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SYNDICATE 1910

**Argo Managing Agency Limited**  
*Report and Syndicate Annual Accounts  
For the year ended 31 December 2017*  
SYNDICATE 1910

 **ARGOGLOBAL**  
*Member Argo Group*



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Syndicate 1910  
Report and Syndicate Annual Accounts

# Directors and Advisors

## MANAGING AGENT'S REGISTERED OFFICE

Argo Managing Agency Limited  
Exchequer Court  
33 St Mary Axe  
London EC3A 8AA

## MANAGING AGENT'S REGISTERED NUMBER

03768610

## DIRECTORS

A P Latham (Chairman)  
D Argyle  
F-X Boisseau  
J S Bullock  
P J Grant  
J A Hernandez  
D J Kirby  
D M Lang  
K A Nealon  
M Wilken

## SYNDICATE

Argo Syndicate 1910

## ACTIVE UNDERWRITER

M Wilken

## BANKERS

Barclays Bank Plc  
Citybank NA  
RBC Dexia

## AUDITORS

Ernst & Young LLP  
Statutory Auditor  
25 Churchill Place  
Canary Wharf  
London E14 5EY

# Chairman's Statement



I present to you my report as Chairman of Argo Managing Agency Limited ('AMA') and its managed Syndicate 1910.

## RESULTS SUMMARY

Gross written premiums increased from £199.9m in 2016 to £341.1m, generating a profit of £23.8m compared to a profit of £4.1m in 2016 and a total comprehensive income of £0.5m compared to £29.5m in 2016.

The performance in 2017 has been impacted by the worst year for catastrophes in the US for over a decade with Hurricanes Harvey, Irma and Maria, the wildfires in California and earthquakes in Mexico causing insured market losses of \$135 billion the costliest year on record (source: Munich Re). The impact of the catastrophe losses on Syndicate 1910 net of reinsurance recoveries added 18.16 percentage points to the combined ratio. The net impact of these events was managed due to the effectiveness of the reinsurance programme purchased to protect against such large events. The losses mainly impacted the 2017 Year of Account and as such the expected result on this year of account will be disappointing compared to prior years with fewer catastrophes.

The 2016 Year of Account has performed creditably given that it was affected by Hurricane Matthew and fires in Alberta, the year is forecast to be better than plan when it closes in 12 months time with a return of stamp of 11.9%. This is despite challenging market conditions that continued to erode profit margins and premium volumes.

The 2015 Year of Account has performed well and has returned a return on stamp of 16.1% thanks to a benign period of losses and a stronger rating environment than that experienced in 2017.

Following the loss events in 2017 we have seen improved rating in the market. However, post loss it has not returned to the level that we believe they should or which the market was expecting. We believe that continued underwriting discipline in our chosen markets we should deliver the returns required by our capital partners.

## STAFF COMMITMENT

2017 has been another demanding year for staff in all areas of the business particularly following the acquisition of Ariel by the Managing Agency. I would like to thank staff for their continued commitment and enthusiasm during a difficult period in the market while completing the successful integration of Ariel into the Agency. I believe this continued dedication and enthusiasm leaves the syndicate in the best possible position to successfully navigate current market conditions.

**Tony Latham**  
*Chairman*

12 March 2018

# Report of the Directors of the Managing Agent

On 6 February 2017 the Argo group acquired the Ariel Re group, and on 7 February 2017 the Syndicate novated from Asta Managing Agency Ltd to Argo Managing Agency Limited, a company registered in England and Wales.

The directors of the Argo Managing Agency Limited accordingly present their report for the year ended 31 December 2017.

## REPORTING BASIS

These Syndicate annual accounts are 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").

## PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Syndicate's principal activity continues to be the underwriting of direct insurance and reinsurance business in the Lloyd's market.

The Syndicate's key financial performance indicators during the year were as follows:

	2017 £m	2016 £m	Change %
Gross written premium	341.1	199.9	70.6%
Profit for the financial year	23.8	4.1	480.5%
Total comprehensive income	0.5	29.5	(98.3%)
Claims ratio %	60.1%	73.5%	(13.4%)
Expense ratio %	25.4%	28.0%	(2.6%)
Combined ratio %	85.5%	101.5%	(16.0%)

An analysis of gross written premium is provided in note 2 to the accounts.

In December 2015, the Syndicate wrote (on the 2015 year of account) a material inwards reinsurance contract comprising predominantly personal lines, and some limited small commercial lines. In January 2017 this contract was renewed for the 2017 year of account. The contract has a capped catastrophe loss ratio.

Traditionally, the performance of the Syndicate has been assessed by measuring, as a percentage of underwriting capacity, the 36 month result on a funded accounting basis for a "closed" underwriting year of account.

The return on capacity for the 2015 closed year of account at 31 December 2017 is shown below together with forecasts for the two open years of account.

## RESULTS

The total recognised income for calendar year 2017 is a profit of £0.5m (2016: profit of £29.5m). Profits will be distributed by reference to the results of individual underwriting years.

Year of account summary	2017 F* Open £m	2016 F Open £m	2015 A Closed £m
Stamp Capacity – net of 6117	170.7	121.2	181.3
Stamp capacity – gross of 6117	294.4	172.9	220.2
Stamp premium income	287.9	184.1	266.2
Stamp utilisation	97.8%	106.5%	120.9%
Gross written premium	317.4	210.8	290.3
(Loss)/profit	*	14.4	29.2
(Loss)/return on stamp	*	11.9%	16.1%

Stamp capacity is shown both net and gross of the quota share to the Special Purpose Arrangement Syndicate 6117.

\*A formal forecast range for the 2017 year of account will be released at the time of publishing results for the 3 months to 31 March 2018.

### REINSURANCE PROGRAMME PURCHASE

The Syndicate purchases reinsurance to assist in achieving its strategic objectives by managing risk aggregation and improving the return on capital of the Syndicate as a whole. The uses of proportional and excess of loss protection varies by type of business depending on the nature of the business.

The 2017 reinsurance strategy remained in line with 2016 focussing on reducing the ceded margin whilst remaining within the Syndicate's risk appetite.

The Syndicate continued to place the reinsurance programme with high quality reinsurers, nearly all being with Tier 1 reinsurers rates A- to AAA by Standards and Poor's, with significant reinsurers providing collateral for their full exposure.

### INVESTMENTS

Allocation of investments is conservative and is predominantly in cash and fixed interest securities of high credit quality with little exposure to volatile asset classes. This satisfies the syndicate's liquidity requirements in respect of routine claim and expense payments. In addition, Lloyd's centrally manages various overseas funds and deposits on behalf of the syndicate. However, by far the largest element of the syndicate's funds 66.0% (2016: 39.3%) are held in fixed interest portfolios that are managed by Conning Investment Management Ltd which therefore has a dominant influence on the overall investment return. All investments are managed within risk constraints and

duration, liquidity and credit limits (average must be A/A2 or above) are approved by the Board of Directors of the Managing Agency. The investment benchmarks set for the fixed income portfolios are predominantly a combination of the Barclays 1-3 year government and corporate indices and the investment manager's performance is compared to these benchmarks.

### FOREIGN EXCHANGE EXPOSURE POLICY

The aim of our policy is to minimise foreign exchange volatility in US Dollar terms (the functional currency of the Syndicate). To achieve this, we aim to match our assets and liabilities in currency. It is the Syndicate's policy to hold its surplus assets (profits) in US Dollars.

### PRINCIPAL RISKS AND UNCERTAINTIES

Note 19 in the notes to the financial statements provides an analysis of the key insurance and financial risks to which the Syndicate is exposed.

