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## **SYNDICATE 6129**

**AXIS MANAGING AGENCY LIMITED • REPORT & ACCOUNTS 2017**

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## **DIRECTORS AND ADMINISTRATION**

### **Directors of AXIS Managing Agency Limited 1 January 2017 to 13 March 2018**

S P Cane	(appointed 1 May 2017)
D J Draper	(appointed 11 May 2017)
T J Dziurman	(appointed 1 May 2017)
M A J Gregory	(appointed 11 May 2017)
S J Hills	(resigned 2 May 2017)
K Kwok	(appointed 22 December 2017)
G M Lawlor	(appointed 1 May 2017)
J P Loweth	(resigned 2 May 2017)
F Mullarkey	
A M Robson	
J Warren	(appointed 11 May 2017)
T Hennessy	

### **Active Underwriter**

A M Robson	(appointed 1 January 2018)
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### **Company Secretary**

M K Rowe	(appointed 19 December 2017)
N Bugler	(resigned 19 December 2017)

### **Managing Agent's registered office**

C/O Willkie Farr & Gallagher (UK) LLP  
27<sup>th</sup> Floor, Citipoint  
1 Ropemaker Street  
London  
EC2Y 9AW

### **Managing Agent's registered number**

08702952

### **Independent Auditors**

PricewaterhouseCoopers LLP  
7 More London Riverside  
London SE1 2RT

## MANAGING AGENT'S REPORT

The Directors of AXIS Managing Agency Limited ("AMAL") present the report on the activities of Syndicate 6129 ("the Syndicate") for the year ended 31 December 2017. The Annual Report and Accounts has been prepared using the annual basis of accounting, as required by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (the "Lloyd's Regulations 2008") and is shown on pages 12 to 30.

### Managing Agency

The Syndicate was previously managed by Novae Syndicates Limited ("NSL"). On 2 October 2017 all of the issued and to be issued share capital of Novae Group plc ("Novae") was acquired for £416.9m by AXIS Specialty UK Holdings Limited ("AXIS"), a wholly owned subsidiary of AXIS Capital Holdings Limited, a Bermuda registered company listed on the New York Stock Exchange. As part of the integration of AXIS and Novae the Managing Agent's Agreement for the Syndicate has been novated from NSL to AMAL, effective from 1 January 2018.

### Directors

The directors of AMAL who held office during the year and up to the date of signing of the annual accounts were:

S P Cane	(appointed 1 May 2017)
D J Draper	(appointed 11 May 2017)
T J Dziurman	(appointed 1 May 2017)
M A J Gregory	(appointed 11 May 2017)
S J Hills	(resigned 2 May 2017)
K Kwok	(appointed 22 December 2017)
G M Lawlor	(appointed 1 May 2017)
J P Loweth	(resigned 2 May 2017)
F Mullarkey	
A M Robson	
J Warren	(appointed 11 May 2017)
T Hennessy	

The directors of NSL who held office during the year and up to the date of signing of the annual accounts were:

M P Hudson	
J L J Butcher	(resigned 31 December 2017)
D F M Cote	
D J Pye	
I Burford	(resigned 1 March 2017)
R D Forster	(resigned 14 December 2017)
R Patel	(resigned 1 November 2017)
N J Moss	
S Burns	(appointed 31 March 2017)

### Review of the business

Syndicate 6129 was established for the 2016 underwriting year of account as a Special Purpose Arrangement. Its principal activity was to underwrite quota share reinsurance of AXIS Syndicate 2007 (formerly Novae Syndicate 2007). This arrangement was renewed for the 2017 and 2018 underwriting years of account.

## MANAGING AGENT'S REPORT (continued)

### Review of the business (continued)

The quota share treaty reinsurance contract includes a whole account quota share of Syndicate 2007 and two other quota share treaties specific to certain subject business of Syndicate 2007. The reinsurance agreement with Syndicate 2007 is the only inwards contract that Syndicate 6129 writes.

This contract operates on a funds withheld basis. The details of the Syndicate's corporate member and the members' ultimate parent are outlined in further detail in note 15.

The result for the calendar year 2017 is a loss of £31.4 million (2016: loss of £2.2 million). Members' balance is £(32.2) million (2016: £(2.4) million).

This was a particularly active Atlantic hurricane season featuring five major hurricanes in what is anticipated to be the costliest hurricane season on record. When combined with earthquakes in Mexico and wild fires in California, these catastrophe losses had an adverse effect on the financial results for the year.

