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2015 Underwriting Year Accounts

Neon Underwriting Limited Syndicate 2468

At 31 December 2017

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Directors and administration

Managing agent

Neon Underwriting Limited

Directors

J E Consolino	(Non Executive)
S Hayes	(Independent Non Executive)
R E Heppell	(Chief Financial Officer)
D M Lednor	
S E A Long	
A G C Mckay	
I P Martin	
O Reeves	
M R D Reith	(Chief Executive Officer)
G M Riddell	(Independent Non Executive Chairman)
M J Wade	(Independent Non Executive)
M S D Washington	

Syndicate secretary

L A Dlaboha (appointed 25 January 2018), A G C Mckay (resigned 25 January 2018)

Managing agent's registered number

03584320

Managing agent's address

20 Gracechurch Street
London
EC3V 0BG

Active underwriter

D M Lednor

Auditors

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Bankers

Barclays Bank plc
One Churchill Place
London
E14 5HP

Solicitors

Clyde & Co

Consulting actuaries

Willis Towers Watson

Managing agent's report

The directors of Neon Underwriting Limited (the Managing Agent) present their report at 31 December 2017 for the 2015 closed year of account of Syndicate 2468 (the Syndicate). The Syndicate underwriting year accounts have been prepared under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (the regulations), in accordance with the Lloyd's Syndicate Accounting Byelaw (No.8 of 2005) and applicable accounting standards in the United Kingdom. Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and Financial Reporting Standard 103, Insurance Contracts (FRS 103) have been applied to the extent that they are relevant for a proper understanding of the underwriting year accounts.

Review of the 2015 closed year of account

The principal activity of the Syndicate is the transacting of insurance and reinsurance business through the Lloyd's market.

Underwriting capacity for 2015 was £200 million. The gross premium income, after acquisition costs, underwritten against this was £154,257k. The business written by the Syndicate is set out in note 2.

The 2015 and prior years of account (2008 to 2015 pure years of account) have been reinsured to close into a third party syndicate. The 2018 year of account of Syndicate 2008 have assumed all liabilities for these years from 1 January 2018.

The 2015 year of account has closed with a profit of £13,256k, representing 7% of stamp capacity after personal expenses. There was a release of £56,906k from the closed years of 2014 and prior attributable mainly to the external reinsurance to close and spread across most classes underwritten. The 2015 pure year made an underwriting loss of £46,684k before investment return of £2,949k.

Managing agent's report (continued)

Directors

The current directors of the Managing Agent are shown on page 2. Changes to directors since 1 January 2017 are as follows:

Name	Date of appointment
J E Consolino	9 February 2017
R E Heppell	31 January 2018
S E A Long	25 April 2017
O Reeves	15 May 2017
G M Riddell	11 October 2017
M J Wade	6 July 2017

Name	Date of resignation
P V Olsen	10 February 2017
J E Mumford	10 February 2017
J S Barber	10 February 2017
M C Stockton	27 April 2017

The Directors were appointed at Board meetings during the year subject to regulatory approval. The above appointment dates reflect the date that Companies House were notified following the regulatory approvals being received.

Directors Interests

None of the directors of the Managing Agent who served during the year ended 31 December 2017 were underwriting Names at Lloyd's for the 2015 year of account.

Disclosure of information to the auditors

In the case of each of the persons who are directors of the Managing Agent at the time the report is approved:

- So far as the director is aware, there is no relevant audit information, being information needed by the Syndicate auditor in connection with the auditors' report, of which the auditor is unaware; and
- Having made enquiries of fellow directors of the agency and the Syndicate's auditor, each director has taken all the steps that he or she ought to have taken as director to become aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

Reappointment of auditors

Ernst & Young LLP have indicated their willingness to continue in office as the Syndicate's auditors. In accordance with Section 485 of the Companies Act 2006, a resolution proposing the re-appointment of Ernst & Young LLP as auditor to the company will be put to the Annual General Meeting.