### DONATIONS

Charitable donations during the year amounted to £nil (2016: £nil).

# Report of the Directors of the Managing Agent

## OUTLOOK AND FUTURE DEVELOPMENTS

The Syndicate plans to thoughtfully manage its existing portfolio on both a gross and net basis through the continued challenging market conditions. We will maintain our franchise and distribution but look to expand the business by combining Argo Bermuda platforms. The expectation is that all property treaty business written by Argo in Bermuda will either be directly written on 1910 or reinsured into 1910 via a whole account quota share of Argo Re which brings further historically profitable business into the Lloyd's market and to the advantage of the capital providers to the syndicate. Attractive new opportunities in the Reinsurance market will also emerge through working with core clients on innovative

solutions to their needs, rather than competing in the broader marketplace.

Ariel will continue to develop new initiatives through the application of high levels of technical expertise in the specialty insurance and reinsurance sector, as evidenced by our ongoing efforts in the Power Outage and Renewable Energy classes.

We also have the opportunity to work with the broader Argo Group and its global distribution network, which will undoubtedly widen the range of clients and brokers with whom we can trade in the future.

Our capacity for the 2018 year of account is £357.0m (2017 year of account £294.4m).

## DIRECTORS AND OFFICERS SERVING IN THE YEAR

Details of the Directors of the Managing Agent who served during the year ended 31 December 2017 and to the date of this report:

### Directors and officers

A P Latham (independent non-executive; Chairman)	
D Argyle	
F-X Boisseau (independent non-executive)	Appointed 1 January 2018
J S Bullock (non-executive)	
P L Burrows (independent non-executive)	Resigned 25 October 2017
P J Grant (independent non-executive)	
D J Harris	Resigned 26 July 2017
J A Hernandez	Appointed 25 April 2017
D J Kirby	Appointed 24 May 2017
D M Lang	
T Mills (company secretary)	Appointed 1 January 2018
K A Nealon (independent non-executive)	
B C Ritchie	Resigned 29 September 2017
M E Watson III (non-executive)	Resigned 26 July 2017
M Wilken	Appointed 4 October 2017
C V Barley	Asta Managing Agency novated on 7 February 2017
M D Mohn	Asta Managing Agency novated on 7 February 2017
K Shah	Asta Managing Agency novated on 7 February 2017

On 4 October 2017, Matthew Wilken was appointed as active underwriter replacing Dominic J Kirby.

On 21 September 2017, Dominic J Kirby was appointed chief executive of Argo Managing Agency following the departure of David J Harris to take up a position as Head of Performance with Argo Group.

### **ANNUAL GENERAL MEETING**

The directors do not propose to hold an annual general meeting for the Syndicate. If any member agent or direct corporate supporter of the Syndicate wishes to meet with them, the directors are happy to do so.

### **DISCLOSURE OF INFORMATION TO AUDITORS**

So far as each person who was a director of the Managing Agent at the date of approving the report is aware, there is no relevant audit information, being information needed by the Syndicate auditor in connection with the auditor's report, of which the auditor is unaware. Having made enquiries of fellow directors of the Agency and the Syndicate's Auditors, each director has taken all the steps that he or she ought to have taken as a director to become aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

### **AUDITORS**

The Syndicate's auditors, Ernst & Young LLP, are deemed to be reappointed under the provisions of The Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008 and Section 487(2) of the companies Act 2006.

Approved by the Board of Argo Managing Agency Limited and signed on behalf of the Board.

**D J Kirby**

*Director*

12 March 2018

# Statement of Managing Agent's Responsibilities

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

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

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

- select suitable accounting policies, and 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 syndicate annual accounts; and
- prepare the syndicate annual accounts on the basis that the syndicate will continue to write future business unless it is inappropriate to do so.

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

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

# Report of the Independent Auditors

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNDICATE 1910

### OPINION

We have audited the syndicate annual accounts of syndicate 1910 ('the syndicate') for the year ended 31 December 2017 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Members' Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

- give a true and fair view of the syndicate's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the syndicate annual accounts section of our report below. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### USE OF OUR REPORT

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 syndicate and the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

### CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the managing agent's use of the going concern basis of accounting in the preparation of the syndicate annual accounts is not appropriate; or
- the managing agent has not disclosed in the syndicate annual accounts any identified material uncertainties that may cast significant doubt about the syndicate's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the syndicate annual accounts are authorised for issue.

### OTHER INFORMATION

The other information comprises the information included in the annual report, other than the syndicate annual accounts and our auditor's report thereon. The managing agent is responsible for the other information.

Our opinion on the syndicate annual accounts does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

## OPINION ON OTHER MATTER PRESCRIBED BY THE INSURANCE ACCOUNTS DIRECTIVE (LLOYD'S SYNDICATE AND AGGREGATE ACCOUNTS) REGULATIONS 2008

In our opinion, based on the work undertaken in the course of the audit

- the information given in the managing agent's report for the financial year in which the syndicate annual accounts are prepared is consistent with the syndicate annual accounts, and
- the managing agent's report has been prepared in accordance with applicable legal requirements.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

We have nothing to report in respect of the following matters where The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires us to report to you, if in our opinion:

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual accounts are not in agreement with the accounting records;
- we have not received all the information and explanations we require for our audit; or
- certain disclosures of the managing agents' emoluments specified by law are not made.

## RESPONSIBILITIES OF THE MANAGING AGENT

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 8, the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE SYNDICATE ANNUAL ACCOUNTS

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

A further description of our responsibilities for the audit of financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Stuart Wilson** (*Partner*)

for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

15 March 2018

# Income Statement

## Year ended 31 December 2017

	Note	2017 £m	2016 £m
<b>Technical account – general business</b>			
Gross premiums written	2	<b>341.1</b>	199.9
Outward reinsurance premiums	4	<b>(218.7)</b>	(111.3)
Net premiums written		<b>122.4</b>	88.6
Change in the provision for unearned premiums			
– Gross amount		<b>2.6</b>	65.4
– Reinsurers' share		<b>18.5</b>	7.2
Change in the net provision for unearned premiums	3	<b>21.1</b>	72.6
Earned premiums, net of reinsurance		<b>143.5</b>	161.2
Allocated investment return transferred from the non-technical account		<b>0.6</b>	0.6
Claims paid			
– Gross amount		<b>(185.0)</b>	(93.4)
– Reinsurers' share	3	<b>75.1</b>	9.6
Net claims paid		<b>(109.9)</b>	(83.8)
Changes in claims outstanding			
– Gross amount		<b>(163.7)</b>	(63.5)
– Reinsurers' share		<b>187.3</b>	28.8
Change in the net provision for claims	3	<b>23.6</b>	(34.7)
Claims incurred, net of reinsurance		<b>(86.3)</b>	(118.5)
Net operating expenses	4	<b>(36.4)</b>	(45.2)
Balance on the technical account for general business		<b>21.4</b>	(1.9)
<b>Non-technical account – general business</b>			
Balance on the technical account for general business		<b>21.4</b>	(1.9)
Investment income	7	<b>1.2</b>	0.9
Realised/unrealised losses on investments	7	<b>(0.5)</b>	(0.2)
Investment expenses and charges	7	<b>(0.1)</b>	–
Allocated investment return transferred to the technical account for general business	9	<b>(0.6)</b>	(0.6)
Exchange gains and losses		<b>2.4</b>	5.9
Profit for the financial year	17	<b>23.8</b>	4.1

