Accruals and deferred income

	2021 $'000	2020 $'000
Reinsurers' share of deferred acquisition costs	8,555	8,884
Profit Commission Accrual - ASML	3,248	1,146
Total	**11,803**	**10,030**

14. Related parties

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

Apollo completed a corporate reorganisation during 2021, the effect of which was that ASML became a wholly owned subsidiary of a new holding company, Apollo Group Holdings Limited ("AGHL"). Prior to 31 August 2021 ASML was a subsidiary of Apollo Partners LLP ("APL"). DCB Ibeson and SAC White, along with other members of the senior underwriting team, were partners of APL, and are shareholders of AGHL.

Metacomet LLC, a US incorporated limited company, was a corporate partner of APL and is a shareholder of AGHL. Affiliated companies of Metacomet LLC participate on the syndicate.

On 11 October 2021, Alchemy Special Opportunities Fund IV LP ("Alchemy") committed to invest $90m in AGHL. A key element of that investment was to allow AGHL to provide underwriting capacity to support the Apollo managed syndicates 1969 and 1971. Apollo has provided capacity for the 2022 year of account through Apollo No. 16 Limited ("APL16"). APL16 is a wholly owned subsidiary of AGHL and has underwritten capacity of £47m on Syndicate 1971 for the 2022 year of account.

The syndicate is a Special Purpose Arrangement with Syndicate 1969 as the host. A quota share reinsurance contract is in place for each year of account ceding all gross premiums and related expenses and investment income. The 2019 year of account applies an 80% quota share, with the 2020 and 2021 year of account applying a 90% quota share. All transactions set out the annual accounts have been undertaken by Syndicate 1969 on behalf of the syndicate. On closure of a year of account the Syndicate 1971 distribution will be settled by the syndicate. The related party transactions and amounts outstanding at the balance sheet date are shown below:

Syndicate 1969	2021 $'000	2020 $'000
Gross written premium receivable	158,889	102,236
Gross Claims payable	(8,654)	(6,728)
Expenses payable	(8,971)	(8,956)
Net interest receivable / (payable)	(343)	958
Other debtors	150,223	71,438

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

14. Related parties (continued)

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

ASML	2021 $'000	2020 $'000
Managing agent's fee	1,283	1,314
Expense recharges	7,635	6,265
Profit commission accrued	2,102	1,146

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

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

Hyperion Apollo Limited, a subsidiary of the Howden Group Holdings Limited, was a corporate partner of APL and is a shareholder of AGHL. DCB Ibeson is the Non-Executive Chairman of DUAL International Ltd (an unregulated holding company within the Hyperion Group).

15. Subsequent events

The syndicate has converted to a stand-alone syndicate to write the 2022 year of account.

Alchemy's investment in AGHL was completed on 11 February 2022, following receipt of regulatory approvals.

SYNDICATE 1971

SYNDICATE UNDERWRITING YEAR ACCOUNTS

FOR THE 2019 YEAR OF ACCOUNT
CLOSED AT 31 DECEMBER 2021

Syndicate 1971

Report of the directors of the managing agent

The directors of the managing agent present their report for the 2019 year of account of SPA Syndicate 1971 for the cumulative result to 31 December 2021.

The syndicate underwriting year accounts have been prepared under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 in accordance with the Lloyd's Syndicate Accounting Bylaw (No. 8 of 2005) and applicable accounting standards in the United Kingdom.

Principal activity and review of the business
This report covers the business of Syndicate 1971 which was established for the 2019 year of account as a Special Purpose Arrangement ("SPA"). The business is written by Syndicate 1969 then ceded as a quota share to the syndicate. The syndicate has a 50 percent third party quota share reinsurance with an AA rated European reinsurer.

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

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

Directors and directors' interests
The directors who held office at the date of signing this report are shown on page 2. Directors' interests are shown in note 12 as part of the related parties note to the accounts.

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

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

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

Approved on behalf of the Board.

