Registered No. 1184193

ASPEN

ASPEN INSURANCE UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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THE COMPANY

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Peter Webster	Non-Executive Director
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STRATEGIC REPORT

The Directors present the Strategic Report for the year ended 31 December 2019.

Overview

On 15 February 2019, in accordance with the merger agreement between Apollo Global Management and Aspen Insurance Holdings Limited ("AIHL"), AIHL merged with Highlands Merger Sub, Limited, a company incorporated in Bermuda and wholly owned subsidiary of Highlands Holdings, Limited, a company incorporated in Bermuda. As a result, from 15 February 2019, Highlands Holdings, Limited is the new ultimate parent company of Aspen Insurance UK Limited ("the Company" or "AIUK").

This was a transitional year for the Company. Following the Merger we undertook a number of actions to strengthen the fundamentals of the company and better position the business to create value over the long term.

Underwriting Portfolio Review

We undertook a strategic review of our underwriting portfolio and decided to wind down business that did not meet our underwriting performance criteria. We also took strategic steps to reduce volatility in the underwriting portfolio by reducing catastrophe exposure.

In 2019 we ceased underwriting U.K. regional business through an agency agreement with Aspen Risk Management Limited ("ARML"), a managing general agency. The ARML business consisted of professional liability and property and casualty coverages for small to medium sized U.K.-based businesses. The ARML business was placed into runoff in August 2019. AIUK has assumed ARML's underwriting administration and claims handling obligations for the run-off business. In November 2019 Arch Reinsurance and the Company jointly announced that Arch Re has entered into a renewal rights agreement with the Company on its global credit and surety reinsurance business after our decision to exit the line.

In 2020 we have placed both marine and energy liability and accident and health lines of business into runoff in February 2020 and March 2020, respectively.

Operational Streamlining

We also undertook initiatives to align our office locations more closely with our customers and to streamline the structure of our operations. While we closed branches and/or offices in Dubai, Miami and Dublin, we were able to transfer the business generated by those offices to other locations.

Aspen Bermuda established a branch in Zurich, Switzerland in 2019 to write property and casualty reinsurance with inception dates of January 1, 2020 and later. This business has previously been written in AIUK. Gross written premium for 2019 was $94.7m.

Repositioning Reinsurance Coverage

We repositioned certain of our external reinsurance coverage arrangements from quota share reinsurance to targeted excess of loss agreements.

In March 2020, the Group, with AIUK as a named party, entered into an adverse development reinsurance agreement with a wholly-owned subsidiary of Enstar Group Limited ("Enstar"). Under this agreement the Group will reinsure losses incurred on or prior to December 31, 2019. Enstar's subsidiary will provide $770 million of cover in excess of $3.805 billion retention up to an aggregate limit of $4.575 billion, and an additional $250 million of cover in excess of $4.815 billion. The premium payable under this contract, will be allocated across the various operating subsidiaries within the Aspen Group based on risk adjusted reserve run off projections. Completion of the transaction is subject to Board approvals and satisfaction of various other closing conditions. The transaction is expected to close in the first half of 2020.

On 26 March 2020, Standard & Poor's announced that they had downgraded their ratings on AIUK to A- outlook stable from A outlook negative. The Company has taken clear steps to improve performance, strengthen the balance sheet and capital position, and insulate itself from future losses on older accident years through the adverse development reinsurance cover referred to above. S&P have acknowledged these changes and simultaneously upgraded the Aspen Group's financial risk profile from 'satisfactory' to 'strong' and its capital and earnings from 'very strong' to 'excellent'. On April 1, 2020, A.M. Best affirmed the financial strength rating of "A" (Excellent) for AIUK but revised its outlook to negative from stable. The Company does not believe that these rating actions will in any way compromise our ability to service the needs of our customers and trading partners or our obligations to them.

Financial Results

The financial results for the Company reflect a profit before tax for the year of $8.6m (2018: loss of $39.2m). This comprised:

- an underwriting loss before investment income of $85.0m (2018: $89.2m loss);
- other expenses of $21.8m (2018: other income of $51.9m); offset by
- an investment return of $115.4m (2018: investment loss of $1.9m).

The underwriting loss of $85.0m (2018: $89.2m loss) reflected a $79.0m loss in the Company's reinsurance segment and a $6.0m loss in the insurance segment.

The reinsurance segment loss included Catastrophe losses associated with Typhoons Hagibis and Faxai ($16.8m and $9.9m respectively) and a $13.9m loss in Credit & Surety from the failure of Thomas Cook. There was additional prior year deterioration on Typhoon Jebi and on the US Casualty, satellite and bloodstock books, which was partially offset by favourable development on International Casualty. The $79.0m reinsurance segment underwriting loss in 2019 increased from a loss of $73.5m in 2018. The prior year saw a number of material Cat events.

The $6.0m insurance segment loss in 2019 reflected adverse prior year development on Marine & Energy Liability and Accident & Health lines. Due to this deterioration, we ceased underwriting Marine & Energy Liability in February 2020 and Accident & Health lines in March 2020. The overall insurance segment loss in 2018 was $15.7m.

Other expenses of $21.8m related principally to foreign exchange losses.

The investment return of $115.4m (2018: $1.9m loss), included income from government and corporate bonds and other investments of $60.0m (2018: $62.1m). The main reason for the significant increase in the overall return in 2019 was unrealised gains in the value of financial instruments (principally government and corporate bonds) of $55.9m, compared to an unrealised loss in 2018 of $25.2m. The gains were driven by movements in US interest rates.

The Company met its ratings agency and regulatory capital requirements throughout 2019 and remains adequately capitalised for the future. As at 31 December 2019, the Company was a direct subsidiary undertaking of Aspen European Holdings Limited ("AEHL"), a wholly owned subsidiary of AIHL. AEHL's registered office is 30 Fenchurch Street, London, EC3M 3BD.

For 2020, AIUK will continue to focus on its chosen markets, seeking a positive return through focused underwriting and client service.

Overview of the Business

The Company is authorised by the United Kingdom Prudential Regulation Authority to underwrite all eighteen classes of insurance and reinsurance business. The Company is rated A (Excellent) by AM Best and A- (Strong) by Standard & Poor's. An analysis of the technical account by segment for the years ended 31 December 2019 and 2018 is set out below.

	For the Year Ended 31 December 2019		
	Reinsurance	Insurance	Total
		($ in millions)	
Gross written premiums	929.5	398.0	1,327.5
Gross earned premiums	959.5	410.9	1,370.4
Net earned premium	541.1	94.6	635.7
Net incurred claims	(360.0)	(70.4)	(430.4)
Expenses	(260.1)	(30.2)	(290.3)
Underwriting loss before investment income	(79.0)	(6.0)	(85.0)
Investment return			115.4
Balance on technical account			**30.4**
Net claims ratio	67%	74%	68%
Expense ratio	48%	32%	46%
Combined ratio	115%	106%	114%

	For the Year Ended 31 December 2018		
	Reinsurance	Insurance	Total
		($ in millions)	
Gross written premiums	1,021.9	453.3	1,475.2
Gross earned premiums	1,060.5	454.0	1,514.5
Net earned premium	484.6	63.5	548.1
Net incurred claims	(336.0)	(46.2)	(382.2)
Expenses	(222.1)	(33.0)	(255.1)
Underwriting loss before investment income	(73.5)	(15.7)	(89.2)
Investment loss			(1.9)
Balance on technical account			**(91.1)**
Net claims ratio	69%	73%	70%
Expense ratio	46%	52%	47%
Combined ratio	115%	125%	117%

We use the net claims ratio, the expense ratio and the combined ratio as measures of underwriting performance. These ratios are relative measurements that describe, for every $100 of net premiums earned, the amount of losses and loss adjustment expenses, and the amount of other underwriting expenses that would be incurred.

Reinsurance Segment

The reinsurance segment consists of property, casualty and specialty reinsurance. A more detailed analysis of the business written within these classes is as follows:

Property Catastrophe Reinsurance

Property catastrophe reinsurance is generally written on a treaty excess of loss basis where the Company provides protection to an insurer for an agreed portion of the total losses from a single event in excess of a specified loss amount. In the event of a loss, most contracts provide for coverage of a second occurrence following the payment of a premium to reinstate the coverage under the contract, which is referred to as a reinstatement premium. The coverage provided under excess of loss reinsurance contracts may be on a worldwide basis or limited in scope to selected regions or geographical areas.

Other Property Reinsurance
Other property reinsurance includes property risks written on excess of loss and proportional treaties, facultative or single risk reinsurance. Risk excess of loss reinsurance provides coverage to a reinsured where it experiences a loss in excess of its retention level on a single "risk" basis. A "risk" in this context might mean the insurance coverage on one building or a group of buildings for fire or explosion or the insurance coverage under a single policy which the reinsured treats as a single risk. This line of business is generally less exposed to accumulations of exposures and losses but can still be impacted by natural catastrophes, such as earthquakes and hurricanes.
Proportional treaty reinsurance provides proportional coverage to the reinsured, meaning that, subject to event limits where applicable and ceding commissions, the Company pays the same share of the covered original losses as it receives in premiums charged for the covered risks. Proportional contracts typically involve close client relationships which often include regular audits of the cedants' data.

Casualty Reinsurance
Casualty reinsurance is written on an excess of loss, proportional and facultative basis and consists of U.S. treaty, international treaty and casualty facultative reinsurance. The Company's U.S. treaty business comprises exposures to workers' compensation (including catastrophe), medical malpractice, general liability, auto liability, professional liability and excess liability including umbrella liability. The Company's international treaty business reinsures exposures mainly with respect to general liability, auto liability, professional liability, workers' compensation and excess liability.

Specialty Reinsurance
Specialty reinsurance is written on an excess of loss and proportional basis and consisted of credit and surety reinsurance, agriculture reinsurance, mortgage reinsurance and insurance, marine, aviation, terrorism, engineering, cyber and other specialty lines. The Company's credit and surety reinsurance business consists of trade credit, surety (mainly European, Japanese and Latin American risks) and mortgage reinsurance and insurance and political risks. The Company's agricultural reinsurance business covers crop and multi-peril business. Other specialty lines include reinsurance treaties and some insurance policies covering policyholders' interests in marine, energy, aviation liability, space, contingency, engineering, terrorism, nuclear and personal accident. In October 2019, we ceased writing credit and surety reinsurance and sold our renewal rights to that book of business to a third party.

Insurance Segment
The Company's insurance segment consists of property and casualty, marine and energy and financial and professional lines insurance. A more detailed analysis of the business written within these classes is as follows:

Property and Casualty Insurance
The Company's property and casualty insurance line comprises commercial property, commercial liability, primary casualty, excess casualty, environmental liability and railroad liability, written on a primary, excess, quota share, program and facultative basis.

- Property insurance provides physical damage and business interruption coverage for losses arising from weather, fire, theft and other causes. The commercial team's client base is predominantly U.K. institutional property owners, small and middle market corporates and public sector clients.
- Commercial liability provides employers' liability coverage and public liability coverage for insureds domiciled in the U.K. and Ireland. The team also covers directors' and officers' ("D&O") and professional indemnity, predominantly to small and medium corporates.
- Primary casualty consists primarily of lines written within the primary insurance sectors, focusing on insureds in hospitality, real estate, construction and products liability.
- Excess casualty line comprises large, sophisticated and risk-managed insureds worldwide and covers broad-based risks at lead/high excess attachment points, including general liability, commercial and residential construction liability, life science, railroads, trucking, product and public liability and associated types of cover found in general liability policies in the global insurance market.
- Environmental liability primarily provides both primary and excess coverages for contractors' pollution liability and pollution legal liability across industry segments that have environmental regulatory drivers and contractual requirements including: real estate and public entities, contractors and engineers, energy contractors and environmental contractors and consultants.
- Railroad liability comprises excess liability coverages for freight, commuter and excursion railroads, while also providing general liability covers to the railroad support industry (contracts, repair shops and products manufacturers) as well as contingent liability for railcar fleet owners/managers and railroad protective liability, in the United States.
- The majority of this U.K. regional D&O and professional indemnity coverage was bound through an agency agreement with Aspen Risk Management Limited ("ARML"). In August 2019, we placed the ARML business into runoff.

Marine and Energy Insurance

The Company's marine and energy insurance line comprised marine and energy liability, onshore energy physical damage, offshore energy physical damage, marine hull, specie and aviation written on a primary, excess, quota share, program and facultative basis.

- The marine and energy liability business includes marine liability cover mainly related to the liabilities of ship-owners and port operators, including reinsurance of Protection and Indemnity Clubs ("P&I Clubs"). It also provides liability cover globally for companies in the oil and gas sector, both onshore and offshore and in the power generation sector. This line of business was discontinued in February 2020.
- Onshore energy physical damage provides onshore energy and construction sector classes of business with a focus on property covers.
- Offshore energy physical damage (also knowns as Upstream Energy) provides coverage for property damage in addition to operators' extra expenses for companies operating in the oil and gas exploration and production sector.
- Marine Hull insures physical damage to ships (including war and associated perils) and related marine assets. This line of business was discontinued in 2018 and placed into run-off.
- The specie line of business focuses on the insurance of high value property items on an all risks basis including fine art, general and bank related specie, jewelers' block and cash in transit coverages.
- Aviation writes physical damage insurance on airline hulls, aviation hull deductible covers and comprehensive legal liability for airlines, smaller operators or airline equipment, airports and associated business and non-critical component part manufacturers. This line of business was discontinued in 2018 and placed into run-off.

Financial and Professional Lines Insurance

The Company's financial and professional lines comprised financial and corporate risks, accident and health, professional liability, management liability, credit and political risks, crisis management, surety risks and technology liability (cyber risks) written on a primary, excess, quota share, program and facultative basis.