# Statement of Comprehensive Income

Year ended 31 December 2017

	2017 £m	2016 £m
Profit for the financial year	23.8	4.1
OCI – Currency translation differences	(23.3)	25.4
Total comprehensive income for the year	0.5	29.5

# Statement of Changes in Members' Balances

Year ended 31 December 2017

	2017 £m	2016 £m
At 1 January	24.2	58.4
Total comprehensive income for the year	0.5	29.5
Currency movement on brought forward funds at Lloyd's in Syndicate	0.2	–
Payments of profit to member's personal reserve funds	(15.8)	(63.4)
Members' agent fees	(0.3)	(0.3)
Release of funds at Lloyd's in Syndicate trust funds	–	–
At 31 December	8.8	24.2

# Statement of Financial Position

## at 31 December 2017

	Note	2017 £m	2016 £m
<b>ASSETS</b>			
<b>Investments</b>			
Financial investments	8	88.7	112.9
		<b>88.7</b>	112.9
<b>Reinsurers' share of technical provisions</b>			
Provision for unearned premiums	3	45.8	31.8
Claims outstanding	3	236.1	62.2
		<b>281.9</b>	94.0
<b>Debtors</b>			
Debtors arising out of direct insurance operations	9	44.2	57.8
Debtors arising out of reinsurance operations	10	146.4	75.1
Other debtors		2.0	3.6
		<b>192.6</b>	136.5
<b>Cash and other assets</b>			
Cash at bank and in hand	16	4.5	30.6
Other assets	11	9.3	9.0
		<b>13.8</b>	39.6
<b>Prepayments and accrued income</b>			
Deferred acquisition costs	3	12.2	13.3
Other prepayments and accrued income	15	0.9	0.6
		<b>13.1</b>	13.9
<b>Total assets</b>		<b>590.1</b>	396.9
<b>Members' balances and liabilities</b>			
Members' balances		8.8	24.2
<b>Technical provisions</b>			
Provision for unearned premiums	3	82.5	96.9
Claims outstanding	3	322.1	180.1
<b>Creditors</b>			
Creditors arising out of direct insurance operations	13	6.7	9.5
Creditors arising out of reinsurance operations	14	157.6	80.1
Other creditors		4.7	0.3
		<b>169.0</b>	89.9
<b>Accruals and deferred income</b>			
		<b>7.7</b>	5.8
<b>Total liabilities</b>		<b>581.3</b>	372.7
<b>Total member's balances and liabilities</b>		<b>590.1</b>	396.9

Approved by the Board of Argo Managing Agency Limited on 12 March 2018 and signed on its behalf by:

**D Argyle**  
Director

**D J Kirby**  
Director

# Statement of Cash Flows

Year ended 31 December 2017

	Note	2017 £m	2016 £m
<b>Cash flows from operating activities</b>			
<b>Profit on ordinary activities</b>		<b>23.8</b>	4.1
Increase in gross technical provisions		<b>127.6</b>	28.1
Increase in reinsurers' share of gross technical provisions		<b>(186.8)</b>	(52.2)
Decrease/(increase) in debtors		<b>(56.1)</b>	13.1
Increase in creditors		<b>79.1</b>	42.8
Decrease/(increase) in other asset/liabilities/foreign exchange		<b>(63.2)</b>	45.2
Investment Return		<b>(0.6)</b>	(0.6)
<b>Net cash inflow from operating activities</b>		<b>(76.2)</b>	80.5
<b>Cash flows from Investing activities</b>			
Purchase of financial instruments		<b>(112.8)</b>	(111.1)
Sale of financial instruments		<b>146.4</b>	96.7
Investment income received		<b>0.6</b>	0.6
<b>Net cash(outflow)/inflow from investing activities</b>		<b>34.2</b>	(13.8)
<b>Cash flows from Financing activities</b>			
Payments of profit to member's personal reserve fund		<b>(15.8)</b>	(63.4)
Release of funds in Syndicate		<b>-</b>	-
Other		<b>(0.3)</b>	(0.3)
<b>Net cash outflow from financing activities</b>		<b>(16.1)</b>	(63.7)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(58.1)</b>	2.9
<b>Cash and cash equivalents at beginning of year</b>	12	<b>83.6</b>	80.6
<b>Cash and cash equivalents at end of year</b>	12	<b>25.5</b>	83.6

# Notes to the Financial Statements

Year ended 31 December 2017

## 1. ACCOUNTING POLICIES

### STATEMENT OF COMPLIANCE

The financial statements have been prepared in compliance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS102) and Financial Reporting Standard 103 'Insurance Contracts' (FRS 103), being applicable UK GAAP accounting standards, and in accordance with the provision of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 pursuant to section 369 of the Companies Act 2006.

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

### BASIS OF PREPARATION

The financial statement of Syndicate 1910 were authorised for issue by the board of directors on 12 March 2018. The Financial statements have been prepared in accordance with applicable accounting standards. The Financial statements have been prepared in accordance with applicable accounting standards. The functional currency of the Syndicate is US dollars and the financial statements are prepared in sterling, rounded to the nearest £m unless otherwise stated.

As permitted by FRS103 the Syndicate continues to apply the existing accounting policies that were applied prior to this standard for its insurance contracts.

The Syndicate has elected to early-apply the March 2016 amendments to FRS 102, Fair value hierarchy disclosures. As a result, the fair value hierarchy disclosures, including comparatives, shown in Note 8 are now prepared on a basis consistent with the measurement of the financial instruments.

### JUDGEMENT AND KEY SOURCES OF UNCERTAINTY

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

### Premiums Written

Estimates are made for pipeline premiums, including amounts due to the Syndicate not yet notified. The main assumption underlying these estimates is that past premium development can be used to project future premium development.

### Claims incurred and reinsurer's share

The provision for claims outstanding comprises amounts set aside for claims notified and claims incurred but not yet reported (IBNR). The amount of IBNR, which is based on statistical techniques of estimation applied by the Syndicate's in-house actuaries and reserving team, is reviewed by external consulting actuaries. These statistical techniques generally involve projecting, from past experience, the development of claims over time to form a view of the likely ultimate claims to be expected for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. The provision for claims also includes amounts for internal and external claims handling costs. For the most recent years, where a higher degree of volatility may arise from projections, estimates may partly be based on rating and other models of the business accepted, and assessments of underwriting conditions.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts. The Syndicate will evaluate the reinsurance programme in place for the class of business, the claims experience for the year, and the security rating of the reinsurance companies involved. The Syndicate uses a number of statistical techniques to assist in these estimates.

Hence the two most critical assumptions for claims provisions are that the past is a reasonable predictor of future claims development, and that rating and other models used, including pricing models for recent business, are fair indicators of the ultimate claims that will be incurred.

The uncertainty of such estimations generally decreases with the time that has elapsed since policy inception. In addition short tail claims such as property, where claims are typically notified and settled quickly, will normally have less uncertainty after a few years than long tail risks, such as some liability business, where it may be several years before claims are fully advised and settled. Where disputes exist over coverage under policies, or the relevant law governing a claim changes, uncertainty in the estimation of outcomes may increase.

# Notes to the Financial Statements

Year ended 31 December 2017

## 1. ACCOUNTING POLICIES (continued)

The assessment of these provisions can be the most subjective aspect of an insurer's accounts, and may result in greater uncertainty than found within the financial statements of other businesses. The directors of the Managing Agent consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available. However, ultimate liability can be varied by further information and events and this may result in significant adjustments to the provisions. Modifications to claims provisions established in prior years are shown in the financial statements for the period in which the adjustments are made. Provisions are not discounted for investment earnings that may arise on funds retained to meet future liabilities. The methods used, and the estimates made, are reviewed regularly.