DCB Ibeson
Chief Executive Officer
8 March 2022

Syndicate 1971

Active Underwriter's Report

2019 closed year result

The Special Purpose Arrangement Syndicate 1971 commenced underwriting for the 2019 year of account which we are now closing at a profit of $3.2m, which is 1.8% on stamp capacity of $176.0m (£130.0m). 2019 was the first year of underwriting for the syndicate, after Apollo began underwriting Auto Liability Sharing Economy risks through a new ibott Rover class of business in Syndicate 1969 in the second half of 2018.

The 2019 portfolio was split across several different subclasses, with the majority of the portfolio being either Ride Sharing, Delivery or Hired Not Owned Auto ("HNOA"). Our focus has been on building trust and long-term partnerships with our clients, which includes a range of new and established Autonomous Vehicle, Peer to Peer Car Sharing, Ridesharing and E-Scooter companies. As a new class, the timing of written premium income was uncertain and we were highly selective in the new opportunities that we have underwritten.

The assumptions underlying our reserving methodology reflect additional information obtained from pricing current and prospective business. The implications of this analysis have been incorporated into our reserving approach for all years of account, which together with margin added over and above actuarial best estimates, have been factored into the profit declared on the 2019 year of account.

We are pleased with the profitable performance from the 2019 underwriting year, especially as a new proposition for Apollo.

2020 year of account

Apollo has seen further premium growth in the class in the 2020 underwriting year compared to 2019, with growth through new business, participation on different layers of existing risks and organic growth. The 2020 portfolio is split across several different subclasses, consistent with the 2019 portfolio, the largest being delivery & rideshare.

The 2020 portfolio benefited from a positive rating environment, which is driven by wider insurance market conditions rather than any loss experience. The ibott Rover class achieved overall rate increases of 19% for the year. For the non-auto General Liability business, overall rate increases were 25% for the year.

We continued to be highly selective in the new opportunities that we have underwritten for the 2020 underwriting year. We consider this is the appropriate approach, and we are therefore at this stage forecasting a profit for the 2020 year of account but remain cautious about the range of outcomes possible in the 2022 calendar year, reflected in the use of a range of 0.0% to 7.5%.

2021 and future years

The underlying performance of the portfolio in the 2021 year of account has been positive and has been in line with the plan for the year. The Rover business has continued to grow in 2021 through organic growth of existing accounts, participation on different layers of existing accounts and new business targets, including exploring potential new partnerships and the use of new distribution channels.

The forecast gross written income (net of acquisition costs) for the syndicate is expected to be $134.1m, which is 86% of stamp capacity. We achieved positive rate change of 24% across our entire renewal portfolio. At this early stage of development of the year of account, we are optimistic that the forecast profit will be satisfactory.

Looking forward for 2022, the approved plan for the syndicate is to underwrite $285.0m of gross written premium income, which equates to $254.7m gross net written premium. The stamp capacity has increased to $276.0m (£200.0m) which allows sufficient headroom should we wish to take advantage of any new opportunities that may arise in 2022. For 2022, the syndicate will be stand-alone. We forecast to continue to see positive rate change.

Syndicate 1971

Active Underwriter's Report

We have added a new class to the plan for 2022 called Occupational Accident. The syndicate currently insures some of the fastest growing and most innovative companies in the world. Increasingly Apollo are receiving requests to provide occupational accident coverages for sharing economy platforms independent contractor (IC) workforce. Planned gross premium income for 2022 will be $30m.

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

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

MJ Newman
Active Underwriter
8 March 2022

Statement of managing agent's responsibilities

Apollo Syndicate Management Limited, as managing agent, is responsible for preparing syndicate underwriting year accounts in accordance with applicable law and the Lloyd's Syndicate Accounting Byelaw.

The Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulation 2008 (the "Lloyd's Regulations") require the managing agent to prepare syndicate underwriting year accounts for each syndicate in respect of any underwriting year which is being closed by reinsurance to close at 31 December 2021. These syndicate underwriting year accounts must give a true and fair view of the result of the closed year of account.