- The Financial and Corporate risks account comprises financial institutions business written on a primary and excess of loss basis and consists of professional liability, crime insurance and D&O covers for commercial and investment banks, asset managers, insurance companies, stockbrokers and the like. This account includes a book of D&O insurance for commercial insureds located outside of the U.S and a worldwide book of representations and warranties and tax indemnity business.
- The Company's professional liability business is written on both a primary and an excess of loss basis, focusing on risks in the U.K., Europe, Australia and Canada. The Company insures a wide range of professions including lawyers, accountants, architects, engineers, doctors and medical technicians. This account also includes a portfolio of technology liability and data protection insurance. The data protection insurance covers firms for first party costs and third party liabilities associated with their breach of contractual or statutory data protection obligations.
- Management Liability insures a diverse group of commercial and financial institutions primarily on an excess basis, with coverages including D&O liability, fiduciary liability, employment practices liability, fidelity insurance and blended liability programs including E&O liability with a focus on risks predominantly headquartered in the U.S. or risks with material U.S. exposure.
- The credit and political risks team writes business covering the credit and contract frustration risks on a variety of trade and non-trade related transactions, as well as political risks (including multi-year war on land cover) and surety risks. The Company provides credit and political risks cover worldwide.
- The accident and health team focuses on insurance and reinsurance products which help protect individuals, groups and companies from the consequences of accidental death or disability whether resulting from accident or sickness. Cover written includes whole account treaty and facultative reinsurance protection for insurance companies. This line of business was discontinued in March 2020.
- The crisis management team writes insurance designed to protect individuals and corporations operating in high-risk areas around the world, including covering the shipping industry's exposure to acts of piracy. It also writes terrorism and political violence insurance, providing coverage for damage to property (largely fixed assets such as buildings) resulting from acts of terrorism, strikes, riots, civil commotion or political violence, in addition to product recall business.
- The surety team writes commercial surety risks, admiralty bonds and similar maritime undertakings including, but not limited to, federal and public official bonds, license and permits and fiduciary and miscellaneous bonds, focused on Fortune 1000 companies and large, privately owned companies in the United States.
- Technology liability (also known as Cyber insurance) is written globally and provides coverage for technology, media and telecommunications firms offering protection for damages and legal defence expenses associated with financial loss claims from third parties and various forms of intellectual property breaches.

Investments
The Company maintains all its investments in high quality fixed income securities and liquidity funds. These investments, including liquidity funds, are currently managed by the following investment managers and custodians:

Alliance Capital Management L.P.	BNP Paribas
Conning Asset Management Limited	DWS Investment Management Americas Inc.
Blackrock Financial Management, Inc	Goldman Sachs Asset Management L.P.
BNY Mellon Asset Servicing	UBS AG
CIBC Mellon	Manufacturers and Traders Trust Company
Citibank	Apollo Asset Management Europe PC LLP

The Company uses derivative financial instruments to manage foreign exchange risk and asset and liability matching as part of our strategy of efficient portfolio management.

Balance Sheet
The balance sheet of the Company shows total assets of $6,502.2m (2018: $6,251.1m) and shareholder's equity of $841.9m (2018: $845.0m). Of the total assets, $2,442.7m, 38% (2018: $2,437.5m, 39%) was represented by financial investments.

Enterprise Risk Management and Control Framework
The Board ensures that the Company operates an effective risk management and control framework, which includes risk management, compliance and internal control systems. The Company maintains appropriate policies, procedures and internal controls to support the risk and control framework.

Principal Risks and Uncertainties
Risk management has been embedded in the management and culture of the Aspen Group since its formation in 2002. The Company, as an operating entity within the Aspen Group, operates within the Group's established risk management practices.
The key risks for the Company are:

- Coronavirus - the impacts of Coronavirus on our clients and the markets in which we operate, our investments (as a result of the impacts on the wider economy) and our operations could be material. These impacts are evolving and inherently difficult to assess. We are in active correspondence with the PRA about the potential impact of Coronavirus on the Company and this will remain the case over coming weeks and months.
- Underwriting performance. Although market conditions are improving losses in 2019 highlight that achievement of appropriate underwriting performance remains a key risk to the company. Portfolio management and risk selection remain the key mitigant to this risk.
- Expense management. A number of initiatives to reduce expenses were implemented in 2017 and 2018 and the benefits of this work are starting to come through. However, it is worth emphasising the decision to exit lines (Aspen Risk Management Limited, Marine and Energy Liability, Accident and Health, Marine Hull, Aviation and the Credit and Surety reinsurance business) and the associated loss of premium income places greater pressure on the expense ratio of the business. The decision to exit lines of business and the recent rating agency actions mean that expense management remains a key focus for the Company, and the business will review whether the same resources in support and operational areas are still required.
- Impacts of organisational change. Following the takeover of the Aspen Group by Apollo there has been and continues to be a significant level of organisational change. The level of organisational change means that the company continues to face a heightened exposure to operational risk

Risk Management approach

AIUK maintains a Risk Universe which defines the different types of risk that the Company faces and how they are monitored and measured. This framework has been applied and refined throughout the intervening years. The Company operates an integrated enterprise wide risk management strategy designed to deliver shareholder value in a sustainable and efficient manner while providing a high level of policyholder protection. The Company's Risk Committee provides enhanced oversight of the Company's risk management process. The execution of the Company's integrated risk management strategy is based on:

- the establishment and maintenance of an internal control and risk management system based on a three lines of defence approach to the allocation of responsibilities between risk accepting units (first line), risk management activity and oversight from other central control functions (second line) and independent assurance (third line);
- identifying material risks to the achievement of the Company's objectives including emerging risks;
- the articulation at Group and Company level of our risk appetite and a consistent set of key risk limits for each material component of risk;
- measuring, monitoring, managing and reporting risk positions and trends;
- the use, subject to an understanding of its limitations, of the Internal Model to test strategic and tactical business decisions and to assess compliance with the Risk Appetite Statement and some risk limits; and
- stress and scenario testing, including reverse stress testing, designed to help the Company better understand and develop contingency plans for the likely effects of extreme events or combinations of events on capital adequacy and liquidity.

On 5 December 2015, the PRA approved the Company's Internal Model, which AIUK uses within its integrated risk management system, to calculate its Solvency II Regulatory Capital Requirement ("SCR").

Risk Appetite

In order to meet the expectations of its equity stakeholder, AIUK aims to maintain a level of profitability consistent with the Group return targets set out in the Group Risk Appetite statement, taking into account the contributions of other subsidiaries. AIUK also aims to generate sufficient distributable income to allow it to contribute its share of funding for the debt and dividend obligations of the Aspen Group. The AIUK risk appetite and risk management process is aimed at ensuring that these objectives are met. The Risk Appetite statement approved by the Board articulates the Risk Appetite in terms of the following components:

Risk Preferences	a high level description of the types of risks AIUK prefers to assume and avoid within the context of our objectives;
Capital Constraint	a minimum level of risk adjusted capital; and
Volatility Constraint	a basis for monitoring volatility of return.

In addition to the high level Risk Appetite statement the Company has established a set of Key Risk Limits covering exposures to natural and man-made catastrophe events, market risks, credit risks and operational risks. These are monitored and reported against to the Risk Committee on a quarterly basis. The risks are defined in the Risk Universe at 3 levels:

- Main risk classification
- Risk category
- Risk sub category

The main risks faced by the Company are defined as follows:

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

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

2) Market risk: The risk of variation in the fair value of our investment portfolio, cash and cash equivalents and derivative contracts including the effect of changes in foreign currency exchange rates.

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

3) Credit risk: The risk of diminution in the value of insurance and reinsurance receivables as a result of counter-party default.
4) Liquidity Risk: The risk that the Company is unable to make payments or provide collateral when required.
5) Operational Risk: The risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events.
6) Strategic Risk: The risk of adverse impact on shareholder value or income and capital of adverse business decisions, poor execution or failure to respond to market changes.
7) Emerging Risk: The risk that events not previously identified emerge and impact the profitability and / or balance sheet of the Company.

8) Regulatory Risk: The risk of non-compliance with regulatory requirements including ensuring AIUK understand and comply with changes to those requirements is managed as an operational risk. There is a residual risk that changes in regulation impact AIUK's ability to operate profitably in some jurisdictions or some lines of business.
9) Taxation Risk: The risk that we do not understand, plan for and manage AIUK's tax obligations is addressed as an operational risk. There is a residual risk that changes in taxation impact AIUK's ability to operate profitably in some jurisdictions or some lines of business.

Operational risk is the most complex of the non-core risk classifications because it includes multiple risk scenarios arising from multiple processes and circumstances. Because of this AIUK records identified operational risks and their related risk assessments, owners and identified controls in a separate 'Operational Risk Register' of the Company. The approach for the Company operational risk register is monitored via a quarterly review process. We consider conduct risk as part of operational risk and have specific processes to address it including a conduct risk forum and a specific quarterly conduct risk report to the AIUK Risk Committee.

U.K.'s Decision to leave the EU

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

The Company faces new regulatory costs and challenges as a result of the United Kingdom's decision to leave the European Union (commonly known as "Brexit"). The U.K. left the E.U. as of January 31, 2020. A transitional arrangement, under which E.U. law will broadly remain in force in the U.K. is in place until December 31, 2020. The Company has been planning for Brexit for some time and is currently in discussions with E.U. regulators to determine the most appropriate actions to take to safeguard policyholder rights after December 31, 2020.

The uncertainty surrounding the implementation and effect of Brexit, the terms and conditions of such exit, the legal and regulatory framework that will apply to the U.K. and its relationship with the remaining members of the E.U. (including in relation to trade and services) upon expiration of the transitional arrangement has caused, and is likely to cause, increased economic volatility and market uncertainty globally, in particular volatility of currency exchange rates, interest rates and credit spreads. As well as short-term issues, the long-term effect of Brexit on the value of AIUK's investment portfolio at this time is uncertain, and such volatility and uncertainty will likely continue as negotiations progress to determine the future terms of the U.K.'s relationship with the E.U.

Brexit could lead to potentially divergent national laws and regulations as the U.K. determines which E.U. laws to replace or replicate. AIUK may have to review its underwriting platforms and incur additional regulatory costs as a result. AIUK will lose its EEA financial services passport which provides it with the license to operate across borders within the single EEA market without obtaining local regulatory approval where insurers and cedants are located. In addition, depending on the terms agreed with the E.U. following the conclusion of the transitional arrangement, the U.K.'s regulatory regime in terms of Solvency II regulation and governance could also diverge and no longer be equivalent.

Climate change

Global climate change may have a material adverse effect on our operating results and financial condition and as a result the Company is focused on adequately assessing and pricing (wherever possible) for any increased frequency and severity of catastrophes resulting from these environmental factors.

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

Given the scientific uncertainty of predicting the effect of climate cycles and climate change on the frequency and severity of catastrophes and the lack of adequate predictive tools, we may not be able to adequately model the associated exposures and potential losses in connection with such catastrophes which could have a material adverse effect on our business, financial condition or operating results.
Our investment portfolio and our credit and political risk underwriting exposures may be materially adversely affected by global climate change regulation.

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

As a result of the above, energy companies and other companies engaged in the production or storage of fossil fuels may experience unexpected or premature devaluations or write-offs of their fossil fuel reserves. As at December 31, 2019, we had $42.0 million, or 1.6% of our Managed Portfolio, invested in the energy sector. Government policies to slow global climate change by, for example, setting limits on carbon emissions may also have an adverse impact on other sectors, such as utilities, transportation and manufacturing. A material change in the asset value of fossil fuels or the securities of energy companies and companies in these other sectors may therefore materially adversely affect our investment portfolio and our results of operations and financial condition.

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

Coronavirus Outbreak

We continue to closely monitor developments related to the outbreak of COVID-19, also known as coronavirus, to assess any potential impact on our business. Like many property and casualty (re)insurers, we have possible exposure to the contingency market and cancellation losses stemming from the COVID-19 outbreak and could also face COVID-19 related claims from credit and surety lines and potential exposure from business interruption. Whether the virus could trigger coverage is dependent on specific policy language, terms and exclusions. There is a risk, however, that legislative, regulatory, judicial or social influences may extend coverage beyond our intended contractual obligations or result in an increase in the frequency or severity of claims beyond expected levels. The volatility in the financial markets resulting from the outbreak may also impact our investment portfolio. Our investment portfolio comprises primarily government and other fixed income securities and we are not significantly exposed to equity markets. However, our corporate bond portfolio could be subject to valuation risk as a result of movements in corporate spreads and default risk in the event of extended disruption to trade. In addition, existing and potential future travel bans, preventative or government mandated closures of our offices or the offices of our outsource providers may affect our ability to conduct our business. A prolonged period of commercial disruption, reduced economic activity and other consequences of the outbreak could have a material impact on our results of operations, financial condition or liquidity. It is not practicable to quantify the ultimate financial effect of the outbreak on the Company at this stage.

The Board has undertaken an assessment to determine the impact of COVID-19 on the company and its future viability. This assessment has included a review of potential insurance and investment exposures under moderate and severe scenarios and regular monitoring of current and projected solvency levels. The scenarios encompass different assumed durations of the effects of the outbreak, credit spreads widening by upto 400-600 basis points, yields on the investment portfolio dropping to nil for these different durations and an estimate of (re)insurance losses by reviewing various business lines where exposures are likely (direct and indirectly) and quantifying the estimated loss exposures. This analysis was supplemented by a reverse stress test to determine the level of, and likelihood of, capital erosion that would result in an adverse impact on the Company's ability to satisfy regulatory capital thresholds.

Additional sensitivities have been provided on page 43 to capture the impact of widening credit spreads and interest rate movements on our fixed income portfolio at 31 March 2020 to support our ongoing assessment.

We continue to monitor our solvency and capital position closely on a frequent basis post year end. Based on our analysis and our latest post year end estimate of the solvency position the Company's capital resources remain comfortably in excess of the relevant regulatory capital thresholds and projected to do so under severe scenarios; the reverse stress test indicates that the level at which an adverse impact would arise on the Company's ability to satisfy regulatory capital thresholds is sufficiently remote. Accordingly the Directors have concluded that although the impact from COVID-19 is likely to be material it does not adversely affect the company's ability to continue as a going concern or reduce its capital and solvency levels to below regulatory requirements. Our priority remains to support our staff and honour our client's needs.

Agency Ratings
Ratings with respect to claims paying ability and financial strength have become increasingly important factors in establishing the competitive position of insurance and reinsurance companies and will also impact the cost and availability of capital to an insurance company. Ratings by A.M. Best and Standard & Poor's Financial Services LLC ("S&P") represent an important consideration in maintaining customer confidence in us and in our ability to market insurance products. Rating organisations regularly analyze the financial performance and condition of insurers.

On March 26, 2020, S&P downgraded the financial strength and issuer credit ratings of the Company to "A-" (Strong) from "A" (Strong). The outlook assigned to this rating is stable. On April 1, 2020, A.M. Best affirmed the financial strength rating of "A" (Excellent) for AIUK but revised its outlook to negative from stable.