### Fair value of financial assets

The Syndicate uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

- a. Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- b. Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- c. Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

See Note 8 for details of financial instruments classified by fair value hierarchy.

## BASIS OF ACCOUNTING

Under the annual basis of accounting, the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance, as follows:

### Product Classification

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when an insurer agrees to compensate a policyholder if a specified uncertain future event adversely affects the policyholder. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

### Premiums Written

Premiums written comprise premiums on contracts of insurance inceptioned during the financial year and any adjustments made in the year to estimates of premiums written in prior years. Premiums are shown gross of commission payable and exclude taxes and duties levied on them.

### Unearned Premiums

Written premium is earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the date of the statement of financial position, calculated on the basis of established earnings patterns or time apportionment as appropriate.

### Reinsurance Premium Ceded

Outward reinsurance premiums are accounted for on an earned basis in the same accounting period as the premiums for the related direct or inwards business being reinsured, except for Losses Occurring During Treaty reinsurance which is earned from the start of the reinsurance policy over the life of the policy.

### Claims Incurred and reinsurers' share

Gross claims incurred comprise claims and settlement expenses (both internal and external) occurring during the year, and the movement in provision for outstanding claims and settlement expenses brought forward. Allowance is made for the cost of claims incurred by the date of the statement of financial position but not reported until after the year-end. Incurred claims outstanding are reduced by anticipated salvage and other recoveries from third parties.

### Unexpired Risks Provision

Sometimes claims, related expenses and deferred acquisition costs, anticipated to arise after the end of the financial period (for contracts concluded before that date), are projected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any deferred acquisition costs. In such circumstances a provision for unexpired risks will be included within technical provisions in the statement of financial position. Such provision is calculated separately for classes of business which are managed together.

At 31 December 2017 and 31 December 2016 the Syndicate did not have an unexpired risks provision.

### Reinsurance assets

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

## 1. ACCOUNTING POLICIES (continued)

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

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. There were no such gains recognised in 2017 or 2016.

Ceded reinsurance arrangements do not relieve the Syndicate from its obligations to policyholders.

### Net Operating Expenses (Including Acquisition Costs)

Net operating expenses include acquisition costs, profit and loss on exchange, and amounts charged to members through the Syndicate.

Where expenses are incurred by or on behalf of the Managing Agent for the administration of the managed Syndicate, they are apportioned using methods appropriate to the type of expense. Expenses which are incurred jointly for the Managing Agent and managed Syndicate are apportioned between the Managing Agent and Syndicate on bases dependant on the amount of work performed, resources used and the volume of business transacted.

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts are recognised by reference to premium written. They are deferred to the extent that they are attributable to and recoverable against premiums unearned at the balance sheet date. All other operating expenses are accounted for on an accruals basis.

### Exchange Rates

The following balance sheet rates of exchange have been used in the preparation of these accounts:

	2017		2016	
	Average	Closing	Average	Closing
Euro	1.14	1.14	1.23	1.17
US dollar	1.28	1.35	1.36	1.23
Canadian dollar	1.67	1.74	1.80	1.66
Japanese yen	143.9	151.5	147.6	1.71
Australian dollar	1.68	1.78	1.83	144.4

### Profit Commission

Profit commission was charged by Asta (when they were managing agent) and is now charged by Argo Managing Agency Limited at a rate of 1.5% up to £7.5m and 1% thereafter based on the profit on a year of account basis. Such commission does not become payable until after the appropriate year of account closes normally at 36 months.

### Distribution of profits and collection of losses

Lloyd's has regulations on solvency and the distribution of profits and payment of losses between a Syndicate and its members. Lloyd's continues to require Syndicate membership to be on an underwriting year basis, and profits and losses belong to members according to their membership. Normally profits and losses are transferred between a Syndicate and its members after results for an underwriting year are finalised after 36 months. This period may be extended if an underwriting year is placed in run-off. The Syndicate may make earlier on account distributions or cash calls according to the cash flow of that underwriting year, subject to Lloyd's regulations.

### Foreign Currencies

The Syndicate's functional currency is US dollars and its presentational currency is Sterling.

Transactions denominated in currencies other than the functional currency are initially recorded in the functional currency at the exchange rate ruling at the date of the transactions. Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisition costs) denominated in foreign currencies are retranslated into the functional currency at the exchange rate ruling on the reporting date.

Exchange differences are recorded in the non-technical account.

# Notes to the Financial Statements

Year ended 31 December 2017

## 1. ACCOUNTING POLICIES (continued)

### Financial Investments

As permitted by FRS 102 the Syndicate has elected to apply the recognition and measurement provisions of IAS 39 – Financial instruments (as adapted for use in the EU) to account for all the financial instruments.

The Syndicate classifies its financial investments as financial assets at fair value through profit and loss.

The Syndicate's documented investment strategy is to manage financial investments acquired on a fair value basis.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date the Syndicate commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of asset within the time frame generally established by regulation or convention in the market place.

Directly held investments that are held as fixed assets are stated at cost less provision for permanent diminution in value. Investments held as current assets are stated at the lower of cost and market value.

### Overseas deposits

Overseas deposits are stated at market value as at the date of the statement of financial position. The cost of investments held within these deposits is determined either on the same basis as Syndicate investment, or on a basis of notification received from Lloyd's.

### Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

### 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 carried at market value are calculated as the difference between sale proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

An allocation of actual investments return on investments supporting the general insurance technical provisions and associated members' balance is made from the non-technical account to the technical account. Investment return related to non-insurance business and members' balance is attributed to the non-technical account. Investment return has been wholly allocated to the technical account as all investments relate to technical accounts.

### Taxation

Under Schedule 19 of the Finance Act 1993 Managing Agents are not required to deduct basic rate income tax from trading income. Managing Agents can recover UK basic rate income tax deducted from Syndicate investment income, and consequently any distribution to members or 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 United States federal income tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year have been included in the balance sheet under the heading 'other debtors'.

No provision has been made for any other foreign taxes payable by members on underwriting results.

## 2. SEGMENTAL ANALYSIS

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

2017	Gross premiums written £m	Gross premiums earned £m	Gross claims incurred £m	Gross operating expenses £m	Reinsurance balance £m	Total £m
Direct insurance:						
Fire and other damage to property	50.0	51.1	(32.4)	(9.1)	2.0	11.6
Other	6.0	4.9	(0.6)	(0.7)	(0.5)	3.1
	56.0	56.0	(33.0)	(9.8)	1.5	14.7
Reinsurance acceptances	285.1	287.7	(315.7)	(43.1)	77.2	6.1
Total	341.1	343.7	(348.7)	(52.9)	78.7	20.8

2016	Gross premiums written £m	Gross premiums earned £m	Gross claims incurred £m	Gross operating expenses £m	Reinsurance balance £m	Total £m
Direct insurance:						
Fire and other damage to property	53.8	43.6	(24.6)	(11.0)	(3.9)	4.1
Other	2.8	2.3	(0.8)	(0.4)	(0.5)	0.6
	56.6	45.9	(25.4)	(11.4)	(4.4)	4.7
Reinsurance acceptances	143.3	219.4	(131.5)	(45.4)	(49.7)	(7.2)
Total	199.9	265.3	(156.9)	(56.8)	(54.1)	(2.5)

Commissions on direct insurance gross premiums earned during 2017 were £11.7m (2016: £8.3m).

The reinsurance balance is the aggregate total of all those items included in the technical account which relate to reinsurance outwards transactions including items recorded as reinsurance commissions and profit participation.