On behalf of the Board

I P Martin
Director
20 March 2018

Statement of managing agent's responsibilities

The managing agent is responsible for preparing the Syndicate underwriting year accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare syndicate underwriting year accounts at 31 December in respect of any underwriting year which is being closed by reinsurance to close which give a true and fair view of the result of the underwriting year at closure. Detailed requirements in respect of the underwriting year accounts are set out in the Lloyd's Syndicate Accounting Byelaw (No 8 of 2005).

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

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

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 underwriting year accounts comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No 8 of 2005). It is also responsible for safeguarding the assets of the syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Managing Agent is responsible for the maintenance and integrity of the corporate and financial information included on the business' website. Legislation in the United Kingdom governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

Independent auditors' report to the members of Syndicate 2468 – 2015 closed year of account

Opinion

We have audited the syndicate underwriting year accounts for the 2015 year of account of syndicate 2468 ('the syndicate') for the three years ended 31 December 2017 which comprise the Income Statement, the Statement of Changes in 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 underwriting year accounts:

- ▶ give a true and fair view of the profit for the 2015 closed year of account;
- ▶ 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 and have been properly prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the syndicate underwriting year accounts section of our report below. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate underwriting year accounts in the UK, including the 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 Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) and 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 basis of accounting

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 underwriting accounts on the basis that the recorded assets and liabilities will be realised and discharged in the normal course of business is not appropriate; or

Independent auditors' report to the members of Syndicate 2468 – 2015 closed year of account (continued)

- ▶ the managing agent has not disclosed in the syndicate underwriting accounts any identified material uncertainties that may cast significant doubt on the ability of the syndicate to realise its assets and discharge its liabilities in the normal course of business.

Other information

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

Our opinion on the syndicate underwriting year 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 underwriting year accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate underwriting year accounts or our knowledge obtained in the 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 underwriting year 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) 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 underwriting year accounts are not in agreement with the accounting records

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 5, the managing agent is responsible for the preparation of 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 (no. 8 of 2005) 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 underwriting year accounts that are free from material misstatement, whether due to fraud or error.

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

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

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

Independent auditors' report to the members of Syndicate 2468 – 2015 closed year of account (continued)

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 (Senior statutory auditor)

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

London

Income Statement

Technical account – General business

For the 2015 closed year of account for the three years ended 31 December 2017

	Notes	Cumulative balance to 31 December 2017 £000
Syndicate allocated capacity		200,000
Gross premiums written	2	199,054
Outward reinsurance premium		(49,787)
Earned premiums net of reinsurance		149,267
Reinsurance to close premium received, net of reinsurance	3	381,090
		530,357
<i>Allocated investment return transferred from the non-technical account</i>	10	2,949
<i>Claims paid</i>		
- Gross amount		(143,108)
- Reinsurers' share		32,847
Claims incurred, net of reinsurance		(110,261)
Reinsurance to close premium payable, net of reinsurance	4	(337,514)
<i>Net operating expenses</i>	5	(72,360)
<i>Balance on technical account - general business</i>	9	13,171

Income Statement

Non-technical account – General business

For the 2015 closed year of account for the three years ended 31 December 2017

	2017 £000
<i>Balance on technical account - general business</i>	13,171
Investment income	4,715
Unrealised gains on investments	321
Investment expenses and charges	(182)
Unrealised losses on investments	(1,905)
Allocated investment return transferred to the general business technical account	(2,949)
Exchange gains and losses	85
<i>Profit for the 2015 closed year of account</i>	<u>13,256</u>

Other than items reported in the income statement the Syndicate has no items of other comprehensive income. In accordance with FRS 102.3.19 the Syndicate only presents an income statement and does not present a statement of comprehensive income.

The notes on pages 15 to 27 form an integral part of these underwriting year accounts.

Statement of changes in members' balances

For the 2015 closed year of account for the three years ended 31 December 2017

£000

Profit for the 2015 closed year of account	<u>13,256</u>
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Amounts due to members	<u>13,256</u>
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There have been no cash calls or distributions to members relating to the 2015 closed year of account. The cumulative profit of £13,256k therefore represents the members' balance on the 2015 year of account as at 31 December 2015.

