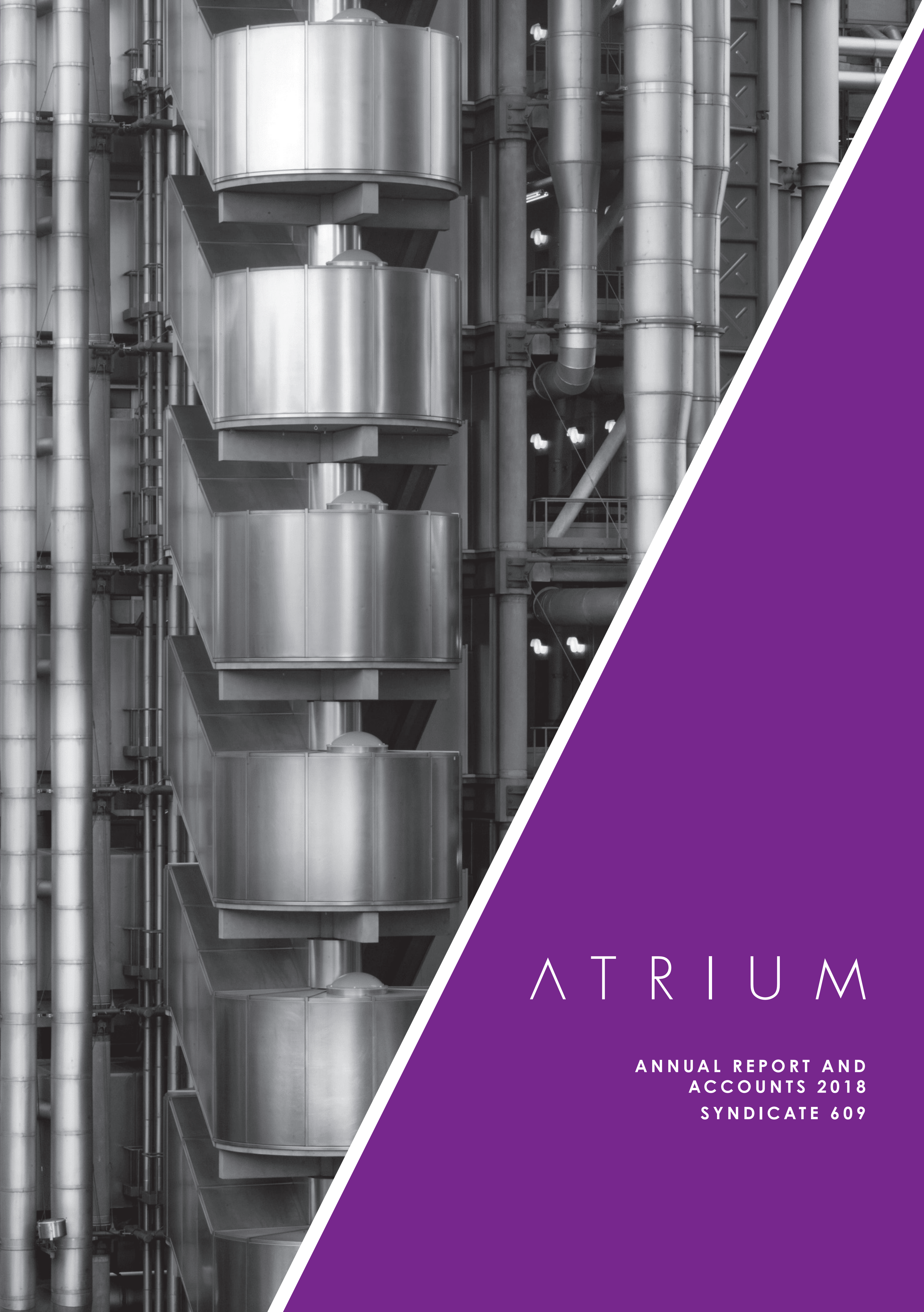
Important information about Syndicate Reports and Accounts

Access to this document is restricted to persons who have given the certification set forth below. If this document has been forwarded to you and you have not been asked to give the certification, please be aware that you are only permitted to access it if you are able to give the certification.

The syndicate reports and accounts set forth in this section of the Lloyd's website, which have been filed with Lloyd's in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005), are being provided for informational purposes only. The syndicate reports and accounts have not been prepared by Lloyd's, and Lloyd's has no responsibility for their accuracy or content. Access to the syndicate reports and accounts is not being provided for the purposes of soliciting membership in Lloyd's or membership on any syndicate of Lloyd's, and no offer to join Lloyd's or any syndicate is being made hereby. Members of Lloyd's are reminded that past performance of a syndicate in any syndicate year is not predictive of the related syndicate's performance in any subsequent syndicate year.

You acknowledge and agree to the foregoing as a condition of your accessing the syndicate reports and accounts. You also agree that you will not provide any person with a copy of any syndicate report and accounts without also providing them with a copy of this acknowledgment and agreement, by which they will also be bound.



ATRIUM

ANNUAL REPORT AND
ACCOUNTS 2018

SYNDICATE 609

ATRIUM SYNDICATE 609 – ANNUAL ACCOUNTS

ATRIUM SYNDICATE 609 – UNDERWRITING YEAR ACCOUNTS

DIRECTORS

Steve Cook Non-Executive Chairman
James Cox Executive Director
Toby Drysdale Active Underwriter
Andrew Elliott Non-Executive Director
Gordon Hamilton Non-Executive Director
Richard Harries Chief Executive Officer
James Lee Agency Managing Director
Brendan Merriman Non-Executive Director
Stephen Riley Non-Executive Director
Samit Shah Executive Director
Kirsty Steward Executive Director

ADVISORS

Auditor
KPMG LLP

Solicitors
Clyde & Co LLP
Linklaters

Bankers
Barclays Bank Plc

Investment Managers
New England Asset Management
Conning Asset Management

Company Secretary
Martha Bruce
Bruce Wallace Associates Limited

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The Directors of the Managing Agent present their report for the year ended 31 December 2018.

This Annual Report is prepared using the annual basis of accounting as required by Statutory Instrument No. 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (Lloyd's Regulations 2008).

Separate underwriting year accounts for the closed 2016 year of account can be found on pages 37 to 70.

RESULTS

The Board of Directors are pleased to announce a profit of £30.0m for Syndicate 609 for calendar year 2018 (2017 – profit of £11.7m). Profits will be distributed by reference to the results of individual underwriting years.

PRINCIPLE ACTIVITY AND REVIEW OF THE BUSINESS

The syndicate's principal activity during the year continued to be the transaction of general insurance and reinsurance business at Lloyd's.

RISK STRATEGY

Understanding its Risk Universe, the range of risks to which it is exposed, quantification and management of those risks enable the syndicate to determine the capital required to provide suitable security to its policyholders and to ensure that syndicate capital providers are delivered returns appropriate for the risk they assume. Management of risk and return is the core discipline of Atrium's business, against which all significant strategic and operational decisions are evaluated.

The Directors are responsible for setting the Risk Strategy for the syndicate and for oversight of its implementation. The syndicate's risk strategy is to actively take on underwriting risks across a balanced range of (re)insurance classes where the expected margins more than compensate for the risk to the syndicate and/or the costs of risk mitigation e.g. reinsurance. In addition the syndicate seeks investment risk where it is adequately rewarded and the level of risk does not constrain the syndicate's underwriting.

As part of the annual business planning process, the Board determines a Risk Policy Statement, which sets out the levels of planned risk taking, sometimes referred to as Risk Appetite, the basis on which these risk levels will be monitored, and the actions to be taken in the event of deviations from the planned levels. The Agency has a comprehensive governance framework within which the syndicate's exposures to these risks are managed. The governance framework is discussed further below.

BUSINESS AND PERFORMANCE EVALUATION

Syndicate 609 writes a diversified portfolio of classes of business that include Accident & Health, Aviation, Liability, Marine, Non Marine Direct & Facultative, Property & Casualty Binding Authorities, Reinsurance, Upstream Energy and Terrorism.

In underwriting a diversified portfolio of classes, using their skill, knowledge and historic claims data to evaluate the potential claims costs and to determine the appropriate premium, and also by taking a limited amount of market and credit risk in investing the cash flows generated by this activity, the syndicate aims to reward its capital providers with results that are considered attractive relative to the risks assumed.

The key performance measure for the syndicate is return on adjusted Economic Capital Assessment (ECA). This is determined by comparing the total comprehensive income to the Syndicate's ECA set by the Corporation of Lloyd's on agreement of the Syndicate's Solvency Capital Requirement ('uSCR') derived from its Internal Model, including Solvency II balance sheet adjustments. Return on Capital and the following Key Performance Indicators (KPI's) are monitored regularly by the Directors.

	2018 £m	2017 £m
Gross premiums written	**503.0**	467.2
Net earned premiums	**430.4**	408.7
Total Comprehensive Income	**30.0**	11.7
Loss ratio	**48%**	52%
Combined ratio	**93%**	99%
Investment return	**6.0**	7.5
Adjusted ECA	**237.5**	236.0
Return on adjusted ECA	**13%**	5%

Gross premiums written increased by 8% year on year. Increases were experienced across most lines of business. The most significant increases were from the Property & Casualty Binding Authority class where rate increases were achieved post the 2018 California wildfires, the Liability class which has grown in recent years following the arrival of a new underwriting team in 2015, the Marine class where advantage has been taken to write more business as other Lloyd's syndicates have exited this class and Non Marine Direct & Facultative where advantage has been taken of new opportunities that arose post the hurricane losses experienced in 2017.

The loss ratio for the year is 48% (2017 – 52%). During 2018 the syndicate experienced losses from the California wildfires during the final quarter of the year contributing 4% to the loss ratio and impacting our Property & Casualty Binding Authority class of business. Our Marine and Reinsurance classes were impacted by a claim on Project Sassi – a fire at a German shipyard destroying a luxury mega-yacht just as it was nearing completion. This contributed 3% to the loss ratio in 2018. The syndicate has continued to benefit from favorable development on the back years, contributing a saving of 10% on the loss ratio (2017 – 14%). The impact of the catastrophe events during 2017, namely Hurricanes Harvey, Irma and Maria, the Mexico earthquake and California wildfires, contributed 16% to the 2017 loss ratio.

INVESTMENT PERFORMANCE

In a challenging investment environment the syndicate continues to adopt a defensive investment strategy investing in short-dated instruments taking exposure predominantly to highly rated debt. The investment objective is to achieve an investment return from taking a limited amount of market and credit risk in investing the cashflows generated by its principal activity which is underwriting. The table below compares our actual investment performance with the 2017 calendar year. Short term interest rates rose during 2018 across all of our portfolios thus impacting performance when compared to the previous year. Despite short term rates rising through the year, the portfolio performed well due to its allocation to floating rate Asset Backed Securities. Additionally, the modestly short duration posture positively contributed to performance.

Investment Return	2018	2017
US Dollar	**1.20%**	1.57%
Canadian Dollar	**0.91%**	0.27%
Euro	**(0.33)%**	0.44%
Sterling	**0.46%**	0.26%

FOREIGN EXCHANGE

The effects of exchange rate movements are recorded in two elements. Transactions during the year, translated at each quarters average rate, and the translation of closing balances into the functional currency of US Dollars gave rise to foreign exchange losses which are identified within the non-technical account. Revaluation of all functional currency balances to the presentational currency of Sterling, at the closing rate of exchange on 31 December 2018, resulted in a foreign exchange loss and is included within Other Comprehensive Income.

The rates of exchange used in preparing the financial statements are as follows:

	2018		2017	
	Average	Closing	Average	Closing
US Dollar: £ Sterling	**1.34**	**1.27**	1.29	1.35
Euro: £ Sterling	**1.13**	**1.11**	1.14	1.12
Canadian Dollar: £ Sterling	**1.73**	**1.74**	1.67	1.69

PRINCIPLE RISKS AND UNCERTAINTIES

Governance

The Board recognises the critical importance of having efficient and effective risk management systems in place but also recognises that it can only mitigate risks, and not eliminate them entirely. The Board has developed its Own Risk and Solvency Assessment ('ORSA'), comprising the entirety of the processes that it uses to identify, assess, monitor and report the risks faced by its managed syndicate and to evaluate the amount of funds necessary to cover these risks taking into consideration the business profile and risk appetite of the syndicate. Critical to the efficacy of the ORSA is the effective operation of the Risk Management Framework ('RMF'), the Governance Structure and Atrium's Internal Model. The RMF incorporates the so-called "Three Lines of Defence" approach to risk management and reporting.

The RMF is the mechanism through which Atrium ensures it is implementing effective and enterprise wide risk management practices across its business. Key to Atrium's business is the management of risk, return and capital, against which all significant strategic and operational business decisions are evaluated. Atrium has established systems of governance and risk management that enable it to manage its business prudently.

The RMF is the articulation of these systems of risk management and governance and how the various elements interact.

The RMF encompasses the broad range of activities undertaken across the organisational hierarchy to ensure that risks are managed appropriately, spanning from the high level strategy set by the Board to the day to day underwriting decisions being made by syndicate staff and the controls in place to govern these. The RMF can be illustrated as follows:

Strategy: This describes Atrium's strategy setting process and explains how this filters down through the organisation; incorporating the Syndicate's Business Strategy, Risk Strategy, Business Plan, Risk Policy Statement and Risk Policies.

Business Activities: The individual syndicate and agency business units are responsible for implementing the strategy and business plans in accordance with the framework set out in the risk policies.

The people, controls, management information, processes and senior management oversight in place across the business units serve as the "First Line of Defence" in the RMF.

Risk Governance Structure: The Board has established a Risk Governance Structure in order to ensure that risk is appropriately identified, monitored, managed and reported across the organisation; to review the activities of the business units; and to ensure that the RMF is effectively designed, implemented and governed. The Risk Governance Structure is comprised of the Executive Risk Committee ('ERC'), which fulfils the role of Atrium's Risk

Management Function, and its three Risk Sub-Committees, discussed further below.

Independent Assurance: Atrium has in place a Compliance Function and an Actuarial Function in addition to the Risk Management Function (fulfilled by the ERC and the Risk Management Team). These functions have specific responsibilities documented in their terms of reference and are staffed by fit and proper individuals with suitable qualifications, expertise and experience. The activities of these functions seek to provide the Board with assurance as to the appropriateness and effectiveness of the various elements of the RMF, the internal control environment, and the calculation of capital. There are a number of risk management tools which support independent assessment and reporting of risk. Taken together this Independent Assurance comprises the "Second Line of Defence".

Independent Oversight: The RMF provides for independent oversight and challenge via the operation of the Internal Audit Function as well as the Audit Committee and Risk Committee, both of which are Committees of the Board with membership comprised of Non Executive Directors. Together these three groups provide the "Third Line of Defence". The Risk Committee is charged with providing independent oversight and review of Atrium's RMF and its constituent parts whilst the Audit Committee, along with its broader responsibilities for the financial statements and financial reporting process, has oversight of internal controls and the Internal Audit Function.

Executive Risk Committee (ERC)

Atrium's risk governance structure is comprised of the ERC and its three Risk Sub-Committees.

The ERC fulfils the Risk Management Function, in conjunction with the Risk Management Team, and coordinates the risk management activities conducted for the Agency's managed syndicate. It is responsible for ensuring that the RMF and Internal Model, operates effectively, and for maintaining an aggregated and holistic view of risks to the syndicate and reporting on them to the Board, Committees and management as appropriate. It also ensures that there is robust and effective management, governance and oversight of Atrium's Internal Model which is used to set capital and is also widely used within the business.

To support delivery of the ERC's responsibilities, there are three Risk Sub-Committees, each being responsible for oversight, review and challenge of the activities of the syndicate and in particular ensuring that activities are within risk policies, that risks are suitably identified, monitored and reported, and that appropriate contingency plans are in place.

The principal risks to which the syndicate is exposed are discussed below together with the mitigation techniques adopted. For clarity, the risks are analysed by reference to the Risk Sub-Committees that have responsibility for the relevant risk area.

Insurance Risk Sub-Committee (IRSC)

The IRSC is responsible for oversight of insurance risk which includes underwriting, claims, reserving, and reinsurance.

Underwriting risk is the risk that future losses are greater than allowed for within premiums. This could be due to natural fluctuations in claims frequencies and severities, changes in economic and judicial environments, anti-selection, inappropriate premium estimation or catastrophic loss activity.

Underwriting risk is mitigated through numerous controls including underwriter peer review, authority limits, independent review of risks written, and purchase of an appropriate reinsurance programme. The Syndicate Business Forecast is completed annually and stipulates those classes of business and concentration by class that will be written during the forthcoming year. It is reviewed by the IRSC and approved by the Board prior to being submitted to Lloyd's for approval. Actual performance during the year is monitored by reference to the Syndicate Business Forecast.

The risk of catastrophic claims is mitigated by the syndicate having a defined risk appetite which determines the net loss that it intends to retain for major catastrophe events and where deemed appropriate reinsurance is purchased to limit the impact of losses. Although the likelihood of occurrence is considered to be remote, there may be circumstances where the loss from a particular catastrophe event exceeds the net risk appetite perhaps due to the occurrence of a loss that has not been considered or where the reinsurance purchased proves to be insufficient.

Reserving risk is that we have insufficient provision for losses that have already occurred.

Reserving risk is mitigated by the robust reserve adequacy exercise that is performed on a quarterly basis by the Actuarial Function and approved by the Board. The quarterly exercise involves a review of the paid and outstanding claims and an assessment of the appropriate provision for incurred but not reported (IBNR) claims. The reserves are considered by the IRSC and approved by the Board. The reserving is carried out based on historical development data, the claims environment and information provided by lawyers and third party claims adjusters. Although a thorough review is carried out the reserves carried may be more or less than adequate to meet the final cost of claims.

The IRSC also reviews the proposed reinsurance programme that is used to protect capital from frequency and severity of losses that may be sustained through underwriting the varied lines of business written. The review includes analysis of the reinsurance cover being purchased and assessment of the proposed counterparties.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT CONTINUED

Financial Risk Sub-Committee (FRSC)
The FRSC is responsible for oversight of financial risks and the steps taken to mitigate them as they arise from investments, asset/liability management, credit, liquidity and concentration risks. These risks are discussed further below.

Investment risk is the risk that the syndicate's earnings are affected by changes in the value of the investment portfolio; such changes in value may be driven by changes in the economic and political environment and by movements in interest and foreign exchange rates. Atrium manages the syndicate's investments in accordance with investment guidelines established by the Board that are reviewed on a regular basis. The FRSC monitors the performance of the external investment manager and the custodians responsible for the safekeeping of the investments, and reports regularly to the Board.