The reinsurance balance includes reinsurance commission receivable. Gross operating expenses are different to net operating expenses shown in the income statement as commissions in respect of outward reinsurance were received and net off in arriving at the net operating expenses for 2017.

All premiums were concluded in the UK. The geographical analysis of premium by destination (or by situs of risk) is as follows:

	Gross premiums written		Gross premiums written	
	2017 £m	2017 %	2016 £m	2016 %
UK	10.4	3.0	25.9	13.0
Canada	(1.5)	(0.4)	4.8	2.4
US	305.7	89.6	132.0	88.0
Rest of Europe	5.1	1.5	9.9	5.0
Other	21.4	6.3	27.3	13.7
Total	341.1	100.0	199.9	100.0

# Notes to the Financial Statements

Year ended 31 December 2017

## 3. TECHNICAL PROVISIONS

	Gross provisions £m	2017 Reinsurance assets £m	Net £m	Gross provisions £m	2016 Reinsurance assets £m	Net £m
<b>Claims outstanding</b>						
Balance at 1 January	180.1	(62.2)	117.9	95.4	(26.6)	68.8
Change in claims outstanding	163.7	(187.3)	(23.5)	63.5	(28.8)	34.7
Effect of FX and other movements	(21.7)	13.4	(8.3)	21.2	(6.8)	14.4
<b>Balance at 31 December</b>	<b>322.1</b>	<b>(236.1)</b>	<b>86.0</b>	180.1	(62.2)	117.9
Claims notified	53.1	(15.4)	37.7	42.4	(8.8)	33.7
Claims incurred but not reported	269.0	(220.7)	48.3	137.7	(53.5)	84.2
<b>Balance at 31 December</b>	<b>322.1</b>	<b>(236.1)</b>	<b>86.0</b>	180.1	(62.2)	117.9
<b>Unearned premiums</b>						
Balance at 1 January	96.9	(31.8)	65.1	153.5	(17.7)	135.8
Change in unearned premiums	(2.6)	(18.5)	(21.1)	(65.4)	(7.2)	(72.6)
Effect of movements in exchange rates	(11.8)	(4.5)	(7.3)	8.8	(6.9)	1.9
<b>Balance at 31 December</b>	<b>82.5</b>	<b>(45.8)</b>	<b>36.7</b>	96.9	(31.8)	65.1
<b>Deferred acquisition costs</b>						
Balance at 1 January	13.3	-	13.3	11.0	-	11.0
Change in deferred acquisition costs	0.9	-	0.9	(0.3)	-	(0.3)
Effect of movements in exchange rates	(2.0)	-	(2.0)	2.6	-	2.6
<b>Balance at 31 December</b>	<b>12.2</b>	<b>-</b>	<b>12.2</b>	13.3	-	13.3

## 4. NET OPERATING EXPENSES

	2017 £m	2016 £m
Acquisition costs	32.4	27.0
Change in deferred acquisition costs	(0.9)	0.3
Administration expenses	21.4	29.5
Reinsurance commissions and profit participation	(16.5)	(11.6)
<b>Net operating expenses</b>	<b>36.4</b>	<b>45.2</b>

Member's standard personal expenses amounting to £3.6m (2016: £3.2m) are included in administrative expenses. Member's standard personal expenses include Lloyd's subscriptions, new central fund contributions, Managing Agent's fees and profit commission.

## 5. AUDITOR'S REMUNERATION

	2017 £m	2016 £m
Audit of the Syndicate annual accounts	0.1	0.1
Other services supplied pursuant to such legislation	0.2	0.2
	<b>0.3</b>	0.3

Auditor's remuneration is included as part of the administrative expenses in note 4 to the financial statements.

## 6. STAFF COSTS AND EMOLUMENTS OF THE DIRECTORS OF THE MANAGING AGENT

The directors of Argo Managing Agency Limited received the following aggregate remuneration, charged to the syndicate and included within net operating expenses:

	2017 £m
Emoluments	0.4
Payments to defined contribution pension schemes	–
	<b>0.4</b>

### The aggregate remuneration paid to the applicable active underwriter, charged as a syndicate expense:

	2017 £m	2016 £m
Emoluments	0.2	0.2
Payments to defined contribution pension schemes	–	–
	<b>0.2</b>	0.2

The above amounts exclude any benefits not recharged to the syndicate. Amounts not recharged in 2017 included the active underwriter charges in relation to options granted in the group holding company, Argo Group International Holdings, Ltd.

The active underwriter's profit share remuneration is charged to Argo Managing Agency Limited.

No emoluments of the directors of Asta Managing Agency have been disclosed for prior year, as they were not charged to Syndicate 1910 by the managing agency.

# Notes to the Financial Statements

Year ended 31 December 2017

## 7. INVESTMENT RETURN

	2017 £m	2016 £m
Income from other financial investments	1.2	0.9
Net gains on realisation of investments		
Fair value through profit or loss designated upon initial recognition	(0.1)	(0.1)
<b>Total investment income</b>	<b>1.1</b>	<b>0.8</b>
Net unrealised gains on investments		
Fair value through profit or loss designated upon initial recognition	(0.4)	(0.1)
Investment expenses and charges	(0.1)	–
<b>Total investment return</b>	<b>0.6</b>	<b>0.7</b>

### Average funds available for investment by currency

	2017 £m	2016 £m
Combined sterling	127.2	165.1
Sterling	3.8	4.9
Euro	5.5	8.4
United States dollars	128.2	158.8
Canadian dollars	18.8	18.0
Australian dollars	9.0	13.6
Japanese yen	322.3	732.8

### Analysis of calendar year investment yield by currency

	2017 %	2016 %
Combined sterling	0.5	0.4
Sterling	0.0	0.0
Euro	0.0	0.0
United States dollars	0.6	0.4
Canadian dollars	0.6	0.4
Australian dollars	0.6	1.3
Japanese yen	0.0	0.0

“Average fund” is the average of bank balances, overseas deposits and investments held at the end of each month during the calendar year. For this purpose, investments are revalued at month-end market prices, which include accrued income where appropriate.

## 8. FINANCIAL INVESTMENTS

	Carrying value £m	Purchase price £m	Listed £m
<b>2017</b>			
Designated at fair value through profit or loss			
– Shares and other variable yield securities and units in unit trusts			
Designated at fair value through profit or loss	21.0	21.0	21.0
– Debt securities and other fixed income securities	67.7	76.0	67.7
	88.7	97.0	88.7
<b>2016</b>			
Designated at fair value through profit or loss			
– Shares and other variable yield securities and units in unit trusts			
Designated at fair value through profit or loss	53.0	53.0	53.0
– Debt securities and other fixed income securities	59.9	60.0	59.9
	112.9	113.1	112.9

Amounts included within Shares and other variable securities include CIS/Unit Trusts where funds are invested in a single entity which invests in investments. These have the attributes of a cash instrument with the carrying value and purchase price being the same.

There was no material change during the period, and cumulatively, in the fair value of the financial instruments held at fair value through profit and loss attributable to changes in credit risk.

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

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

# Notes to the Financial Statements

Year ended 31 December 2017

## 8. FINANCIAL INVESTMENTS AT FAIR VALUE (continued)

The following table shows financial investments recorded at fair value analysed between the three levels in the fair value hierarchy.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>31 December 2017</b>				
Shares and other variable yield securities and units in unit trusts	21.0	–	–	21.0
Debt securities and other fixed income securities	–	67.7	–	67.7
Other assets	2.7	6.6	–	9.3
	<b>23.7</b>	<b>74.3</b>	<b>–</b>	<b>98.0</b>
<b>31 December 2016</b>				
Shares and other variable yield securities and units in unit trusts	–	53.0	–	53.0
Debt securities and other fixed income securities	59.9	–	–	59.9
Other assets	3.1	5.9	–	9.0
	<b>63.0</b>	<b>58.9</b>	<b>–</b>	<b>121.9</b>

Included in the level 1 category are financial assets that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Syndicate, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Included in the level 2 category are financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. For example, assets for which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Syndicate's own models whereby the significant inputs into the assumptions are market observable.