Statement of financial position

For the 2015 closed year of account at 31 December 2017

	Notes	2017 £000
ASSETS		
<i>Investments</i>		
Financial investments	11	161,785
<i>Reinsurers' share of technical provisions</i>		
Provision for unearned premiums		2,424
Claims outstanding		<u>69,895</u>
		72,319
<i>Debtors</i>		
Debtors arising out of direct insurance operations		8,313
Debtors arising out of reinsurance operations		6,399
Other debtors		<u>92,918</u>
	12	107,630
<i>Cash and other assets</i>		
Cash at bank and in hand		35,697
Other assets	13	<u>59,393</u>
		95,090
<i>Prepayments and accrued income</i>		
Other prepayments and accrued income		<u>226</u>
		226
Total assets		<u>437,050</u>

The notes on pages 15 to 27 form an integral part of these underwriting year accounts.

Statement of financial position (continued)

As at 31 December 2017

	Notes	2017 £000
MEMBERS' BALANCE AND LIABILITIES		
Members' balances		13,256
<i>Technical provisions</i>		
Provision for unearned premiums		10,765
Claims outstanding		407,408
		<hr/> 418,173
<i>Creditors</i>		
Creditors arising out of direct insurance operations		950
Creditors arising out of reinsurance operations		1,937
Other creditors		2,691
	14	<hr/> 5,578
<i>Accruals and deferred income</i>		<hr/> 43
<i>Total liabilities</i>		<hr/> 423,794
<i>Total members' balances and liabilities</i>		<hr/> 437,050

The notes on pages 15 to 27 form an integral part of these underwriting year accounts.

The financial statements were approved by the board of directors on 20 March 2018 and were signed on its behalf by:

R E Heppell
Chief Financial Officer

Statement of cash flows

For the 2015 closed year of account for the three years ended 31 December 2017

	Notes	2017 £000
<i>Profit for closed year of account</i>		13,256
<i>Operating activities</i>		
Reinsurance to close premium payable, net of reinsurance	4	337,514
Increase in debtors		(107,856)
Increase in creditors		5,578
Net movement in other technical provisions		8,341
Increase in accruals and deferred income		43
<i>Net cash inflow from operating activities</i>		<u>256,876</u>
<i>Investing activities</i>		
Changes in market value and exchange rates		(631)
<i>Net cash outflow from investing activities</i>		<u>(631)</u>
<i>Financing activities</i>		
Other		-
<i>Net cashflow from financing activities</i>		<u>-</u>
<i>Increase in cash and cash equivalents</i>	16	<u>256,245</u>
<i>Cash flows were invested as follows</i>		
Increase in cash holdings	16	35,697
Increase in overseas deposits	16	59,393
Net portfolio investments	17	<u>161,155</u>
<i>Net cash inflow</i>		<u>256,245</u>

The increase in cash holdings of £35,697k is the figure shown on the statement of financial position as cash at bank and in hand. The net cash inflow of £256,245k represents the cumulative inflow of cash and cash equivalents relating to the 2015 underwriting year, as at 31 December 2017.

Notes to the financial statements

For the 2015 closed year of account at 31 December 2017

1. Accounting Policies

1.1. Basis of preparation

These accounts 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 2005) and applicable accounting standards in the United Kingdom. Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and Financial Reporting Standard 103, Insurance Contracts (FRS 103) have been applied to the extent that they are relevant for a proper understanding of the underwriting year accounts. The financial statements are prepared in sterling which is the functional and presentational currency of the Syndicate and rounded to the nearest £'000. As permitted by FRS 103 the Syndicate continues to apply the existing accounting policies that were applied prior to this standard for its insurance contracts.

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These accounts relate to the 2015 year of account which has been closed by reinsurance to close at 31 December 2017. Consequently the statement of financial position represents the assets and liabilities of the 2015 year of account at the date of closure. The income statement reflects the transactions for that year of account during the three year period until closure. These accounts cover the three year period from the date of inception of the 2015 year of account to the date of closure. Consequently this is the only reporting period and so no corresponding amounts are shown.