Asset/liability mismatch is the risk that the syndicate could incur a loss through inadequate matching of its investments with its insurance liabilities. Due to the short tail nature of the majority of these liabilities, the syndicate does not seek to achieve a precise matching with the investment portfolio, instead developing an investment duration guideline that is broadly in line with the average payment profile of the liabilities. However, the syndicate substantially mitigates exposures to currency mismatch by investing premiums in the currency in which subsequent claims are most likely to be incurred and periodic rebalancing to ensure that these remain appropriate for the liabilities. The majority of the syndicate's business is denominated in US dollars and accordingly the substantial part of the investment portfolio is in US dollar denominated investments.

The key aspect of credit risk is the risk of default by one or more of the syndicate's reinsurers, their investment counterparties, or insurance intermediaries. Reinsurance is placed with security that adheres to the Atrium reinsurance policy. The exposure to credit risk in the investment portfolio is mitigated through adherence to the investment guidelines which require the syndicate's core investment portfolios to be held in government and corporate debt with a high credit quality rating and with a relatively short duration, thus substantially mitigating the risk of sustaining losses from default. Exposure to intermediaries is mitigated by rigorous review of new intermediaries, contractual terms of business, regulated or segregated client accounts, monitoring of balances and credit control procedures.

Liquidity risk is the risk that the syndicate will not be able to meet its short term liabilities as they fall due, owing to a shortfall in cash. This risk is mitigated through holding invested funds in high credit quality and short duration investments, and cash flow projections are also reviewed on a regular basis. The need for overdraft facilities in case of unprojected cash flow deficit is also reviewed regularly.

Concentration risk is the exposure to loss that could arise if the bulk of the amounts recoverable by the syndicate were dependent on a limited number of reinsurers, or if investments were restricted to limited numbers of counterparties or sectors. The risk is mitigated by restricting the permitted cessions to individual reinsurers for any one underwriting year and through the investment guidelines which limit exposure to individual investment counterparties and sectors.

Operational Risk Sub-Committee (ORSC)
The ORSC is responsible for oversight of the syndicate's exposures to operational, group, conduct and regulatory risks.

Operational risk is the risk of loss due to inadequate or failed processes and procedures, people and systems, or external events. The agency seeks to manage these risks by operating a control based environment which consists of documented procedures, segregation of duties and appropriate levels of review.

Conduct Risk is the risk that as part of writing and servicing insurance policies the syndicate fails to pay due regard to the interests of its customers. This is mitigated through the application of Atrium's conduct risk policy and procedures and through staff's adherence to Atrium's Code of Business Principles and Ethics. Atrium is committed to conducting its activities and stakeholder relationships in a fair and honest manner and the highest standard of conduct, professionalism and integrity is expected from all of its employees, with due regard paid at all levels of the organization to ensuring fair outcomes for customers. Key controls include training of staff, embedding of the consideration of conduct risk as part of the business planning process and through the product life-cycle and Board and governance oversight and reporting. The ORSC fulfils the role of a "product oversight group" providing customer challenge and perspective to Atrium's products.

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Agency has a Compliance Officer and team who monitor regulatory developments and assess the impact on agency policy and maintain an ongoing open dialogue with both regulators and Lloyd's. They also carry out a compliance monitoring programme.

Regular reviews are performed by the Internal Audit department to ensure that deviations from the agency's policies, and control weaknesses, are identified and reported to the appropriate level of management and the Audit Committee when considered necessary.

BREXIT

With the UK government invoking Article 50 in March 2017, this would mean that without extensions, or agreement of the Withdrawal Agreement and Transition Period, the UK will formally leave the European Union on 29 March 2019 ("hard Brexit"). As a direct result of this decision Atrium's Board formulated a contingency strategy and work programme and has planned on the basis of a worst case / hard Brexit. A key implication of Brexit is the loss of 'passporting rights' which allows Lloyd's of London and Syndicate 609 to conduct cross-border business throughout the European Economic Area (EEA).

In order to provide continued access to Lloyd's for policy holders within the EEA, Lloyd's has set up a subsidiary in Brussels (Lloyd's Insurance Company S.A.). Atrium has worked closely with Lloyd's on this contingency arrangement. Lloyd's Brussels is an insurance company authorised and regulated by the National Bank of Belgium and regulated by the Financial Services and Markets Authority. The subsidiary is fully capitalised and assigned the equivalent financial ratings as Lloyd's from A.M Best (A), Fitch (AA-) and Standard & Poors (A+).

Whilst it is only a small proportion of its overall business, Syndicate 609 have incorporated the essential changes required by Lloyd's throughout the organisation to be business ready to uphold our reputation by providing the best possible service to brokers, coverholders and ultimately policy holders.

Syndicate 609 is underwriting business incepting from 1 January 2019 domiciled or located in the EEA, which includes the 27 EU states plus 3 EEA states, on behalf of Lloyd's Brussels. Syndicate 609 will underwrite EEA-located business to a new syndicate number of 5310, with business being 100% reinsured back to Syndicate 609.

For EEA reinsurance business in the majority of circumstances Atrium should still be able to write this business cross-border from London on Syndicate 609's paper in the event of a hard Brexit, although Lloyd's Brussels is able to underwrite reinsurance business on a facultative and non-proportional basis.

All non-EEA business will be underwritten via Syndicate 609 in the current manner.

Lloyd's have confirmed that they plan to transfer all legacy EEA business to Lloyd's Brussels before the end of 2020 via a Part VII transfer. Whilst uncertainty remains about whether a withdrawal agreement will be reached before the UK exits the EU on 29 March and the terms of the future relationship between the UK and the EU, in the event that the UK leaves with no transition or implementation period Lloyd's have advised underwriters to continue to honour their contractual commitments including the payment of valid claims. Lloyd's expects that this will have the support of all European regulators as it goes to the heart of treating customers fairly.

There is still considerable uncertainty with the consequences of executing Article 50 and the current negotiations. Atrium has sought to appropriately mitigate the volatility of the resultant uncertainties from a withdrawal from Europe where known but as a result of the contingency arrangement put in place by Lloyd's, Atrium's Board is confident that Syndicate 609's future performance should not be materially impacted by Brexit.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT CONTINUED

BOARD AND MANAGEMENT CHANGES

On 1 January 2018, Paul O'Shea, Atrium's Non-Executive Chairman, stepped down from the Board of Atrium Underwriters Limited and was replaced by Steve Cook, an existing Atrium Non-Executive Director.

Andrew Winyard, an Atrium Executive Director, stepped down from the Board of Atrium Underwriters Limited on 19 April 2018.

DIRECTORS & OFFICERS

The Directors & Officers of the managing agent who served during the year ended 31 December 2018 were as follows:

Martha Bruce, Bruce Wallace Associates Limited (Company Secretary)
Steve Cook
James Cox
Toby Drysdale (Active Underwriter 609)
Andrew Elliott
Gordon Hamilton
Richard Harries
James Lee
Brendan Merriman
Stephen Riley
Samit Shah
Kirsty Steward
Andrew Winyard (resigned effective 19 April 2018)

DIRECTORS' INTERESTS

Details of Directors' interests may be found in note 17 to the accounts.

RE-APPOINTMENT OF AUDITORS

The Board of Directors have re -appointed KPMG LLP as the syndicate auditors for the year ending 31 December 2019. KPMG LLP have indicated their willingness to continue in office as the syndicate auditor.

SYNDICATE ANNUAL GENERAL MEETING

As permitted under the Syndicate Meetings (Amendment No.1) Byelaw (No.18 of 2000) Atrium Underwriters Limited does not propose to hold a Syndicate Annual General Meeting of the members of Syndicate 609. Members may object to this proposal or the intention to reappoint auditors within 21 days of the issue of these financial statements. Any such objection should be addressed to James Cox, Compliance Director, at the registered office.

DISCLOSURE OF INFORMATION TO THE AUDITORS

So far as each person who was a Director of the managing agent at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with its report, of which the auditor is unaware. Having made enquiries of fellow Directors of the agency and the syndicate's auditor, each Director has taken all the steps that he/she is obliged to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the Board

James Lee
Managing Director
7 March 2019

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

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

Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires the managing agent to prepare their syndicates 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 Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 the managing agent 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 syndicate and of the profit or loss of the syndicate for that period. In preparing these financial statements, the managing agent is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements assuming there are no uncertainties surrounding the syndicate's ability to continue to write business in the future as required to provide a true and fair view.

The managing agent is responsible for keeping adequate accounting records that are sufficient to show and explain the syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the syndicate and enable them to ensure that the financial statements comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the syndicate and to prevent and detect fraud and other irregularities.

The managing agent is responsible for the maintenance and integrity of the syndicate and financial information included on the syndicate's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SYNDICATE 609

OPINION

We have audited the financial statements of Syndicate 609 for the year ended 31 December 2018 which comprise the Statement of Profit or Loss: Technical account – General business, Statement of Comprehensive Income: non-technical account, Balance Sheet – Assets, Balance Sheet – Liabilities, Statement of Changes in Members' Balances, Statement of Cash Flows, and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2018 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 Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

BASIS FOR OPINION

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

GOING CONCERN

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the syndicate's business model, including the impact of Brexit, and analysed how those risks might affect the syndicate's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 syndicate will continue in operation.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

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

Our responsibility is to read the Report of the directors of the Managing Agent and, in doing so, consider whether, based on our 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 that report.

In our opinion the information given in the Report of the Directors of the Managing Agent is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

RESPONSIBILITIES OF THE DIRECTORS OF THE MANAGING AGENT

As explained more fully in their statement set out on page 7, the directors of the Managing Agent are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES

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

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

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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

David Maddams (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London E14 5GL
8 March 2019

STATEMENT OF COMPREHENSIVE INCOME TECHNICAL ACCOUNT – GENERAL BUSINESS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	£'000	2018 £'000	£'000	2017 £'000
Earned premiums, net of reinsurance					
Gross premiums written	5		**503,029**		467,156
Outward reinsurance premiums			**(51,795)**		(58,499)
Net premiums written			**451,234**		408,657
Change in the provision for unearned premiums:					
Gross amount		**(19,531)**		(5,301)	
Reinsurers' share		**(1,286)**		5,336	
Change in the net provision for unearned premiums			**(20,817)**		35
Earned premiums, net of reinsurance			**430,417**		408,692
Allocated investment return transferred from the non-technical account			**5,996**		7,522
Claims incurred, net of reinsurance					
Claims paid:					
Gross amount		**233,416**		186,021	
Reinsurers' share		**(40,054)**		(13,743)	
Net claims paid			**193,362**		172,278
Change in the provision for claims:					
Gross amount		**10,915**		70,023	
Reinsurers' share		**4,441**		(30,567)	
Change in the net provision for claims			**15,356**		39,456
Claims incurred, net of reinsurance			**208,718**		211,734
Net operating expenses	7		**192,998**		193,801
Balance on the technical account for general business			**34,697**		10,679

All operations relate to continuing activities.

NON-TECHNICAL ACCOUNT – GENERAL BUSINESS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £'000	2017 £'000
Balance on the technical account for general business		**34,697**	10,679
Investment income	10	**13,268**	11,246
Net unrealised losses on investments	10	**(5,940)**	(2,007)
Investment expenses and charges	10	**(1,332)**	(1,717)
Allocated investment return transferred to general business technical account		**(5,996)**	(7,522)
Foreign exchange (losses)/gains		**(1,621)**	640
Profit for the financial year		**33,076**	11,319
Other comprehensive income			
Currency translation differences		**(3,118)**	396
Total comprehensive income for the year		**29,958**	11,715

All operations relate to continuing activities.

BALANCE SHEET: ASSETS

AT 31 DECEMBER 2018

	Notes	£'000	2018 £'000	£'000	2017 £'000
Investments	11		502,289		518,314
Reinsurers' share of technical provisions	15				
Provision for unearned premiums		13,932		13,875	
Claims outstanding	6	119,438		117,994	
			133,370		131,869
Debtors					
Debtors arising out of direct insurance operations	12	141,486		114,012	
Debtors arising out of reinsurance operations		18,130		17,579	
Other debtors		157		532	
			159,773		132,123
Other assets					
Cash at bank and in hand		29,587		33,613	
Overseas deposits		76,013		77,215	
			105,600		110,828
Prepayments and accrued income					
Accrued interest		3,514		851	
Deferred acquisition costs	13	70,010		60,955	
			73,524		61,806
Total assets			974,556		954,940

BALANCE SHEET: LIABILITIES

AT 31 DECEMBER 2018

	Notes	£'000	2018 £'000	£'000	2017 £'000
Capital and reserves					
Members' balances			**(48,915)**		(23,109)
Technical provisions	15				
Provision for unearned premiums		**217,095**		188,086	
Claims outstanding	6	**743,465**		701,094	
			960,560		889,180
Creditors					
Creditors arising out of direct insurance operations	16	**4,136**		17,382	
Creditors arising out of reinsurance operations		**27,242**		27,530	
Other creditors		**23,680**		38,237	
			55,058		83,149
Accruals and deferred income			**7,853**		5,720
Total liabilities			**974,556**		954,940

The Annual Report and Accounts were approved at a meeting of the Board of Directors of Atrium Underwriters Limited, on 7 March 2019 and were signed on its behalf by:

James Lee
Agency Managing Director
7 March 2019

Richard Harries
Chief Executive Officer
7 March 2019

STATEMENT OF CHANGES IN MEMBERS' BALANCES

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £'000	2017 £'000
Members' balances brought forward at 1 January	**(23,109)**	38,052
Profit for the financial year	**33,076**	11,319
Payments of profit to members' personal reserve funds	**(55,764)**	(72,876)
Other comprehensive income for the year	**(3,118)**	396
Members' balances carried forward at 31 December	**(48,915)**	(23,109)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	2018 £'000	2017 £'000
Cash flows from operating activities		
Profit for the financial year	**33,076**	11,319
Net realised and unrealised investment gains	**6,452**	2,890
Foreign exchange on balance due to members	**(3,291)**	163
Currency translation differences	**11,098**	(11,779)
Increase in net technical provisions	**35,719**	38,046
Increase in debtors	**(31,182)**	(5,189)
(Decrease)/increase in creditors	**(29,960)**	22,098
Net (purchase)/sale of shares and other variable yield securities and units in unit trusts	**(1,070)**	5,853
Net sale of debt securities and other fixed income securities	**22,897**	26,847
Net sale of loans secured by mortgage	**56**	58
Purchase of deposits with credit institutions	**(5)**	–
Increase/(decrease) in overseas deposits	**3,271**	(8,190)
Net cash inflow from operating activities	**47,061**	82,116
Cash flows from financing activities		
Members' agents' fees	**1,998**	(1,955)
Transfer to members in respect of underwriting participations	**(54,110)**	(71,655)
Other	**(334)**	50
Net cash outflow from financing activities	**(52,446)**	(73,560)
Net (decrease)/increase in cash and cash equivalents	**(5,385)**	8,556
Cash and cash equivalents at beginning of financial year	**33,613**	25,325
Effect of foreign exchange rates on cash and cash equivalents	**1,359**	(268)
Cash and cash equivalents at end of financial year	**29,587**	33,613
Reconciliation to cash at bank and in hand		
Cash at bank and in hand at end of financial year	**29,587**	33,613
Cash equivalents	**–**	–
Cash and cash equivalents at end of financial year	**29,587**	33,613

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2018

1. BASIS OF PREPARATION

The syndicate is managed by Atrium Underwriters Limited which is incorporated in the United Kingdom. The address of its registered office is Room 790, Lloyd's, 1 Lime Street, London, EC3M 7DQ.

The syndicate's principal activity during the year continued to be the transaction of general insurance and reinsurance business at Lloyd's.

These financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the applicable accounting standards in the United Kingdom.

The financial statements have been prepared on the historical cost basis with the exception of financial assets which are measured at fair value through profit or loss.

The Directors of the Managing Agent have prepared these Financial Statements on the basis that the syndicate will continue to write future business. The ability of the syndicate to meets its obligations as they fall due is underpinned by the support provided by the Lloyd's solvency process and its chain of security for any members who are not able to meet their underwriting liabilities.

The financial statements are presented in Sterling (GBP). The syndicate's functional currency is US dollars (USD).

2. USE OF JUDGEMENTS AND ESTIMATES

In preparing these financial statements, the directors of the Managing Agent have made judgements, estimates and assumptions that affect the application of the syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The measurement of the provision for claims outstanding involves judgements and assumptions about the future that have the most significant effect on the amounts recognised in the financial statements.

The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgement is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported (IBNR) to the syndicate.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the in-house actuaries and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time in view of the likely ultimate claims to be experienced and for more recent underwriting, having regard to variations in business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of business accepted and assessments of underwriting conditions.

In arriving at the level of claims provisions, a margin is applied over and above the actuarial best estimate so no adverse run-off deviation is envisaged. Further information about the risk that the provision for claims outstanding could be materially different from the ultimate cost of claims settlement, is included in note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the syndicate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The areas involving a higher degree or judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Insurance Classification

The syndicate's contracts are classified at inception, for accounting purposes, as insurance contracts. A contract that is classified as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire. Insurance contracts are those contracts that transfer significant insurance risk, if and only if, an insured event could cause an insurer to pay significant additional benefits above premiums received and interest earned thereon, excluding scenarios that lack commercial substance. Such contracts may also transfer financial risk.

Gross Premiums Written

Gross written premiums comprise the total premiums receivable for the whole period of cover under contracts incepting during the financial year, together with adjustments arising in the financial year to premiums receivable in respect of business written in previous financial years.

All gross premiums are shown gross of commission payable to intermediaries and are exclusive of taxes and duties levied thereon.

Unearned Premiums

Written premiums are recognised as earned income over the period of the policy on a time apportionment basis, having regard, where appropriate, to the incidence of the risk. Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the balance sheet date.

Reinsurance Premiums Ceded

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

Claims Provisions and Related Recoveries

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

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

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

The reinsurers' share of provisions for claims is based on the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. A number of statistical methods are used to assist in making these estimates.

The two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

Deferred Acquisition Costs

Acquisition costs, comprising commission and other costs related to the acquisition of insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

Unexpired Risks Provision

A provision for unexpired risks is made where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred. The provision for unexpired risks is calculated by reference to the classes of business which are managed together, after taking into account relevant investment returns.

Investment Return

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

Realised gains and losses on investments are calculated as the difference between sale proceeds and purchase price.