The Syndicate holds no investments or financial instruments which fall into the level 3 category.

## 9. DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2017 £m	2016 £m
Due within one year: intermediaries	44.2	57.8

## 10. DEBTORS ARISING OUT OF REINSURANCE OPERATIONS

	2017 £m	2016 £m
Due within one year – intermediaries	74.0	73.1
Due after one year – intermediaries	72.4	2.0
	<b>146.4</b>	<b>75.1</b>

## 11. OTHER ASSETS

Other assets comprise overseas deposits which are lodged as a condition of conducting underwriting business in certain countries.

## 12. CASH AND CASH EQUIVALENTS

	2017 £m	2016 £m
Cash at bank and in hand	4.5	30.6
Short-term deposits with financial institutions	21.0	53.0
	<b>25.5</b>	<b>83.6</b>

## 13. CREDITORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2017 £m	2016 £m
Due within one year	6.7	9.5

## 14. CREDITORS ARISING OUT OF REINSURANCE OPERATIONS

	2017 £m	2016 £m
Due within one year	53.9	30.9
Due after one year	103.7	49.2
	<b>157.6</b>	<b>80.1</b>

## 15. RELATED PARTIES

Lloyd's market regulations require that a managing agent is responsible for employing the underwriting staff and managing the affairs of each syndicate at Lloyd's on behalf of the syndicate members. On 7 February 2017 Syndicate 1910 (previously managed by Asta Managing Agency Ltd(Asta)) was novated to Argo Managing Agency (AMA). The immediate parent company of AMA is Argo Underwriting Agency (AUA) which was acquired by Argo International Holdings Limited (formerly Argo Acquisition, Limited) on 14 May 2008.

Argo International Holdings Limited is a wholly owned subsidiary of Argo Group headquartered in Hamilton, Bermuda. Information on the Argo Group and its subsidiaries is available at [www.argolimited.com](http://www.argolimited.com), or from 110 Pitts Bay Road, Pembroke, HM08 Bermuda.

Asta previously provided service and support to Syndicate 1910 in its capacity as Managing Agent. Managing Agent's fees of £0.1m (2016 £1.8m) and service charge of £0.4m (2016 £2.0m) were recharged by Asta to the Syndicate during 2017. As at 31 December 2017 £nil (2016 £nil) was owed to Asta in respect of services provided.

The 2017 year of account Syndicate 1910 is supported 100% by Ariel Corporate Member Ltd (2016 50%), a subsidiary of Argo Group International Holdings Ltd.

AMA has provided service and support to Syndicate 1910 in its capacity as Managing Agent since 7 February. Managing Agent's fees of £1.0m (2016 £nil) and service charge of £0.1m (2016 £nil) were charged by AMA to the Syndicate during 2017. As at 31 December 2017 £nil (2016 £nil) was owed to AMA in respect of services provided.

The managing agent incurs a proportion of the expenses incurred in operating the syndicate and recharge them to the syndicate on a basis that reflects the syndicate's use of resources. The recharges are included in the net operating expenses, acquisition costs, claims incurred and investment expenses and charges. Included within the recharges are amounts relating to the remuneration of directors of AMA. The total amount recharged by the managing agent to the syndicate during 2017 was £4.0m (2016 £nil) excluding agent's fees and profit commission. At December 2017 an amount of £3.3m (2016 nil) was due to the managing agent from the syndicate for expenses. No interest is payable on this amount.

Ariel Re Bermuda Limited (ARBL) incurs a large proportion of the expenses incurred in operating the syndicate and recharge them to the syndicate on a basis that reflects the syndicate's use of resources. The recharges are included in the net operating expenses, acquisition costs, claims incurred and investment expenses and charges. Included within the recharges are amounts relating to the remuneration of directors of AMA. The total amount recharged by ARBL to the syndicate during 2017 was £27.2m (2016 £25.8m). At December 2017 an amount of £nil (2016 £nil) was due to ARBL from the syndicate for expenses. No interest is payable on this amount.

# Notes to the Financial Statements

Year ended 31 December 2017

## 15. RELATED PARTIES (continued)

Ariel Re UK Limited (ARUK) incurred a proportion of the expenses in operating the syndicate and recharged them to the syndicate on a basis that reflected the syndicate's use of resources. The recharges are included in the net operating expenses, acquisition costs, claims incurred and investment expenses and charges. Included within the recharges are amounts relating to the remuneration of directors of AMA. The total amount recharged by ARUK to the syndicate during 2017 was £3.6m (2016 £8.0m). At December 2017 an amount of £nil (2016 £nil) was due to ARUK from the syndicate for expenses.

The amount of premium written with Ariel Reinsurance Limited (Ariel Re) in the year was £nil (2016 £1.0m). At 31 December the amount receivable was £nil (2016 £0.1m).

The amount of premium written with Argo Ltd in the year was £0.8m (2016 £nil). At 31 December the amount receivable was £0.4m (2016 £nil).

The amount of premium written under a Managing General agency (MGA) agreement with ARBL in the period was £233.0m (2016 £134.4m). At 31 December, the amount receivable was £171.0m (2016 £75.2m). AMA also manage a Special Purpose syndicate 6117, backed by individual names advised by the member's agent Hampden which has written a 50% whole account quota share of the net premiums, claims and expenses of Syndicate 1910 2017 Underwriting Year (2016 30%). The net amount of premium ceded with Syndicate 6117 under the whole account quota share was £101.3m (2016 £45.6m) with overriding and profit commission earned of £2.2m (2016 £0.4m). As this quota share reinsurance is placed on a funds withheld basis, the net amount due as at 31 December 2017 of £45.2m (2016 £57.9m) will not become payable until the relevant underwriting year closes after 36 months.

## 16. DISCLOSURE OF INTERESTS

### Managing Agent's interest

Argo Managing Agency Limited is currently the Managing Agent for Lloyd's Syndicates 1200, 1910 and 6117.

The Financial Statements of the Managing Agency can be obtained by application to the Registered Office (see page 2).

## 17. FUNDS AT LLOYD'S

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

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the Managing Agent, no amount has been shown in these annual accounts by way of such capital resources. However, the Managing Agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses. Refer to note 19 for further details.

## 18. OFF-BALANCE SHEET ITEMS

The Syndicate has not been party to any arrangement, which is not reflected in its statement of financial position, where material risks and benefits arise for the Syndicate.

## 19. RISK MANAGEMENT

### a) Governance framework

The primary objective of the Managing Agent in approaching the Syndicate's risk and financial management framework is to protect the Syndicate's members from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Managing Agent has an established a risk management function for its syndicates with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to execute management committees and senior managements. Lastly the Managing Agent has a syndicate policy framework which sets out the risk profiles for its syndicates, risk management, control and business conduct standards for the Syndicate's operations, and is being enhanced following the novation between managing agencies. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Syndicate.

The board of directors of the Managing Agent approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the identification of risk and its interpretation to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the Syndicate goals, and specify reporting requirements. Significant emphasis is placed on assessment and documentation of risks and controls, including the articulation of "risk appetite".