The 2015 year of account has closed and all assets and liabilities have been transferred to a reinsuring year of account. The result for the year of account was declared in sterling so there is no exchange rate risk. To this extent, the risks that it is exposed to in respect of the reported financial position and financial performance are significantly less than those relating to the open years of account as disclosed in the Syndicate Annual Accounts. Accordingly, these underwriting year accounts do not have associated risk disclosures as required by section 34 of FRS 102 and by section 4 of FRS 103. Full disclosures relating to these risks are provided in the Syndicate Annual Accounts.

1.2 Significant accounting policies

Underwriting transactions

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. Where it is not deemed to be possible to determine the outstanding liabilities with sufficient accuracy, the year of account will not be closed by way of reinsurance to close.

Premiums

Gross premiums written comprise contracts commencing in the financial year, together with any differences between booked premiums for the prior years and those previously accrued, and estimates of premiums due but not yet receivable or notified to the Syndicate. All premiums are shown gross of commission payable to intermediaries and exclude any taxes or duties based on premiums. Premium is recognised as earned based on the policy contract period. The earned element is calculated on a basis where the premium is apportioned over the period of risk. For premium written under facilities, the earned element is calculated based on the estimated inception date and coverage period of the underlying contracts. The proportion of premiums written, gross of

Notes to the financial statements

For the 2015 closed year of account at 31 December 2017

1.2 Significant accounting policies (continued)

commission payable, attributable to periods after the balance sheet date is deferred as a provision for unearned premiums. The change in this provision is taken to the income statement in order that revenue is recognised over the period of the risk. Under FRS 103, unearned premium are monetary liabilities. These are therefore valued at closing exchange rate at the reporting period and any foreign currency gains or losses are recognised in the income statement.

Reinsurance premiums ceded

Reinsurance premium ceded comprise premium on reinsurance arrangements bought which incept during the financial year, together with adjustments to premium ceded in previous accounting years. The proportion of reinsurance premium ceded attributable to periods after the reporting date is deferred as reinsurers' share of unearned premium. Reinsurance premium ceded is earned over the policy contract period in accordance with the terms of the reinsurance contract.

Acquisition costs

Acquisition costs comprise brokerage and commissions incurred on insurance contracts written during the financial year. They are incurred on the same basis as the earned proportions of the premiums they relate to. Deferred acquisition costs are amortised over the period in which the related revenues are earned. Deferred acquisition costs are reviewed at the end of each reporting period and are impaired where they are no longer considered to be recoverable out of future margins in the related revenues. Under FRS 103, deferred acquisition costs are monetary assets. These are therefore valued at closing exchange rate at the reporting period and any foreign currency gains or losses are recognised in the income statement.

Unearned premiums

The provision for unearned premiums comprises the amounts representing that part of gross premiums written and outwards reinsurance premiums that relate to unexpired terms of policies in force at the balance sheet date. The provision is calculated using a time apportionment method.

Claims

Claims paid are defined as those claims transactions settled up to the balance sheet date including the internal and external claims settlement expenses allocated to those transactions. The reinsurers' share represents recoveries received from reinsurance protections in the period plus recoveries receivable against claims paid that have not been received at the balance sheet date, net of any provision for bad debt. Where applicable, deductions are made for salvage and other recoveries.

Claims reserves are estimated on an undiscounted basis. Provisions are subject to a detailed quarterly review where forecast future cash flows and existing amounts provided are reviewed and reassessed. Any changes to the amounts held are adjusted through the income statement. Unpaid claims reserves are made for known or anticipated liabilities under insurance contracts which have not been settled up to the reporting date. Included within the provision is an allowance for the future costs of settling those claims. This is estimated based on past experience and current expectations of future cost levels. The unpaid claims reserves also include, where necessary, a reserve for unexpired risks where, at the reporting date, the estimated costs of future claims and related deferred acquisition costs are expected to exceed the unearned premiums provision.