S&P is a widely recognised insurance company rating agency and some policyholders are required to obtain insurance coverage from insurance companies that have an "A-" (Strong) rating or higher from S&P. Because S&P continually monitors companies with regard to their ratings, our ratings could change at any time. The Company does not believe that these rating actions will in any way compromise our ability to service the needs of our customers and trading partners or our obligations to them. However, the downgrade may impair our ability to sell insurance policies and could materially and adversely affect our competitive position in the insurance industry, future financial condition and operating results.

Section 172 statement
The Board factored the needs and concerns of the Company's stakeholders into its decisions in accordance with section 172 of the Companies Act 2006. The importance of the Company's stakeholders are outlined in more specific detail within the Directors' report, however examples of key decisions taken by the Board during 2019 include:

- Key strategic changes - Following the Apollo Acquisition, there have been a number of changes to executives and senior management, including the appointment of several new Non-Executive Directors. A complete strategic review of the Company's business and culture was also undertaken, in order to improve underwriting performance, financial strength and the culture for employees across the Aspen Group. As a result, various changes have been implemented, including:
    - Underwriting - Ongoing refinement of the Company's underwriting portfolio, which resulted in the Company exiting the Credit & Surety Line of Business in 2019.
    - Structural Changes - Closure of the Company's Irish and Dubai branches. However, the Company continues to service some of the business from those branches in London and its Zurich Branch. The Aspen Group also closed its Lloyd's China Platform as a result of which, some of this business will now be serviced by the Company's Singapore Branch.
    - Investment - Implementation of a new investment strategy.
    - Cultural - As outlined in detail under the Climate Change, Charitable and Political Donations and Stakeholder Engagement sections of this report, the Company in conjunction with the wider Aspen Group is seeking to make changes that will benefit its employees, customers, suppliers, shareholders and the community as a whole.

- On 14 May 2019, AIUK issued notice to terminate the delegated underwriting authority to ARML. In August 2019, we placed the ARML business into runoff. AIUK has assumed ARML's underwriting administration and claims handling obligations for the run-off business.

- Brexit -The Company has considered various strategic options in order to serve business in the EEA post the UK leaving the EU, and expiry of the transition period. The Company has decided not to proceed with its application for an Irish Branch and is focused instead on discussions with various EU regulators. The impact of Brexit on the Company and how the Company has managed this, is discussed more comprehensively in the section of the report: The UK's Decision to leave the EU.

- Head Office refurbishment - The Company renewed its Lease of 30 Fenchurch Street and has commenced refurbishment of the premises.

The Company is firmly committed to high standards of corporate governance and maintaining a sound framework for the control and management of the business. The Board recognises that effective governance is key to the implementation of strategy for our shareholder and wider stakeholders. As a major UK general insurer, the Company is familiar and comfortable with the corporate governance practices expected of it and the legislation applicable to Public Interest Entities. The Company also complies fully with the corporate governance requirements of the Companies Act 2006, the Companies Miscellaneous

Reporting (Regulations) 2018 and Financial Services and Markets Act 2000 (and regulations made thereunder) applicable to it as a result of its (re)insurance business.

By order of the Board

Grahame Dawe
Director
15 May 2020

DIRECTORS' REPORT

The Directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 31 December 2019.

Principal Activity

The principal activity of the Company continues to be the transacting of general insurance and reinsurance business in the UK, US and through its branches in Switzerland, Canada, Singapore and Australia. In 2019, the Company officially deregistered and closed its branch in Paris on 31 July 2019. A strategic decision was also made to stop writing new business through its branch in Dublin, which was closed midway through 2019.

Results and Dividends

The results for the year are set out in the accompanying Income Statement. The profit before tax for the year was $8.6m (2018: loss $39.2m). The Directors regard the current state of affairs of the Company and its future prospects as satisfactory. No dividends (2018: Nil) were paid during the year to the Company's only shareholder AEHL.

Financial Instruments

Details of financial instruments are provided in the Strategic Report.

Directors and Directors' Interests

The Directors of the Company at the date of this report are set out on page 3. Changes in directors during 2019 and up to the date of this report are as follows:

	Date of appointment	Date of resignation
Hannah Purves	22 October 2019	
Grahame Dawe	4 December 2019	
Natalie Waller	30 January 2020	
Theresa Froehlich	25 February 2020	
Jonathan Price		28 February 2019
Emil Issavi		30 May 2019
Dr. Karl Mayr		30 June 2019
Julian Cusack		11 September 2019
Mark Dean		13 May 2020

According to the Register of Directors' interests, no Director had a disclosable interest in the shares of the Company, and no Director had been granted or had exercised any right to subscribe for such shares during the period under review.

Directors' and Officers' Liability Insurance

The Company has maintained insurance to cover Directors' and officers' liability as defined by section 236 of the Companies Act 2006.

Employees

The Company has no employees of its own in the U.K.. The majority of the Company's UK personnel are employed by Aspen Insurance UK Services Limited ("AIUKS"). AIUKS is a fellow subsidiary of AIHL. However, the Company's initiatives are serviced by AIUKS employees by way of an Intra Group Service Agreement. There are a small number of employees employed by the Zurich Branch of AIUK. AIUKS encourages its employees to develop their full potential by providing opportunities for training and professional development. Such opportunities, as well as career development and promotion, are equally available to disabled employees, whether newly recruited or existing employees who become disabled whilst in AIUKS's employment.

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

Going Concern

The Directors confirm that they are satisfied that the Company has adequate resources to continue in operation and meet its liabilities as they fall due for a period of at least 12 months from the date that the financial statements are approved. In arriving at this conclusion, as explained in further detail on page 12, the Directors have undertaken an assessment to determine the impact of COVID-19 on the company and its future viability, taking into account the likely impact on the Company's insured loss exposures, investments and solvency capital position under moderate and severe scenarios, and the associated sensitivities where relevant. This is supplemented as appropriate, by reverse stress testing to determine the extent to which capital erosion would have to occur to result in an adverse impact on the Company's ability to meet certain regulatory capital requirements. The analysis performed demonstrates that the Company remains solvent and retains sufficient headroom above regulatory capital requirements under moderate and severe scenarios; the reverse stress test indicates that the likelihood of there being capital erosion to such an extent as to breach the company's regulatory capital requirements is sufficiently remote.

Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Charitable and Political Donations

The Company made charitable donations during the year of $0.3 million (2018: $0.4 million). The donations were to organisations engaged in cancer research, children with disability, providing food to the underprivileged, ex-service men and women with disabilities and to a community project in Uganda. There were no political donations made during the year.

Stakeholder engagement

There is a growing recognition within the insurance industry of the value of high-quality stakeholder relationships. The Company embraces this trend recognising that active stakeholder input helps to drive the legitimacy and sustainability of its business strategy. However, communication and engagement with Stakeholders has been particularly important and prevalent for the Company following the acquisition of the Company's holding company (Aspen Insurance Holdings Limited and its subsidiaries (" the Aspen Group")), by certain investment funds affiliated with Apollo Global Management (" the Apollo Acquisition"),

Engagement with stakeholders subsequently informs decision making throughout the organisation. At a strategic level, methods of engagement can vary depending on the issue and the business unit involved. However, senior leaders regularly and actively participate in regulatory, industry and claims forums, listening to the perspectives of brokers, employees, policyholders and suppliers. Specific examples of the key stakeholder engagement undertaken at different levels within the Company to inform decision-making and enhance Board understanding are set out below.

(Re)Insurance Customers/Brokers **Aspen provides insurance and reinsurance services to many domestic and international organisations**	**Employees** **The Aspen Group employs approximately 460 people in the UK.**	**Shareholders** **Aspen is committed to delivering long-term value for its shareholders**
(Re)insurance customers and brokers expect clear, transparent information and a prompt and effective claims handling service they can rely on. Regular engagement with brokers provides a better understanding of customer needs, as well as how continuous improvements in policy coverage and claims handling can be delivered. More broadly, the Company takes account of the current and future needs of (re)insurance customers, and this is one of the key issues in its stakeholder engagement generally.	The Company has no employees of its own. All of the Company's staff are employed by Aspen Insurance UK Services Limited ("AIUKS"). AIUKS is a fellow subsidiary of AIHL. However, the Company's initiatives were serviced by AIUKS employees by way of an Intra Group Service Agreement. There are a small number of employees employed by the Zurich Branch of AIUK. AIUKS depends on the shared talent, skills and values of its employees. The Company has a framework for ongoing two-way feedback and engaging employees at all levels about the key issues that affect them. The Company aims to be a supportive and inclusive employer for which people want to work. The Company also monitors the perspectives on the workplace and on employment issues of people working beyond its existing workforce.	Following the Acquisition, the Aspen Group is privately owned by certain investment funds managed by affiliates of Apollo Global Management.
Material issues	**Material issues**	**Material issues**

• **Brexit** - Brexit - The Company has frequently engaged with brokers at an executive level and via individual lines of business in relation to the structural and business changes affecting the Company's EU business as a result of Brexit. This communication is ongoing and consists of both face-to-face meetings, email and telephone correspondence.	• **Direct Feedback & Communication between executive management and employees** - For example: Organisational change initiatives, including regular pulse surveys on various topics which allow employees "to have their say" directly and anonymously. Corporate Communications from executive management are circulated to provide updates on all key changes within the Aspen Group; the Aspen Group CEO has a separate email account for employees to "email the CEO" with any suggestions, queries or complaints; Town Hall meetings in which all employees in the Aspen Group are able to attend.	As a result of the Acquisition, Aspen has become a privately owned organisation such that there is increased engagement with shareholders. Shareholders' interests are represented on the Board of the Aspen Group holding company, AIHL. The Group CEO and Chairman is responsible for driving shareholders' objectives and ensuring that strategy throughout the Group is consistent with shareholders' objectives.
• **Apollo Acquisition** - Following the Apollo Acquisition the Aspen has made various structural changes that have impacted upon the Company (discussed further below). Executive management have directly engaged with customers to obtain feedback on changes, as well as provide frequent and thorough update of any changes. • The Aspen Group recently engaged a global PR agency to assist with the efficiency and consistency of communication across all regions.	• **Corporate Social Responsibility & Diversity and Inclusion** - The Aspen Group has a number of permanent staff committed to continually implementing new initiatives to support global and local charities, drive climate change initiatives as well as support internal diversity and inclusion.	• The Company's Investment plans are also under consideration to ensure appropriate returns for shareholders.

Regulatory bodies	Suppliers and contractors	Local Communities
Regulators play a central role in shaping the insurance sector. Engagement is especially important in working to modernise compliance, regulatory, and legal risk management programs to meet applicable laws, regulations, and oversight and monitoring expectations. Aspen works constructively with UK regulators to protect the long-term interests of (re)insurance customers and keep pace with industry standards as a whole.	The Company relies on its supply chain to deliver projects and ensure it operates successfully. Aspen aims to build strong relationships with suppliers and contractors so it can maximise cost efficiencies and alignment with its brand, technology and strategies.	Aspen is committed to supporting the communities in which it operates, including local businesses, charities and the wider public. Aspen engages with groups that focus on social and educational related issues on behalf of society. Two-way relationships with our charity partners, also provide opportunities for different parts of the business to unite around a common cause.
Examples	**Examples**	**Examples**
• Senior Management (in conjunction with the Company's Compliance department) have maintained consistent and ongoing communication with various regulators such as the PRA and FCA to explain the changes the organisation is going through. Examples include the change in control arising from the Apollo Acquisition, the Company's ongoing preparations for Brexit, and departures from existing lines of business. • In 2019, a Group supervisory college was conducted in which regulators from the various jurisdictions met to discuss the changes undertaken within Aspen Group.	• Aspen's Procurement function continues to focus on supplier engagement and liaison with suppliers • Where there may be any impact on suppliers as a result of organisational change, they have been informed of relevant changes at an early stage to discuss the impact such changes may have on the supply or their services. • Aspen monitors the quality and timeliness of services provided by third party providers to ensure compliance with regulatory and legislative requirements (such as the Modern Slavery Act).	• **Corporate Social Responsibility & Diversity and Inclusion** - The Company has a number of permanent staff committed to continually implementing new initiatives to support global and local charities, as well as support internal diversity and inclusion.

Employee engagement

The Company has no employees of its own in the U.K.. As above, the majority of the Company's UK personnel are employed by Aspen Insurance UK Services Limited ("AIUKS"). AIUKS is a fellow subsidiary of AIHL. However, the Company's initiatives are serviced by AIUKS employees by way of an Intra Group Service Agreement. There are a small number of employees employed by the Zurich Branch of AIUK.

The success of the Company depends on the collective talent, skills and values of its employees. Accordingly, the Company is committed to employee engagement at all levels. Examples of employee engagement initiatives during 2019 include:

Providing employees systematically with information on matters that concern them	• Executive Management circulate "Corporate Communication" emails whenever there is a key change to the business, personnel or the insurance market. The emails are comprehensive and frequent. • Executive Management, as well as the relevant project managers present Town Hall meetings to all of the Aspen Group. Each Town Hall involves an interactive Q&A component and employees are encouraged to raise questions.
Consulting employees on a regular basis so that their views can be taken into account in making decisions which are likely to affect their interest	• The Aspen Group CEO also has a designated email account for employees to "email the CEO" with any queries or business recommendations. The inbox is monitored regularly and emails are considered by the CEO personally. • As part of the ongoing cultural transformation, a 'Pulse Survey' was set up so that all employees could provide feedback to help shape Aspen's immediate priorities and to identify matters of concern to employees. It was reported that certain aspects of Aspen's IT systems could be improved, as a result of which a number of system upgrade upgrades are being implemented.
Encouraging the involvement of employees in the company's performance	• AIUKS offers annual bonuses, long term incentive awards (LTIP) (available to selected employees), and an Executive Scheme to encourage performance. • Annual bonuses and LTIP awards are discretionary and contingent upon both company and employee performance (measured against the performance standards expected within each employee's job description).
Achieving common awareness of the financial and economic factors affecting Aspen's performance	Aspen delivers quarterly all staff updates and announcements and encourage feedback on the key financial and economic conditions affecting the Aspen group. The Corporate Communications and Town Hall meetings (as referred to above) throughout 2019 were the key medium to communicate such updates; however, each department's Line Manager is responsible for discussing performance issues with the employees within their team.

Future Developments

The Directors aim to continue our strategic plan to improve profitability through re-underwriting our portfolios in both insurance and reinsurance, exiting underperforming business, strengthening our reserve position, and reducing our operating cost base. Although the (re)insurance market remains competitive and there remains an abundance of available capital, market conditions and rates are strengthening, which is expected to continue through 2020. As the rate environment improves, we continue to seek opportunities to deploy capital most efficiently to achieve attractive risk-adjusted returns. We have taken steps to streamline our operations and to more closely align our production offices with our customer base and our underwriting teams are positioned to identify and capitalise on acceptable business to underwrite without sacrificing underwriting discipline. We expect expenses to continue the downward trend seen since 2017, following the success of projects addressing operating efficiencies through outsourcing, streamlining and staffing reductions.