Unrealised gains and losses on investments represents the difference between the valuation at the balance sheet date and the valuation at the previous balance sheet date, or purchase price, if acquired during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments support the underwriting business.

Foreign Currencies

The syndicate's functional currency is US dollars (USD), being the primary economic environment in which it operates. The syndicate's presentational currency is Sterling (GBP).

Transactions in foreign currencies are translated at the average rates of exchange for the period. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. Differences arising on translation of foreign currency amounts relating to the insurance operations of the syndicate are included in the non-technical account.

In translating its results and financial position into the presentational currency, the syndicate translates all assets and liabilities at the closing rates of exchange and translates all income and expense items at average rates, with all resulting exchange gains and losses being recognised in other comprehensive income.

Financial Instruments

The syndicate has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets, including deposits with credit institutions, debtors arising out of direct insurance and reinsurance operations, cash and cash equivalents and other debtors, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at fair value.

Investments are stated at current value at the balance sheet date. For this purpose, listed investments are stated at fair value and deposits with credit institutions are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date. Any surplus or deficit on any revaluation is recognised in the non-technical account.

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

Basic financial liabilities, including creditors arising from insurance operations that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is then measured at the present value of the future receipts discounted at a market rate of interest.

Financial liabilities are derecognised when the liability is extinguished, that is, when the contractual obligation is discharged, cancelled or expires.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability, simultaneously.

Fair Value Measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the syndicate estimates the fair value by using a valuation technique. See note 11 for further information on the syndicate's valuation techniques.

At each reporting date the syndicate assesses whether there is objective evidence that financial assets not at fair value through profit or loss, are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of an asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

An impairment loss recognised reduces directly the carrying amount of the impaired asset. All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to only an insignificant risk of change in value.

Taxation

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

No provision has been made for any United States federal income tax payable on underwriting results or investment earnings. Any payments on account made by the syndicate during the year are included in the balance sheet under the heading 'other debtors'.

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

Pension Costs

The Atrium Group operates a defined contribution pension scheme. Pension contributions relating to syndicate staff are charged to the syndicate and included within net operating expenses.

Profit Commission

Profit commission is charged by the managing agent at a rate of 20% of profit subject to the operation of a deficit clause. Where profit commission is charged it is included within members' standard personal expenses within administrative expenses.

4. RISK AND CAPITAL MANAGEMENT

This note presents information about the nature and extent of insurance and financial risks to which the syndicate is exposed.

Risk Management Framework

The Board of Directors of the Managing Agent has overall responsibility for the establishment and oversight of the syndicate's risk management framework. The Board has established a Risk Governance Structure in order to ensure that risk is appropriately identified, monitored, managed and reported across the organisation; to review the activities of the business units; and to ensure that the Risk Management Framework is effectively designed, implemented and governed. The Risk Governance Structure is comprised of the Executive Risk Committee ('ERC'), which fulfils the role of Atrium's Risk Management Function, and its three Risk Sub-Committees. These are the Insurance Risk Sub-Committee ('IRSC'), the Financial Risk Sub-Committee ('FRSC') and the Operational Risk Sub-Committee ('ORSC'). The ERC reports regularly to the Board of Directors on its activities.

Insurance Risk Management

The syndicate accepts insurance risk through its insurance contracts where it assumes the risk of loss from persons or organisations that are directly subject to the underlying loss. The syndicate is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts. The actual number and value of claims will vary from year to year and from the level estimated, possibly significantly.

The syndicate manages its risk via its underwriting and reinsurance strategy within an overall risk management framework. Pricing is based on assumptions which have regard to trends and past experience. Exposures are managed by having documented underwriting limits and criteria. Reinsurance is purchased to mitigate the effect of potential loss to the syndicate from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Reinsurance policies are written with approved reinsurers on either a proportional or excess of loss treaty basis. Where an individual exposure is deemed surplus to the syndicate's risk appetite additional facultative reinsurance is also purchased.

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

Our in-house actuaries perform a reserving analysis on a quarterly basis liaising closely with underwriters, claims and reinsurance technicians. The aim of this exercise is to produce a probability-weighted average of the expected future cash outflows arising from the settlement of incurred claims. These projections include an analysis of claims development compared to the previous 'best estimate' projections. The output of the reserving analysis is reviewed by external consulting actuaries.

The IRSC performs a comprehensive review of the projections, both gross and net of reinsurance. Following this review the IRSC makes recommendations to the managing agent's board of directors of the claims provisions to be established. In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate so no adverse run-off deviation is envisaged.

4. RISK AND CAPITAL MANAGEMENT CONTINUED

Concentration of insurance risk:

A concentration of risk may also arise from a single insurance contract issued to a particular demographic type of policyholder, within a geographical location or to types of commercial business. The relative variability of the outcome is mitigated if there is a large portfolio of similar risks.

The concentration of insurance by the geographical location of the underlying risk is summarised below by reference to liabilities.

	Gross Claims Outstanding		Reinsurer's Share of Claims Outstanding		Net Claims Outstanding	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
UK	**26,966**	27,017	**4,331**	4,547	**22,635**	22,470
Other EU Countries	**88,239**	45,726	**14,176**	7,696	**74,063**	38,030
US	**477,236**	448,143	**76,669**	75,422	**400,567**	372,721
Asia	**4,720**	10,386	**758**	1,748	**3,962**	8,638
Canada	**44,505**	36,197	**7,150**	6,092	**37,355**	30,105
Australia	**27,826**	32,578	**4,470**	5,483	**23,356**	27,095
Other	**73,973**	101,047	**11,884**	17,006	**62,089**	84,041
	743,465	701,094	**119,438**	117,994	**624,027**	583,100

The concentration of insurance by type of contract is summarised below by reference to liabilities.

	Gross Claims Outstanding		Reinsurer's Share of Claims Outstanding		Net Claims Outstanding	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Accident and health	**29,307**	22,667	**3,535**	2,294	**25,772**	20,373
Motor (third party liability)	**125**	201	**–**	–	**125**	201
Motor (other classes)	**5,640**	6,571	**–**	120	**5,640**	6,451
Marine, aviation and transport	**118,643**	117,359	**47,102**	38,484	**71,541**	78,875
Fire and other damage to property	**141,052**	129,209	**12,592**	14,828	**128,460**	114,381
Third party liability	**324,689**	294,279	**37,402**	35,654	**287,287**	258,625
Credit and suretyship	**5,728**	5,069	**218**	277	**5,510**	4,792
Legal expenses	**1,635**	2,352	**8**	1	**1,627**	2,351
	626,819	577,707	**100,857**	91,658	**525,962**	486,049
Reinsurance	**116,646**	123,387	**18,581**	26,336	**98,065**	97,051
Total	**743,465**	701,094	**119,438**	117,994	**624,027**	583,100

Assumptions and sensitivities:

The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The syndicate uses several statistical and actuarial techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios.

4. RISK AND CAPITAL MANAGEMENT CONTINUED

The syndicate considers that the liability for insurance claims recognised in the balance sheet is adequate. However, actual experience will differ from the expected outcome.

A 5% increase or decrease in the loss ratios would have the following impact on total comprehensive income. For each sensitivity the impact of a change in a single factor is shown, with other assumptions unchanged.

	Total Comprehensive Income Impact	
	2018 £'000	2017 £'000
5% increase in net loss ratios	**(10,436)**	(10,587)
5% decrease in net loss ratios	**10,436**	10,587

Financial Risk Management

The syndicate is exposed to financial risk through its financial assets, reinsurance assets and policyholder liabilities. In particular the key financial risk is that proceeds from, or the valuation of, financial assets are not sufficient to fund the obligations arising from policies as they fall due. The syndicate monitors and manages the financial risks relating to the operations of the syndicate through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk.

Market risk: Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and other price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities. The objective of the syndicate in managing its market risk is to ensure risk is managed in line with the syndicate's risk appetite.

The syndicate has established policies and procedures in order to manage market risk and methods to measure it.

There were no material changes in the syndicate's market risk exposure in the financial year nor to the objectives, policies or processes for managing market risk.

Foreign currency risk management

The syndicate undertakes certain transactions denominated in foreign currencies hence, exposures to exchange rate fluctuations arise.

The syndicate has minimal exposure to currency risk as the syndicate's financial assets are primarily matched to the same currencies as its insurance contract liabilities. As a result, foreign exchange risk arises from other recognised assets and liabilities denominated in other currencies.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2018

4. RISK AND CAPITAL MANAGEMENT CONTINUED

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

As at 31 December 2018	Sterling £'000	Euro £'000	US Dollar £'000	Can Dollar £'000	Other £'000	Total £'000
Investments	24,410	40,391	392,505	44,983	–	502,289
Reinsurers' share of technical provisions	9,940	28,329	92,584	2,517	–	133,370
Debtors	26,267	14,588	108,739	10,179	–	159,773
Other assets	33,606	18,190	41,153	12,328	323	105,600
Prepayments and accrued income	17,967	3,903	45,215	6,439	–	73,524
Total assets	**112,190**	**105,401**	**680,196**	**76,446**	**323**	**974,556**
Technical provisions	105,356	97,832	694,341	63,031	–	960,560
Creditors	9,437	6,063	38,928	630	–	55,058
Accruals and deferred income	675	13	6,037	1,128	–	7,853
Total liabilities	**115,468**	**103,908**	**739,306**	**64,789**	**–**	**1,023,471**
Net (liabilities)/assets	**(3,278)**	**1,493**	**(59,110)**	**11,657**	**323**	**(48,915)**

As at 31 December 2017	Sterling £'000	Euro £'000	US Dollar £'000	Can Dollar £'000	Other £'000	Total £'000
Investments	26,342	37,267	412,924	41,781	–	518,314
Reinsurers' share of technical provisions	10,543	3,634	115,910	1,782	–	131,869
Debtors	20,245	7,256	98,385	6,211	26	132,123
Other assets	31,871	6,718	63,124	8,830	285	110,828
Prepayments and accrued income	14,750	3,432	38,404	5,220	–	61,806
Total assets	**103,751**	**58,307**	**728,747**	**63,824**	**311**	**954,940**
Technical provisions	100,694	52,342	686,215	49,929	–	889,180
Creditors	16,594	4,815	61,727	–	13	83,149
Accruals and deferred income	975	13	3,197	1,535	–	5,720
Total liabilities	**118,263**	**57,170**	**751,139**	**51,464**	**13**	**976,049**
Net (liabilities)/assets	**(14,512)**	**1,137**	**(22,392)**	**12,360**	**298**	**(23,109)**

The following table details the syndicate's sensitivity to a 10% increase and decrease in Sterling against US Dollar and Euro. For each sensitivity the impact of change in a single factor is shown, with other assumptions unchanged.

	Total Comprehensive Income Impact 2018 £'000	2017 £'000
10% increase in GBP/US Dollar exchange rate	**(637)**	2,146
10% decrease in GBP/US Dollar exchange rate	**637**	(2,146)
10% increase in GBP/Euro exchange rate	**(4,221)**	(1,528)
10% decrease in GBP/Euro exchange rate	**4,221**	1,528

The syndicate's method for measuring sensitivity to currency rate fluctuations has not changed significantly over the financial year.

4. RISK AND CAPITAL MANAGEMENT CONTINUED

Interest rate risk management

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk arises primarily from the syndicate's financial investments, cash and overseas deposits. The risk of changes in the fair value of these assets is managed by primarily investing in short-duration financial investments and cash and cash equivalents. The FRSC monitors the duration of these assets on a regular basis. The syndicate has no significant concentration of interest rate risk. The syndicate manages this risk by adopting close asset/liability matching criteria, to minimise the impact of mismatches between asset and liability values arising from interest rate movements.

The following table details the syndicate's sensitivity to a 50 basis point increase and decrease in the yield curve. For each sensitivity the impact of change in a single factor is shown, with other assumptions unchanged.

	Total Comprehensive Income Impact	
	2018 £'000	2017 £'000
50 basis point increase	**(4,201)**	(4,755)
50 basis point decrease	**4,236**	4,816

The syndicate's method for measuring sensitivity to interest rate fluctuations has not changed significantly over the financial year.

Credit risk: Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the syndicate. The key areas of exposure to credit risk for the syndicate are in relation to its investment portfolio, reinsurance programme and amounts due from policyholders and intermediaries.

The objective of the syndicate in managing its credit risk is to ensure risk is managed in line with the syndicate's risk appetite. The syndicate has established policies and procedures in order to manage credit risk and methods to measure it.

There were no material changes in the syndicate's credit risk exposure in the financial year nor to the objectives, policies and processes for managing credit risk.

The syndicate has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The syndicate only transacts with entities that are rated the equivalent to investment grade and above.

This information is supplied by independent rating agencies where available and if not available the syndicate uses other publicly available financial information and its own trading records to rate its major policyholders and reinsurers.

The syndicate's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the FRSC annually. Furthermore, in certain instances, the syndicate receives deposits from its reinsurers which it holds under the terms of the reinsurance agreements.

Receivables consist of a large number of policyholders, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The syndicate does not have any significant credit risk exposure to any single counterparty or any group of counterparties. Concentration of credit did not exceed 5% of gross monetary assets at any time during the financial year. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

4. RISK AND CAPITAL MANAGEMENT CONTINUED

The carrying amount of financial assets and reinsurance assets recorded in the financial statements represents the syndicate's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The syndicate monitors the credit risk in relation to its investment portfolio and reinsurance programme by monitoring external credit ratings for the investments and reinsurance assets held by the syndicate on a quarterly basis.

The following table shows aggregated credit risk exposure for assets with external credit ratings. Reinsurance assets are reinsurers' share of outstanding claims and IBNR and reinsurance receivables. They are allocated in the table below on the basis of ratings for claims paying ability.

As at 31 December 2018	AAA £'000	AA £'000	A £'000	BBB £'000	<BBB £'000	Not rated £'000	Total £'000
Investments	103,297	100,041	219,972	46,604	32,375	–	502,289
Reinsurers' share of technical provisions	–	30,593	77,937	23	6	24,811	133,370
Debtors	–	–	159,588	–	–	185	159,773
Other assets	44,428	9,035	37,956	5,679	328	8,174	105,600
Accrued interest	–	–	3,514	–	–	–	3,514
Total	**147,725**	**139,669**	**498,967**	**52,306**	**32,709**	**33,170**	**904,546**

Not rated other assets represents cash awaiting investment within our Lloyd's overseas deposits.

As at 31 December 2017	AAA £'000	AA £'000	A £'000	BBB £'000	<BBB £'000	Not rated £'000	Total £'000
Investments	90,854	100,979	242,348	54,912	29,221	–	518,314
Reinsurers' share of technical provisions	–	27,238	80,949	20	8,952	14,710	131,869
Debtors	–	798	131,140	–	–	185	132,123
Other assets	43,415	10,302	44,784	6,366	1,060	4,901	110,828
Accrued interest	–	–	851	–	–	–	851
Total	134,269	139,317	500,072	61,298	39,233	19,796	893,985

The following table shows the carrying value of debtors that are neither past due nor impaired, the ageing of assets that are past due but not impaired and assets that have been impaired. The factors considered in determining that the value of the assets have been impaired were: analysis of impairment, ageing of balances, past loss experience, current economic conditions and other relevant circumstances.

As at 31 December 2018	Neither past due nor impaired £'000	Past due less than 30 days £'000	Past due 31 to 60 days £'000	Past due 61 to 90 days £'000	Past due more than 90 days £'000	Past due and impaired £'000	Carrying amount £'000
Debtors arising out of direct insurance operations	141,486	–	–	–	–	–	141,486
Debtors arising out of direct reinsurance operations	16,598	1,336	429	11	(244)	–	18,130
Total	**158,084**	**1,336**	**429**	**11**	**(244)**	**–**	**159,616**

As at 31 December 2017	Neither past due nor impaired £'000	Past due less than 30 days £'000	Past due 31 to 60 days £'000	Past due 61 to 90 days £'000	Past due more than 90 days £'000	Past due and impaired £'000	Carrying amount £'000
Debtors arising out of direct insurance operations	114,012	–	–	–	–	–	114,012
Debtors arising out of direct reinsurance operations	15,289	1,513	283	227	267	–	17,579
Total	129,301	1,513	283	227	267	–	131,591

4. RISK AND CAPITAL MANAGEMENT CONTINUED

Liquidity Risk Management

Liquidity risk is the risk that the syndicate cannot meet its obligations associated with financial liabilities as they fall due. The syndicate has adopted an appropriate liquidity risk management framework for the management of the syndicate's liquidity requirements. The syndicate manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. The syndicate is exposed to liquidity risk arising from clients on its insurance and investment contracts. In respect of catastrophic events there is liquidity risk from a difference in timing between claim payments and recoveries thereon from reinsurers. Liquidity management ensures that the syndicate has sufficient access to funds necessary to cover insurance claims, surrenders, withdrawals and maturing liabilities. In practice, most of the syndicate's assets are marketable securities which could be converted into cash when required.

There were no material changes in the syndicate's liquidity risk exposure in the financial year nor to the objectives, policies and processes for managing liquidity risk.

In relation to the financial assets, the tables below have been drawn up based on the undiscounted contractual maturities of the assets including interest that will be earned on those assets except where the syndicate anticipates that the cash flow will occur in a different period. The table also shows the expected maturity profile of the syndicate's undiscounted obligations with respect to its financial liabilities and estimated cash flows of recognised insurance and participating investment contract liabilities. The table includes both interest and principal cash flows.

As at 31 December 2018	Less than 1 year £'000	1 – 3 years £'000	3 – 5 years £'000	More than 5 years £'000	Total £'000
Investments	**216,002**	**235,025**	**47,563**	**3,700**	**502,289**
Reinsurers' share of technical provisions	**13,891**	**76,415**	**30,906**	**12,157**	**133,370**
Debtors	**158,920**	**852**	**–**	**–**	**159,773**
Other assets	**51,368**	**48,154**	**6,079**	**–**	**105,600**
Accrued interest	**3,514**	**–**	**–**	**–**	**3,514**
Total	**443,695**	**360,446**	**84,548**	**15,857**	**904,546**
Technical provisions	**306,641**	**418,376**	**140,589**	**94,954**	**960,560**
Creditors	**54,121**	**937**	**–**	**–**	**55,058**
Accruals and deferred income	**1,383**	**–**	**6,470**	**–**	**7,853**
Total	**362,145**	**419,313**	**147,059**	**94,954**	**1,023,471**

As at 31 December 2017	Less than 1 year £'000	1 – 3 years £'000	3 – 5 years £'000	More than 5 years £'000	Total £'000
Investments	215,841	199,788	94,181	8,504	518,314
Reinsurers' share of technical provisions	13,735	75,555	30,558	12,021	131,869
Debtors	129,584	2,539	–	–	132,123
Other assets	73,086	35,397	2,345	–	110,828
Accrued interest	851	–	–	–	851
Total	433,097	313,279	127,084	20,525	893,985
Technical provisions	272,529	394,532	132,577	89,542	889,180
Creditors	81,345	1,804	–	–	83,149
Accruals and deferred income	1,391	1,315	3,014	–	5,720
Total	355,265	397,651	135,591	89,542	978,049

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2018

4. RISK AND CAPITAL MANAGEMENT CONTINUED

Capital Management

Capital framework at Lloyd's

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

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

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at syndicate level. Accordingly, the capital requirement in respect of Syndicate 609 is not disclosed in these financial statements.