In preparing the syndicate underwriting year of accounts, the managing agent is required to:

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

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

Independent auditor's report to the members of Syndicate 1971 - 2019 closed year of account

Report on the audit of the syndicate underwriting year accounts for the 2019 closed year of account for the three years ended 31 December 2021

Opinion

In our opinion the syndicate underwriting year accounts of Syndicate 1971 (the 'syndicate'):

- give a true and fair view of the profit for the 2019 closed year of account;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

We have audited the syndicate underwriting year accounts which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in members' balances;
- the cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 12.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "the Financial Reporting Standard applicable in the UK and Republic of Ireland", the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

Basis for opinion

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

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

Other information

The other information comprises the information included in the annual report, other than the syndicate underwriting year accounts and our auditor's report thereon. The managing agent is responsible for the other information contained within the annual report. Our opinion on the syndicate underwriting year accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Independent auditor's report to the members of Syndicate 1971 - 2019 closed year of account

We have nothing to report in this regard.

Responsibilities of managing agent

As explained more fully in the managing agent's responsibilities statement, the managing agent is responsible for the preparation of the syndicate underwriting year accounts under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005), and for being satisfied that they give a true and fair view of the result, and for such internal control as the managing agent determines is necessary to enable the preparation of syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

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

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

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

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the underwriting year accounts.

Independent auditor's report to the members of Syndicate 1971 - 2019 closed year of account

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

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

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

In addition to the above, our procedures to respond to the risks identified included the following:
- reviewing underwriting year accounts disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the underwriting year accounts;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with Lloyd's.

Report on other legal and regulatory requirements

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

In our opinion, based on the work undertaken in the course of the audit:
- the information given in the managing agent's report for the financial year for which the syndicate underwriting year accounts are prepared is consistent with the syndicate underwriting year accounts; and
- the managing agent's report has been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

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

Independent auditor's report to the members of Syndicate 1971 - 2019 closed year of account

Matters on which we are required to report by exception

Under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and Lloyd's Syndicate Accounting Byelaw (no.8 of 2005) we are required to report in respect of the following matters if, in our opinion:

- the managing agent in respect of the syndicate has not kept adequate or proper accounting records; or
- the syndicate underwriting year accounts are not in agreement with the accounting records or
- we have not received all the information and explanations we require for our audit; or
- the syndicate underwriting year accounts are not in compliance with the requirements of paragraph 5 of Schedule 1 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with regulation 6 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Adam Knight, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

8 March 2022

Syndicate 1971

Profit and loss account

2019 year of account

For the 36 months ended 31 December 2021

Technical account – General business	Notes	$’000
Syndicate allocated capacity		**176,000**
Gross premiums	3	96,627
Outward reinsurance premiums		(55,794)
Net premiums written and earned		**40,833**
Reinsurance to close premium receivable, net of reinsurance		**-**
		40,833
Allocated investment return transferred from the non-technical account	9	**786**
Claims paid		
Gross amount		(11,505)
Reinsurers’ share		5,794
Net claims paid		(5,711)
Reinsurance to close premium, net of reinsurance	4	**(28,304)**
Claims incurred, net of reinsurance		**(34,015)**
Net operating expenses	5	(4,105)
Balance on the technical account - general business		**3,499**

Profit and loss account
2019 year of account
For the 36 months ended 31 December 2021

Non-technical account	Notes	$'000
Balance on the technical account – general business		**3,499**
Investment income	9	786
Allocated investment return transferred to the technical account – general business		(786)
Loss on foreign exchange		(280)
Profit for the 2019 closed year of account		**3,219**

There are no recognised gains or losses in the accounting period other than those dealt with in the technical and non-technical accounts.

Statement of changes in members' balances
For the 36 months ended 31 December 2021

	Notes	$'000
Profit for the 2019 closed year of account	10	3,219
Members' agents' fees		(139)
Amounts due to members at 31 December 2021	10	**3,080**

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

Balance sheet
2019 year of account
For the 36 months ended 31 December 2021

Assets	Notes	$'000
Reinsurance recoveries anticipated on gross reinsurance to close premium	4	32,999
Debtors		
Other debtors	11	32,232
Total assets		**65,231**

Liabilities	Notes	$'000
Amounts due to members	10	3,080
Reinsurance to close premium payable to close the account – gross amount	4	61,347
Creditors		
Other creditors		804
Total liabilities		**65,231**