Events Since the Reporting Date

In February 2020, the Company ceased underwriting Marine & Energy Liability business. This was due to significant deterioration on prior years and loss activity in the current year in a market where pricing is not correcting sufficiently enough. This marketplace has not generated sustainable profit margins, and we are shifting our focus to areas where we believe there is better opportunity to achieve our long-term profitability targets. In addition, the Company exited the Accident & Health line in March 2020 due to adverse claims experience and uncertain sustainable profitability of this type of business with high acquisition and operating costs.

On March 2, 2020, AIHL entered into an adverse development reinsurance agreement with Cavello Bay Reinsurance Limited ("Cavello"), a Bermuda insurance company and wholly owned subsidiary of Enstar Group Limited. Under this agreement, AIHL will cede to Cavello, losses incurred on or prior to December 31, 2019 on a diversified mix of property, liability and specialty lines across the U.S., U.K and Europe, in excess of $3.8 billion, up to an aggregate limit of $4.6 billion (coverage of $0.8 billion). The reinsurance agreement also provides for $0.3 billion of cover in excess of $4.8 billion. The consideration for this agreement is $0.8 billion plus interest at 3.75% per annum, compounding daily, from the effective date January 1, 2020 to the closing date. The premium payable under this contract, will be allocated across the various operating subsidiaries within the Aspen Group based on risk adjusted reserve run off projections. Completion of the transaction is subject to Board approvals and satisfaction of various other closing conditions. The transaction is expected to close in the first half of 2020.

On 26 March 2020, Standard & Poor's announced that they had downgraded their ratings on AIUK to A- outlook stable from A outlook negative. The Company has taken clear steps to improve performance, strengthen the balance sheet and capital position, and insulate itself from future losses on older accident years through the adverse development reinsurance cover referred to above. S&P have acknowledged these changes and simultaneously upgraded the Aspen Group's financial risk profile from 'satisfactory' to 'strong' and its capital and earnings from 'very strong' to 'excellent'. On April 1, 2020, A.M. Best affirmed the financial strength rating of "A" (Excellent) for AIUK but revised its outlook to negative from stable. The Company does not believe that these rating actions will in any way compromise our ability to service the needs of our customers and trading partners or our obligations to them.

Statement of Disclosure of Information to the Company's Auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By Order of the Board

G T Dawe

Grahame Dawe
Director
May 15, 2020

30 Fenchurch Street
London, U.K.
EC3M 3BD

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASPEN INSURANCE UK LIMITED

1 Our opinion is unmodified

We have audited the financial statements of Aspen Insurance UK Limited ("the Company") for the year ended 31 December 2019 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:
- give a true and fair view of the state of Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were appointed as auditor by the Directors in 2002. The period of total uninterrupted engagement is for the 18 financial years ended 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that Standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

We continue to perform procedures over the provision for unearned premiums and insurance receivables in respect of proportional treaty premiums. However, in respect of these areas based on the results of our test work in 2018 and the lack of any significant estimation uncertainty we have not assessed these as one of the most significant risks in our current year audit and, therefore, they have not been separately identified in our report this year.

Going concern - Impact of uncertainties due to COVID-19 on our audit

Refer to page 9 and 12 (Strategic report), page 15-16 (Going concern statement), page 32 (Basis of preparation) and page 57-58 (Subsequent events)

The risk versus 2018: NEW

The risk	Our response
Unprecedented levels of uncertainty The financial statements explain how the Directors have formed their judgement that it is appropriate to adopt the going concern basis of preparation for the Company. The judgement is based on an evaluation of the inherent risks to the Company's business model and how those risks might affect the Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The impact of COVID-19 is subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown given the rapidly evolving nature of the situation on financial and operational performance. The risks that we considered most likely to adversely affect the Company's available financial resources over this period were: - Adverse loss experience; - A deterioration in the valuation of the Company's investments; and -The length of time that the impact of COVID-19 will cause disruption to economic conditions and result in the development of insured losses There are also less predictable but realistic second order impacts, such as the failure of counterparties who have transactions with the Company (such as banks and reinsurers) to meet commitments that could give rise to a negative impact on the Company's financial position and the impact of COVID-19 on the economic environment and the resulting impact on the Company's capital resources. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed. **Disclosure quality** Clear and full disclosure of the assessment undertaken by the Directors and the rationale for the use of the going concern assumption, represents a key financial statement disclosure requirement. There is a risk that insufficient details are disclosed to allow a full understanding of the assessment undertaken by the Directors.	Our procedures included: **Our COVID-19 understanding** We considered the Directors' assessment of the risks and impact of COVID-19 and compared these to our own understanding of the risks. **Sensitivity analysis** We evaluated the Company's financial forecasts and considered sensitivities over the level of available financial resources taking account of reasonably possible (but not unrealistic) adverse effects of COVID-19 that could arise over the period, individually and collectively. We considered the Directors' stress testing of critical factors such as the deterioration in the valuation of the Company's investments in corporate bonds, adverse loss experience on the insured portfolio, and the duration of the outbreak. We also assessed management's plans and progress to ensure the continued operation of the business in the face of the disruption caused by COVID-19. Further, we evaluated the degree to which reasonably foreseeable downside scenarios that would impact the Company's business would be covered by the stress tests that the directors had used in its COVID-19 assessment taking into consideration reverse stress tests performed by the Directors to determine the level of capital erosion that could impact the Company's ability to meet its regulatory capital requirements. **Evaluating Directors' actions** Through enquiry we evaluated the extent to which actions taken by Directors would improve the position as risks materialise. **Assessing transparency** We critically assessed the completeness and accuracy of the matters covered in the going concern disclosure by agreeing to supporting evidence and performing inquiries of the Directors, which included challenging the transparency of assumptions in the severe but plausible downside scenarios performed in making this assessment. **Our results** **We found the going concern disclosure without any material uncertainty to be proportionate (2018: proportionate).** **However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to COVID-19.**

<table>
<tr><th colspan="2">Claims Outstanding (2019: $3.8bn, 2018: $3.8bn)
Refer to page 33-35 (accounting policy) and page 55 (financial disclosures)
Risk vs 2018: ◄►</th></tr>
<tr><th>The risk</th><th>Our response</th></tr>
<tr><td>

Subjective valuation:

Insurance liabilities represent the single largest liability for the Company. Valuation of these liabilities, especially in respect of the incurred but not reported (IBNR) component, is highly judgemental as it requires a number of assumptions to be made in respect of ultimate loss ratios, frequency and severity of claims all of which carry high estimation uncertainty. The determination and application of the methodology and performance of the calculations are complex.

Certain lines of business have greater inherent uncertainty, for example those where claims emerge more slowly over time, or where there is greater variability in claim settlement amounts. This includes Marine Energy and Construction Liability, Credit & Surety and Casualty Classes.

A margin is added to the actuarial best estimate to make allowance for specific uncertainties associated with the estimation of insurance liabilities. The appropriate level of margin to recognise is a subjective judgement based on the level of uncertainty and potential for volatility in the claims experience.

Case reserves for reported claims, whilst less subjective, carry the risk of management bias through understatement of the level of reserves held for open claims. Given the size of these reserves, and the consequent impact on the development factors used in the projection of the IBNR, we consider this to form part of the key audit matter.

The effect of these matters is that, as part of our risk assessment, we determined that IBNR has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 2) disclose the sensitivity estimated by the Company.

</td><td>

Our procedures included:

Our actuarial expertise

We used our own actuarial specialists to assist us in performing our procedures in this area.

Control design and operation

We tested the controls in respect of the reserving process, including controls over the setting and approval of case reserves for reported claims and the scrutiny applied by the Reserving Committee in respect of the reserves set for the not reported claims.

We assessed the qualifications and experience of those responsible and examined the output of the reviews to evaluate the effectiveness of the controls operating within the process.

Substantive testing

Historical comparison

We assessed the assumptions adopted in respect of ultimate loss ratios, frequency and severity of claims by comparing to relevant historical company experience data.

Sector experience and benchmarking assumptions

We evaluated the appropriateness of assumptions, reserving methodologies and estimates of losses including those of total losses on natural catastrophes by comparing to expectations derived from our understanding of current trends in loss development and industry benchmarking in order to identify specific trends and outliers.

Independent re-performance in respect of the actuarial best estimate

We used our own modelling tools to re-project ultimate losses for certain individual classes of business and compared this to the Company's estimates. The determination of which classes to re-project was based on risk assessment and consideration of the evidence available from other alternative data analysis procedures.

Methodology assessment in respect of margin

We evaluated the appropriateness of the Company's methodology in respect of the margin applied to the actuarial best estimate by comparing to our understanding of the development in uncertainties specific to the exposures in the Company's portfolio. We assessed reserving strength, in particular the level of margin held, with reference to our independently determined reasonable range and our professional judgement.

Test of detail

For a sample of individual reported claims, we agreed the reserve booked to third party evidence such as loss notification information from cedants and loss adjuster reports.

Our result

We found the valuation of the claims outstanding liability to be acceptable (2018: acceptable).

</td></tr>
</table>

Gross Written Premiums - Inward Reinsurance (2019: $ 0.9 bn, 2018: $ 1.0 bn) Refer to page 33 (accounting policy) and page 47 (financial disclosures) Risk vs 2018: ◄ ►	
The risk	**Our response**
Calculation Error: The appropriateness of certain inward reinsurance premiums written, specifically relating to proportional contracts, is an area of audit risk. This is primarily due to notification lags from cedants and brokers for such business, resulting in uncertainty in respect of the exact quantum of the ultimate premium resulting in the potential for adjustments to historic written premiums which have not yet been fully realised in cash; this creates opportunities for overstating or understating the premium amount (or delaying downward adjustments) as the actual premium is likely to take some time to develop.	Our procedures included: **Control design and operation** We tested, assisted by our own IT specialists, the design and operation of the Company's controls in respect of data entry, monitoring of premium bookings and approval of changes operating within the process for booking and adjusting the amounts of inwards reinsurance premiums relating to proportional contracts. **Substantive testing** *Historical comparison* We critically assessed the Company's approach in respect of this area by checking the historical accuracy of a sample of premium bookings through comparison of prior year bookings to trends in confirmed premiums as evidence through confirmed treaty statements or other relevant corroborative evidence. *Tests of details* - We agreed the premiums booked for a sample of policies to counterparty notifications of premium and other external information and corroborated any material adjustments to previously held bookings. - We also compared the premium booked for a sample of individual counterparties to trends in confirmed premium to ascertain the ongoing appropriateness of historic bookings. **Our result** **We found the amounts recognised in respect of elements of the Company's gross written premiums - inward reinsurance totalling $ 0.2 bn, relating to inwards reinsurance premiums on proportional contracts to be acceptable (2018: acceptable).**

Outward reinsurance premiums (2019: $0.7 bn, 2018: $1.0 bn) Refer to page 33 (accounting policy) and page 47 (financial disclosures) The risk versus 2018: ◄ ►	
The risk	**Our response**
Calculation error: Reinsurance contracts are often complex. In recent years the mix of the Company's outwards reinsurance program has changed with the inclusion of significant, multi-line quota share agreements and excess of loss contracts in the portfolio resulting in greater complexity being associated with this area.	Our procedures included: **Substantive testing** *Tests of details* - We inspected the contractual terms of a sample of excess of loss reinsurance agreements to check these have been accurately applied in deriving the relevant accounting entries. - We agreed the attributes of the contracts relevant to the determination of the outward reinsurance premium for a sample of quota-share reinsurance agreements back to the contractual agreements. We also performed recalculations of the booked premiums based on these attributes. **Our result** **We found the amounts recognised in respect of the Company's outward reinsurance premiums to be acceptable (2018: acceptable).**

Reinsurers' share of claims outstanding (2019: $2.6 bn, 2018: $2.4 bn) Refer to page 33-35 (accounting policy) and page 55 (financial disclosures) The risk versus 2018: NEW	
The risk	**Our response**
Subjective valuation: Valuation of outward reinsurance recoveries on claims reserve is an area of audit risk due to the considerable processing and recording of data, complexity and subjectivity inherent in the netting down process. Key factors which increase the risk in the estimation of recoveries on claims reserves are as follows: -The assumptions applied for net reserving across underwriting years and lines of business, particularly estimating the initial expected loss ratios on the most recent accident years. -The level of subjectivity in the estimated impact of new or uncertain events. -The diversity of risks underwritten by the Company and, therefore, the granular level of reserving that occurs at class level.	Our procedures included: **Our actuarial expertise** We used our own actuarial specialists to assist us in performing our procedures in this area. **Controls design and operation** We tested the design and operation of the Company's controls over manual controls such as reconciliations between the accounting ledger and policy administration systems, through re-performance or inspection. **Substantive testing** *Historical comparison* We assessed the reasonableness of net and gross ultimate loss ratios and net-to-gross IBNR ratios on a whole book and class level by comparing to relevant historical company experience data. We applied these net-to-gross ratios to certain individual classes of business and compared this to the Company's estimates. *Tests of details* For a sample of reported claims, we have tested the amounts booked by reference to the projected ultimates, adjusted for the cash recoveries which we agreed to collection advices. **Our result** **We found the amounts recognised in respect of the Company's reinsurers' shares of claims outstanding to be acceptable (2018: acceptable).**

3 Our application of materiality and an overview of the scope of our audit

Aspen Insurance UK Limited is part of a group headed by Aspen Insurance Holdings Limited. Materiality of $6.05m (2018: $9.50m), as communicated by the group audit team, has been applied to the audit of the Company. This is lower than the materiality we would otherwise have determined by reference to Gross written premium, and represents 0.5% of the Company's Gross written premium (2018: 0.6%). Gross written premium has been selected as the benchmark due to its relative stability and correlation with business performance and size.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding $0.30m (2018: $0.48m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was performed at the Company's head office in London, the Bermuda and US office locations, and also included visits by the audit team to the Company's third party service organisation's office in India.

Our audit of the Company was undertaken to the materiality level specified above.

The auditor of the parent company, Aspen Insurance Holdings Limited, performed testing on controls relating to outward reinsurance and tests of detail in relation to outwards reinsurance related balances in the financial statements. Audit teams in Bermuda and US performed tests of detail relating to investments and investment income (including realised and unrealised gains/losses on investments) and account balances relating to business of the Company in the US, respectively. We instructed auditors in these locations as to the specific procedures required to be performed the information to be reported back.