Lloyd's capital setting process

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

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member's SCR is determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to arrive at the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to ensure capital is sufficient to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2019 was 35% of the member's SCR 'to ultimate'.

Provision of capital by members

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

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

5. ANALYSIS OF UNDERWRITING RESULT

An analysis of the underwriting result before investment return is set out below:

2018	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
Direct insurance:							
Accident and health	46,179	49,217	24,577	25,325	95	**(590)**	39,153
Motor (third party liability)	667	690	23	192	1	**476**	450
Motor (other classes)	17,122	14,304	8,285	4,855	197	**1,361**	14,814
Marine, aviation and transport	72,817	70,711	30,369	32,662	3,459	**11,139**	100,285
Fire and other damage to property	162,669	153,445	85,807	63,423	(7,191)	**(2,976)**	204,108
Third party liability	137,876	127,167	59,876	54,991	(3,789)	**8,511**	354,511
Credit and suretyship	5,887	5,694	2,442	2,218	241	**1,275**	7,612
Legal expenses	408	509	(478)	152	333	**1,168**	1,809
	443,625	421,737	210,901	183,818	(6,654)	**20,364**	722,742
Reinsurance	59,404	61,761	33,430	16,437	(3,557)	**8,337**	104,448
Total	**503,029**	**483,498**	**244,331**	**200,255**	**(10,211)**	**28,701**	**827,190**

2017	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
Direct insurance:							
Accident and health	45,919	44,696	16,611	22,771	(1,624)	3,690	36,183
Motor (third party liability)	663	482	109	178	(10)	185	529
Motor (other classes)	14,052	12,473	9,237	4,668	(75)	(1,507)	12,435
Marine, aviation and transport	67,299	72,173	13,288	38,097	(10,040)	10,748	103,875
Fire and other damage to property	145,262	141,613	78,169	62,693	(2,807)	(2,056)	177,895
Third party liability	122,155	118,112	69,902	51,146	1,784	(1,152)	313,647
Credit and suretyship	4,921	5,493	5,733	2,384	1,830	(794)	6,558
Legal expenses	858	937	(294)	1,050	(13)	168	2,621
	401,129	395,979	192,755	182,987	(10,955)	9,282	653,743
Reinsurance	66,027	65,876	63,289	16,104	7,392	(6,125)	103,568
Total	467,156	461,855	256,044	199,091	(3,563)	3,157	757,311

Commission on direct insurance gross premiums earned during 2018 was £136,736,000 (2017 – £127,796,000).

All premiums are concluded in the UK.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2018

5. ANALYSIS OF UNDERWRITING RESULT CONTINUED

The geographical analysis of premiums by destination is as follows:

	2018 %	2017 %
UK	**6.4**	7.3
Other EU countries	**6.7**	7.0
US	**55.1**	53.1
Asia	**3.0**	3.1
Canada	**8.0**	8.1
Australia	**3.0**	3.2
Other	**17.8**	18.2
Total	**100.0**	100.0

6. CLAIMS OUTSTANDING

Reassessment of claims outstanding on underwriting years 2015 & prior (2017 - 2014 & prior) resulted in an improvement of £44.6m (2017 - £55.9m).

7. NET OPERATING EXPENSES

	2018 £'000	2017 £'000
Acquisition costs:		
Brokerage & commission	**144,568**	134,432
Other acquisition costs	**17,792**	19,671
Change in deferred acquisition costs	**(5,657)**	(4,537)
Administrative expenses	**43,552**	49,525
	200,255	199,091
Reinsurance commissions receivable	**(7,257)**	(5,290)
	192,998	193,801

Administrative expenses include:

	2018 £'000	2017 £'000
Auditors' remuneration	**232**	234

Members' standard personal expenses (Lloyd's subscriptions, central fund contributions, managing agent's fees and profit commission) are included within administrative expenses and amount to £18,599,000 (2017 - £22,084,000).

8. STAFF NUMBERS AND COSTS

All staff are employed by Atrium Group Services Limited. The following amounts were recharged to the syndicate in respect of staff costs:

	2018 £'000	2017 £'000
Wages and salaries	**14,118**	14,050
Variable compensation	**6,768**	9,452
Social security costs	**2,248**	2,650
Other pension costs	**2,224**	2,142
	25,358	28,294

The average number of employees employed by Atrium Group Services Limited, but working for the syndicate during the year, analysed by category, was as follows:

	2018 Number	2017 Number
Management	**5**	6
Underwriting	**69**	71
Claims	**10**	10
Administration	**56**	53
	140	140

9. REMUNERATION OF THE DIRECTORS OF ATRIUM UNDERWRITERS LIMITED

The twelve directors of Atrium Underwriters Limited received the following aggregate remuneration charged to the syndicate and included within net operating expenses:

	2018 £'000	2017 £'000
Directors' emoluments	**1,364**	1,511
Pensions	**57**	62
	1,421	1,573

No other compensation was payable to key management personnel and charged to the syndicate.

The Active Underwriter received the following remuneration charged as a syndicate expense and included within directors' emoluments above:

	2018 £'000	2017 £'000
Emoluments	**241**	237

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2018

10. INVESTMENT RETURN

	2018 £'000	2017 £'000
Investment income:		
Income from investments	**12,982**	10,920
Gains on the realisation of investments	**286**	326
	13,268	11,246
Net unrealised losses on investments:		
Unrealised gains on investments	**150**	729
Unrealised losses on investments	**(6,090)**	(2,736)
	(5,940)	(2,007)
Investment expenses and charges:		
Investment management expenses, including interest	**(534)**	(507)
Losses on the realisation of investments	**(798)**	(1,210)
	(1,332)	(1,717)
Allocated investment return transferred to general business technical account	**5,996**	7,522

Calendar Year Investment Return

The table below presents the average amount of funds in the year per currency and analyses by currency the average investment yields in the year.

	2018 £'000	2017 £'000
Average syndicate funds available for investment during the year:		
Sterling	**25,570**	26,801
US dollars	**354,277**	369,324
Canadian dollars	**39,396**	44,712
Euro	**39,331**	38,867
Combined	**458,574**	479,704
Aggregate gross investment return for the year	**4,816**	6,680
Gross calendar year investment return:	**%**	%
Sterling	**0.5**	0.4
US dollars	**1.3**	1.6
Canadian dollars	**0.9**	0.4
Euro	**(0.3)**	0.4
Combined	**1.1**	1.4

The average amount of syndicate funds available for investment has been calculated as the monthly average balance of investments.

The syndicate's portfolio consists of high quality investments which are held on a short duration basis.

11. INVESTMENTS

	Fair value		Cost	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Shares and other variable yield securities and units in unit trusts	**33,466**	30,791	**33,466**	30,791
Debt securities and other fixed income securities	**468,742**	487,396	**476,597**	491,112
Loans secured by mortgage	**39**	92	**41**	95
Deposits with credit institutions	**42**	35	**42**	35
	502,289	518,314	**510,146**	522,033

Shares and other variable yield securities and units in unit trusts represents the syndicate's holdings in collective investment schemes.

Using Standard & Poor's and Moody's as rating sources, the credit ratings of the debt and other fixed income securities are set out below:

	2018 £'000	2018 %	2017 £'000	2017 %
Government/Government Agency	**116,798**	**24.9**	132,002	27.1
AAA/Aaa	**36,225**	**7.7**	13,909	2.9
AA/Aa	**63,648**	**13.6**	61,010	12.5
A	**173,092**	**36.9**	196,342	40.2
BBB	**46,604**	**10.0**	54,912	11.3
<BBB	**32,375**	**6.9**	29,221	6.0
	468,742	**100.0**	487,396	100.0

The syndicate's core fund manager throughout 2018 was New England Asset Management (NEAM) specifically for bonds. The US dollar and Canadian dollar investments are managed by NEAM Inc, based in Farmington, US and the Euro portfolio is managed by NEAM Ltd, a sister company based in Dublin, Ireland. In October 2017 Conning Asset Management Ltd were instructed to manage a new non-core portfolio of US dollar bank loans.

Fair Value Methodology

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction. Fair values are determined at prices quoted in active markets. In some instances, such price information is not available for all instruments and the syndicate applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data but in some cases management estimate other than observable market inputs within the valuation model. There is no standard model and different assumptions would generate different results.

To provide an indication about the reliability of the inputs used in determining fair value, the syndicate has classified its financial instruments into the three levels. Investments carried at fair value have been categorised using a fair value hierarchy. An explanation of each level and the value hierarchy is provided below.

Fair value hierarchy:

Level 1 – Inputs to level 1 fair value are quoted prices (unadjusted) in active markets for identical assets. An active market is one in which transactions for the asset occurs with sufficient frequency and volume to provide pricing information on an on-going basis.

Level 2 – The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3 – Inputs to level 3 fair values are based on unobservable inputs for the assets at the last measurement date. If all significant inputs required to fair value an instrument are observable then the instrument is included in level 2, if not it is included in level 3. The syndicate did not have any such instruments.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2018

11. INVESTMENTS CONTINUED

The table below shows financial instruments carried at fair value through profit or loss grouped into the level in the fair value hierarchy into which each fair value measurement is categorised.

As at 31 December 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Shares and other variable yield securities and units in unit trusts	**27,734**	**5,732**	**–**	**33,466**
Debt securities and other fixed income securities	**25,009**	**443,733**	**–**	**468,742**
Loans secured by mortgage	**–**	**39**	**–**	**39**
	52,743	**449,504**	**–**	**502,247**

As at 31 December 2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Shares and other variable yield securities and units in unit trusts	–	30,791	–	30,791
Debt securities and other fixed income securities	18,314	469,082	–	487,396
Loans secured by mortgage	–	92	–	92
	18,314	499,965	–	518,279

12. DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2018 £'000	2017 £'000
Due from intermediaries:		
Due within one year	**141,312**	113,809
Due after one year	**174**	203
	141,486	114,012

13. DEFERRED ACQUISITION COSTS

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

	2018 £'000	2017 £'000
Balance at 1 January	**60,955**	61,083
Incurred costs deferred	**98,463**	96,900
Amortisation	**(91,621)**	(93,306)
Effect of movements in exchange rates	**2,213**	(3,722)
Balance at 31 December	**70,010**	60,955

14. CLAIMS DEVELOPMENT

The following tables show the development of claims over a period of time on both a gross and a net of reinsurance basis. FRS 103 requires that claims development shall go back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payment, but need not go back more than ten years. The top half of the table shows how the estimates of total claims for each underwriting year develop over time. The lower half of the table reconciles the cumulative claims to the amount appearing in the balance sheet.

The cumulative claims estimates and payments for each underwriting year are translated into pounds sterling at the exchange rates prevailing at 31 December 2018 in all cases.

Analysis of claims development – gross	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	Total £'000
Estimate of ultimate gross claims:									
at end of underwriting year	293,338	260,206	261,835	259,108	278,817	287,485	375,693	320,329	
one year later	265,295	218,283	255,899	230,079	266,593	264,798	357,530		
two years later	256,327	200,908	230,729	213,445	239,888	240,599			
three years later	254,815	180,205	218,261	188,716	226,690				
four years later	245,739	169,783	204,683	212,989					
five years later	239,335	162,721	201,404						
six years later	237,141	158,486							
seven years later	223,649								
Less gross claims paid	200,019	141,500	171,560	139,123	150,698	129,435	132,762	12,391	
Gross ultimate claims reserve	23,630	16,986	29,844	73,866	75,992	111,164	224,768	307,938	**864,188**
Gross ultimate claims reserve for 2010 & prior years									**65,862**
Gross unearned portion of ultimate claims									**(186,585)**
Gross claims reserve									**743,465**

Analysis of claims development – net	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	Total £'000
Estimate of ultimate net claims:									
at end of underwriting year	252,303	231,818	234,621	231,427	246,857	248,571	310,074	284,216	
one year later	237,453	202,843	233,529	214,829	244,585	237,107	306,321		
two years later	220,599	188,627	212,531	203,260	222,053	220,203			
three years later	204,308	168,963	201,211	180,864	211,239				
four years later	195,386	159,809	189,026	180,412					
five years later	190,212	153,161	185,300						
six years later	188,381	148,619							
seven years later	180,876								
Less net claims paid	170,095	132,448	157,635	134,075	143,982	118,951	117,552	11,635	
Net ultimate claims reserve	10,781	16,171	27,665	46,337	67,257	101,252	188,769	272,581	**730,813**
Net ultimate claims reserve for 2010 & prior years									**56,274**
Net unearned portion of ultimate claims									**(163,060)**
Net claims reserve									**624,027**

Amounts recognised in foreign currencies have been restated at the closing rates of exchange at the end of the reporting year.

The syndicate has taken advantage of the transitional provisions within FRS 103 not to disclose information about claims development that occurred earlier than five years before the end of the first financial year in which FRS 103 is applied. FRS 103 was first applied for the 2015 financial year.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2018

15. TECHNICAL PROVISIONS

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

Claims outstanding	2018 Gross provisions £'000	2018 Reinsurance assets £'000	2018 Net £'000	2017 Gross provisions £'000	2017 Reinsurance assets £'000	2017 Net £'000
Balance at 1 January	**701,094**	**117,994**	**583,100**	679,387	96,149	583,238
Claims and claims adjustment expenses for the year	**244,331**	**35,613**	**208,718**	256,044	44,310	211,734
Cash paid for claims settled in the year	**(233,416)**	**(40,054)**	**(193,362)**	(186,021)	(13,743)	(172,278)
Effect of movements in exchange rates	**31,456**	**5,885**	**25,571**	(48,316)	(8,722)	(39,594)
Balance at 31 December	**743,465**	**119,438**	**624,027**	701,094	117,994	583,100
Claims reported and claims adjustment expenses	**299,142**	**58,019**	**241,123**	234,214	21,655	212,559
Claims incurred but not reported	**444,323**	**61,419**	**382,904**	466,880	96,339	370,541
Balance at 31 December	**743,465**	**119,438**	**624,027**	701,094	117,994	583,100

Unearned premiums	2018 Gross provisions £'000	2018 Reinsurance assets £'000	2018 Net £'000	2017 Gross provisions £'000	2017 Reinsurance assets £'000	2017 Net £'000
Balance at 1 January	**188,086**	**13,875**	**174,211**	196,561	9,321	187,240
Premiums written during the year	**503,029**	**51,795**	**451,234**	467,156	58,499	408,657
Premiums earned during the year	**(483,498)**	**(53,081)**	**(430,417)**	(461,855)	(53,163)	(408,692)
Effect of movements in exchange rates	**9,478**	**1,343**	**8,135**	(13,776)	(782)	(12,994)
Balance at 31 December	**217,095**	**13,932**	**203,163**	188,086	13,875	174,211

16. CREDITORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2018 £'000	2017 £'000
Due to intermediaries:		
Due within one year	**4,124**	17,319
Due after one year	**12**	63
	4,136	17,382

17. DISCLOSURES OF INTEREST

Atrium Underwriting Group Limited (AUGL) is a wholly owned subsidiary of Alopuc Ltd (a UK holding company) and Alopuc Ltd is in turn a wholly owned subsidiary of Northshore Holdings Ltd, a Bermudan company. The ultimate beneficial owners of Northshore are Enstar Group Ltd (Enstar) who hold approximately 57.5% economic interest and affiliates of Stone Point Capital LLC (Stone Point) who hold approximately 38.5% economic interest. The balance of shareholding is held by Dowling Capital Partners and Atrium management and staff.

AUGL is the holding company of the following wholly owned subsidiaries; Atrium Underwriters Limited (AUL), Atrium Underwriting Holdings Limited (AUHL), Atrium Insurance Agency Limited (AIAL), Atrium Group Services Limited (AGSL), Atrium Insurance Agency (Asia) Pte.Ltd (ASIA), Atrium Risk Management Services (Washington) Ltd (ARMS), Atrium Risk Management Services (British Columbia) Ltd (ARMSBC) and Atrium 5 Limited. AGSL is the holding company of Atrium Nominees Limited. AUL is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and is the managing agent of Syndicate 609. AUHL is the holding company of ten non-continuing Lloyd's corporate members.

Historically AUGL has participated on the managed syndicate through its corporate member subsidiary, Atrium 5 Limited. With effect from the 2017 year of account onwards, this AUGL participation has been through another corporate member within the Enstar Group (SGL No. 1 Limited) under the terms of a lease agreement between SGL No. 1 Limited and Atrium 5 Limited.

	2016 Capacity £m	2017 Capacity £m	2018 Capacity £m	2019 Capacity £m
Syndicate 609	107.1	107.1	114.7	**114.7**

Atrium 5 Limited/SGL No.1 Limited's participations on the managed syndicate as a % of syndicate capacity:

	Year of account			
	2016 %	2017 %	2018 %	2019 %
Syndicate 609	25.6	25.5	25.4	**25.4**

AIAL is a registered Lloyd's UK coverholder and is authorised and regulated by the Financial Conduct Authority. Syndicate 609 leads a binding authority granted to AIAL to underwrite space business. Under the terms of the binding authority, fees and profit commission are payable by the syndicate to AIAL. Fee income of US$310,000 (2017 - US$398,000) is payable by the syndicate to AIAL in relation to premium earned in calendar year 2018. Profit commission of US$132,000 has been incurred by the syndicate (2017 - US$195,000) during the calendar year 2018.

AGSL is a group service company. All UK employee contracts and, where possible, all material service provider contracts are held by AGSL. A service agreement is in place whereby AGSL provides all management services to all Atrium group companies. Under the service agreement AGSL will charge the costs to each Atrium group company, including AUL, for the respective services provided.