Although the claims provision is considered to be reasonable, having regard to previous claims experience (including the use of certain statistically based projections) and case by case reviews of notified losses, on the basis of information available at the date of determining the provision, the ultimate liabilities will vary as a result

Notes to the financial statements

For the 2015 closed year of account at 31 December 2017

1.2 Significant accounting policies (continued)

of subsequent information and events. These adjustments are reflected in the financial statements for the period in which the related adjustments are made.

Reinsurance recoveries

The benefits to which the Syndicate is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer-term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Where there is objective evidence that a reinsurance asset is impaired, the carrying amount of the reinsurance asset is reduced to its recoverable amount and the impairment loss recognised in the income statement.

Financial investments

The Syndicate's financial assets are classified at fair value through profit or loss (FVPL). This classification requires all fair value changes to be recognised immediately within the investment return line in the income statement.

Derivative financial instruments

Financial assets at fair value through profit or loss include derivative financial instruments. The Syndicate uses derivatives in the form of forward foreign currency contracts. Such derivative financial instruments are initially recognised at fair value on the date that the derivative contract is entered into and are subsequently re-measured at fair value through profit or loss at each balance sheet date. Derivative financial instruments are carried as assets when the fair values are positive and as liabilities when the fair values are negative. The Syndicate employs a hedging strategy of purchasing currency forward contracts to protect against currency fluctuations in the members' balance. The Syndicate has used hedge accounting for the presentation of gains and losses arising from these derivatives.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only if there is a currently enforceable legal right to offset the recognised amounts, and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Investment return

All of the Syndicate's financial investments are measured at fair value through profit and loss, accordingly unrealised gains and losses are shown within the non-technical account. Gains and losses on financial investments are realised when the underlying investment is sold and the amount of gain or loss realised is recognised as investment income.

An allocation of actual investment 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 has been wholly allocated to the technical account as all investments relate to the general insurance technical provisions.

Notes to the financial statements

For the 2015 closed year of account at 31 December 2017

1.2 Significant accounting policies (continued)

Profit commission

Profit commission is charged by the managing agent at a rate of 15% of the profit on a year-of-account basis subject to the operation of a deficit clause. This is charged to the Syndicate as incurred but does not become payable until after the appropriate year of account closes, normally at 36 months.

Reinsurance to close premium

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, together with the provision for related claims handling costs. It also includes the estimated cost of claims incurred but not reported ('IBNR') at the balance sheet date based on statistical methods.

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 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.

The reinsurance to close contract transfers the liability in respect of all claims, reinsurance premiums, return premiums and other payments in respect of the closing year and prior years to the Names on the reinsuring syndicate year of account in so far as they have not been provided for in these accounts.

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 amount retained so determined.

1.3 Judgements and key sources of estimation uncertainty

The 2008 to 2015 years of account of Syndicate 2468 have reinsured to close at 1 January 2018 into the 2018 year of account of Syndicate 2008. The reinsurance to close premium is a final valuation of the estimated future liabilities for the names participating on those years of account of Syndicate 2468 and as such there is no uncertainty to the estimated future liabilities.

Notes to the financial statements

For the 2015 closed year of account at 31 December 2017

2 Segmental analysis

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

	<i>Gross premiums written £000</i>	<i>Gross claims incurred £000</i>	<i>Gross operating expenses £000</i>	<i>Reinsurance balance £000</i>	<i>Total £000</i>
Accident & Health	9,775	(5,949)	(4,078)	(1,303)	(1,555)
Motor	-	(450)	(96)	-	(546)
Marine, aviation and transport	17,778	(10,825)	(7,312)	(2,360)	(2,719)
Fire and other damage to property	21,817	(14,421)	(8,850)	(1,695)	(3,149)
Third party liability	107,090	(77,394)	(37,871)	(7,142)	(15,317)
Credit and suretyship	25,988	(19,813)	(7,109)	95	(839)
Reinsurance acceptances	16,606	(14,256)	(7,044)	(4,535)	(9,229)
	199,054	(143,108)	(72,360)	(16,940)	(33,354)
RITC brought forward	381,090	(407,409)	-	69,895	43,576
<i>Total</i>	580,144	(550,517)	(72,360)	52,955	10,222