The syndicate underwriting year accounts on pages 51 to 61 were approved by the Board of Apollo Syndicate Management Limited on 8 March 2022 and were signed on its behalf by:

JD MacDiarmid
Finance Director
8 March 2022

Statement of cash flows

2019 year of account

For the 36 months ended 31 December 2021

	$'000
Cash flows from operating activities	
Profit for the 2019 closed year of account	3,219
Adjustments for:	
Increase in gross reinsurance to close payable	61,347
Increase in reinsurers' share of reinsurance to close	(32,999)
Increase in debtors	(31,446)
Increase in creditors	804
Investment return	(786)
Net cash outflow from operating activities	**139**
Cash flows from financing activities	
Members' agents' fees paid on behalf of members	(139)
Net cash outflow from financing activities	**(139)**
Net increase in cash and cash equivalents	**-**
Cash and cash equivalents at 1 January 2019	-
Cash and cash equivalents at 31 December 2021	**-**

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

Notes to the underwriting year accounts

1. Basis of preparation

These underwriting year accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, Financial Reporting Standard 102. The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and Financial Reporting Standard 103 Insurance Contracts ("FRS 103").

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These accounts relate to the 2019 year of account which has been closed by reinsurance to close at 31 December 2021. Consequently, the balance sheet represents the assets and liabilities of the 2019 year of account at the date of closure. The profit and loss account and cash flow statement reflect the transactions for that year of account during the three-year period until closure.

These underwriting year accounts cover the three years from the date of inception of the 2019 year of account to the date of closure. Accordingly, this is the only reporting period and so comparative amounts are not shown.

As a consequence of the 2019 year of account reinsuring to close into the 2020 year of account, the residual risks to the members on the closed year have been minimised. Accordingly the members are no longer exposed to changes in the estimates and judgements made after the balance sheet date. The risk disclosure requirements of FRS 102 and FRS 103 are therefore deemed not applicable to these underwriting year accounts. However, it should be noted that a reinsurance contract does not extinguish the primary liability of the original underwriter.

2. Accounting policies

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

Gross premiums written

Gross premiums are allocated to years of account based on the inception date of the policy. Premiums in respect of insurance contracts underwritten under a binding authority, lineslip or consortium arrangement are allocated to the year of account corresponding to the calendar year of inception of the arrangement. Premiums are shown gross of brokerage payable and exclude taxes.

Outward reinsurance premiums

Outwards reinsurance premiums are allocated to a year of account in accordance with the underlying risks being protected.

Claims paid and related recoveries

Gross claims paid include internal and external claims settlement expenses and, together with reinsurance recoveries less amounts provided for in respect of doubtful reinsurers, are attributed to the same year of account as the original premium for the underlying policy.

Reinstatement premiums payable in the event of a claim being made are charged to the same year of account as that to which the recovery is credited.

Notes to the underwriting year accounts

2. Accounting policies (continued)

Reinsurance to close premium payable

A reinsurance to close is a contract of insurance which, in return for a premium paid by the closing year of account, transfers, normally to the following year of account, all known and unknown liabilities arising out of transactions connected with insurance business underwritten by the closing year of account. However, it should be noted that a reinsurance contract does not extinguish the primary liability of the original underwriter.

The net reinsurance to close premium payable is determined on the basis of estimated outstanding liabilities and related claims settlement costs (including claims incurred but not reported), net of estimated collectable reinsurance recoveries and net of future net premiums relating to the open year of account and all previous years of account reinsured therein. No credit is taken for investment earnings which may be expected to arise in the future on the funds representing the reinsurance to close.

The techniques used and assumptions made in determining outstanding claims reserves, both gross and net of reinsurance, are described within the “Use of judgements and estimates” and in the accounting policy for “Claims provisions and related reinsurance recoveries” section of the syndicate annual accounts.

The calculation of the reinsurance to close premium payable is determined by the directors on the basis of the information available to them at the time. However, it is implicit in the estimation procedure that the ultimate liabilities will be at variance from the reinsurance to close so determined.

Investment return

The investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest. The investment return arising in each calendar year is allocated to years of account in proportion to the average funds available for investment attributable to those years. Investment returns in respect of overseas deposits are allocated to the year of account which funded these deposits.