ASIA carries on for its own account the business of insurance intermediation in Singapore, operating on the Lloyd's Asia platform. In this capacity it has been granted authority by Syndicate 609 to bind certain risks (including marine hull, energy, aviation and non-marine property risks) and has been approved by Lloyd's and the Monetary Authority of Singapore to act as a Lloyd's Singapore Service Company. Under the terms of the arrangement with Syndicate 609, ASIA charges fees to the syndicate equal to its operating costs plus a small margin for tax reasons. Fees of S$376,000 were paid by Syndicate 609 to ASIA in calendar year 2018 (2017 - S$1,785,000). ASIA ceased to write business in 2016 and is now in run-off.

ARMS is incorporated in Washington State, United States, and was established to support the syndicate strategy to maintain and grow it's North American direct portfolio and distribution network. ARMS charges fees to the syndicate equal to its operating costs plus a small margin for tax reasons. Fees of US$2,312,000 were paid by Syndicate 609 in the calendar year 2018 (2017 - US$1,751,000).

ARMSBC is incorporated in British Columbia, Canada, and was established to support the syndicate strategy to maintain and grow its North American direct portfolio and distribution network. ARMSBC charges fees to the syndicate equal to its operating costs plus a small margin for tax reasons. Fees of C$773,000 were paid by Syndicate 609 to ARMSBC in the calendar year 2018 (2017 - C$687,000).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2018

17. DISCLOSURES OF INTEREST CONTINUED

The directors' participations on Syndicate 609 via Nomina No. 207 LLP (the staff LLP) are as follows (this includes any director of AUL that served during 2018 and is a partner in the LLP):

	2016 £	2017 £	2018 £	2019 £
James Cox	81,979	74,170	127,287	**153,020**
Toby Drysdale	23,590	19,700	41,952	**36,259**
Richard Harries	317,688	277,611	519,189	**568,698**
James Lee	42,197	56,659	86,960	**93,457**
Brendan Merriman	31,648	32,004	62,855	**63,046**
Samit Shah	50,717	72,526	112,595	**116,052**
Kirsty Steward	21,114	21,461	27,134	**23,997**

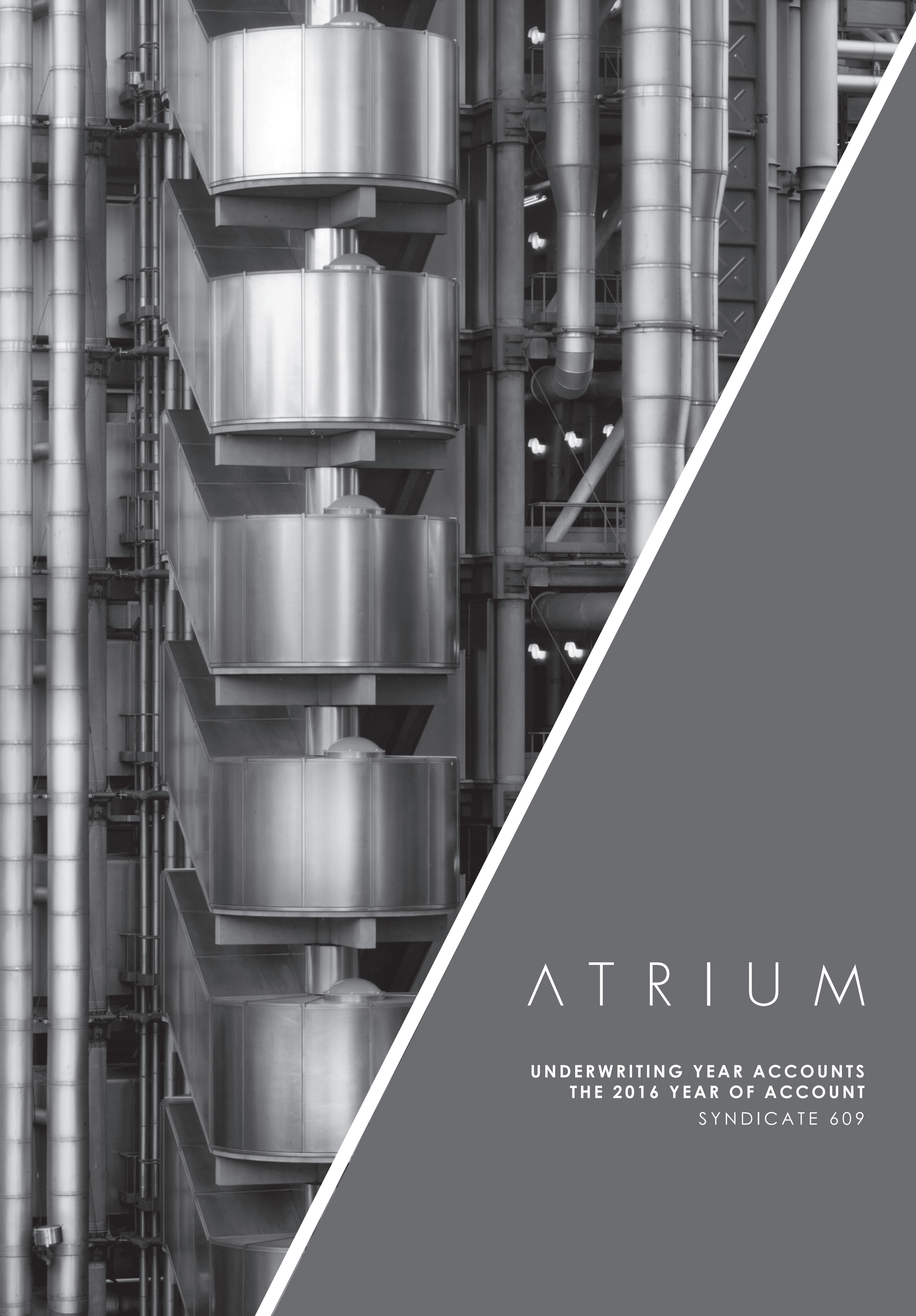
AUL has made no loans to directors of the company during 2018 (2017 – nil). There were no loans outstanding at the balance sheet date.

Managing agency fees of £3,121,000 (2017 - £2,929,000) were paid by the syndicate to AUL. Profit commission of £12,022,000 (2017 - £15,792,000) is payable by the syndicate to AUL in relation to the 2018 calendar year result. The managing agents agreement was amended in 2007 to enable managing agents to make payments on account of profit commission, prior to the closure of a year of account. Payments on account can be made when the syndicate transfers open year surpluses from the syndicate level premium trust funds to the members' personal reserve fund. No such payment was made in 2018 (2017 - £nil). Included within creditors is £13,360,000 (2017 - £15,792,000) in respect of profit commission payable to AUL on the 2016 year of account. £nil (2017 - £894,000) is included in accruals and payable after 12 months.

Given the insurance related activities undertaken within the broader Enstar group it is possible that transactions may be entered into between the Atrium managed syndicate and Enstar group companies (including Starstone insurance group entities and the Starstone managed Lloyd's syndicates 1301 and 2008). Any such related party transactions are entered into by the syndicate on a commercial basis and managed in accordance with the protocols set out in Atrium's Conflicts of Interest Policy.

Enstar representatives serving as directors of AUL also hold board positions at other Enstar group companies and these individuals disclose and manage any potential conflicts of interest in line with Atrium's usual practice, which applies to all AUL Directors.

As part of Atrium's Brexit contingency arrangements, AUL has entered into an outsourcing agreement with Lloyd's Insurance Company S.A., (LIC) and a reinsurance contract between Syndicate 609 and LIC.



ATRIUM

UNDERWRITING YEAR ACCOUNTS
THE 2016 YEAR OF ACCOUNT
SYNDICATE 609

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The Directors of the Managing Agent presents their report at 31 December 2018 for the 2016 closed year of account.

This report is prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (No 8 of 2006). It accompanies the underwriting year accounts prepared on an underwriting year basis of accounting as required by Statutory Instrument No 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations ("the 2008 Regulations").

REVIEW OF THE 2016 CLOSED YEAR OF ACCOUNT

The 2016 year of account closed with a profit of £53.4m after standard personal expenses (12.8% of capacity). There was an underwriting surplus of £32.2m attributable to business reinsured into the 2016 year of account, net of profit commission and other associated expenses. Further details on the underwriting results are included within the Underwriter's Report.

PRINCIPLE RISKS AND UNCERTAINTIES

Governance

The Board recognises the critical importance of having efficient and effective risk management systems in place but also recognises that it can only mitigate risks, and not eliminate them entirely. The Board has developed its Own Risk and Solvency Assessment ('ORSA'), comprising the entirety of the processes that it uses to identify, assess, monitor and report the risks faced by its managed syndicate and to evaluate the amount of funds necessary to cover these risks taking into consideration the business profile and risk appetite of the syndicate. Critical to the efficacy of the ORSA is the effective operation of the Risk Management Framework ('RMF'), the Governance Structure and Atrium's Internal Model. The RMF incorporates the so-called "Three Lines of Defence" approach to risk management and reporting.

The RMF is the mechanism through which Atrium ensures it is implementing effective and enterprise wide risk management practices across its business. Key to Atrium's business is the management of risk, return and capital, against which all significant strategic and operational business decisions are evaluated. Atrium has established systems of governance and risk management that enable it to manage its business prudently.

The RMF is the articulation of these systems of risk management and governance and how the various elements interact.

The RMF encompasses the broad range of activities undertaken across the organisational hierarchy to ensure that risks are managed appropriately, spanning from the high level strategy set by the Board to the day to day underwriting decisions being made by syndicate staff and the controls in place to govern these. The RMF can be illustrated as follows:

Strategy: This describes Atrium's strategy setting process and explains how this filters down through the organisation; incorporating the Syndicate's Business Strategy, Risk Strategy, Business Plan, Risk Policy Statement and Risk Policies.

Business Activities: The individual syndicate and agency business units are responsible for implementing the strategy and business plans in accordance with the framework set out in the risk policies.

The people, controls, management information, processes and senior management oversight in place across the business units serve as the "First Line of Defence" in the RMF.

Risk Governance Structure: The Board has established a Risk Governance Structure in order to ensure that risk is appropriately identified, monitored, managed and reported across the organisation; to review the activities of the business units; and to ensure that the RMF is effectively designed, implemented and governed. The Risk Governance Structure is comprised of the Executive Risk Committee ('ERC'), which fulfils the role of Atrium's Risk Management Function, and its three Risk Sub-Committees, discussed further below.

Independent Assurance: Atrium has in place a Compliance Function and an Actuarial Function in addition to the Risk Management Function (fulfilled by the ERC and the Risk Management Team). These functions have specific responsibilities documented in their terms of reference and are staffed by fit and proper individuals with suitable qualifications, expertise and experience. The activities of these functions seek to provide the Board with assurance as to the appropriateness and effectiveness of the various elements of the RMF, the internal control environment, and the calculation of capital. There are a number of risk management tools which support independent assessment and reporting of risk. Taken together this Independent Assurance comprises the "Second Line of Defence".

Independent Oversight: The RMF provides for independent oversight and challenge via the operation of the Internal Audit Function as well as the Audit Committee and Risk Committee, both of which are Committees of the Board with membership comprised of Non Executive Directors. Together these three groups provide the "Third Line of Defence". The Risk Committee is charged with providing independent oversight and review of Atrium's RMF and its constituent parts whilst the Audit Committee, along with its broader responsibilities for the financial statements and financial reporting process, has oversight of internal controls and the Internal Audit Function.

Executive Risk Committee (ERC)

Atrium's risk governance structure is comprised of the ERC and its three Risk Sub-Committees.

The ERC fulfils the Risk Management Function, in conjunction with the Risk Management Team, and coordinates the risk management activities conducted for the Agency's managed syndicate. It is responsible for ensuring that the RMF, and Internal Model, operates effectively, and for maintaining an aggregated and holistic view of risks to the syndicate and reporting on them to the Board, Committees and management as appropriate. It also ensures that there is robust and effective management, governance and oversight of Atrium's Internal Model which is used to set capital and is also widely used within the business.

To support delivery of the ERC's responsibilities, there are three Risk Sub-Committees, each being responsible for oversight, review and challenge of the activities of the syndicate and in particular ensuring that activities are within risk policies, that risks are suitably identified, monitored and reported, and that appropriate contingency plans are in place.

The principal risks to which the syndicate is exposed are discussed below together with the mitigation techniques adopted. For clarity, the risks are analysed by reference to the Risk Sub-Committees that have responsibility for the relevant risk area.

Insurance Risk Sub-Committee (IRSC)

The IRSC is responsible for oversight of insurance risk which includes underwriting, claims, reserving, and reinsurance.

Underwriting risk is the risk that future losses are greater than allowed for within premiums. This could be due to natural fluctuations in claims frequencies and severities, changes in economic and judicial environments, anti-selection, inappropriate premium estimation or catastrophic loss activity.

Underwriting risk is mitigated through numerous controls including underwriter peer review, authority limits, independent review of risks written, and purchase of an appropriate reinsurance programme. The Syndicate Business Forecast is completed annually and stipulates those classes of business and concentration by class that will be written during the forthcoming year. It is reviewed by the IRSC and approved by the Board prior to being submitted to Lloyd's for approval. Actual performance during the year is monitored by reference to the Syndicate Business Forecast.

The risk of catastrophic claims is mitigated by the syndicate having a defined risk appetite which determines the net loss that it intends to retain for major catastrophe events and where deemed appropriate reinsurance is purchased to limit the impact of losses. Although the likelihood of occurrence is considered to be remote, there may be circumstances where the loss from a particular catastrophe event exceeds the net risk appetite perhaps due to the occurrence of a loss that has not been considered or where the reinsurance purchased proves to be insufficient.

Reserving risk is the risk that we have insufficient provision for losses that have already occurred.

Reserving risk is mitigated by the robust reserve adequacy exercise that is performed on a quarterly basis by the Actuarial Function and approved by the Board. The quarterly exercise involves a review of the paid and outstanding claims and an assessment of the appropriate provision for incurred but not reported (IBNR) claims. The reserves are considered by the IRSC and approved by the Board. The reserving is carried out based on historical development data, the claims environment and information provided by lawyers and third party claims adjusters. Although a thorough review is carried out the reserves carried may be more or less than adequate to meet the final cost of claims.

The IRSC also reviews the proposed reinsurance programme that is used to protect capital from frequency and severity of losses that may be sustained through underwriting the varied lines of business written. The review includes analysis of the reinsurance cover being purchased and assessment of the proposed counterparties.

Financial Risk Sub-Committee (FRSC)

The FRSC is responsible for oversight of financial risks and the steps taken to mitigate them as they arise from investments, asset/liability management, credit, liquidity and concentration risks. These risks are discussed further below.

Investment risk is the risk that the syndicate's earnings are affected by changes in the value of the investment portfolio; such changes in value may be driven by changes in the economic and political environment and by movements in interest and foreign exchange rates. Atrium manages the syndicate's investments in accordance with investment guidelines established by the Board that are reviewed on a regular basis. The FRSC monitors the performance of the external investment manager and the custodians responsible for the safekeeping of the investments, and reports regularly to the Board.

Asset/liability mismatch is the risk that the syndicate could incur a loss through inadequate matching of its investments with its insurance liabilities. Due to the short tail nature of the majority of these liabilities, the syndicate does not seek to achieve a precise matching with the investment portfolio, instead developing an investment duration guideline that is broadly in line with the average payment profile of the liabilities. However, the syndicate substantially mitigates exposure to currency mismatch by investing premiums in the currency in which subsequent claims are most likely to be incurred and periodic rebalancing to ensure that these remain appropriate for the liabilities. The majority of the syndicate's business is denominated in US dollars and accordingly the substantial part of the investment portfolio is in US dollar denominated investments.

The key aspect of credit risk is the risk of default by one or more of the syndicate's reinsurers, their investment counterparties, or insurance intermediaries. Reinsurance is placed with security that adheres to the Atrium reinsurance policy. The exposure to credit risk in the investment portfolio is mitigated through adherence to the investment guidelines which require the syndicate's core investment portfolios to be held in government and corporate debt with a high credit quality rating and with a relatively short duration, thus substantially mitigating the risk of sustaining losses from default. Exposure to intermediaries is mitigated by rigorous review of new intermediaries, contractual terms of business, regulated or segregated client accounts, monitoring of balances and credit control procedures.

Liquidity risk is the risk that the syndicate will not be able to meet its short term liabilities as they fall due, owing to a shortfall in cash. This risk is mitigated through holding invested funds in high credit quality and short duration investments, and cash flow projections are also reviewed on a regular basis. The need for overdraft facilities in case of unprojected cash flow deficit is also reviewed regularly.

Concentration risk is the exposure to loss that could arise if the bulk of the amounts recoverable by the syndicate were dependent on a limited number of reinsurers, or if investments were restricted to limited numbers of counterparties or sectors. The risk is mitigated by restricting the permitted cessions to individual reinsurers for any one underwriting year and through the investment guidelines which limit exposure to individual investment counterparties and sectors.

Operational Risk Sub-Committee (ORSC)

The ORSC is responsible for oversight of the syndicate's exposures to operational, group, conduct and regulatory risks.

Operational risk is the risk of loss due to inadequate or failed processes and procedures, people and systems, or external events. The agency seeks to manage these risks by operating a control based environment which consists of documented procedures, segregation of duties and appropriate levels of review.

Conduct Risk is the risk that as part of writing and servicing insurance policies the syndicate fails to pay due regard to the interests of its customers. This is mitigated through the application of Atrium's conduct risk policy and procedures and through staff's adherence to Atrium's Code of Business Principles and Ethics. Atrium is committed to conducting its activities and stakeholder relationships in a fair and honest manner and the highest standard of conduct, professionalism and integrity is expected from all of its employees, with due regard paid at all levels of the organization to ensuring fair outcomes for customers. Key controls include training of staff, embedding of the consideration of conduct risk as part of the business planning process and through the product life-cycle and Board and governance oversight and reporting. The ORSC fulfils the role of a "product oversight group" providing customer challenge and perspective to Atrium's products.

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Agency has a Compliance Officer and team who monitor regulatory developments and assess the impact on agency policy. They also carry out a compliance monitoring programme.

Regular reviews are performed by the Internal Audit department to ensure that deviations from the agency's policies, and control weaknesses, are identified and reported to the appropriate level of management and the Audit Committee when considered necessary.

BREXIT

With the UK government invoking Article 50 in March 2017, this would mean that without extensions, or agreement of the Withdrawal Agreement and Transition Period, the UK will formally leave the European Union on 29 March 2019 ("hard Brexit"). As a direct result of this decision Atrium's Board formulated a contingency strategy and work programme and has planned on the basis of a worst case/hard Brexit. A key implication of Brexit is the loss of 'passporting rights' which allows Lloyd's of London and Syndicate 609 to conduct cross-border business throughout the European Economic Area (EEA).