## 19. RISK MANAGEMENT (continued)

### b) Capital management objectives, policies and approach

#### Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000.

Effective 1 January 2016, Lloyd's is subject to the Solvency II capital regime and the Solvency I figures are no longer applicable from that date. Although the capital regimes has changed, this has not significantly impacted the Solvency Capital requirement of the Syndicate, since this has been previously calculated based on Solvency II principles, as described below.

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

Although 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 1910 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 is liable for its own share of underwriting liabilities on the syndicate on which it participating but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2017 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), held within 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, the ending members balances reported on the statement of financial position on page 13, represent resources available to meet the member's and Lloyd's capital requirements.

### c) Insurance risk

The principal risk the Syndicate faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Syndicate is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Syndicate purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Syndicate's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

# Notes to the Financial Statements

Year ended 31 December 2017

## 19. RISK MANAGEMENT (continued)

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Syndicate has reinsurance arrangements. It is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Syndicate's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations substantially dependent upon any single reinsurance contract.

The Syndicate writes predominately short-tail property-catastrophe business in the US and internationally. Reserving risk is managed through the Syndicate's reserving committee.

The Syndicate uses both its own and commercially available risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from an unmodelled event are greater than those arising from a modelled event.

As a further guide to the level of catastrophe exposure written by the Syndicate, the following table shows hypothetical claims arising out of the RDS on the Syndicates in-force exposure at 31 December 2017.

	Estimated Gross loss £m	Estimated Net loss £m
Two events – North East Windstorm	298.7	36.7
Florida Windstorm – Miami Dade	247.1	31.9
Florida Windstorm – Pinellas	368.1	50.6
Gulf of Mexico Windstorm – Major Hurricane landing in Galveston, Texas	349.4	39.2
California Earthquake – San Francisco	244.6	24.7
California Earthquake – Los Angeles	158.9	25.5

The table below sets out the concentration of outstanding claim liabilities by type of contract.

	Gross Liabilities £m	2017 Re-Insurance Liabilities £m	Net Liabilities £m	Gross Liabilities £m	2016 Re-Insurance Liabilities £m	Net Liabilities £m
Marine and Aviation	3.1	(1.2)	1.9	2.3	(0.6)	1.7
Fire and Property	46.6	(32.8)	13.8	25.8	(11.7)	14.2
Third-party Liability	0.4	(0.2)	0.2	–	–	–
RI acceptances	272.0	(201.9)	70.1	152.0	(50.0)	102.0
	322.1	(236.1)	86.0	180.1	(62.3)	117.9

All business is written in the UK.

The principal assumption underlying the liability estimates is that the future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each underwriting year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: once-off occurrence; changes in market factors such as public attitude to claiming; economic conditions: as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

## 19. RISK MANAGEMENT (continued)

### Sensitivities

The claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit and members' balances. The correlation of assumption will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

	Five % increase £m	Five % decrease £m
<b>2017</b>		
Gross amount of increase/(decrease) in reserves	20.2	(20.2)
Net amount of increase/(decrease) in reserves	6.1	(6.1)
<b>2016</b>		
Gross amount of increase/(decrease) in reserves	13.9	(13.9)
Net amount of increase/(decrease) in reserves	9.1	(9.1)

The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

### Claims development table

The tables following show the Syndicate's cumulative incurred claims development, including both claims notified and IBNR for each underwriting year, together with the cumulative payments to date on a gross and net of reinsurance basis at the balance sheet date.

The Syndicate has elected to translate estimated claims and claims payments at a consistent rate of exchange as determined by the balance sheet date.

The Syndicate has taken advantage of the transitional rules of FRS 103 that permit only five years of information to be disclosed upon adoption. The claims development information disclosed is being increased from five years to ten years over the period 2016-2020.

In settling claims provisions the Syndicate gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an underwriting year is greatest when the underwriting year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherent in the estimation process, the actual overall claim provision may not always be in surplus. In 2017 the surplus was £38.5m.

# Notes to the Financial Statements

## Year ended 31 December 2017

### 19. RISK MANAGEMENT (continued)

Underwriting year	Note	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	Total £m
Estimate of cumulative claims incurred									
At end of underwriting year		36.5	63.8	26.2	45.0	42.6	76.8	341.1	632.0
One year later		36.3	67.1	34.9	47.4	132.8	76.5		395.0
Two years later		35.1	67.3	31.8	40.3	133.9			308.4
Three years later		35.7	64.6	29.3	36.7				166.3
Four years later		34.9	60.8	29.9					125.6
Five years later		34.4	57.7						92.1
Six years later		34.1							34.1
Less cumulative gross paid		(33.9)	(44.9)	(25.1)	(29.5)	(104.1)	(23.2)	(128.6)	(389.3)
Liability for gross outstanding claims (2011 to 2017)		0.2	12.8	4.8	7.2	29.8	53.3	212.5	320.6
Liability for gross outstanding claims (2010 and before)									1.5
Total gross outstanding claims all years									322.1

Net insurance contract outstanding claims provision as at 31 December 2017:

Underwriting year	Note	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	Total £m
Estimate of cumulative claims incurred									
At end of underwriting year		31.5	54.8	23.3	15.4	30.8	41.9	64.4	262.1
One year later		33.4	58.8	31.2	22.2	119.1	40.9		305.6
Two years later		32.2	59.0	28.3	23.4	119.6			262.5
Three years later		32.2	56.2	23.8	19.7				131.9
Four years later		32.1	47.3	24.6					104.0
Five years later		30.9	45.6						76.5
Six years later		30.9							30.9
Less cumulative gross paid		(30.7)	(35.4)	(20.7)	(20.8)	(96.7)	(16.3)	(40.2)	(260.8)
Liability for gross outstanding claims (2011 to 2017)		0.2	10.2	3.9	(1.1)	22.9	24.6	24.2	84.9
Liability for gross outstanding claims (2010 and before)									1.1
Total gross outstanding claims all years									86.0

## 19. RISK MANAGEMENT (continued)

### d) Financial risk

#### 1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to honour their obligation to the Syndicate.

The following policies and procedures are in place to mitigate the exposure to credit risk:

- Investment guidelines are established setting out the quality of investments to be included within the Syndicates portfolio. The policy is monitored by the Investment Committee.
- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits. If the counterparty is downgraded or does not have a good credit rating, then collateral is sought to mitigate any risk. This is monitored by the Reinsurance Security Committee.

The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through collateral agreements.

31 December 2017	Neither past due nor impaired £m	Past due £m	Impaired £m	Total £m
Financial investments				
– Shares and other variable yield securities	21.0	–	–	21.0
– Debt securities	67.7	–	–	67.7
– Overseas deposits as assets	9.3	–	–	9.3
Reinsurers' share of claims outstanding	236.1	–	–	236.1
Debtors arising out of direct insurance operations	36.5	7.7	–	44.2
Debtors arising out of reinsurance operations	75.8	–	–	75.8
Other debtors	131.5	–	–	131.5
Cash at bank and in hand	4.5	–	–	4.5
	582.4	7.7	–	590.1

# Notes to the Financial Statements

## Year ended 31 December 2017

### 19. RISK MANAGEMENT (continued)

31 December 2016	Neither past due nor impaired £m	Past due £m	Impaired £m	Total £m
Financial investments				
– Shares and other variable yield securities	53.0	–	–	53.0
– Debt securities	59.9	–	–	59.9
– Overseas deposits as assets	9.0	–	–	9.0
Reinsurers' share of claims outstanding	62.2	–	–	62.2
Debtors arising out of direct insurance operations	56.3	1.5	–	57.8
Debtors arising out of reinsurance operations	12.7	–	–	12.7
Other debtors	111.7	–	–	111.7
Cash at bank and in hand	30.6	–	–	30.6
	395.4	1.5	–	396.9

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2017 by classifying assets according to independent credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade and have not been rated. Debtors, other than amounts due from reinsurers, have been excluded from the table as these are not rated.