Net operating expenses

Net operating expenses include acquisition costs, administrative expenses and members’ standard personal expenses. Reinsurers’ commissions and profit participations and consortia income represent a contributions towards operating expenses and are reported accordingly.

Costs incurred by the managing agent on behalf of the syndicate are recognised on an accruals basis. No mark-up is applied.

Net operating expenses are charged to the year of account to which they relate.

Acquisition costs

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

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

Notes to the underwriting year accounts

2. Accounting policies (continued)

Reinsurers' commissions and profit participations

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

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

Managing agent's fees

The managing agent charges a management fee of 0.9% of syndicate capacity. The managing agent has agreed contractual terms with the capital providers to the syndicate for the payment of profit commission based on the performance of the year of account. Amounts charged to the syndicate become payable on closure of the year of account although the managing agent may receive payments on account of anticipated profit commission if interim profits are released to members.

Foreign currencies

Transactions in foreign currencies are translated into US Dollars which is the functional and presentational currency of the syndicate. Transactions in foreign currencies are translated using the exchange rates at the date of the transactions if significant or otherwise at the appropriate average rates of exchange for the period. The syndicate's monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historic cost are translated to the functional currency using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation of foreign currency amounts are included in the non-technical account.

3. Segmental analysis

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

The geographical analysis of gross written premiums by situs of the risk is as follows:

	$'000
UK	247
US	96,076
Other	304
Total	**96,627**

Notes to the underwriting year accounts

4. Reinsurance to close premium payable

	$'000
Gross reinsurance to close premium payable	61,299
Reinsurance recoveries anticipated	(32,995)
Reinsurance to close premium, net of reinsurance (at average exchange rates)	**28,304**
Foreign exchange	44
Reinsurance to close premium payable, net of reinsurance (at closing exchange rates)	**28,348**

	Reported $'000	IBNR $'000	Total $'000
Gross reinsurance to close premium payable	12,147	49,200	61,347
Reinsurance recoveries anticipated	(6,432)	(26,567)	(32,999)
Reinsurance to close premium payable, net of reinsurance	**5,715**	**22,633**	**28,348**

5. Net operating expenses

	$'000
Brokerage and commission	(2,893)
Other acquisition costs	1,717
Acquisition costs	(1,176)
Administrative expenses	2,275
Members' standard personal expenses	3,006
Total	**4,105**

Notes to the underwriting year accounts

6. Auditor's remuneration

	$'000
Audit fees	
Fees payable to the syndicate's auditor for the audit of the syndicate's annual financial statements	15
Non-audit fees	
Other services pursuant to Regulations and Lloyd's Byelaws	33
Non audit fees	19
	52
Total	**67**

7. Staff number and costs

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

	$'000
Wages and salaries	954
Social security costs	92
Other pension costs	56
Total	**1,102**

The average monthly number of employees employed by the managing agency or related companies but working for the syndicate each year and aggregated for the three years was as follows:

	Number
Underwriting	4
Management, administration and finance	5
Total	9

There are 5 Non-Executive directors on the ASML board who allocate their time to the syndicate.

8. Emoluments of the directors of the managing agent

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

The directors received remuneration recharged to the syndicate of $410,000 for the syndicate's 2019 year of account charged as a syndicate expense.

Included in the total above are emoluments paid to the highest paid director amounting to $79,000. The remuneration amount recharged to the syndicate for the Active Underwriter is $175,000 which is charged as a syndicate expense.

Notes to the underwriting year accounts

9. Investment Income

	$'000
Income received from related syndicates	786

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

10. Balance on technical account

	$'000
Technical account balance before investment return & net operating expenses	6,818
Acquisition costs	(1,176)
	5,642
Allocated investment return transferred from the non-technical account	786
Net operating expenses other than acquisition costs	(2,929)
Loss on foreign exchange	(280)
Profit for the 2019 closed year of account	**3,219**
Members' agents' fees	(139)
Amounts due to members at 31 December 2021	**3,080**

The 2019 year of account balance will be paid to members in 2022.