In order to provide continued access to Lloyd's for policy holders within the EEA, Lloyd's has set up a subsidiary in Brussels (Lloyd's Insurance Company S.A.). Atrium has worked closely with Lloyd's on this contingency arrangement. Lloyd's Brussels is an insurance company authorised and regulated by the National Bank of Belgium and regulated by the Financial Services and Markets Authority. The subsidiary is fully capitalised and assigned the equivalent financial ratings as Lloyd's from A.M Best (A), Fitch (AA-) and Standard & Poors (A+).

Whilst it is only a small proportion of its overall business, Syndicate 609 have incorporated the essential changes required by Lloyd's throughout the organisation to be business ready to uphold our reputation by providing the best possible service to brokers, coverholders and ultimately policy holders.

Syndicate 609 is underwriting business incepting from 1st January 2019 domiciled or located in the EEA, which includes the 27 EU states plus 3 EEA states, on behalf of Lloyd's Brussels. Syndicate 609 will underwrite EEA-located business to a new syndicate number of 5310, with business being 100% reinsured back to Syndicate 609.

For EEA reinsurance business in the majority of circumstances Atrium should still be able to write this business cross-border from London on Syndicate 609's paper in the event of a hard Brexit, although Lloyd's Brussels is able to underwrite reinsurance business on a facultative and non-proportional basis.

All non-EEA business will be underwritten via Syndicate 609 in the current manner.

Lloyd's have confirmed that they plan to transfer all legacy EEA business to Lloyd's Brussels before the end of 2020 via a Part VII transfer. Whilst uncertainty remains about whether a withdrawal agreement will be reached before the UK exits the EU on 29 March and the terms of the future relationship between the UK and the EU, in the event that the UK leaves with no transition or implementation period Lloyd's have advised underwriters to continue to honour their contractual commitments including the payment of valid claims. Lloyd's expects that this will have the support of all European regulators as it goes to the heart of treating customers fairly.

There is still considerable uncertainty with the consequences of executing Article 50 and the current negotiations. Atrium has sought to appropriately mitigate the volatility of the resultant uncertainties from a withdrawal from Europe where known but as a result of the contingency arrangement put in place by Lloyd's, Atrium's Board is confident that Syndicate 609's future performance should not be materially impacted by Brexit.

BOARD AND MANAGEMENT CHANGES

On 1 January 2018, Paul O'Shea, Atrium's Non-Executive Chairman, stepped down from the Board of Atrium Underwriters Limited and was replaced by Steve Cook, an existing Atrium Non-Executive Director.

Andrew Winyard, an Atrium Executive Director, stepped down from the Board of Atrium Underwriters Limited on 19 April 2018.

DIRECTORS & OFFICERS

The Directors and Officers of the managing agent who served during the year ended 31 December 2018 were as follows:

Martha Bruce, Bruce Wallace Associates Limited (Company Secretary)
Steve Cook
James Cox
Toby Drysdale (Active Underwriter 609)
Andrew Elliott
Gordon Hamilton
Richard Harries
James Lee
Brendan Merriman
Stephen Riley
Samit Shah
Kirsty Steward
Andrew Winyard (resigned effective 19 April 2018)

DIRECTORS' INTERESTS

Details of Directors' interests can be found in note 20 to the accounts.

RE-APPOINTMENT OF AUDITORS

The Board of Directors have re-appointed KPMG LLP as the syndicate auditors for the year ending 31 December 2019. KPMG LLP have indicated their willingness to continue in office as the syndicate auditor.

By order of the Board

James Lee
Agency Managing Director
7 March 2019

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The directors of the managing agent are responsible for preparing the Syndicate underwriting year accounts in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw. They have elected to prepare the accounts in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 the directors of the managing agent must not approve the underwriting year accounts unless they are satisfied that they give a true and fair view of the result of the underwriting year at closure. In preparing these accounts, the directors of the managing agent are required to:

- Select suitable accounting policies and then apply them consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable between the members of the syndicate affected is used;
- 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 accounts;
- Assess the syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so. As explained in note 1 the directors of the managing agent have not prepared the underwriting year accounts on a going concern basis.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 609 2016 CLOSED YEAR OF ACCOUNT

We have audited the Syndicate underwriting year accounts for the 2016 year of account of Syndicate 609 for the three year period ended 31 December 2018, which comprise the Statement of comprehensive Income (technical and Non-Technical), Balance Sheet, Statement of Members' Balances, and Statement of Cash Flows and related notes, including FRS 102. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102. *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, as modified by the Insurance Directive (Lloyd's Syndicate and Aggregate Accounts Regulations 2008) and the Lloyd's Syndicate Accounting Byelaw. Note 1 to the financial statements further explains the basis of preparation of the underwriting year accounts.

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

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS OF THE MANAGING AGENT AND AUDITOR

As explained more fully in the statement of the directors of the Managing Agent's responsibilities set out on page 38 the directors of the Managing Agent are responsible for the preparation of the underwriting year accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express and opinion on, the underwriting year accounts in accordance with the applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE UNDERWRITING YEAR OF ACCOUNTS

A description of the scope of an audit of accounts is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

OPINION ON UNDERWRITING YEAR ACCOUNTS

In our opinion the underwriting year accounts:

- give a true and fair view of the syndicate's profit for the 2016 closed year; and
- have been properly prepared in accordance with the requirements of the Lloyd's Syndicate Accounting Byelaw.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- adequate and proper accounting records have not been kept by the directors of the Managing Agent on behalf of the syndicate; or
- the underwriting year accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

David Maddams (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
15 Canada Square
London E14 5GL
8 March 2019

UNDERWRITER'S REPORT

SYNDICATE 609

2016 YEAR OF ACCOUNT

I am delighted to report a profit of £53.4m after all personal expenses but before members' agents' fees. This represents a 12.8% return on stamp capacity. Favourable run-off of the back years contributed 81% to the result (93% last year).

As in previous years we have seen some back year case reserve improvements; most notably two large Energy losses settled at levels below our reserves; as well as general favourable development across most classes.

The largest claim to impact the 2016 and prior years of account during the 2018 calendar year was a fire at a German shipyard which completely destroyed a luxury mega-yacht just as it was nearing completion. It looks as if the claim on Project Sassi will exceed EUR600m, which I believe would make it the largest marine hull physical damage claim in history. The direct claim fell back to the 2014 year of account as it was in 2014 that the first steel was cut (i.e. the project commenced). We will make a substantial collection from our reinsurers on this claim. We also now write an inwards book of Marine Reinsurance and so this loss also impacts the 2018 Year of Account via this book.

There was only one other notable 2016 year of account large risk loss in the last 12 months - Ever Judger (impacts the Marine War reserving class).

Accounts that significantly contributed to the 2016 profit include Non Marine D&F, Reinsurance, Terrorism and Upstream Energy.

Final gross written income (net of acquisition costs) was £319m which is 76% of capacity.

2017 YEAR OF ACCOUNT

The 2017 year of account is dominated by the run of Natural disasters that beset the market in the latter half of the year. This time last year we estimated that our losses from Hurricanes Harvey, Irma and Maria (HIM), earthquakes in Mexico, and wildfires in California totalled \$125m gross, with a final net loss estimate of \$86m. Many insurers and reinsurers have increased their loss estimates over the last 12 months (particularly for Irma) and I am pleased to report that our reserved losses at 31.12.2018 have actually come down fractionally - \$123m gross / \$83m net. I believe that this shows the robustness of our major loss reserving process (where we set expected losses on a policy by policy basis – rather than adopting a modelled portfolio number).

Notable 2017 year of account large risk losses in the last 12 months include Horizon Air & Alpha Star (both Aviation Hull War losses); Thomas Foods (Non Marine Property); and Viasat (Space).

Final gross written income (net of acquisition costs) is expected to be £356m which is 85% of capacity. At this stage we are currently forecasting a small loss for the 2017 Year of Account, with a range of -7.5% to +2.5%.

2018 YEAR OF ACCOUNT AND BEYOND

As mentioned above the 2018 Year of Account is impacted by the Project Sassi loss through the Marine Reinsurance account. Other notable risk losses to date include Arcelor Mittal (Non Marine Property) and a possible claim arising from the capsize of a Lift Boat (Marine Hull).

2018 has also been another active year in terms of Natural Catastrophes. Hurricanes Florence and Michael, Typhoons Jebi, Trami and Mangkhut will each cause us relatively modest losses, with Hurricane Michael likely to be the largest of these. We do expect more meaningful claims from the Camp and Woolsey fires that hit California at the end of 2018 and we currently have the 2 fires reserved at a combined \$21.6m. With 2017 being the costliest year on record for wildfires - until 2018 surpassed it - we have to re-examine the peril of wildfire and how to underwrite it.

This time last year I felt that whilst the soft market was over we were still not in an attractive market. We are still not there, but have made significant strides forward. There is no doubt that there is still an abundance of capacity available in our industry, particularly in the reinsurance arena. After two very disappointing years for Property Reinsurance underwriters there has still been no major pricing correction. Good clients are still able to achieve an "as before" or even a small reduction. However I have always felt that the real malaise has been in the direct market; that the profits made in the reinsurance classes in 2015 and 2016 simply hid the fact that the direct classes had already slipped into a period of unsustainable rates. As such I am greatly encouraged to see that we are currently seeing the most marked improvements in the worst performing direct lines of business.

Classes that have performed poorly at market level for far too long have been put under the spotlight. These include Marine, Aviation, International Property and a number of Casualty classes. What I have seen here at Atrium over the last quarter of 2018 and into the first quarter of 2019 is generally very positive. Many of our underwriters now have a spring back in their step as finally they are allowed to underwrite! Credit has to go to Lloyd's for forcing the issue in a number of classes.

We have not written our planned income for a number of years now. We have found good new business difficult to find. But, as mentioned above, there are now pockets of business that are in turmoil and I am confident that we will write much closer to plan than we have in recent times, or perhaps even exceed it. Our underwriters will not be writing income for the sake of it though. They know how to price business and they know what rates need to be achieved in order to achieve a realistic expectation of sustainable profit. We will maintain our focus on the bottom line.

As with last year I cannot let the 2018 annually accounted result go unmentioned. Whilst so many of our peers are likely to produce a combined ratio in excess of 100% for the second or even third year in a row, I am extremely proud (again) that we have produced an annually accounted profit in what was another difficult year for our industry. We hope that this further poor market performance in 2018 in so many classes will act as a further catalyst for change and improvements as 2019 progresses.

Overall I look forward to 2019 with more excitement and optimism than I have felt in a number of years. We are seeing genuine change, and I know that we have the people throughout Atrium to take full advantage of the opportunities that are apparent.

Toby Drysdale

Toby Drysdale
Active Underwriter, Syndicate 609
7 March 2019

STATEMENT OF COMPREHENSIVE INCOME TECHNICAL ACCOUNT – GENERAL BUSINESS

FOR THE 2016 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2018

	Notes	£'000
Syndicate allocated capacity		418,764
Earned premiums, net of reinsurance		
Gross premiums written	5	448,606
Outward reinsurance premiums		(47,939)
Earned premiums, net of reinsurance		400,667
Reinsurance to close premium received, net of reinsurance		
At transaction rates of exchange		298,112
Revaluation to closing rates of exchange		13,935
Reinsurance to close premium received, net of reinsurance at closing rates of exchange	6	312,047
		712,714
Allocated investment return transferred from the non-technical account		6,346
Claims incurred, net of reinsurance		
Claims paid		
Gross amount		190,137
Reinsurers' share		(31,668)
		158,469
Reinsurance to close premium payable, net of reinsurance	7	325,737
		484,206
Net operating expenses	8	184,664
Balance on the technical account for general business	12	50,190

NON-TECHNICAL ACCOUNT – GENERAL BUSINESS

FOR THE 2016 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2018

	Notes	£'000
Balance on the technical account for general business		50,190
Investment income	11	13,026
Net unrealised losses on investments	11	(5,368)
Investment expenses and charges	11	(1,312)
Allocated investment return transferred to general business technical account		(6,346)
Foreign exchange losses		(5,263)
Profit for the 2016 closed year of account		44,927
Other comprehensive income		8,514
Total comprehensive income for the 2016 closed year of account	15	53,441

BALANCE SHEET

FOR THE 2016 CLOSED YEAR OF ACCOUNT AT 31 DECEMBER 2018

	Notes	£'000
Assets		
Investments	13	382,359
Debtors	14	11,997
Reinsurance recoveries anticipated on gross reinsurance to close premium payable to close the account	7	71,607
Other assets		
Cash at bank and in hand		23,288
Overseas deposits		46,706
Prepayments and accrued income		697
Total assets		536,654
Liabilities		
Amounts due to members	15	50,812
Reinsurance to close premium payable to close the account – gross amount	7	397,344
Creditors	16	81,471
Accruals and deferred income		7,027
Total liabilities		536,654

The 2016 closed year underwriting accounts were approved at a meeting of the Board of Directors of Atrium Underwriters Limited, and by the Active Underwriter, on 7 March 2019 and were signed on its behalf by:

James Lee
Agency Managing Director
7 March 2019

Toby Drysdale
Active Underwriter
7 March 2019

STATEMENT OF CASH FLOWS

FOR THE 2016 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2018

	Notes	£'000
Cash flows from operating activities		
Profit for the year of account		44,927
Net realised and unrealised investment losses		5,874
Currency translation differences		(11,560)
Increase in debtors		(7,328)
Decrease in creditors		(83,716)
Increase in overseas deposits		4,829
Net portfolio investment		18,430
Non-cash consideration for net RITC receivable	18	(271,276)
Net reinsurance to close premium payable		325,737
Net cash inflow from operating activities		25,917
Cash flows from financing activities		
Members' agents' fees paid on behalf of members		(2,629)
Net cash outflow from financing activities		(2,629)
Net increase in cash and cash equivalents		23,288
Cash and cash equivalents at 1 January 2016		–
Effect of foreign exchange rate changes		–
Cash and cash equivalents at end of financial year		23,288

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 2016 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2018

1. BASIS OF PREPARATION

The syndicate is managed by Atrium Underwriters Limited which is incorporated in the United Kingdom. The address of its registered office is Room 790 Lloyd's, 1 Lime Street, London, EC3M 7DQ.

The syndicate's principal activity during the year continued to be the transaction of general insurance and reinsurance business at Lloyd's.

These financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2006), the applicable Accounting Standards in the United Kingdom.

The financial statements have been prepared on this historical cost basis with the exception of financial assets which are measured at fair value through profit or loss.

The financial statements are presented in Sterling (GBP), which is the syndicate's presentational currency. The syndicate's functional currency is US Dollars (USD).

Whilst the directors of the managing agent have a reasonable expectation that the syndicate has adequate resources to continue in operational existence for the foreseeable future, these financial statements represent the participation of members in the 2016 year of account, which closed on 31 December 2018. The accumulated profits of the 2016 year of account will be distributed shortly after publication of these accounts. Therefore the 2016 year of account is not continuing to trade and, accordingly the directors have not adopted the going concern basis in the preparation of these accounts. This has no effect on the amounts reported in the accounts as the 2016 year of account will be closed by payment of a reinsurance to close premium, as outlined in note 7 below, which is consistent with the normal course of business for a Lloyd's syndicate and with the approach we have applied to earlier underwriting years.

2. USE OF JUDGEMENTS AND ESTIMATES

In preparing these financial statements, the directors of the Managing Agent have made judgements, estimates and assumptions that affect the application of the syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The measurement of the provision for claims outstanding involves judgements and assumptions about the future that have the most significant effect on the amounts recognised in the financial statements.

The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgement is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported (IBNR) to the syndicate.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the in-house actuaries and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time in view of the likely ultimate claims to be experienced and for more recent underwriting, having regard to variations in business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of business accepted and assessments of underwriting conditions.

In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate so no adverse run-off deviation is envisaged. Further information about the risk that the provision for claims outstanding could be materially different form the ultimate cost of claims settlement is included in note 4.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 2016 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the syndicate financial statements are set out below.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

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

Insurance classification

The syndicate's contracts are classified at inception, for accounting purposes, as insurance contracts. A contract that is classified as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire. Insurance contracts are those contracts that transfer significant insurance risk, if and only if, an insured event could cause an insurer to pay significant additional benefits above premiums received and interest earned thereon, excluding scenarios that lack commercial substance. Such contracts may also transfer financial risk.

Gross Premiums Written

Gross premiums are allocated to years of account on the basis of the inception date of the policy. Gross premiums in respect of insurance contracts underwritten under a binding authority, line slip or consortium arrangement are allocated to the year of account corresponding to the calendar year of inception of the arrangement. Gross premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Gross premiums written are treated as fully earned.

Reinsurance Premiums Ceded

Initial reinsurance premiums paid to purchase policies which give excess of loss protection are charged to the year of account in which the protection commences. Premiums for other reinsurances are charged to the same year of account as the risks being protected.

Claims Paid and Related Recoveries

Gross claims paid include internal and external claims settlement expenses and, together with reinsurance recoveries less amounts provided for in respect of doubtful reinsurers, are attributed to the same year of account as the original premium for the underlying policy. Reinstatement premiums payable in the event of a claim being made are charged to the same year of account as that to which the recovery is credited.

Reinsurance to Close Premium Payable

The net reinsurance to close premium is determined on the basis of estimated outstanding liabilities and related claims settlement costs (including claims incurred but not reported), net of estimated collectible reinsurance recoveries, relating to the closed year of account and all previous years of account reinsured therein. The estimate of claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date. It also includes the estimated cost of claims incurred but not reported (IBNR) at the balance sheet date based on statistical methods.

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified.

The reinsurers' share is based on the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. A number of statistical methods are used to assist in making these estimates.

The two most critical assumptions as regards claims estimates are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.
The directors consider that the estimates of gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, it is implicit in the estimation procedure that the ultimate liabilities will be at variance from the reinsurance to close premium so determined.

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Foreign Currencies

The syndicate's functional currency is US dollars (USD), being the primary economic environment in which it operates. The syndicate's presentational currency is Sterling (GBP).

Transactions, other than reinsurance to close, in US Dollars, Canadian Dollars and Euros are translated at the average rates of exchange for the period. Reinsurance to close premiums receivable and payable, and underwriting transactions denominated in other foreign currencies, are included at the rate of exchange ruling at the transaction date. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. Exchange differences are included in the non-technical account.