We evaluated the scope of the work and the information reported back to ensure that it addressed the risks relevant to our audit.

4 We have nothing to report on going concern

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

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if we have anything material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements.

We have nothing to report in these respects.

5 We have nothing to report on the strategic report and the directors' report

The Directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in those reports;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page 20, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities - ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the company's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of company's licence to operate. We identified the following areas as those most likely to have such an effect: regulatory capital and liquidity recognising the financial and regulated nature of the company's activities and compliance with regulation relating to sanctions due to the nature of the business written by the Company and its customers. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company'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 Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Kushan Tikkoo

Kushan Tikkoo
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL
15 May 2020

Income Statement: Technical Account - General Business

	Notes	For the Year Ended 31 December 2019	2018
		($ in millions)	
Gross premiums written	3	1,327.5	1,475.2
Outward reinsurance premiums		(722.7)	(983.4)
Net premiums written		604.8	491.8
Change in gross provision for unearned premiums	19	42.9	39.3
Change in provision for unearned premiums reinsurers' share	19	(12.0)	17.0
Earned premiums net of reinsurance		635.7	548.1
Allocated investment return transferred from the non-technical account		115.4	(1.9)
Total technical income		751.1	546.2
Claims incurred net of reinsurance			
Claims paid			
Gross amount		(1,004.0)	(996.9)
Reinsurers' share		554.9	638.0
		(449.1)	(358.9)
Change in the provision for claims			
Gross amount	19	(6.5)	(55.7)
Reinsurers' share	19	25.2	32.4
Claims incurred net of reinsurance	4	(430.4)	(382.2)
Net operating expenses	6	(290.3)	(255.1)
Total claims and expenses		(720.7)	(637.3)
Balance on the technical account - general business		**30.4**	**(91.1)**

The results for the years ended 31 December 2019 and 2018 are derived from continuing operations.

Income Statement: Non-Technical Account

	Notes	For the Year Ended 31 December 2019	2018
		($ in millions)	
Balance on technical account general business		30.4	(91.1)
Investment income	7	60.0	62.1
Realised (losses) on investments	7	(2.7)	(28.3)
Unrealised gains/(losses) on investments	7	63.0	(32.4)
Investment expenses and charges	7	(4.9)	(3.3)
Allocated investment (income)/loss transferred to the general business technical account	7	(115.4)	1.9
Other (expenses)/income	5	(21.8)	51.9
Profit/(loss) before tax	8	8.6	(39.2)
Tax (charge)/credit on loss	10a	(7.8)	18.8
Profit /(loss) after tax for the financial year		**0.8**	**(20.4)**

The results for the years ended 31 December 2019 and 2018 are derived from continuing operations.

Statement of Comprehensive Income

	Notes	For the Year Ended 31 December 2019	2018
		($ in millions)	
Profit / (loss) for the financial year		0.8	(20.4)
(Loss) on foreign exchange translation	11	(3.9)	(22.4)
Total comprehensive (loss) for the year		**(3.1)**	**(42.8)**

The notes on pages 32 to 58 form part of these financial statements.

Statement of Changes in Equity

2019	Notes	Called up share capital	Capital contribution reserve	Profit and loss account	Total
		($ in millions)			
Opening shareholder's equity	21	614.9	470.0	(239.9)	845.0
Total comprehensive loss for the year		—	—	(3.1)	(3.1)
Closing shareholder's equity		**614.9**	**470.0**	**(243.0)**	**841.9**

2018	Notes	Called up share capital	Capital contribution reserve	Profit and loss account	Total
		($ in millions)			
Opening shareholder's equity	21	614.9	470.0	(197.1)	887.8
Total comprehensive loss for the year		—	—	(42.8)	(42.8)
Closing shareholder's equity		**614.9**	**470.0**	**(239.9)**	**845.0**

The notes on pages 32 to 58 form part of these financial statements.

Balance Sheet

	Notes	2019	2018
		As at 31 December	
		($ in millions)	
ASSETS			
Investments			
Other financial investments	13	2,442.7	2,437.5
Deposits with ceding undertakings		32.4	34.8
Reinsurers' shares of technical provisions			
Provision for unearned premiums	19	130.9	141.8
Claims outstanding	19	2,565.4	2,366.7
Debtors			
Debtors arising out of direct insurance operations - intermediaries		47.2	93.5
Debtors arising out of reinsurance operations		749.1	675.0
Amounts due from fellow group undertakings	15	250.4	157.2
Other debtors	14	16.2	31.3
Other assets			
Tangible fixed assets	12	0.5	1.3
Cash at bank and in hand		103.2	142.1
Prepayments and accrued income			
Accrued interest and rent		11.9	13.2
Deferred acquisition costs	18	152.3	156.7
Total Assets		**6,502.2**	**6,251.1**
EQUITY AND LIABILITIES			
Capital and reserves			
Called up share capital	21	614.9	614.9
Capital contribution reserve	21	470.0	470.0
Profit and loss account		(243.0)	(239.9)
Shareholder's equity		**841.9**	**845.0**
Technical provisions			
Provision for unearned premiums	19	758.0	793.8
Claims outstanding	19	3,834.5	3,787.2
Creditors			
Amounts due to fellow group undertakings	15	749.0	603.4
Other creditors	16	264.6	218.7
Accruals and deferred income		54.2	3.0
Total Liabilities		**5,660.3**	**5,406.1**
Total Equity and Liabilities		**6,502.2**	**6,251.1**

These financial statements were approved by the Board of Directors on May 12, 2020 and signed on its behalf:

G T Dawe

Grahame Dawe
Director

The notes on pages 32 to 58 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

1. Accounting Policies

1.1 Statement of Compliance

Aspen Insurance UK Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK. The Registered Office is 30 Fenchurch Street, London EC3M 3BD.

These financial statements were prepared in accordance with Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and Financial Reporting Standard 103 ("FRS 103"), being applicable UK GAAP accounting standards and in accordance with Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

These financial statements are prepared under historical cost convention except for certain financial instruments which are measured at fair value.

1.2 Basis of Preparation

The financial statements for the year ended 31 December 2019 were approved for issue by the Board of Directors on 12 May 2020. The Directors confirm that they are satisfied that the Company has adequate resources to continue in operation and meet its liabilities as they fall due for a period of at least 12 months from the date that the financial statements are approved. In arriving at this conclusion, as explained in further detail on page 12, the Directors have undertaken an assessment to determine the impact of COVID-19 on the company and its future viability, taking into account the likely impact on the Company's insured loss exposures, investments and solvency capital position under moderate and severe scenarios, and the associated sensitivities where relevant. This is supplemented as appropriate, by reverse stress testing to determine the extent to which capital erosion would have to occur to result in an adverse impact on the Company's ability to meet certain regulatory capital requirements. The analysis performed demonstrates that the Company remains solvent and retains sufficient headroom above regulatory capital requirements under moderate and severe scenarios; the reverse stress test indicates that the likelihood of there being capital erosion to such an extent as to breach the company's regulatory capital requirements is sufficiently remote.

Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The presentation currency of these financial statements is US dollars. Given the company has annual gross written premium of more than $1 billion and net assets of over $800 million we consider it appropriate to present all amounts in the financial statements to the nearest $0.1m.

The Company's parent undertaking, Aspen Insurance Holdings Limited ("AIHL") includes the Company in its consolidated financial statements. The consolidated financial statements of AIHL are prepared in accordance with US GAAP, available to the public and may be obtained from 141 Front Street, Hamilton, Bermuda. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes;
- Requirements of Related Party Disclosures;
- Key Management Personnel compensation; and
- Certain disclosures required by FRS 102.26 Share Based Payments.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following are the Company's key sources of estimation uncertainty and judgment:

Insurance and reinsurance contract technical provisions

For insurance and reinsurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported ("IBNR"), at the reporting date, for both gross and net of reinsurance recoveries. It can take a significant period of time before the ultimate claims cost can be established with certainty, and for some types of policies IBNR claims form the majority of the liability in the statement of financial position. The estimation of IBNR is discussed further under section 1.4.1 - Insurance Contracts: Technical Provisions.

Provision for unearned premiums and deferred acquisition costs

For (re)insurance contracts management use their judgement in selecting appropriate earnings patterns for the business underwritten and associated acquisition costs, in particular for contracts where the pattern of loss emergence is likely to be markedly uneven. Patterns are calculated (determined) with reference to the inception and expiry dates of the policies concerned and the likely pattern of loss emergence using the same underlying considerations that apply to the technical provisions, taking into consideration information provided by cedants on loss emergence where appropriate.

Estimates of future premiums

For certain insurance contracts, premium is initially written based on estimates of ultimate premiums receivable. Estimates are derived from underwriter experience, historical data and broker estimation. These estimates are judgemental and could result in adjustments in subsequent periods to revenue recorded in the financial statements. The main assumption underlying these estimates is that past premium development can be used to project future premium development.

Taxation

The Company establishes provisions based on reasonable estimates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the tax authority.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

1.4 Significant Accounting Policies

1.4.1 Insurance contracts

Gross Premiums

Gross written premiums comprise total premiums receivable for the whole period of cover entered into in the reporting period plus any adjustments to such premiums receivable in respect of business written in prior reporting periods. All premiums are shown gross of commissions payable to intermediaries and exclusive of taxes and levies.

Reinsurance Premiums

Reinsurance premiums relating to reinsurance placed by the Company are accounted for using the same accounting methodology used for inwards premiums.

Acquisition Costs

Acquisition costs represent commission brokerage, profit commission and other variable costs that relate directly to the securing of new contracts and renewal of existing contracts. They are generally deferred over the period in which the related premiums are earned.

Claims

Claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Technical Provisions

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

Claims provision

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

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

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

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

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

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

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

Provisions for unearned premiums

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

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

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

Unexpired risks

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

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

Deferred acquisition costs

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

Reinsurance assets

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

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the income statement.

Insurance receivables

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

Insurance payables

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

1.4.2 Financial Instruments

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

The Company classifies its financial assets into the following categories: Equity instruments and other variable-yield securities - at fair value through profit or loss and Deposits with credit institutions - loans and receivables. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

Financial assets at fair value through profit or loss

A financial asset is classified into this category if it is acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit-taking, or if so designated by management to minimise any measurement or recognition inconsistency with associated liabilities.

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

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

The fair values of financial instruments that are not traded in an active market, are established by the directors using valuation techniques which seek to arrive at the price at which an orderly transaction would take place between market participants.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short term or that it has designated as at fair value through profit or loss. When a financial asset is recognised initially it is measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Loans and receivables are subsequently measured at amortised cost using the effective interest method. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables. This basis of valuation is viewed by the directors as having prudent regard to the likely realisable value.

Impairment of financial assets

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

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
    - adverse changes in the payment status of issuers or debtors in the group; or
    - national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to-maturity investments carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit and loss account for the period. If a held-to-maturity investment or a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

Financial liabilities

Other financial liabilities relate to derivatives which are designated at fair value through profit and loss, and classified in accruals and deferred income. Creditors are also financial liabilities and are recognised initially at fair value, net of directly attributable transaction costs. Creditors are subsequently stated at amortised cost, using the effective interest rate method. For short term creditors (due within one year), no discounting is applied.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Investment return

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

Dividends are recognised when the investments to which they relate are declared 'ex-dividend' and include the imputed tax. Interest income is recognised on a time proportionate basis taking into account effective interest method. Interest income and payable and dividend income are recognised in the income statement.

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

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

Offsetting of financial instruments

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

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

1.4.3 Foreign currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the operating branch operates:

- The US Dollar is the functional currency and presentational currency of the Company; and
- The Company also operates through a number of discrete overseas branches in Switzerland , Australia, Singapore and Canada that have separate functional currencies.

Transactions in foreign currencies are translated to the functional currency of the operating segment at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities (which include unearned premiums and deferred acquisition costs) denominated in foreign currencies at the balance sheet date are retranslated to the functional currency of the operating segment at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the non-technical profit and loss account.

Foreign operations

The results and financial position of the overseas branches are translated from functional currency into the presentational currency of US Dollars as follows:

- Assets and liabilities are translated at the closing rate at the balance sheet date;
- Income and expenses are translated at the average rate of exchange during the year; and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in equity.

1.4.4 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The Company assesses at each reporting date whether tangible fixed assets are impaired. Depreciation is charged to the Income Statement at rates calculated to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

• Office and Other Equipment	25% per annum
• Hardware and Software(1)	33.3% per annum
• Underwriting Platform, Subscribe	20% per annum
• Leasehold Improvements	Lesser of 15 years or remaining life of lease

(1) Depreciation for software commences on the date that the software is brought into use.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

1.4.5 Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the Income Statement on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease on a straight line basis.

1.4.6 Dividends

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the shareholder. Interim dividends are deducted from equity when they are paid.

1.4.7 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.5 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

2. Risk and Capital Management

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

The key risks for the Company are as set out in the Principal Risks and Uncertainties section within the Strategic Report.

(a) Risk Governance and Risk Management Strategy

The Board of Directors of the Company ("the Board") considers effective identification, measurement, monitoring, management and reporting of the risks facing our business to be key elements of its responsibilities. The Board ensures that the Company operates an effective risk management and control framework which includes risk management, compliance and internal control systems. The Board uses a Risk sub-committee to support the oversight of the Company's risk management processes.

The Company, as an operating entity within the Aspen Group, benefits from the Group's established risk management practices. The Group's risk management policies are established to identify and analyse the risks faced by the Group and the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. Further details on the Group wide risk management strategy can be found in the consolidated financial statements of AIHL which are available to the public.

(b) Capital Management Objective, Policies and Approach

The Company's capital management approach and policy is set out within its risk appetite statement which is summarised in the Risk Appetite section within the Strategic Report

(c) Insurance Risk

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

(a) Underwriting risk: The variation of accident year technical result from its expected value. Underwriting risk can be further split into sub-categories including:
   - Catastrophe accumulation risk: The risk that losses from natural catastrophes exceed expected levels;
   - Pricing calibration risk: The risk that actual technical results differ from expected values as a result of invalid assumptions, methodology or parameters used in the pricing process;
   - Large claims risk: The risk that losses from a single man-made event, or group of related events, exceed the expected levels;
   - Attritional risk: The risk that the total of all losses other than catastrophe and large losses exceeds the expected level; and
   - Reinsurance mitigation risk: The risk that gross losses are not reduced by reinsurance recoveries to the extent expected.