Gross premiums written are treated as fully earned. Gross claims incurred comprise gross claims paid and gross reinsurance to close premium payable. Gross operating expenses are the same as net operating expenses shown in the income statements, as no commissions in respect of outward reinsurance were received and set off in arriving at the net operating expenses. The reinsurance balance comprises reinsurance premiums ceded less reinsurance recoveries on claims paid and reinsurance recoveries anticipated on the reinsurance to close payable. All premiums written are in respect of contracts concluded in the UK.

The geographical analysis of premiums is as follows:

	<i>£000</i>
United Kingdom	45,447
Other EU countries	37,850
Australia	34,231
North America	43,081
Other territories	38,445
	199,054

Notes to the financial statements

For the 2015 closed year of account at 31 December 2017

3 Reinsurance to close premium receivable

<i>At 31 December 2017</i>	<i>£000</i>
Gross notified outstanding claims	237,040
Reinsurance recoveries anticipated	<u>(52,011)</u>
Net notified outstanding claims	<u>185,029</u>
Provision for gross claims incurred but not reported	226,425
Reinsurance recoveries anticipated	<u>(25,200)</u>
Provision for net claims incurred but not reported	<u>201,225</u>
Foreign exchange	<u>(5,164)</u>
Reinsurance premium to close receivable, net of reinsurance	<u>381,090</u>

4 Reinsurance to close premium payable

<i>At 31 December 2017</i>	<i>£000</i>
Gross notified outstanding claims	220,778
Reinsurance recoveries anticipated	<u>(44,517)</u>
Net notified outstanding claims	<u>176,261</u>
Provision for gross claims incurred but not reported	186,630
Reinsurance recoveries anticipated	<u>(25,377)</u>
Provision for net claims incurred but not reported	<u>161,253</u>
Reinsurance premium to close payable, net of reinsurance	<u>337,514</u>

The reinsurance to close has been assumed by the 2018 year of account of Syndicate 2008.

Notes to the financial statements

For the 2015 closed year of account at 31 December 2017

5 Net operating expenses

	<i>Cumulative to 31 December 2017 £000</i>
Administrative expenses	
- Audit of Syndicate accounts and Lloyd's returns	255
- Other administrative expenses	24,815
Total administrative expenses	25,070
Members' standard personal expenses	2,493
Brokerage and commission on gross premium	41,500
Acquisition costs	3,297
Net operating expenses	72,360

6 Auditors' remuneration

	<i>Cumulative to 31 December 2017 £000</i>
Audit of the Syndicate annual accounts	247
Tax compliance	8
	255

7 Staff costs

All staff are employed by Neon Management Services Limited, a wholly owned subsidiary of Neon Holdings (U.K.) Limited (NHL) the immediate parent company of Neon Underwriting Limited. The following amounts were recharged to the Syndicate in respect of staff costs:

	<i>Cumulative to 31 December 2017 £000</i>
Wages and salaries	14,897
Social security costs	1,503
Other pension costs	1,022
	17,422

The average number of employees employed by the Managing Agent, working for the Syndicate during the three years was:

	<i>Three years number</i>
Administration and Finance	96
Underwriting	56
Claims	14
	166

Notes to the financial statements

For the 2015 closed year of account at 31 December 2017

8 Directors' emoluments

The directors of the Managing Agent received the following aggregate remuneration charged to the Syndicate and included within net operating expenses.