11. Other debtors

	$'000
Amounts due from Syndicate 1969	32,232

12. Related parties

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

Apollo completed a corporate reorganisation during 2021, the effect of which was that ASML became a wholly owned subsidiary of a new holding company, Apollo Group Holdings Limited ("AGHL"). Prior to 31 August 2021 ASML was a subsidiary of Apollo Partners LLP ("APL"). DCB Ibeson and SAC White, along with other members of the senior underwriting team, were partners of APL, and are shareholders of AGHL.

Metacomet LLC, a US incorporated limited company, was a corporate partner of APL and is a shareholder of AGHL. Affiliated companies of Metacomet LLC participate on the syndicate.

Notes to the underwriting year accounts

12. Related parties (continued)

On 11 October 2021, Alchemy Special Opportunities Fund IV LP ("Alchemy") committed to invest $90m in AGHL. A key element of that investment was to allow AGHL to provide underwriting capacity to support the Apollo managed syndicates 1969 and 1971. Apollo has provided capacity for the 2022 year of account through Apollo No. 16 Limited ("APL16"). APL16 is a wholly owned subsidiary of AGHL and has underwritten capacity of £47m on Syndicate 1971 for the 2022 year of account.

The syndicate is a Special Purpose Arrangement with Syndicate 1969 as the host. A quota share reinsurance contract is in place for each year of account ceding all gross premiums and related expenses and investment income. The 2019 year of account applies an 80% quota share, with the 2020 and 2021 year of account applying a 90% quota share. All transactions set out in the annual accounts have been undertaken by Syndicate 1969 on behalf of the syndicate. On closure of a year of account the Syndicate 1971 distribution will be settled by the syndicate. The related party transactions and amounts outstanding at the balance sheet date are shown below:

Syndicate 1969	$'000
Gross written premium receivable	96,627
Gross Claims payable	(11,505)
Expenses payable	(5,919)
Net interest receivable	786
Other debtors	32,232

On closure the 2019 year of account has been reinsured to close into Syndicate 1969 in accordance with the original reinsurance agreement and then ceded back through the quota share contract for the 2020 year of account.

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

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

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

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

Hyperion Apollo Limited, a subsidiary of the Howden Group Holdings Limited, was a corporate partner of APL and is a shareholder of AGHL. DCB Ibeson is the Non-Executive Chairman of DUAL International Ltd (an unregulated holding company within the Hyperion Group).

Syndicate 1971

Summary of underwriting results

As at 31 December 2021

	2019
Syndicate allocated capacity (£'000)	130,000
Syndicate allocated capacity ($'000) (note 2)	175,959
Number of underwriting members	50
Aggregate net premiums ($'000)	40,833
Result for a name with an illustrative share of £10,000	**$**
Gross premiums	7,433
Net premiums	3,141
Premium for reinsurance to close an earlier year of account	-
Net claims	(439)
Reinsurance to close the year of account	(2,177)
Syndicate operating expenses	(85)
Loss on exchange	(22)
Balance on technical account	**418**
Investment return	60
Profit before personal expenses	**478**
Illustrative personal expenses (note 3)	(231)
Profit after illustrative personal expenses	**247**
Capacity utilised (note 4)	49.3%
Net capacity utilised (note 5)	17.6%
Underwriting profit ratio (note 6)	5.6%
Result as a percentage of stamp capacity	1.8%

Notes to the summary:

1. The summary has been prepared from the audited accounts of the syndicate.
2. Syndicate allocated capacity is expressed in US Dollars at the foreign exchange rate at the date the year of account was closed.
3. Illustrative personal expenses comprise the managing agent's fee, contributions to the Central Fund, Lloyd's Annual Subscription incurred by a Name writing the illustrative share, irrespective of any minimum charge applicable to the managing agent's fee, and profit commission payable to the managing agent. This amount excludes members' agents' fees.
4. Capacity utilised represents gross premium written net of acquisition costs expressed as a percentage of allocated capacity using business planning foreign exchange rates.
5. Net capacity utilised represents written premium net of acquisition costs net of reinsurance expressed as a percentage of allocated capacity using business planning foreign exchange rates.
6. The underwriting profit ratio represents the balance on technical account expressed as a percentage of gross premiums written.