In translating its results and financial position into the presentational currency, the syndicate translates all assets and liabilities at the closing rates of exchange and translates all income and expense items at average rates, with all resulting exchange gains and losses recognised in other comprehensive income.

Where Canadian Dollars or Euros are sold or bought relating to the profit or loss of the closed underwriting account after 31 December, any exchange profit or loss arising is reflected in the underwriting account into which the liabilities of that year have been reinsured. Where United States Dollars relating to the profit or loss of a closed underwriting account are bought or sold by members on that year, any exchange profit or loss accrues to those members.

Investment Return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest. The returns on the Joint Asset Trust Funds and Illinois Deposit are allocated to the year of account as notified by Lloyd's. The returns on other assets arising in a calendar year are apportioned to years of account open during the calendar year in proportion to the average funds available for investment on each year of account.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments support the underwriting business.

Operating Expenses

Where expenses are incurred by or on behalf of the managing agent on the administration of the managed syndicate, these expenses are apportioned using varying methods depending on the type of expense. Expenses which are incurred jointly for the agency company and managed syndicate are apportioned between the agency company and the syndicate on bases depending on the amount of work performed, resources used and the volume of business transacted. Syndicate operating expenses are allocated to the year of account for which they are incurred.

Financial Instruments

The syndicate has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets, including deposits with credit institutions, debtors arising out of direct insurance and reinsurance operations, cash and cash equivalents and other debtors, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at fair value.

Investments are stated at current value at the balance sheet date. For this purpose, listed investments are stated at fair value and deposits with credit institutions are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date. Any surplus or deficit on any revaluation is recognised in the non-technical account.

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

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Basic financial liabilities, including creditors arising from insurance operations that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Financial liabilities are derecognised when the liability is extinguished, that is, when the contractual obligation is discharged, cancelled or expires.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability, simultaneously.

Fair Value Measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the syndicate estimates the fair value by using a valuation technique. See note 13 for further information on the syndicate's valuation techniques.

At each reporting date the syndicate assesses whether there is objective evidence that financial assets not at fair value through profit or loss, are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of an asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

An impairment loss recognised reduces directly the carrying amount of the impaired asset. All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Taxation

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

No provision has been made for any United States federal income tax payable on underwriting results or investment earnings. Any payments on account made by the syndicate during the year are included in the balance sheet under the heading 'other debtors'.

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

Pension Costs

The Atrium Group operates a defined contribution scheme. Pension contributions relating to syndicate staff are charged to the syndicate and included within net operating expenses.

Profit Commission

Profit commission is charged by the managing agent at a rate of 20% of profit subject to the operation of a deficit clause. Where profit commission is charged, it is included within members' standard personal expenses within administrative expenses.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

4. RISK AND CAPITAL MANAGEMENT

This note presents information about the nature and extent of insurance and financial risks to which the syndicate is exposed.

Risk Management Framework

The Board of Directors of the Managing Agent has overall responsibility for the establishment and oversight of the syndicate's risk management framework. The Board has established a Risk Governance Structure in order to ensure that risk is appropriately identified, monitored, managed and reported across the organisation; to review the activities of the business units; and to ensure that the Risk Management Framework is effectively designed, implemented and governed. The Risk Governance Structure is comprised of the Executive Risk Committee ('ERC'), which fulfils the role of Atrium's Risk Management Function, and its three Risk Sub-Committees. These are the Insurance Risk Sub-Committee ('IRSC'), the Financial Risk Sub-Committee ('FRSC') and the Operational Risk Sub-Committee ('ORSC'). The ERC reports regularly to the Board of Directors on its activities.

Insurance Risk Management

The syndicate accepts insurance risk through its insurance contracts where it assumes the risk of loss from persons or organisations that are directly subject to the underlying loss. The syndicate is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts. The actual number and value of claims will vary from year to year and from the level estimated, possibly significantly.

The syndicate manages its risk via its underwriting and reinsurance strategy within an overall risk management framework. Pricing is based on assumptions which have regard to trends and past experience. Exposures are managed by having documented underwriting limits and criteria. Reinsurance is purchased to mitigate the effect of potential loss to the syndicate from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Reinsurance policies are written with approved reinsurers on either a proportional or excess of loss treaty basis. Where an individual exposure is deemed surplus to the syndicate's risk appetite additional facultative reinsurance is also purchased.

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

Our in house actuaries perform a reserving analysis on a quarterly basis liaising closely with underwriters, claims and reinsurance technicians. The aim of this exercise is to produce a probability-weighted average of the expected future cash outflows arising from the settlement of incurred claims. These projections include an analysis of claims development compared to the previous 'best estimate' projections. The output of the reserving analysis is reviewed by external consulting actuaries.

The IRSC performs a comprehensive review of the projections, both gross and net of reinsurance. Following this review the IRSC makes recommendations to the ERC and the managing agent's board of directors of the claims provisions to be established. In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate so no adverse run-off deviation is envisaged.

Concentration of insurance risk

A concentration of risk may also arise from a single insurance contract issued to a particular demographic type of policyholder, within a geographical location or to types of commercial business. The relative variability of the outcome is mitigated if there is a large portfolio of similar risks.

The concentration of insurance by the geographical location of the underlying risk is summarised below by reference to liabilities.

	Gross Claims Outstanding £'000	Reinsurer's Share of Claims Outstanding £'000	Net Claims Outstanding £'000
UK	25,430	4,583	20,847
Other EU Countries	26,622	4,798	21,824
US	218,937	39,455	179,482
Asia	11,920	2,148	9,772
Canada	31,788	5,729	26,059
Australia	11,920	2,148	9,772
Other	70,727	12,746	57,981
Total	397,344	71,607	325,737

4. RISK AND CAPITAL MANAGEMENT CONTINUED

The concentration of insurance by type of contract is summarised below by reference to liabilities.

	Gross Claims Outstanding £'000	Reinsurer's Share of Claims Outstanding £'000	Net Claims Outstanding £'000
Accident and health	11,652	1,237	10,415
Motor (third party liability)	109	–	109
Motor (other classes)	2,901	(44)	2,945
Marine, aviation and transport	78,616	34,910	43,706
Fire and other damage to property	32,731	1,557	31,174
Third party liability	225,101	29,579	195,522
Credit and suretyship	3,473	80	3,393
Legal expenses	1,284	4	1,280
Reinsurance	41,477	4,284	37,193
	397,344	71,607	325,737

Assumptions and sensitivities

The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The syndicate uses several statistical and actuarial techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios.

The syndicate considers that the liability for insurance claims recognised in the balance sheet is adequate. However, actual experience will differ from the expected outcome.

A 5% increase or decrease in the loss ratios would have the following impact on total comprehensive income. For each sensitivity the impact of a change in a single factor is shown, with other assumptions unchanged.

	Total Comprehensive Income Impact £'000
5% increase in loss ratios	(24,210)
5% decrease in loss ratios	24,210

Financial Risk Management

The syndicate is exposed to financial risk through its financial assets, reinsurance assets and policyholder liabilities. In particular the key financial risk is that proceeds from, or the valuation of, financial assets are not sufficient to fund the obligations arising from policies as they fall due. The syndicate monitors and manages the financial risks relating to the operations of the syndicate through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk.

Market risk

Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and other price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities. The objective of the syndicate in managing its market risk is to ensure risk is managed in line with the syndicate's risk appetite.

The syndicate has established policies and procedures in order to manage market risk and methods, to measure it.

There were no material changes in the syndicate's market risk exposure in the financial year nor to the objectives, policies and processes for managing market risk.

Foreign currency risk management

The syndicate undertakes certain transactions denominated in foreign currencies, hence, exposures to exchange rate fluctuations arise.

4. RISK AND CAPITAL MANAGEMENT CONTINUED

The syndicate has minimal exposure to currency risk as the syndicate's financial assets are primarily matched to the same currencies as its insurance contract liabilities. As a result, foreign exchange risk arises from other recognised assets and liabilities denominated in other currencies.

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

	Sterling £'000	Euro £'000	US Dollar £'000	Can Dollar £'000	Other £'000	Total £'000
Investments	24,410	29,833	298,108	30,008	–	382,359
Debtors	401	4,863	6,407	326	–	11,997
Reinsurance recoveries anticipated on gross reinsurance to close premium payable to close the account	5,101	26,581	39,157	768	–	71,607
Other assets	26,426	13,435	23,752	6,108	273	69,994
Prepayments and accrued income	387	5	297	8	–	697
Total assets	56,725	74,717	367,721	37,218	273	536,654
Reinsurance to close premium payable to close the account – gross amount	41,421	56,545	280,714	18,664	–	397,344
Creditors	9,931	(26,211)	104,784	(6,983)	(50)	81,471
Accruals and deferred income	–	1	5,898	1,128	–	7,027
Total liabilities	51,352	30,335	391,396	12,809	(50)	485,842
Net Assets/(liabilities)	5,373	44,382	(23,675)	24,410	322	50,812

The following table details the syndicate's sensitivity to a 10% increase and decrease in Sterling against the US Dollar and Euro. For each sensitivity the impact of change in a single factor is shown, with other assumptions unchanged.

	Total Comprehensive Income Impact £'000
10% increase in GBP/US Dollar exchange rate	765
10% decrease in GBP/US Dollar exchange rate	(765)
10% increase in GBP/Euro exchange rate	5,091
10% decrease in GBP/Euro exchange rate	(5,091)

The syndicate's method for measuring sensitivity to currency rate fluctuations has not changed significantly over the financial year.

Interest rate risk management

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk arises primarily from the syndicate's financial investments, cash and overseas deposits. The risk of changes in the fair value of these assets is managed by primarily investing in short-duration financial investments and cash and cash equivalents. The FRSC monitors the duration of these assets on a regular basis. The syndicate has no significant concentration of interest rate risk. The syndicate manages this risk by adopting close asset/liability matching criteria, to minimise the impact of mismatches between asset and liability values arising from interest rate movements.

The following table details the syndicate's sensitivity to a 50 basis point increase and decrease in the yield curve. For each sensitivity the impact of change in a single factor is shown, with other assumptions unchanged.

	Total comprehensive income impact £'000
50 basis point increase	(3,091)
50 basis point decrease	3,117

The syndicate's method for measuring sensitivity to interest rate fluctuations has not changed significantly over the financial year.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4. RISK AND CAPITAL MANAGEMENT CONTINUED

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the syndicate. The key areas of exposure to credit risk for the syndicate are in relation to its investment portfolio, reinsurance programme and amounts due from policyholders and intermediaries.

The objective of the syndicate in managing its credit risk is to ensure risk is managed in line with the syndicate's risk appetite. The syndicate has established policies and procedures in order to manage credit risk and methods to measure it.

There were no material changes in the syndicate's credit risk exposure in the financial year nor to the objectives, policies and processes for managing credit risk.

The syndicate has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The syndicate only transacts with entities that are rated the equivalent to investment grade and above.

This information is supplied by independent rating agencies where available and if not available the syndicate uses other publicly available financial information and its own trading records to rate its major policyholders and reinsurers.

The syndicate's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the FRSC annually. Furthermore, in certain instances, the syndicate receives deposits from its reinsurers which it holds under the terms of the reinsurance agreements.

Receivables consist of a large number of policyholders, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The syndicate does not have any significant credit risk exposure to any single counterparty or any Group of counterparties. Concentration of credit did not exceed 5% of gross monetary assets at any time during the financial year. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets and reinsurance assets recorded in the financial statements represents the syndicate's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The syndicate monitors the credit risk in relation to its investment portfolio and reinsurance programme by monitoring external credit ratings for the investments and reinsurance assets held by the syndicate on a quarterly basis.

4. RISK AND CAPITAL MANAGEMENT CONTINUED

The following table shows aggregated credit risk exposure for assets with external credit ratings. Reinsurance assets are reinsurers' share of outstanding claims and IBNR and reinsurance receivables. They are allocated in the table below on the basis of ratings for claims paying ability.

As at 31 December 2018	AAA £'000	AA £'000	A £'000	BBB £'000	<BBB £'000	Not rated £'000	Total £'000
Investments	75,666	72,853	167,554	38,894	27,392	–	382,359
Debtors	–	123	11,638	–	–	236	11,997
Reinsurance recoveries anticipated on gross reinsurance to close premium payable to close the account	–	18,803	50,607	12	831	1,354	71,607
Other assets	27,297	5,552	28,430	3,490	202	5,023	69,994
Prepayments and accrued income	–	–	697	–	–	–	697
Total assets	102,963	97,331	258,926	42,396	28,425	6,613	536,654

Not rated other assets represent cash awaiting investment with our Lloyd's overseas deposits.

The following table shows the carrying value of debtors that are neither past due nor impaired, the ageing of assets that are past due but not impaired and assets that have been impaired. The factors considered in determining that the value of the assets have been impaired were: analysis of impairment, ageing of balances, past loss experience, current economic conditions and other relevant circumstances.

As at 31 December 2018	Neither past due nor impaired £'000	Past due less than 30 days £'000	Past due 31 to 60 days £'000	Past due 61 to 90 days £'000	Past due more than 90 days £'000	Past due and impaired £'000	Carrying amount £'000
Debtors arising out of direct insurance operations	7,530	–	–	–	–	–	7,530
Debtors arising out of direct reinsurance operations	3,300	700	238	1	(315)	–	3,924
	10,830	700	238	1	(315)	–	11,454

Liquidity risk management

Liquidity risk is the risk that the syndicate cannot meet its obligations associated with financial liabilities as they fall due. The syndicate has adopted an appropriate liquidity risk management framework for the management of the syndicate's liquidity requirements. The syndicate manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. The syndicate is exposed to liquidity risk arising from clients on its insurance and investment contracts. In respect of catastrophic events there is liquidity risk from a difference in timing between claim payments and recoveries thereon from reinsurers. Liquidity management ensures that the syndicate has sufficient access to funds necessary to cover insurance claims, surrenders, withdrawals and maturing liabilities. In practice, most of the syndicate's assets are marketable securities which could be converted into cash when required.

There were no material changes in the syndicate's liquidity risk exposure in the financial year nor to the objectives, policies and processes for managing liquidity risk.

In relation to the financial assets, the following table has been drawn up based on the undiscounted contractual maturities of the assets including interest that will be earned on those assets except where the syndicate anticipates that the cash flow will occur in a different period. The table also shows the expected maturity profile of the syndicate's undiscounted obligations with respect to its financial liabilities and estimated cash flows of recognised insurance and participating investment contract liabilities. The table includes both interest and principal cash flows.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 2016 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2018

4. RISK AND CAPITAL MANAGEMENT CONTINUED

As at 31 December 2018	Less than 1 year £'000	1 – 3 years £'000	3 – 5 years £'000	More than 5 years £'000	Total £'000
Investments	150,845	190,281	38,083	3,150	382,359
Debtors	11,275	722	–	–	11,997
Reinsurance recoveries anticipated on gross reinsurance to close premium payable to close the account	27,143	26,272	11,321	6,871	71,607
Other assets	36,671	29,588	3,735	–	69,994
Prepayments and accrued income	697	–	–	–	697
Total assets	226,631	246,863	53,139	10,021	536,654
Amounts due to members	50,812	–	–	–	50,812
Reinsurance to close premium payable to close the account - gross amount	150,619	145,781	62,817	38,127	397,344
Creditors	80,533	938	–	–	81,471
Accruals and deferred income	557	–	6,470	–	7,027
Total liabilities	282,521	146,719	69,287	38,127	536,654

Capital Management

Capital framework at Lloyd's

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

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

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at syndicate level. Accordingly, the capital requirement in respect of Syndicate 609 is not disclosed in these financial statements.

Lloyd's capital setting process

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

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member's SCR is determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to arrive at the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to ensure capital is sufficient to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2019 was 35% of the member's SCR 'to ultimate'.

Provision of capital by members

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

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

5. ANALYSIS OF UNDERWRITING RESULT

An analysis of the underwriting result before investment return is set out below:

	Gross premiums written (note 1) £'000	Gross claims incurred (note 2) £'000	Gross operating expenses £'000	Reinsurance balance (note 3) £'000	Total £'000
Direct insurance:					
Accident and health	41,373	18,043	22,068	(839)	423
Motor (third party liability)	576	63	132	1	382
Motor (other classes)	13,643	10,513	4,675	244	(1,301)
Marine, aviation and transport	79,480	39,363	38,707	586	1,996
Fire and other damage to property	138,396	59,228	59,297	(4,756)	15,115
Third party liability	115,166	60,602	50,515	468	4,517
Credit and suretyship	5,193	5,090	1,128	2,270	1,245
	393,827	192,902	176,522	(2,026)	22,377
Reinsurance	54,779	22,820	15,033	2,591	19,517
	448,606	215,722	191,555	565	41,894
RITC received	312,047	371,759	–	61,662	1,950
Total	760,653	587,481	191,555	62,227	43,844

1. Gross premiums written are treated as fully earned.
2. Gross claims incurred comprises gross claims paid and gross reinsurance to close premium payable.
3. The reinsurance balance comprises reinsurance premiums ceded less reinsurance recoveries on claims paid and reinsurance recoveries anticipated on reinsurance to close payable.
4. All premiums are concluded in the UK.

6. REINSURANCE TO CLOSE PREMIUM RECEIVABLE

	£'000
Gross notified outstanding claims	146,266
Reinsurance recoveries anticipated	(16,225)
Net notified outstanding claims	130,041
Provision for gross claims incurred but not reported	210,734
Reinsurance recoveries anticipated	(42,663)
Provision for net claims incurred but not reported	168,071
Reinsurance to close premium receivable, net of reinsurance at transaction rates of exchange	298,112
Revaluation to closing rates of exchange	13,935
Reinsurance to close premium receivable, net of reinsurance at closing rates of exchange	312,047

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 2016 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2018

7. REINSURANCE TO CLOSE PREMIUM PAYABLE

	£'000
Gross notified outstanding claims	194,581
Reinsurance recoveries anticipated	(41,762)
Net notified outstanding claims	152,819
Provision for gross claims incurred but not reported	202,763
Reinsurance recoveries anticipated	(29,845)
Provision for net claims incurred but not reported	172,918
Reinsurance to close premium payable, net of reinsurance	325,737

The reinsurance to close is effected to the 2017 year of account of Syndicate 609.

8. NET OPERATING EXPENSES

	£'000
Acquisition costs:	
Brokerage & commission	129,505
Other acquisition costs	20,460
	149,965
Administrative expenses	41,590
	191,555
Reinsurance commissions receivable	(6,891)
	184,664

Administrative expenses include:

	£'000
Auditors' remuneration	
Audit services	285
Managing agent's profit commission	12,944

Members' standard personal expenses (Lloyd's subscriptions, central fund contributions, managing agent's fees and profit commission) are included within administrative expenses and amount to £19,450,000.