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

Processes for addressing and monitoring risk

AIUK model their exposure to underwriting and reserving risks using the Internal Model to measure the associated capital requirements on both the Solvency II SCR regulatory basis and an internal basis. The internal basis uses a US GAAP balance sheet and measures the capital required to write one year's business to ultimate. Modelling of insurance risk exposure is the key process for monitoring and managing insurance risk.

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

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

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

The Reinsurance Mitigation Policy defines Aspen's approach to managing the risk that gross losses are not reduced by reinsurance recoveries to the extent expected. The Insurance Accumulation Risk policy defines Aspen's approach to management of material risk concentrations by categorising those risks, setting tolerances and limit, measuring, monitoring, reporting and escalating Natural Catastrophe and Non Natural catastrophe accumulations.

The Key Risk limits are monitored and reported in the UK Certified Risk Officer's report to the AIUK Risk Committee.

Material Risk Concentrations

AIUK has limited its exposure to material risk concentrations by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposures so they are managed within key risk limits. The material risk concentrations managed via Key Risk limits include natural catastrophe risks (such as hurricanes, earthquakes and flood damage) and man-made catastrophic events (such as acts of war, acts of terrorism and losses resulting from political instability). The effectiveness of these risk mitigation techniques is assessed through continual monitoring of the underlying risk profile and escalation of deviations from plan.

Sensitivity of insurance risk

The liabilities established could be significantly lower or higher than the ultimate cost of settling the claims arising. This level of uncertainty varies between the classes of business and the nature of the risk being written and can arise from developments in case reserving for large losses and catastrophes, or from changes in estimates of claims incurred but not reported. A 5% increase or decrease in total claims liabilities would have the following effect on profit or loss:

Year ended 31 December	**2019**		**2018**	
($ in millions)	**5% Increase**	**5% Decrease**	**5% Increase**	**5% Decrease**
Total	**(60.8)**	**60.8**	**(74.9)**	**74.9**

Claims development table

Reserves are required owing to the time between the occurrences, reporting and eventual settlement of a loss, which, for some lines of business, can be several years. Since reserves are an estimate of the likely outcome of these future events, they are subject to a degree of volatility. That is, the actual emergence of ultimate losses can be expected to differ, perhaps materially, from any estimate of such losses. The users should be aware that loss payment and loss reporting patterns are not the only considerations in establishing loss reserves.

In setting claims provisions the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. The following tables show an analysis of incurred claims and allocated loss adjustment expenses and net of reinsurance as at 31 December 2019, 2018, 2017, 2016, 2015, 2014, 2013, 2012 and 2011. The loss development triangles are derived from all business written by the Company, as although a limited number of contracts are written which have durations of greater than one year the contracts do not meet the definition of a long duration contract.

The Company has taken advantage of the transitional rules of FRS 103 that permit only five years of information to be disclosed upon adoption. The claims development information disclosed is being increased from five years to ten years over the period 2015-2020. Therefore, nine years of information are shown in these financial statements.

Gross insurance contract claims incurred as at 31 December 2019:

Accident year	Before 2011 $m	2011 $m	2012 $m	2013 $m	2014 $m	2015 $m	2016 $m	2017 $m	2018 $m	2019 $m
Estimate of cumulative claims incurred										
At end of accident year		1,085.1	806.2	851.6	784.5	883.2	884.3	1,225.8	1,075.9	901.0
One year later		1,214.0	912.7	849.5	803.9	834.4	1,148.3	1,252.4	1,190.9	
Two years later		1,094.7	940.2	845.6	798.5	816.0	1,156.7	1,307.1		
Three years later		1,080.7	941.6	818.4	764.2	774.2	1,133.9			
Four years later		1,054.9	958.3	764.2	759.3	824.1				
Five years later		1,050.4	940.8	759.9	777.0					
Six years later		997.5	939.6	772.9						
Seven years later		978.7	917.5							
Eight years later		965.2								
Current estimate of cumulative claims incurred	7,173.7	965.2	917.5	772.9	777.0	824.1	1,133.9	1,307.1	1,190.9	901.0

Net insurance contract claims incurred as at 31 December 2019:

Accident year	Before 2011 $m	2011 $m	2012 $m	2013 $m	2014 $m	2015 $m	2016 $m	2017 $m	2018 $m	2019 $m
Estimate of cumulative claims incurred										
At end of accident year		443.4	326.0	334.7	350.3	374.4	306.5	399.7	472.4	534.2
One year later		515.9	379.3	377.1	344.6	307.3	511.5	455.6	577.6	
Two years later		477.7	416.8	365.8	305.7	292.6	532.3	424.9		
Three years later		475.8	412.7	367.3	299.8	242.9	532.7			
Four years later		463.2	424.3	324.4	292.2	270.9				
Five years later		471.1	436.1	305.6	274.2					
Six years later		429.5	419.9	299.1						
Seven years later		411.6	382.6							
Eight years later		406.4								
Current estimate of cumulative claims incurred	3,873.3	406.4	382.6	299.1	274.2	270.9	532.7	424.9	577.6	534.2

(d) *Market Risk*
Market risk is defined as the risk of variation in the income generated by, and the fair value of, AIUK's investment portfolio, cash and cash equivalents and derivative contracts including the effect of changes in foreign currency exchange rates.

Within our Risk Universe we define six categories of market risk:

1) Foreign currency risk: The risk of adverse variation in the US dollar value of net assets in foreign currencies as a result of currency rate movements.

2) Fixed income security risk: The risk of variation in the market value of fixed income securities or derivatives. Fixed income security risk can be further split into sub-categories including:

   Interest rate risk: The risk of variation in the market value of fixed income securities as a result of changes in prevailing interest rates. We classify reinvestment risk as the risk of lower yields on the reinvestment of the proceeds from coupons payments, maturities and prepayments, which is a sub-category of interest rate risk.

Spread risk (including default risk): The yield of a non-government fixed income security can be divided into two parts:

(i) The 'risk free' rate, being the yield of the treasury security issued by the country in which the issuer operates which is closest to it in maturity; and
(ii) The 'spread' of the yield over the risk free rate (= total yield - risk free rate).

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

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

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

3) Equity risk: AIUK defines Equity risk as the risk of adverse movements in the market price of investments (or their derivatives) other than fixed income securities. Unlike Fixed Income Securities the value of equities is not directly linked to interest rates and spreads, there are many factors that affect the value of investments. The Company does not invest in equities so this risk is not currently relevant to the Company.
4) Market risk mitigation risk: The risk of variation in the value or effectiveness of hedging positions.
5) Asset concentration risk: The aggregate value of AIUK's investment portfolio may be at greater risk if it is overexposed to the same asset or a group of similar assets with similar risk dynamics. Concentrations which AIUK seek to manage include types of asset (e.g. mortgage backed securities), economic sector of issuer and securities of the same issuer.
6) Valuation Risk: Some assets within AIUK's investment portfolio can be "private assets" for which there are no readily available market prices. There is a risk that the approaches used to value these "private assets" result in incorrect correct values. As at 31 December 2019 AIUK did not have any investments in "private assets"

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

Processes for addressing and monitoring risk
As with Insurance risk, Aspen model exposure to market risk using the Internal Model to measure the associated capital requirements on both an internal basis and the Solvency II SCR regulatory basis. Modelling market risk exposures is a key process for monitoring and managing market risk.

The Investment Risk Policy and Guidelines describes the investment strategy in the context of the annual business plan, asset allocation, and concentration limits at group and AIUK levels.

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

Use of derivatives is limited to interest rate swaps, forward rate transactions, bond options, interest rate futures, foreign exchange spot and forward transactions and currency options. During 2019, AIUK only entered into foreign exchange forward transactions and has no off balance sheet exposures.

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

- the average duration of liabilities;

- the outlook for interest rates and the yield curve;
- the need for cash to pay claims; and
- total return.

Material Risk Concentrations
As with Insurance Risks as well as modelling exposures and the capital required to address potential market risks using the Internal Model AIUK has also limited its exposure to material risk concentrations through the use of Key Risk Limits. These material risk concentrations include foreign currency risk, interest rate risk and equity risk.

Key Risk limits regarding asset allocation, overall credit rating and the volatility of AIUK's investment portfolio have been defined by management and approved by the Board. In order that AIUK can manage its currency risks within the regulatory parameters required, a Key Risk Limit approved by the Board limits the mismatch between assets and liabilities where there are material positions in currencies other than the functional currency of AIUK. The effectiveness of risk mitigation techniques is assessed through continual monitoring of the underlying risk profile and escalation of any deviations from plan.

Sensitivity analysis

Foreign currency risk
As at 31 December 2019, if the U.S. Dollar had weakened / strengthened by 10% with all other variables held constant the loss for the year would have been $1.8m (2018: $6.8m) higher / lower, mainly as a result of foreign exchange gains / losses on the translation of non U.S. Dollar denominated financial assets, and foreign exchange losses / gains on translation of non U.S. Dollar denominated insurance liabilities.

Interest rate risk
The table below depicts interest rate change scenarios and the effect on profit or loss from AIUK's interest rate sensitive invested assets:

Movement in basis points	-100	-50	+50	+100
31 December 2019				
Fixed income portfolio effect - gain/(loss) ($m)	73.3	36.7	(36.7)	(73.3)
31 December 2018				
Fixed income portfolio effect - gain/(loss) ($m)	75.3	37.6	(37.6)	(75.3)

Given the outbreak of the coronavirus, which has materially affected the valuation of investments since year-end, we have chosen to additionally show the sensitivity on 31 March 2020 values.

31 March 2020				
Fixed income portfolio effect - gain/(loss) ($m)	73.8	36.9	(36.9)	(73.8)

Spread risk
As part of spread risk AIUK include the risk that a security falls in value as a result of being downgraded by a rating agency as this will also cause the spread to increase. AIUK includes the risk of actual default on interest or redemption as a special case of spread risk. Whilst this default risk is actually a type of credit risk it is convenient to deal with it within market risk because of the way AIUK model it in the Internal Model as an extreme case of downgrade risk.

The table below depicts spread change scenarios and the effect on profit or loss from AIUK's spread sensitive invested assets:

Corporate bond spreads	-44	+50	+100	+200
31 December 2019				
Fixed income portfolio effect - gain/(loss) ($m)	13.0	(14.8)	(29.5)	(59.0)

(e) Credit risk
Credit risk is the risk of loss to AIUK if the counterparty to a financial instrument or reinsurance agreement fails to meet

its contractual obligations. AIUK is exposed to credit risk through its investment holdings. As already stated within the Internal Model and management process, AIUK treats credit risk relating to investments (including cash and debt securities) as part of Market risk.

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

Processes for addressing and monitoring risk
As with Insurance risk, AIUK model exposure to credit risks using the Internal Model to measure the associated capital requirements on both an internal basis and the Solvency II SCR regulatory basis. Modelling of credit risk exposures is the key process for monitoring and managing credit risk.

The processes for addressing credit risk in relation to financial instruments has already been dealt with as part of the explanation of the processes to address market risk. The Group Insurance Credit Risk policy defines the processes for assessing, monitoring and managing credit exposure to intermediaries, policyholders and reinsurance counterparties.

Material Risk Concentrations
AIUK limits its exposure to material risk concentrations through the use of Key Risk Limits. AIUK is potentially exposed to concentrations of credit risk in respect of amounts recoverable from reinsurers, and insurance and reinsurance balances owed by the brokers with whom it transacts business. AIUK manages the levels of credit risk by placing limits on its exposure to a single counterparty, or groups of counterparty. Such risks are subject to regular review. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy. AIUK has risk limits for the amount of exposure to both third party and intragroup related reinsurers and any breaches of those limits are reported to the AIUK Risk Committee and Board. The effectiveness of these risk mitigation techniques is assessed through continual monitoring of the underlying risk profile.

	For the Year Ended 31 December	
	2019	2018
	($ in millions)	
Reinsurers' share of claims outstanding	2,565.4	2,366.7
Debtors arising out of direct insurance operations - intermediaries	47.2	93.5
Debtors arising out of reinsurance operations	749.1	675.0
Cash at bank and in hand	103.2	142.1
Deposits with ceding undertakings	32.4	34.8
Loans and receivables	16.2	31.3
Other financial investments		
Debt securities and other fixed income securities	2,138.7	2,214.5
Short term investments	297.1	216.8
Derivative financial assets	6.9	6.2
Total assets bearing credit risk	**5,956.2**	**5,780.9**
AAA	279.9	339.7
AA	1,378.5	1,319.0
A	546.4	567.0
BBB	60.8	72.3
Below BBB	—	0.5
Other	3,690.6	3,482.4
Total assets bearing credit risk	**5,956.2**	**5,780.9**

Collateral

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Credit risk is also mitigated by entering into collateral agreements. Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. At 31 December 2019, the fair value of such collateral held was $450.0m (2018: $412.0m). No collateral received from the counterparty has been sold or repledged (2018: Nil).

(f) Liquidity risk

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

Liquidity risk includes the following:

i) Payment default risk: The risk that there is insufficient cash to make payments when due and that no additional cash can be made available by borrowing, sale of assets or capital raising.
ii) Risk of unplanned asset realisation losses: The risk that securities are required to be sold at a loss to meet liquidity requirements.
iii) Risk of failure of credit facility: The risk that advances from the credit facility are unavailable.
iv) Group liquidity risk: The risk that liquidity cannot be secured for a Group company from elsewhere in the Group.
v) Collateral risk: The risk that AIUK is unable to provide collateral to a third party when contractually required to do so.

Processes for addressing and monitoring risk

Unlike Insurance, Market and Credit Risk AIUK does not model and manage liquidity risk using its Internal Model as it is not a risk that is mitigated by holding capital against it. AIUK's annual Stress & Scenario Testing ("SST") process is used to determine the basis of the Key Liquidity risk limit. The Liquidity Risk Policy provides further details of how liquidity risks are identified, monitored, managed and modelled. This includes details of an escalation process for a breach of the minimum free funds limit.

Material Risk Concentrations

AIUK limits its exposure to material risk concentrations through the operation of the Liquidity Risk Policy. This highlights the measures that Aspen have put in place in order to maintain an agreed amount of unencumbered assets in cash and cash equivalents. These measures include concentration limits to ensure the liquidity of assets, appropriateness of the marketability or realisability of assets and a liquidity contingency funding plan.