	<i>Cumulative to 31 December 2017 £000</i>
Aggregate remuneration in respect of qualifying services	2,103

	<i>Cumulative to 31 December 2017 £000</i>
The active underwriter received the following remuneration charged as a Syndicate expense:	

Aggregate remuneration in respect of qualifying services	248
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9 Analysis of underwriting result:

	<i>2008 to 2014 pure years of account £000</i>	<i>2015 pure year of account £000</i>	<i>Total 2015 year of account £000</i>
Technical account balance before allocated investment return and net operating expenses	56,906	25,676	82,582
Brokerage and commissions on gross premiums	-	(44,797)	(44,797)
	56,906	(19,121)	37,785
Allocated investment return transferred from the non-technical account	-	2,949	2,949
Net operating expenses other than acquisition costs	-	(27,563)	(27,563)
<i>Balanced on technical account – general business</i>	56,906	(43,735)	13,171

10 Investment return

	<i>Cumulative balance to 31 December 2017 £000</i>
Income from investments	5,948
Realised gains and losses from investments	(1,233)
Unrealised gains and losses from investments	(1,584)
Investment management charges	(182)
	2,949

Notes to the financial statements

For the 2015 closed year of account at 31 December 2017

11 Investments

	<i>Market value at 31 December 2017 £000</i>	<i>Purchase price £000</i>
Shares and other variable yield securities	23,222	23,222
Debt and other fixed income securities	137,257	137,933
	<hr/> 160,479	<hr/> 161,155
Derivatives	1,306	-
	<hr/> 161,785	<hr/> 161,155

12 Debtors

	<i>£000</i>
<i>Due within year</i>	
Arising out of direct insurance operations, due from intermediaries	8,287
Arising out of reinsurance operations, due from intermediaries	6,399
Inter-year loan	89,773
Investment cash in transit	2,702
Other Debtors	<hr/> 443
	107,604
<i>Due after one year</i>	
Arising out of direct insurance operations, due from intermediaries	<hr/> 26
	<hr/> 107,630

Other debtors includes accruals for certain recoverable expenses and underwriting adjustments.

13 Other assets

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

Notes to the financial statements

For the 2015 closed year of account at 31 December 2017

14 Creditors

<i>Due within one year</i>	<i>£000</i>
Arising out of direct insurance operations, due to intermediaries	943
Arising out of reinsurance operations	1,937
Profit commission accrued	1,551
Other creditors	1,140
	<hr/> 5,571
<i>Due after one year</i>	
Arising out of direct insurance operations, due to intermediaries	7
Other creditors	-
	<hr/> 5,578

Other creditors includes certain investment accruals and underwriting adjustments.

15 Movement in opening and closing portfolio investments, net of financing

	<i>Cumulative to 31 December 2017 £000</i>
Net cash inflow from the three years	35,697
Cash flow from overseas deposits	59,393
Cash flow from portfolio investments	161,155
Movement arising from cash flows	<hr/> 256,245
Changes in market value and exchange rates	631
Portfolio at 31 December 2017	<hr/> 256,876

16 Movement in cash, portfolio investments and financing

	<i>Cash flow</i>	<i>Changes to market value and currency</i>	<i>At 31 December 2017</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Shares and other variable yield securities	23,222	-	23,222
Debt and other fixed income securities	137,933	631	138,564
	<hr/> 161,155	631	161,786
Cash at bank and in hand	35,697	-	35,697
Overseas deposits	59,393	-	59,393
	<hr/> 256,245	631	256,876

Notes to the financial statements

For the 2015 closed year of account at 31 December 2017

17 Net cash flow on portfolio investments

	<i>Cumulative to 31 December 2017 £000</i>
Purchase of shares and other variable yield securities	41,480
Purchase of debt securities and other fixed income securities	377,961
Sale of shares and other variable yield securities	(18,258)
Sale of debt securities and other fixed income securities	(240,028)
Net cash inflow on portfolio investments	<u>161,155</u>

18 Related Parties

The Managing Agent's immediate parent company is Neon Holdings (U.K) Limited. The Managing Agent's ultimate UK holding company is Neon Capital Limited. Both the immediate and ultimate UK parent company are registered in England and Wales at 20 Gracechurch Street, London, EC3V 0BG, United Kingdom. The ultimate parent company is American Financial Group Inc, a company incorporated in Ohio, USA. Copies of their Financial Statements may be obtained from 301 E 4th Street, Cincinnati, Ohio.