9. STAFF NUMBERS AND COSTS

All staff are employed by Atrium Group Services Limited. The following amounts were recharged to the syndicate in respect of staff costs:

	£'000
Wages and salaries	16,549
Social security costs	1,408
Other pension costs	2,013
	19,970

The average number of employees employed by Atrium Group Services Limited, but working for the syndicate during the three years, was as follows:

	Number
Management	5
Underwriting	68
Claims	10
Administration	56
	139

10. REMUNERATION OF THE DIRECTORS OF ATRIUM UNDERWRITERS LIMITED

The fourteen Directors of Atrium Underwriters Limited, who served during the three years ending 31 December 2018, received the following aggregate remuneration charged to the syndicate and included within net operating expenses:

	£'000
Remuneration	1,609

No other compensation was payable to key management personnel and charged to the syndicate.

The Active Underwriter received the following remuneration charged as a syndicate expense and included within net operating expenses:

	£'000
Remuneration	232

11. INVESTMENT RETURN

	£'000
Investment income:	
Income from investments	12,719
Gains on the realisation of investments	307
	13,026
Net unrealised losses on investments:	
Unrealised gains on investments	173
Unrealised losses on investments	(5,541)
	(5,368)
Investment expenses and charges:	
Investment management expenses, including interest	(336)
Losses on the realisation of investments	(976)
	(1,312)
Allocated investment return transferred to the technical account	6,346

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 2016 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2018

12. BALANCE ON TECHNICAL ACCOUNT

	£'000
Balance excluding investment return and operating expenses	
Profit attributable to business allocated to the 2016 pure year of account	184,643
Profit attributable to business reinsured into the 2016 year of account	43,865
	228,508
Allocated investment return transferred from the non-technical account	6,346
Net operating expenses	(184,664)
	50,190

13. INVESTMENTS

	Fair value £'000	Cost £'000
Shares and other variable yield securities and units in unit trusts	28,135	28,135
Debt and other fixed income securities	354,156	360,093
Loans secured by mortgage	33	35
Deposits with credit institutions	35	35
	382,359	388,298

Shares and other variable yield securities and units in unit trusts represents the syndicate's holdings in collective investment schemes.

Using Standard & Poor's and Moody's as rating sources, the credit ratings of the debt and other fixed income securities are set out below:

	Fair value £'000	%
Government/Government Agency	39,712	11.2
AAA/Aaa	35,953	10.2
AA/Aa	72,820	20.6
A	139,384	39.3
BBB	38,894	11.0
<BBB	27,393	7.7
	354,156	100.0

Fair Value methodology

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction. Fair values are determined at prices quoted in active markets. In some instances, such price information is not available for all instruments and the syndicate applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data but in some cases management estimate other than observable market inputs within the valuation model. There is no standard model and different assumptions would generate different results.

To provide an indication about the reliability of the inputs used in determining fair value, the syndicate has classified its financial instruments into the three levels. Investments carried at fair value have been categorised using a fair value hierarchy.

An explanation of each level and the value hierarchy can be found on the next page.

Fair value hierarchy

Level 1 – Inputs to level 1 fair value are quoted prices (unadjusted) in active markets for identical assets. An active market is one in which transactions for the asset occurs with sufficient frequency and volume to provide pricing information on an on-going basis.

Level 2 – The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

13. INVESTMENTS CONTINUED

Level 3 – Inputs to level 3 fair values are based on unobservable inputs for the assets at the last measurement date. If all significant inputs required to fair value an instrument are observable then the instrument is included in level 2, if not it is included in level 3. The syndicate did not have any such instruments.

The table below shows financial instruments carried at fair value through profit or loss grouped into the level in the fair value hierarchy into which each fair value measurement is categorised.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Shares and other variable yield securities and units in unit trusts	23,316	4,819	–	28,135
Debt securities and other fixed income securities	18,896	335,260	–	354,156
Loans secured by mortgage	–	33	–	33
	42,212	340,112	–	382,324

14. DEBTORS

	£'000
Arising out of direct insurance operations	
Due from intermediaries	7,530
Arising out of reinsurance operations	3,924
Other	543
	11,997

15. AMOUNTS DUE TO MEMBERS

	£'000
Profit for the 2016 closed year of account	53,441
Members' agents' fee advances	(2,629)
Distributions to members to date	–
Amounts due to members at 31 December 2018	50,812

16. CREDITORS

	£'000
Arising out of direct insurance operations	
Due to intermediaries	2,703
Arising out of reinsurance operations	9,543
Managing agent's profit commission	12,944
Other	56,281
	81,471

Other creditors include inter year loans of £47,898,000.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 2016 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2018

17. CLAIMS DEVELOPMENT

The following tables show the development of claims over a period of time on both a gross and net of reinsurance basis. FRS 103 requires that claims development shall go back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payment, but need not go back more than ten years. The top half of the table shows how the estimates of total claims for each underwriting year develop over time. The lower half of the table reconciles the cumulative claims to the amount appearing in the balance sheet.

The cumulative claims estimates and payments for each underwriting year are translated into pounds sterling at the exchange rates prevailing at 31 December 2018 in all cases.

Analysis of claims development - gross	2011 £'000	2012 £'001	2013 £'000	2014 £'000	2015 £'000	2016 £'000	Total £'000
Estimate of ultimate gross claims							
at end of underwriting year	293,338	260,206	261,835	259,108	278,817	287,485	
one year later	265,295	218,283	255,899	230,079	266,593	264,798	
two years later	256,327	200,908	230,729	213,445	239,888	240,599	
three years later	254,815	180,205	218,261	188,716	226,690		
four years later	245,739	169,783	204,683	212,989			
five years later	239,335	162,721	201,404				
six years later	237,141	158,486					
seven years later	223,649						
Less gross claims paid	200,019	141,500	171,560	139,123	150,698	129,435	
Gross ultimate claims reserve	23,630	16,986	29,844	73,866	75,992	111,164	331,482
Gross ultimate claims reserve for 2010 & prior years							65,862
Gross claims reserve							397,344

Analysis of claims development - net	2011 £'000	2012 £'001	2013 £'000	2014 £'000	2015 £'000	2016 £'000	Total £'000
Estimate of ultimate net claims							
at end of underwriting year	252,303	231,818	234,621	231,427	246,857	248,571	
one year later	237,453	202,843	233,529	214,829	244,585	237,107	
two years later	220,599	188,627	212,531	203,260	222,053	220,203	
three years later	204,308	168,963	201,211	180,864	211,239		
four years later	195,386	159,809	189,026	180,412			
five years later	190,212	153,161	185,300				
six years later	188,381	148,619					
seven years later	180,876						
Less net claims paid	170,095	132,448	157,635	134,075	143,982	118,951	
Net ultimate claims reserve	10,781	16,171	27,665	46,337	67,257	101,252	269,463
Net ultimate claims reserve for 2010 & prior years							56,274
Net claims reserve							325,737

Amounts recognised in foreign currencies have been restated at the closing rates of exchange at the end of the reporting year.

The syndicate has taken advantage of the transitional provisions within FRS 103 not to disclose information about claims development that occurred earlier than five years before the end of the first financial year in which FRS 103 is applied. FRS 103 was first applied for the 2015 financial year.

18. CONSIDERATION FOR NET RITC RECEIVABLE

Consideration for net RITC receivable comprised:

	£'000
Non-cash consideration:	
Portfolio investments	388,206
Deposits with credit institutions	27
Overseas deposits	49,892
Debtors	5,365
Creditors	(172,214)
	271,276
Cash	26,836
	298,112

19. MOVEMENT IN OPENING AND CLOSING PORTFOLIO INVESTMENTS NET OF FINANCING

Movement in Cash, Portfolio Investments and Financing

	At 1 Jan 2016 £'000	Cash flow £'000	Received as consideration for net RITC receivable £'000	Changes to market value and currencies £'000	At 31 Dec 2018 £'000
Cash at bank and in hand	–	(4,434)	26,836	886	23,288
Overseas deposits	–	(4,830)	49,892	1,644	46,706
Portfolio investments:					
Shares and other variable yield securities and units in unit trusts	–	4,137	22,771	1,227	28,135
Debt securities and other fixed income securities	–	(22,371)	365,364	11,163	354,156
Loans secured by mortgage	–	(203)	71	165	33
Deposits with credit institutions	–	7	27	1	35
Total portfolio investments	–	(18,430)	388,233	12,556	382,359
Total cash, portfolio investments and financing	–	(27,694)	464,961	15,086	452,353

The changes to market values and currencies include £21.1m relating to currency revaluation of non-Sterling denominated investments and deposits.

20. DISCLOSURES OF INTEREST

Atrium Underwriting Group Limited (AUGL) is a wholly owned subsidiary of Alopuc Ltd (a UK holding company) and Alopuc Ltd is in turn a wholly owned subsidiary of Northshore Holdings Ltd, a Bermudan company. The ultimate beneficial owners of Northshore are Enstar Group Ltd (Enstar) who hold approximately 57.5% economic interest and affiliates of Stone Point Capital LLC (Stone Point) who hold approximately 38.5% economic interest. The balance of shareholding is held by Dowling Capital Partners and Atrium management and staff.

AUGL is the holding company of the following wholly owned subsidiaries; Atrium Underwriters Limited (AUL), Atrium Underwriting Holdings Limited (AUHL), Atrium Insurance Agency Limited (AIAL), Atrium Group Services Limited (AGSL), Atrium Insurance Agency (Asia) Pte.Ltd (ASIA), Atrium Risk Management Services (Washington) Ltd (ARMS) and Atrium Risk Management Services (British Columbia) Ltd (ARMSBC) and Atrium 5 Limited. AGSL is the holding company of Atrium Nominees Limited. AUL is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and is the managing agent of Syndicate 609. AUHL is the holding company of ten non-continuing Lloyd's corporate members.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 2016 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2018

20. DISCLOSURES OF INTEREST CONTINUED

Historically AUGL has participated on the managed syndicate through its corporate member subsidiary, Atrium 5 Limited. With effect from the 2017 year of account onwards, this AUGL participation has been through another corporate member within the Enstar Group (SGL No. 1 Limited) under the terms of a lease agreement between SGL No. 1 Limited and Atrium 5 Limited.

	2016 Capacity £m	2017 Capacity £m	2018 Capacity £m	2019 Capacity £m
Syndicate 609	107.1	107.1	114.7	**114.7**

Atrium 5 Limited/SGL No. 1 Limited's participations on the managed syndicate as % of syndicate capacity:

	Year of account			
	2016 %	2017 %	2018 %	2019 %
Syndicate 609	25.6	25.5	25.4	**25.4**

AIAL is a registered Lloyd's UK coverholder and is authorised and regulated by the Financial Conduct Authority. Syndicate 609 leads a binding authority granted to AIAL to underwrite Space business. Under the terms of the binding authority, fees and profit commission are payable by the syndicate to AIAL. Fee income of US$396,000 was paid by the syndicate to AIAL in relation to premium earned on the 2016 year of account. Profit commission is due in relation to the 2016 year of account of US$352,000.

AGSL is a group service company. All UK employee contracts and, where possible, all material service provider contracts are held by AGSL. A service agreement is in place whereby AGSL provides all management services to all Atrium Group companies. Under the service agreement AGSL will charge the costs to each Atrium group company, including AUL, for the respective services provided.

ASIA carries on for its own account the business of insurance intermediation in Singapore, operating on the Lloyd's Asia platform. In this capacity it has been granted authority by Syndicate 609 to bind certain risks (including marine hull, energy, aviation and non-marine property risks) and has been approved by Lloyd's and the Monetary Authority of Singapore to act as a Lloyd's Singapore Service Company. Under the terms of the arrangement with Syndicate 609, ASIA charges fees to the syndicate equal to its operating costs plus a small margin for tax reasons. Fees of S$4,716,000 were paid by Syndicate 609 to ASIA on the 2016 year of account. ASIA ceased to write business in 2016 and is now in run-off.

ARMS is incorporated in Washington State, United States, and was established to support the Syndicate strategy to maintain and grow its North American direct portfolio and distribution network. ARMS charges fees to the syndicates equal to its operating costs plus a small margin for tax reasons. Fees of U$1,657,000 were paid by Syndicate 609 to ARMS in respect of the 2016 year of account.

ARMSBC is incorporated in British Columbia, Canada, and was established to support the syndicate strategy to maintain and grow it's North American direct portfolio and distribution network. ARMSBC charges fees to the syndicate equal to its operating costs plus a small margin for tax reasons. Fees of C$690,000 were paid by Syndicate 609 to ARMSBC in respect of the 2016 year of account.

The directors' participations on Syndicate 609 via Nomina No. 207 LLP (the staff LLP) are as follows (this includes any director of AUL that served during 2018 and was a partner in the staff LLP):

	2016 £	2017 £	2018 £	2019 £
James Cox	81,979	74,170	127,287	**153,020**
Toby Drysdale	23,590	19,700	41,952	**36,259**
Richard Harries	317,688	277,611	519,189	**568,698**
James Lee	42,197	56,659	86,960	**93,457**
Brendan Merriman	31,648	32,004	62,855	**63,046**
Samit Shah	50,717	72,526	112,595	**116,052**
Kirsty Steward	21,114	21,461	27,134	**23,997**

20. DISCLOSURES OF INTEREST CONTINUED

AUL has made no loans to directors of the company during 2018 (2017 - nil). There were no loans outstanding at the balance sheet date.

Managing agency fees of £2,919,000 were paid by the syndicate to AUL. Profit commission of £12,944,000 is payable by the syndicate to AUL in relation to the 2016 year of account result. The managing agents agreement was amended in 2007 to enable managing agents to make payments on account of profit commission, prior to the closure of a year of account. Payments on account can be made when the syndicate transfers open year surpluses from the syndicate level premium trust funds to the members' personal reserve fund. No such payment was made in 2018. Included within creditors is £12,944,000 in respect of profit commission payable to AUL in relation to the 2016 year of account.

Given the insurance related activities undertaken within the broader Enstar group it is possible that transactions may be entered into between the Atrium managed syndicate and Enstar Group companies (including Starstone insurance group entities and the Starstone managed Lloyd's syndicates 1301 and 2008). Any such related party transactions are entered into by the syndicate on a commercial basis and managed in accordance with the protocols set out in Atrium's Conflicts of Interest Policy.

Enstar representatives serving as Directors of AUL also hold Board positions at other Enstar group companies and these individuals disclose and manage any potential conflicts of interest in line with Atrium's usual practice, which applies to all AUL Directors.

As part of Atrium's Brexit contingency arrangements, AUL has entered into an outsourcing agreement with Lloyd's Insurance Company S.A., (LIC) and a reinsurance contract between Syndicate 609 and LIC.

SEVEN YEAR SUMMARY OF RESULTS

SYNDICATE 609 AT 31 DECEMBER 2018

	Notes	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
				Year of Account				
Syndicate allocated capacity	1	**419**	420	420	419	418	274	275
Aggregate net premiums		**401**	346	332	339	334	183	193
Number of underwriting members		**3,056**	3,059	3,116	3,140	3,165	3,128	3,102
Results for an illustrative share of £10,000		**£**	**£**	**£**	**£**	**£**	**£**	**£**
Gross premiums		**10,713**	9,154	8,802	9,370	9,116	8,147	8,508
Gross premiums %	2	**107.1%**	91.5%	88.0%	93.7%	91.2%	81.5%	85.1%
Net premiums		**9,568**	8,232	7,913	8,284	7,978	6,675	7,040
Net premiums %	3	**95.7%**	82.3%	79.1%	82.8%	79.8%	66.7%	70.4%
Premium for the reinsurance to close an earlier year of account	4	**7,452**	7,211	7,323	6,896	6,951	5,916	5,301
Net claims	5	**3,784**	3,999	3,102	3,644	3,049	3,564	2,569
Premium for the reinsurance to close the year of account		**7,779**	7,097	7,733	6,253	6,632	5,256	5,985
Underwriting profit		**5,457**	4,347	4,401	5,283	5,248	3,771	3,787
Loss/(profit) on exchange		**–**	–	–	–	159	(107)	(69)
Syndicate operating expenses		**3,636**	3,525	3,185	3,343	2,929	2,074	1,944
Balance on technical account		**1,821**	822	1,216	1,940	2,160	1,804	1,912
Balance on technical account %	6	**17.0%**	9.0%	18.2%	20.7%	23.7%	22.1%	22.5%
Investment return		**152**	188	194	106	104	89	242
Other foreign exchange gains	7	**77**	831	881	66	–	–	–
Profit for closed year of account		**2,050**	1,841	2,291	2,112	2,264	1,893	2,154
Illustrative managing agent's profit commission		**309**	354	384	381	441	364	416
Illustrative personal expenses		**465**	136	137	139	51	66	69
Profit after illustrative profit commission and illustrative personal expenses	8	**1,276**	1,351	1,770	1,592	1,772	1,463	1,669

Notes

1. With effect from 1 January 2014 the 2011 year of account of Syndicate 570 was reinsured to close into the 2012 year of account of Syndicate 609.
2. Gross premiums as a percentage of illustrative share.
3. Net premiums as a percentage of illustrative share.
4. The reinsurance to close premium that has been received by the 2016 year of account has been retranslated to the rates of exchange that were applicable as at 31 December 2018. Reinsurance to close premiums receivable in respect of the 2016 and prior years of account have not been restated.
5. Net claims include internal claims settlement expenses.
6. Balance on technical account as a percentage of gross premiums.
7. With effect from 31.12.15, other foreign exchange gains are reported in the non-technical account and not as other comprehensive income, and not as syndicate expenses.
8. Illustrative personal expenses, including illustrative profit commission, are based on a calculation of amounts incurred by a member writing an illustrative share. For this purpose minimum fee charges are ignored.

Memorandum Item

For an illustrative share of £10,000	Notes	2016 £	2015 £	2014 £	2013 £	2012 £	2011 £	2010 £
				Year of Account				
Aggregation of annual fee, profit commission and syndicate expenses	7	**908**	985	900	880	1,037	778	815

Designed & printed by Perivan 252649

ATRIUM UNDERWRITERS LIMITED
ROOM 790
LLOYD'S
1 LIME STREET
LONDON
EC3M 7DQ

TEL: +44 (0)20 7327 4877
FAX: +44 (0)20 7327 4878
WEB: www.atrium-uw.com