31 December 2017	AAA £m	AA £m	A £m	BBB £m	<BBB £m	Not rated £m	Total £m
Shares and other variable yield securities and unit trusts	7.5	–	–	–	–	13.5	21.0
Debt securities	1.4	50.9	15.4	–	–	–	67.7
Overseas deposits	5.7	1.3	1.4	0.8	–	0.1	9.3
Reinsurer' share of claims outstanding	–	–	116.4	–	–	119.7	236.1
Debtors arising out of reinsurance operations	–	–	75.8	–	–	–	75.8
Cash at bank and in hand	–	–	4.5	–	–	–	4.5
	14.6	52.2	213.5	0.8	–	133.3	414.4

## 19. RISK MANAGEMENT (continued)

31 December 2016	AAA £m	AA £m	A £m	BBB £m	<BBB £m	Not rated £m	Total £m
Shares and other variable yield securities and unit trusts	–	–	53.0	–	–	–	53.0
Debt securities	–	59.9	–	–	–	–	59.9
Overseas deposits	6.3	0.1	1.4	1.1	0.0	0.1	9.0
Reinsurer' share of claims outstanding	18.8	–	43.4	–	–	–	62.2
Debtors arising out of reinsurance operating	–	–	12.7	–	–	–	12.7
Cash at bank and in hand	–	–	30.6	–	–	–	30.6
	25.1	60.0	141.1	1.1	0.0	0.1	227.4

### Maximum credit exposure

It is the Syndicate's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business.

During the year, no credit exposure limits were exceeded.

### 2) Liquidity risk

Liquidity risk is the risk that the Syndicate will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between the gross cash out-flows and expected reinsurance recoveries.

The following policies and procedures are in place to mitigate the Syndicate's exposure to liquidity risk:

- A liquidity policy exists that sets out the assessment and determination of what constitutes liquidity risk. Compliance with the policy is regularly reviewed for pertinence and for changes in the risk environment.
- Guidelines on asset allocation, portfolio limit structures and maturity profiles of assets are set, in order to ensure that sufficient funding is available to meet insurance and investments contracts obligations.
- Contingency funding plans are set up which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.
- Certain reinsurance contracts have provisions to draw down on collateral.

# Notes to the Financial Statements

Year ended 31 December 2017

## 19. RISK MANAGEMENT (continued)

The table below summarises the maturity profile of the Syndicate's financial liabilities based on remaining undiscounted contractual obligations, including interest payable, and outstanding claim liabilities based on the estimated timing of claim payments result from recognised insurance liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately.

	No stated maturity £m	Up to a year £m	1-3 years £m	3-5 years £m	Over 5 years £m	Total £m
31 December 2017						
Claims outstanding	–	195.5	109.5	15.5	1.6	322.1
Creditors	–	65.3	103.7	–	–	169.0
	–	260.8	213.2	15.5	1.6	491.1

	No stated maturity £m	Up to a year £m	1-3 years £m	3-5 years £m	Over 5 years £m	Total £m
31 December 2016						
Claims outstanding	–	108.9	60.1	11.1	–	180.1
Creditors	–	40.7	49.3	–	–	90.0
	–	149.6	109.4	11.1	–	270.1

### 3) Market risk

#### a) Currency risk

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

The Syndicate's functional currency is USD and its exposure to foreign exchange risk arises primarily with respect to transactions in Euro, GBP and Canadian dollars. The Syndicate seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

## 19. RISK MANAGEMENT (continued)

The table below summarises the exposure of the financial assets and liabilities to foreign currency exchange risk at the reporting date, as follows:

	GBP £m	Euro €m	USD \$m	CAD \$m	AUD \$m	JPY ¥m	OTH \$m	Total £m
Assets	18.4	16.7	511.2	18.7	10.8	6.8	7.5	590.1
Liabilities	(26.2)	(14.8)	(503.9)	(12.4)	(8.1)	(4.6)	(11.3)	(581.3)
<b>Net asset/(liabilities) as at 31 December 2017</b>	<b>(7.8)</b>	<b>1.9</b>	<b>7.3</b>	<b>6.3</b>	<b>2.7</b>	<b>2.2</b>	<b>(3.8)</b>	<b>8.8</b>
	GBP £m	Euro €m	USD \$m	CAD \$m	AUD \$m	JPY ¥m	OTH \$m	Total £m
Assets	32.3	12.4	297.9	17.8	14.9	7.8	13.8	396.9
Liabilities	(44.7)	(8.7)	(274.4)	(13.8)	(9.4)	(5.0)	(16.7)	(372.7)
<b>Net asset/(liabilities) as at 31 December 2016</b>	<b>(12.4)</b>	<b>3.7</b>	<b>23.5</b>	<b>4.0</b>	<b>5.5</b>	<b>2.9</b>	<b>(2.9)</b>	<b>24.2</b>

The Syndicate matches its currency position so holds net assets across a number of currencies. The Syndicate takes into consideration the underlying currency of the Syndicate's required capital and invests its assets proportionately across these currencies so as to protect the solvency of the Syndicate, against variation in foreign exchange rates.

### Sensitivity to changes in foreign exchange rates

The table below gives an indication of the impact on profit of a percentage change in the relative strength of Sterling against the value of the US dollar, Canadian dollar and Euro dollar simultaneously. The analysis is based on the information as at 31st December 2017.

£m	Impact on profit and member's balances	
	2017	2016
Sterling weakens		
10% against other currencies – (increase) in profit	0.5	(3.7)
20% against USD – (increase) in profit	0.9	(7.3)
Sterling strengthens		
10% against USD – decrease in profit	(0.7)	3.7
20% against USD – decrease in profit	(1.5)	7.3

### b) Interest rate risk

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

Floating rate instruments expose the Syndicate to cash flow interest risk, whereas fixed rate instruments expose the Syndicate to fair value interest risk.

The Syndicate has no significant concentration of interest rate risk.

Insurance liabilities are not discounted and therefore not exposed to interest rate risk.

# Notes to the Financial Statements

Year ended 31 December 2017

## 19. RISK MANAGEMENT (continued)

The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit and members' balance of the effects of changes in interest rates on: fixed and variable financial assets and liabilities.

The first of these measures the impact on profit or loss for the year (for items recorded at fair value through profit or loss) and on members' balance (for available for sale investments) that would arise from a reasonably possible change in interest rates at the reporting date on financial instruments at the period end. The second of these measures the change in interest income or expense over the period of the year attributable to a reasonably possible change in interest rates, based on floating rate assets and liabilities held at the reporting date.

The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, the variables were altered on an individual basis. It should be noted that movements in these variables are non-linear.

	2017 £m	2016 £m
Interest Rate Risk		
Loss/(Profit) from 50 basis point increase	0.7	0.6
Loss/(Profit) from 50 basis point decrease	(0.7)	(0.6)
Impact of 50 basis point increase on net assets	(0.7)	(0.6)
Impact of 50 basis point decrease on net assets	0.7	0.6

The method used for deriving sensitivity information and significant variables did not change from the previous period

## 20. POST BALANCE SHEET EVENTS

During 2018, the following amounts are proposed to be transferred to the personal reserve fund of Ariel Corporate Member Ltd.

	2017 £m
2015 Year of Account	29.2



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