Liquidity stress testing is carried out against AIUK's and the Group's risk profiles at least annually by the Risk Management department as part of the Stress and Scenario Testing programme. This allows management to identify the potential strains on AIUK's liquidity as a result of the scenarios assessed as well as gaining understanding of the Group's ability to support the liquidity needs of entities such as AIUK as the need arises. Cash-flow forecasting is also used to reduce liquidity risk. The effectiveness of these risk mitigation techniques is assessed through continual monitoring of the underlying risk profile. The table below analyses the Company's liabilities into their relevant maturity groups based on the period remaining at the year end to their contractual maturities or expected settlement dates:

31 December 2019	Up to 1 year	1-3 years	3-5 years	Over 5 years	Total
			($ in millions)		
Claims outstanding	933.7	1,047.7	572.3	1,280.8	3,834.5
Provision for unearned premiums	486.0	157.0	60.6	54.4	758.0
Amounts due to group undertakings	749.0	—	—	—	749.0
Other creditors	264.6	—	—	—	264.6
Accruals and deferred income	54.2	—	—	—	54.2
Total	**2,487.5**	**1,204.7**	**632.9**	**1,335.2**	**5,660.3**

31 December 2018	Up to 1 year	1-3 years	3-5 years	Over 5 years	Total
			($ in millions)		
Claims outstanding	956.7	1,230.4	589.0	1,011.1	3,787.2
Provision for unearned premiums	545.4	158.7	48.4	41.3	793.8
Amounts due to group undertakings	603.4	—	—	—	603.4
Other creditors	218.7	—	—	—	218.7
Accruals and deferred income	3.0	—	—	—	3.0
Total	**2,327.2**	**1,389.1**	**637.4**	**1,052.4**	**5,406.1**

3. Segmental Information

	Gross Premiums Written	Gross Premiums Earned	Gross Claims Incurred	Gross Operating Expenses	Reinsurance Balance	Underwriting Result
For the Year Ended 31 December 2019			($ in millions)			
Direct insurance:						
Fire and other damage to property	129.8	138.7	(110.9)	(39.2)	29.6	**18.2**
Third party liability	156.1	170.3	(155.2)	(39.9)	24.0	**(0.8)**
Marine, aviation and transport	42.2	35.5	(139.0)	(15.0)	92.4	**(26.1)**
Credit and suretyship	69.9	66.4	(15.2)	(25.3)	(23.2)	**2.7**
	398.0	**410.9**	**(420.3)**	**(119.4)**	**122.8**	**(6.0)**
Reinsurance acceptances:						
Credit and suretyship	108.2	105.8	(61.7)	(44.7)	(9.3)	**(9.9)**
Fire and other damage to property	421.7	423.3	(226.1)	(151.7)	(67.7)	**(22.2)**
Miscellaneous	0.5	2.4	(2.1)	(37.2)	(5.4)	**(42.3)**
Marine, aviation and transport	103.2	107.0	(50.8)	(25.7)	(22.4)	**8.1**
Motor (third-party liability)	44.2	44.8	(36.7)	(9.3)	4.1	**2.9**
Third party liability	251.7	276.2	(212.7)	(92.5)	13.4	**(15.6)**
	929.5	**959.5**	**(590.1)**	**(361.1)**	**(87.3)**	**(79.0)**
	1,327.5	**1,370.4**	**(1,010.4)**	**(480.5)**	**35.5**	**(85.0)**

	Gross Premiums Written	Gross Premiums Earned	Gross Claims Incurred	Gross Operating Expenses	Reinsurance Balance	Underwriting Result
For the Year Ended 31 December 2018			($ in millions)			
Direct insurance:						
Fire and other damage to property	151.2	149.2	(119.7)	(42.7)	15.0	**1.8**
Third party liability	179.7	182.4	(159.8)	(49.9)	9.9	**(17.4)**
Marine, aviation and transport	54.1	60.0	(27.5)	(11.5)	(18.9)	**2.1**
Credit and suretyship	68.3	62.4	(43.0)	(22.7)	1.1	**(2.2)**
	453.3	**454.0**	**(350.0)**	**(126.8)**	**7.1**	**(15.7)**
Reinsurance acceptances:						
Credit and suretyship	103.9	143.1	(67.9)	(58.0)	(21.3)	**(4.1)**
Fire and other damage to property	461.5	467.5	(301.0)	(147.5)	(78.6)	**(59.6)**
Miscellaneous	3.8	4.4	(11.5)	(11.8)	10.5	**(8.4)**
Marine, aviation and transport	105.5	92.9	(55.9)	(20.4)	(11.8)	**4.8**
Motor (third-party liability)	40.8	40.0	(31.4)	(9.9)	1.4	**0.1**
Third party liability	306.4	312.6	(235.0)	(84.3)	0.4	**(6.3)**
	1,021.9	**1,060.5**	**(702.7)**	**(331.9)**	**(99.4)**	**(73.5)**
	1,475.2	**1,514.5**	**(1,052.7)**	**(458.7)**	**(92.3)**	**(89.2)**

The underwriting result represents the balance on the technical account before investment income. The reinsurance balance is the aggregate total of all those items included in the technical account which relate to reinsurance outwards transactions including items recorded as reinsurance commissions and profit participation as noted in Note 6.

The above analysis does not reflect the way in which the business is managed. For example, ceding commission is applied consistently across each line of business above, however this does not reflect the known differences in acquisition costs between lines of business.

Geographical analysis

The following is a breakdown by geography of the gross written premium, (on the basis of the country where AIUK had operations writing the business):

	For the Year Ended 31 December	
	2019	2018
	($ in millions)	
United Kingdom	662.1	726.6
USA	395.0	366.3
Switzerland	94.7	197.9
Republic of Ireland	16.7	36.0
Canada	24.6	15.7
Australia	51.9	43.1
Singapore	43.0	48.7
United Arab Emirates	39.4	38.7
France	—	1.1
Germany	0.1	1.1
	1,327.5	**1,475.2**

4. Net Claims Incurred

	For the Year Ended 31 December	
	2019	2018
	($ in millions)	
Current year claims movement	(415.5)	(519.3)
Prior years' claims movement	(14.9)	137.1
	(430.4)	**(382.2)**

5. Other Expenses / Income

Other expenses of $21.8m (income in 2018: $51.9m) consist mainly of realised foreign exchange losses (2018: gains).

6. Net Operating Expenses

	For the Year Ended 31 December	
	2019	2018
	($ in millions)	
Acquisition costs	323.1	334.2
Change in net deferred acquisition costs	7.8	12.9
	330.9	347.1
Administrative expenses	144.2	112.0
Gross operating expenses	475.1	459.1
Reinsurance commission and profit participation	(184.8)	(204.0)
	290.3	**255.1**

Commissions in respect of direct insurance business amounted to $65.2m (2018: $84.1m).

7. Investment Return

	For the Year Ended 31 December 2019	2018
	($ in millions)	
Income from other financial investments	60.0	62.1
Net gains on realisation of investments:		
Fair value through profit or loss designated upon initial recognition	9.0	(2.0)
Realised (losses) on derivative contracts	(11.7)	(26.3)
Total investment income	57.3	33.8
Net unrealised gains/(losses) on investments:		
Financial instruments at fair value through profit or loss	55.9	(25.2)
Unrealised gains / (losses) on derivatives contracts	7.1	(7.2)
Investment expenses and charges	(4.9)	(3.3)
Total investment return / (loss)	**115.4**	**(1.9)**

8. Profit and Loss Account

Loss before tax is stated after charging:

	For the Year Ended 31 December 2019	2018
	($ in millions)	
Depreciation of tangible fixed assets (Note 12)	0.8	0.8
Defined contribution plan expense	3.2	4.0
Share based payments made to directors and employees (Note 22)	(1.0)	1.7
Auditor's remuneration		
Audit of these financial statements	0.8	0.7
Amounts receivable by the auditors and their associates in respect of:		
Audit related assurance services	0.3	0.3
Other non-audit services	—	—

9. Directors' Emoluments

The aggregate emoluments of the Directors were as follows:

	For the Year Ended 31 December 2019	2018
	($ in millions)	
Aggregate emoluments	3.1	1.0
Aggregate contributions to pension schemes	—	—
	3.1	**1.0**

No (2018: no) Directors exercised share options in respect of qualifying services under long term incentive schemes. No (2018: no) advances or credits were granted to any Director subsisted during the year and no (2018: no) guarantees on behalf of any Director were subsisted during the year.

Highest Paid Director

	For the Year Ended 31 December	
	2019	2018
	($ in millions)	
Aggregate emoluments and benefits	1.4	0.2
Aggregate contributions to pension scheme	—	—

In respect of the highest paid Director share options in respect of qualifying services under long term incentive schemes were received in the year and shares were receivable in respect of qualifying services under long term incentive schemes.

10a. Taxation

	For the Year Ended 31 December	
	2019	2018
	($ in millions)	
U.K. corporation tax (charge) / credit		
Current tax on result for the year	(3.3)	19.5
Adjustments in respect of prior periods	(0.4)	—
Total current tax (charge)/credit	**(3.7)**	**19.5**
Deferred tax (see note 10b)		
Origination / reversal of timing differences	—	(1.1)
Adjustments in respect of prior periods	(4.1)	0.4
Total deferred tax (charge)	**(4.1)**	**(0.7)**
Tax (charge)/credit on profit on ordinary activities	**(7.8)**	**18.8**

The tax charge (2018: credit) for the period is higher (2018: higher) than the standard rate of corporation tax in the UK of 19%. The differences are explained below.

	For the Year Ended 31 December	
	2019	2018
	($ in millions)	
Tax reconciliation		
Profit / (loss) before tax	**8.6**	**(39.2)**
Current tax (charge)/credit at 19%	(1.6)	7.5
Effects of:		
Non-deductible expenses	(0.1)	—
Impact of overseas tax	(1.5)	(0.1)
Foreign exchange	0.1	(1.7)
Reversal of uncertain tax position	—	13.0
Adjustments in respect of prior periods	(4.5)	0.4
Permanent differences in respect of fixed assets	(0.2)	(0.3)
Total tax (charge) / credit	**(7.8)**	**18.8**

The $13.0m reversal of an uncertain tax position in 2018 relates to the successful conclusion of an HMRC inquiry which enabled the release of a provision held against the potential disallowance of a prior period adjustment.

10b. Deferred Taxation

The deferred tax asset recognised in the financial statements is as follows:

	For the Year Ended 31 December	
	2019	2018
	($ in millions)	
Temporary differences related to foreign tax	—	0.9
Temporary differences related to overseas branches	4.0	11.1
Temporary differences related to FRS 102 transitional adjustments	(0.4)	(0.4)
Losses carried forward	5.0	1.1
	8.6	**12.7**

11. Currency Translation

The currency translation loss of $3.9m (2018: $22.4m loss) represents unrealised losses (2018: loss) arising from the translation into U.S. Dollars of the Company's branch operations. The functional currencies of the Company's branches are Euros, Australian Dollars, Singaporean Dollars and Canadian Dollars. Assets and liabilities of foreign operations are translated into U.S. Dollars at the exchange rate prevailing at the Balance Sheet date. The exchange differences arising from this translation are included in the Statement of Comprehensive Income.

12. Tangible Assets

Details of tangible asset net book values as at the Balance Sheet date by major category are given below:

	Office and Other Equipment	Leasehold Improvements	Hardware and Software	Total Assets
		($ in millions)		
Cost				
As at 1 January 2019	2.4	14.9	56.4	73.7
As at 31 December 2019	2.4	14.9	56.4	73.7
Depreciation				
As at 1 January 2019	2.4	13.6	56.4	72.4
Movement in the year	—	0.8	—	0.8
As at 31 December 2019	2.4	14.4	56.4	73.2
Net Book Value				
As at 31 December 2018	—	1.3	—	1.3
As at 31 December 2019	—	**0.5**	—	**0.5**

13. Other Financial Assets and Liabilities

	For the Year Ended 31 December 2019		For the Year Ended 31 December 2018	
	Cost	Market Value	Cost	Market Value
	($ in millions)		($ in millions)	
Financial assets at fair value				
Derivative assets held at fair value through profit and loss	—	6.9	—	6.2
Debt securities and other fixed income securities	2,124.4	2,138.7	2,301.7	2,214.5
Short term investments	294.6	297.1	218.4	216.8
Financial assets at fair value through profit and loss	**2,419.0**	**2,442.7**	**2,520.1**	**2,437.5**
Financial liabilities at fair value				
Derivative liabilities held at fair value through profit and loss	—	**4.0**	—	**10.4**

Listed Investments

Included in the carrying values above are amounts in respect of listed investments as follows:

	For the Year Ended 31 December 2019		For the Year Ended 31 December 2018	
	Cost	Market Value	Cost	Market Value
	($ in millions)		($ in millions)	
Financial Assets at fair value				
Debt securities and other fixed income securities	2,059.4	2,070.8	2,239.3	2,153.1
Short term investments	124.3	126.8	218.4	216.8
Total financial assets	**2,183.7**	**2,197.6**	**2,457.7**	**2,369.9**

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

Derivative financial instruments, at fair value through profit or loss

The Company uses limited forward foreign currency contracts to mitigate some adverse movements associated with changes in foreign exchange rates in respect of changes in the foreign currency rate form the collection of premiums to the payment of claims by fixing the rate of any material payments in a foreign currency.

	For the Year Ended 31 December	
	2019	2018
	($ in millions)	
Total financial assets	**6.9**	**6.2**
Total financial liabilities	**4.0**	**10.4**

Fair Value Estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1	Quoted market prices (unadjusted) in active markets for identical assets or liabilities.
Level 2	Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3	Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Company's assets and liabilities measured at fair value at 31 December 2019 and 31 December 2018:

	For the Year Ended 31 December 2019			
	Level 1	Level 2	Level 3	Total
	($ in millions)	($ in millions)	($ in millions)	($ in millions)
Financial assets at fair value				
Debt securities and other fixed income	865.1	1,273.6	—	2,138.7
Short term investments	296.0	1.1	—	297.1
Derivatives	—	6.9	—	6.9
	1,161.1	**1,281.6**	—	**2,442.7**
Financial liabilities at fair value				
Derivatives	—	(4.0)	—	(4.0)
Total	**1,161.1**	**1,277.6**	—	**2,438.7**

	For the Year Ended 31 December 2018			
	Level 1	Level 2	Level 3	Total
	($ in millions)	($ in millions)	($ in millions)	($ in millions)
Financial assets at fair value				
Debt securities and other fixed income	962.4	1,252.1	—	2,214.5
Short term investments	214.8	2.0	—	216.8
Equity Investments	—	—	—	—
Derivatives	—	6.2	—	6.2
	1,177.2	**1,260.3**	—	**2,437.5**
Financial liabilities at fair value				
Derivatives	—	(10.4)	—	(10.4)
Total	**1,177.2**	**1,249.9**	—	**2,427.1**

The fair value of financial instruments traded in active markets is based on quoted bid prices at the balance sheet date as described in the accounting policy. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily listed debt securities.