Managing agency fees of £1,500k were charged to the Syndicate by the Managing Agent. These fees are calculated as 0.75% of the Syndicate's approved stamp capacity of the 2015 underwriting year. The approved stamp capacity of the 2015 underwriting year was £200 million.

SCOR Underwriting Limited is a corporate underwriting member for the 2015 year of account. SCOR Group P&C France participates as a reinsurer of the Syndicate. The cumulative premiums paid to that reinsurer amount to £1,336k, representing 0.52% of the outward reinsurance spend of the Syndicate.

Great American Insurance Co. (GAIC) is a wholly owned subsidiary of American Financial Group (AFG) and participates as a reinsurer of the Syndicate. The cumulative premiums paid to GAIC for the 2015 underwriting year amount to £15,215k, representing 6.0% of the outward reinsurance spend of the Syndicate.

Key management personnel working for the Syndicate are employed by Neon Managements Services Ltd, which is a fellow group company of the Managing Agent. The cost of such personnel has been allocated to the 2015 underwriting year in proportion to the time spent on Syndicate activities pertaining to the underwriting year.

There are no amounts outstanding in respect of these transactions at the balance sheet date and there are no other transactions or arrangements to disclose.

Notes to the financial statements

For the 2015 closed year of account at 31 December 2017

19 Funds at Lloyd's

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

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 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 member's FAL to meet liquidity requirements or to settle losses.

20 Off-balance sheet items

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

Summary of Closed Years' Results

SYNDICATE 2468 at 31 December 2017

Year of Account	2009	2010	2011	2012	2013	2014	2015
Syndicate allocated capacity (£'000)	120,000	145,000	145,000	145,000	145,000	175,000	200,000
Number of participating Members	4	4	4	4	4	4	4
Aggregate net premiums (£'000)	84,839	98,318	96,906	99,791	100,371	105,241	104,470
Illustrative share of £10,000							
Gross premiums	9,248	8,842	8,677	8,695	9,137	7,798	7,713
Net premiums	7,070	6,781	6,683	6,882	6,922	6,014	5,224
Reinsurance to close earlier account	6,726	8,826	11,004	12,056	14,287	15,915	19,054
Net claims	(3,117)	(3,549)	(4,506)	(3,946)	(5,283)	(4,887)	(5,513)
Reinsurance to close	(10,622)	(11,004)	(12,056)	(14,287)	(16,947)	(22,072)	(16,876)
Underwriting result	57	1,054	1,125	705	(1,021)	(5,030)	1,889
Profit/(loss) on exchange	(121)	(198)	(364)	(288)	(677)	639	4
Syndicate operating expenses	(898)	(1,003)	(1,188)	(1,156)	(1,206)	(885)	(1,254)
Balance on technical account	(962)	(147)	(427)	(739)	(2,904)	(5,276)	639
Investment return	325	611	434	447	227	130	147
Profit/(loss) before illustrative personal expenses	(637)	464	7	(292)	(2,677)	(5,146)	786
Corporate Member							
Illustrative personal expenses							
Managing agent's fee	(75)	(75)	(75)	(75)	(75)	(75)	(75)
Lloyd's central fund contribution	(45)	(46)	(46)	(34)	(47)	(41)	(25)
Lloyd's subscription	(45)	(46)	(46)	(34)	(47)	(41)	(25)
Profit commission	0	0	0	0	0	0	0
Total illustrative personal expenses	(165)	(167)	(167)	(143)	(169)	(157)	(125)
Profit/(Loss) after illustrative personal expenses	(802)	297	(160)	(435)	(2,846)	(5,303)	661
Total of syndicate operating expenses, managing agent's fee and profit commission	973	1,078	1,263	1,231	1,281	960	1,329
Capacity utilised %							
Gross premiums/allocated capacity	92	88	87	87	91	78	77
Net capacity utilised %							
Net premiums/allocated capacity	71	68	67	69	69	60	52
Balance on technical account %							
Balance on technical account/allocated capacity	(10)	(1)	(4)	(7)	(29)	(53)	6