The Company closely monitors the valuation of assets in markets that have become less liquid. Determining whether a market is active requires the exercise of judgement and is determined based upon the facts and circumstances of the market for the instrument being measured. Where it is determined that there is no active market, fair value is established using a valuation technique. The techniques applied incorporate relevant information available and reflect appropriate adjustments for credit and liquidity risks. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The relative weightings given to differing sources of information and the determination of non-observable inputs to valuation models can require the exercise of significant judgement.

If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. Instruments included in Level 2 comprise primarily U.S. Government and Agency Securities, Municipal Securities, Non-U.S. Government Securities, Corporate Securities and Mortgage-backed Securities.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. The Company has no level 3 instruments (2018: none).

Transfers of assets into or out of a particular level are recorded at their fair values as of the end of each reporting period, consistent with the date of the determination of fair value. There were no transfers between Level 1 and Level 2 of non-US government securities during the twelve months ended December 31, 2019 (2018: $5.2m). There were no transfers between Level 2 and Level 3 during the twelve months ended December 31, 2019 (2018: No transfers).

14. Other Debtors

	For the Year Ended 31 December	
	2019	2018
	($ in millions)	
Deferred tax asset (Note 10b)	8.6	12.7
Corporation tax	—	12.0
Sundry debtors	7.6	6.6
	16.2	**31.3**

15. Amounts due to / from fellow group undertakings

	For the Year Ended 31 December	
	2019	2018
	($ in millions)	
Amounts due to fellow group undertakings		
Amounts due to fellow group undertakings	749.0	598.4
Amounts due to ultimate parent	—	5.0
	749.0	**603.4**
Amounts due from fellow group undertakings		
Amounts due from fellow group undertakings	**250.4**	**157.2**
	250.4	**157.2**

Within amounts due from fellow group undertakings the following inter-company loans are included:

- $42.0m (2018: $48.0m) loan issued on 1 April 2017 by AIUK to AIUKS, this loan bears interest of 5.65% per annum
- $10.4m (2018: Nil) loan issued on 23 May 2019 by AIUK to Aspen Underwriting Limited, this loan bears interest of LIBOR plus 1.375% and
- $21.5m (2018: $25.8m) loan issued on 15 December 2014 by AIUK to Aspen U.S. Holdings, Inc., this loan bears interest of 6.35%

16. Other Creditors

	For the Year Ended 31 December	
	2019	2018
	($ in millions)	
Underwriting creditors	255.9	203.9
Fair value in respect of derivatives	4.0	10.4
Other indirect taxes	3.4	4.4
Corporation tax	1.3	—
	264.6	**218.7**

17. Contingencies and Other Liabilities

At 31 December 2019 and 2018 the Company had granted charges over a variety of its assets in the ordinary course of business in respect of potential future insurance liabilities and as collateral for letters of credit and U.S. and Canadian Trust funds. The charged assets comprised the following categories:

	For the Year Ended 31 December	
	2019	2018
	($ in millions)	
U.S. Surplus Lines Trust	128.0	124.0
U.S. Reinsurance Trust Fund	999.0	941.0
Australia Branch	160.0	147.0
Canadian Branch	120.0	112.0
Other	450.0	412.0
	1,857.0	**1,736.0**

The Company had no other contingencies or other liabilities at the reporting date.

18. Deferred Acquisition Costs

	For the Year Ended 31 December	
	2019	2018
	($ in millions)	
At 1 January	156.7	176.7
Movement in the year (Note 6)	(7.8)	(12.9)
Exchange adjustments	3.4	(7.1)
At 31 December	**152.3**	**156.7**

19. Technical Provisions

	2019		2018	
	Claims Reserves	Unearned Premium Reserves	Claims Reserves	Unearned Premium Reserves
	($ in millions)		($ in millions)	
Gross of reinsurance				
At 1 January	3,787.2	793.8	3,823.5	856.6
Movement in the year	6.5	(42.9)	55.7	(39.3)
Exchange adjustments	40.8	7.1	(92.0)	(23.5)
At 31 December	**3,834.5**	**758.0**	**3,787.2**	**793.8**
Reinsurance				
At 1 January	2,366.7	141.8	2,276.2	126.4
Movement in the year	25.2	(12.0)	32.4	17.0
Exchange adjustments	173.5	1.1	58.1	(1.6)
At 31 December	**2,565.4**	**130.9**	**2,366.7**	**141.8**

20. Commitments

The Company has no capital commitments authorised or contracted for at the year-end. Future minimum rentals payable under non-cancellable operating leases are as follows:

	For the Year Ended 31 December	
	2019	2018
	($ in millions)	
Within one year	5.3	6.2
Between one and five years	28.3	6.8
After five years	20.3	4.1
	53.9	**17.1**

The expense in the year for operating leases amounts was $3.4 million (2018: $4.1 million).

21. Share Capital

The paid up capital is set out below.

	For the Year Ended 31 December			
	2019		2018	
	(£ in millions)	($ in millions)	(£ in millions)	($ in millions)
Allotted, issued and fully paid up				
410,000,000 (2018: 410,000,000) ordinary shares of £1 each	**410.0**	**614.9**	**410.0**	**614.9**

The Company received capital contributions of $150m and $320m from its former immediate holding company, Aspen (UK) Holdings Limited, on 23 March 2006 and 22 March 2011, respectively. The Company was sold to AEHL on 26 February 2015 through an internal re-organisation to optimise the Company's regulatory structure.

The total funds available for distribution of $227.0m (2018: $230.1m) include the $470.0m (2018: $470.0m) capital contribution reserve less the $243.0m (2018: $239.9m) profit and loss account.

22. Share Based Payments

In prior years AIHL, the Company's ultimate parent, has issued options, performance shares, phantom shares and restricted share units under the 2003 and 2013 Share Incentive Plans. In addition, AIHL approved the 2008 Sharesave Scheme as part of AIHL's Employee Share Purchase Plan.

Following the merger agreement between Apollo Global Management and Aspen Insurance Holdings Limited the Company implemented a new long-term incentive scheme, under which annual awards are split equally between Performance Units and Exit Units. Performance Units vest after two years subject to the Aspen Group achieving predetermined growth in book value per share targets. Exit Units vest upon change of control (Sale or IPO) and achieving predetermined multiples of invested capital return targets. Both Performance Units and Exit Units are cash-based awards.

23. Related Parties Transactions

As AIHL is incorporated in Bermuda, the Company is exempt from disclosing related party transactions with fellow subsidiaries which are also wholly owned by AIHL. During the period the Company entered into transactions, in the ordinary course of business, with related parties which are not wholly owned by Aspen Insurance Holdings Limited. Transactions entered into, and balances outstanding at 31 December 2019, are as follows:

Aspen Risk Management Limited

The Company assumes premium from Aspen Risk Management Limited net of 15% agent's commission. As at 31 December 2019, the Company had a balance owed by Aspen Risk Management Limited of $6.1m (2018: $21.9m) in respect of net premium.

Apollo Asset Management Europe PC LLP

Apollo's indirect subsidiary, Apollo Asset Management Europe PC LLP ("AAME"), serves as the investment manager for the Company. It provides centralised asset management, investment advisory and risk services for the portfolio of our investments pursuant to the investment management agreements ("IMAs") that have been entered into with AAME.

AAME is integrated into the Apollo investment platform and provides the Company with access to Apollo's investment expertise and fully built infrastructure without the burden of incurring the development and maintenance costs of building an in-house investment asset manager with the capabilities of Apollo/AAME.

AAME is registered in England and Wales and is authorised and regulated by the Financial Conduct Authority in the United Kingdom under the Financial Services and Markets Act 2000 and the rules promulgated thereunder for the primary purpose of providing a centralised asset management and risk function to European clients in the financial services and insurance sectors. AAME has necessary permissions to engage in certain specified regulated activities including providing investment advice, undertaking discretionary investment management and arranging deals in relation to certain types of investment.

In April 2019, following the completion of the Merger, AAME was engaged as the investment advisor for the Company to manage the assets of the Company. AAME is paid an annual investment management fee (the "Management Fee") which is based on a cost-plus structure. The "cost" is comprised of the direct and indirect fees, costs, expenses and other liabilities arising in or otherwise connected with the services provided under the IMAs. The "plus" component will be a mark-up in an amount of up to 25% determined based on an applicable transfer pricing study. The Management Fee will be subject to certain maximum threshold levels, including an annual fee cap of 15 bps of the total amount of investable assets. Affiliated sub-advisors, including AMI and AMC, will also earn additional fees for sub-advisory services rendered.

During the year ended December 31, 2019, the Company recognised IMA fees of $1.2 million, of which $0.7 million remains payable to AAME at year end.

24. Ultimate Holding Company

The ultimate parent company as at 31 December 2019 was Highlands Holdings Limited incorporated in Bermuda. The largest and smallest group in which the results of the Company are consolidated is that headed by AIHL. The consolidated accounts of this company are available to the public and may be obtained from The Company Secretary, Aspen Insurance Holdings Limited, c/o 30 Fenchurch Street, London, EC3M 3BD.

On February 15, 2019, Aspen Insurance Holdings Limited ("AIHL") completed its merger with Highlands Merger Sub, Ltd. ("Merger Sub"), a wholly owned subsidiary of Highlands Holding, Ltd. ("Parent"). Merger Sub merged with and into AIHL (the "Merger"), with AIHL continuing as the surviving company and as a wholly owned subsidiary of Parent, a Bermuda exempted company, is an affiliate of certain investment funds managed by affiliates of Apollo Global Management, Inc., a leading global investment manager (collectively with its subsidiaries, "Apollo").

25. Subsequent Events

In February 2020, the company ceased underwriting Marine & Energy Liability business. This was due to significant deterioration on prior years and loss activity in the current year in a market where pricing is not correcting sufficiently enough. This marketplace has not generated sustainable profit margins, and we are shifting our focus to areas where we believe there is better opportunity to achieve our long-term profitability targets.

In addition, the company exited the Accident & Health line in March 2020 due to adverse claims development versus plan and uncertain sustainable profitability of this type of business with high acquisition and operating costs.

On March 2, 2020, the Aspen Group, with AIUK as a named party entered into an adverse development reinsurance agreement with Cavello Bay Reinsurance Limited ("Cavello"), a Bermuda insurance company and wholly owned subsidiary of Enstar Group Limited. Under this agreement the Group will cede to Cavello, losses incurred on or prior to December 31, 2019 on a diversified mix of property, liability and specialty lines across the U.S., U.K and Europe, in excess of $3.8 billion, up to an aggregate limit of $4.6 billion (coverage of $0.8 billion). The reinsurance agreement also provides for $0.3 billion of cover in excess of $4.8 billion. The consideration for this agreement is $0.8 billion plus interest at 3.75% per annum, compounding daily, from the effective date January 1, 2020 to the closing date. The premium payable under this contract, will be allocated across the various operating subsidiaries within the Aspen Group based on risk adjusted reserve run off projections. Completion of the transaction is subject to Board approvals and satisfaction of various other closing conditions. The transaction is expected to close in the first half of 2020.

We continue to closely monitor developments related to the outbreak of COVID-19, also known as coronavirus, to assess any potential impact on our business. Like many property and casualty (re)insurers, we have possible exposure to the contingency market and cancellation losses stemming from the COVID-19 outbreak and could also face COVID-19 related claims from credit and surety lines and potential exposure from business interruption. Whether the virus could trigger coverage is dependent on specific policy language, terms and exclusions. There is a risk, however, that legislative, regulatory, judicial or social influences may extend coverage beyond our intended contractual obligations or result in an increase in the frequency or severity of claims beyond expected levels. The volatility in the financial markets resulting from the outbreak may also impact our investment portfolio. Our investment portfolio comprises primarily government and other fixed income securities and we are not significantly exposed to equity markets. However, our corporate bond portfolio could be subject to valuation risk as a result of movements in corporate spreads and default risk in the event of extended disruption to trade. In addition, existing and potential future travel bans, preventative or government mandated closures of our offices or the offices of our outsource providers may affect our ability to conduct our business. A prolonged period of commercial disruption, reduced economic activity and other consequences of the outbreak could have a material impact on our results of operations, financial condition or liquidity. It is not practicable to quantify the ultimate financial effect of the outbreak on the Company at this stage.

The Board has undertaken an assessment to determine the impact of COVID-19 on the company and its future viability. This assessment has included a review of potential insurance and investment exposures under moderate and severe scenarios and regular monitoring of current and projected solvency levels. The scenarios encompass different assumed durations of the effects of the outbreak, credit spreads widening by upto 400-600 basis points, yields on the investment portfolio dropping to nil for these different durations and an estimate of (re)insurance losses by reviewing various business lines where exposures are likely (direct and indirectly) and quantifying the estimated loss exposures. This analysis was supplemented by a reverse stress test to determine the level of, and likelihood of, capital erosion that would result in an adverse impact on the Company's ability to satisfy regulatory capital thresholds.

Additional sensitivities have been provided on page 43 to capture the impact of widening credit spreads and interest rate movements on our fixed income portfolio at 31 March 2020 to support our ongoing assessment.

Based on our analysis and our latest estimate of the solvency position the Company's capital resources remain comfortably in excess of the relevant regulatory capital thresholds and projected to do so under severe scenarios; the reverse stress test indicates that the level at which an adverse impact would arise on the Company's ability to satisfy regulatory capital thresholds is sufficiently remote. Accordingly the Directors have concluded that although the impact from COVID-19 is likely to be material it does not adversely affect the company's ability to continue as a going concern or reduce its capital and solvency levels to below regulatory requirements. Our priority remains to support our staff and honour our client's needs.

On March 26, 2020, S&P downgraded the financial strength and issuer credit ratings of the Company to "A-" (Strong) from "A" (Strong). The outlook assigned to this rating is stable. On April 1, 2020, A.M. Best affirmed the financial strength rating of "A" (Excellent) for AIUK but revised its outlook to negative from stable. The Company does not believe that these rating actions will in any way compromise our ability to service the needs of our customers and trading partners or our obligations to them. However, the downgrade may impair our ability to sell insurance policies and could materially and adversely affect our competitive position in the insurance industry, future financial condition and operating results.