### Key performance indicators ("KPIs")

- > Gross premiums written of £63.1 million (2016: £40.5 million)
- > Loss of £31.4 million (2016: loss of £2.2 million)
- > Combined ratio of 180.4% (2016: 114.1%)

### Principle risks and uncertainty

The Syndicate's principal risks are underwriting, reserving, credit, investment, liquidity and operational risks that arise as a result of doing business.

Underwriting risk is the inherent uncertainty as to the occurrence, amount and timing of insurance liabilities transferred to the Syndicate through the underwriting process. Underwriting risk is managed through rigorous protocols, including peer review and underwriting guidelines, which provide a framework for consistent pricing and risk analysis while ensuring alignment to the risk appetite. The Syndicate also mitigates underwriting risk through the purchase of reinsurance.

The estimation of reserves is subject to uncertainty due to the fact that the settlement of claims that have arisen before the balance sheet date is dependent on future events and developments. The Syndicate seeks to mitigate reserving risk by, among other things, diligently monitoring claims and maintaining a structured process and control framework for determining carried reserves.

Market risk is the risk that our financial instruments may be negatively impacted by movements in financial market prices or rates such as equity prices, interest rates, credit spreads and foreign exchange rates. Credit risk represents the risk of incurring financial loss due to the diminished creditworthiness (eroding credit rating and, ultimately, default) of our third party counterparties. The management of investment and credit risk comprises the identification, assessment and controlling of the risks inherent in the financial and credit markets and includes monitoring of compliance with the Syndicate's risk management standards, including various risk tolerance limits. The Syndicate seeks to mitigate investment risk by, among other things, closely managing its investment managers through investment policies and guidelines which place limits on asset class and individual security exposures.

Liquidity risk is the risk that we may not have sufficient financial resources to meet our obligations when they fall due, or would have to incur excessive costs to do so. The Syndicate aims to ensure it maintains adequate liquidity to meet its liquidity needs under both normal and stressed conditions. The Syndicate manages liquidity through risk limits which define the minimum percentage of the Syndicate's cash and investments to mature within a defined time frame.

## **MANAGING AGENT'S REPORT (continued)**

### **Principle risks and uncertainty (continued)**

Operational risk represents the risk of financial loss as a result of inadequate processes, system failures, human error or external events. Transaction type operational risks are managed through the application of process controls throughout the business which are reviewed on a regular basis. In testing these controls, we supplement the work of our internal audit team, with regular underwriting and claim peer audits. A risk register, capturing all operational risks faced by the Syndicate and the associated risk assessments are periodically reviewed by the Risk Committee of the Board.

For a more detailed analysis of the insurance and financial risks faced by the Syndicate and how these risks are managed refer to note 3.

### **Future developments**

The Syndicate will continue to underwrite quota share reinsurance of AXIS Syndicate 2007. The Lloyd's stamp capacity for the 2018 year of account has been maintained at £63.4m (2017 year of account: £63.4m). Syndicate 6129 is expected to continue with its existing U.S. Excess and Surplus lines partner relationships from 2017 and incorporate new facilities to provide better portfolio scale and diversification. The overall strategy remains consistent with 2017 although there is now more focus towards less volatile U.S. zones and risks.

### **Disclosure of information to Auditors**

Each person who is a director of the managing agent at the date of approval of this report confirms that, so far as the director is aware, there is no relevant audit information of which the Syndicate's Auditors are unaware, and each director has taken all the steps he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Syndicate's Auditors are aware of that information.

### **Syndicate Annual General Meeting and reappointment of Auditors**

As permitted under the Syndicate Meeting (Amendment No.1) Byelaw (No. 18 of 2000), it is not proposed to hold a Syndicate Annual General Meeting of members of Syndicate 6129. Members may object to the matters set out above within 21 days of the issue of these accounts. Any such objections should be addressed to M Rowe, Compliance Officer, at the managing agent's registered address set out below.

PricewaterhouseCoopers LLP (PwC) acted as Auditors of Syndicate 6129 during the year under review. Pursuant to Section 14(2) of Schedule 1 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the Auditor will be replaced by Deloitte LLP in 2018.



## MANAGING AGENT'S REPORT (continued)

### General

The directors wish to express their appreciation to all the staff for their efforts and support during the last year.

Approved by the directors of AXIS Managing Agency Limited on 13 March 2018.

A handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

M K Rowe  
Company Secretary  
AXIS Managing Agency Limited  
21 Lombard Street  
London  
EC3V 9AH

**ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2017**

## STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

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

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare syndicate annual accounts for Syndicate 6129 at 31 December each year in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), comprising Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ("FRS102") and Financial Reporting Standard 103 'Insurance Contracts' ("FRS103"). The syndicate annual accounts are required by law to give a true and fair view of the state of affairs of Syndicate 6129 as at that date and of its profit for that year.

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

- a) select suitable accounting policies and then apply them consistently, subject to changes arising on the adoption of new accounting standards in the year;
- b) make judgements and estimates that are reasonable and prudent;
- c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the syndicate annual accounts; and
- d) prepare these annual accounts on the going concern basis unless it is inappropriate to presume that there will be future years of account of the Syndicate.

The managing agent is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the syndicate 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 the prevention and detection of fraud and other irregularities. The directors of the Managing Agent confirm that they have complied with the above requirements in preparing these annual accounts.

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

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNDICATE 6129

## Report on the syndicate annual accounts

### Opinion

In our opinion, Syndicate 6129's syndicate annual accounts (the "syndicate annual accounts"):

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2017 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"); and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have audited the Syndicate annual accounts included within the Report & Accounts 2017 (the "Annual Report"), which comprise: the Balance sheet at 31 December 2017, the Profit and loss account for the year then ended, the Statement of Comprehensive Income for the year then ended, the statement of changes members' balances, the statement of cash flows and the notes to the syndicate annual accounts, which include a summary of significant accounting policies and other explanatory information.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and other applicable law.

Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the syndicate annual accounts section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

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

- 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the syndicate's ability to continue as a going concern.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNDICATE 6129

(continued)

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the syndicate annual accounts and our auditors' 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, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Managing Agent's Report, we also considered whether the disclosures required by Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### ***Managing Agent's Report***

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 year ended 31 December 2017 is consistent with the syndicate annual accounts and has been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

In light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we did not identify any material misstatements in the Managing Agent's Report.

### **Responsibilities for the syndicate annual accounts and the audit**

#### ***Responsibilities of the managing agent for the syndicate annual accounts***

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The managing agent is also responsible for such internal control as they determine is necessary to enable the preparation of 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 as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless it is intended for the syndicate to cease operations, or it has no realistic alternative but to do so.

#### ***Auditors' 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 auditors' 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.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNDICATE 6129 (continued)

A further description of our responsibilities for the audit of the syndicate annual accounts is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *Use of this report*

This report, including the opinions, has been prepared for and only for the syndicate's members as a body in accordance with part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Other required reporting**

#### **Other matters on which we are required to report by exception**

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017, we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

*Nick Wilks*

Nick Wilks (Senior statutory auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
16 March 2018

**PROFIT AND LOSS ACCOUNT: TECHNICAL ACCOUNT**  
For the year ended 31 December 2017

		2017		2016	
	Note	£m	£m	£m	£m
<b>Earned premiums, net of reinsurance</b>					
Gross premiums written	4	63.1		40.5	
Outward reinsurance premiums		(16.9)		(7.8)	
Change in the provision for unearned premiums					
Gross amount	5	(6.2)		(16.2)	
Reinsurers' share	5	(0.7)		1.0	
			39.3		17.5
<b>Allocated investment return transferred from the non-technical account</b>					
			-		-
<b>Claims incurred, net of reinsurance</b>					
Claims paid					
Gross amount		(21.0)		(4.7)	
Reinsurers' share		0.3		-	
Change in the provision for claims					
Gross amount	5	(59.8)		(13.6)	
Reinsurers' share	5	17.5		1.8	
	6		(63.0)		(16.5)
<b>Net operating expenses</b>	7		(7.9)		(3.5)
<b>Balance on the technical account</b>			(31.6)		(2.5)

All results for the year and prior year relate to continuing activities.

The notes on pages 17 to 30 form part of these financial statements.

## PROFIT AND LOSS ACCOUNT: NON-TECHNICAL ACCOUNT

For the year ended 31 December 2017

	Note	2017 £m	2016 £m
Balance on the technical account		(31.6)	(2.5)
Investment income		-	-
Other income	9	0.5	0.2
Allocated investment return transferred to the technical account		-	-
(Loss)/profit on foreign exchange		(0.3)	0.1
Loss for the financial year		(31.4)	(2.2)

All results for the year and prior year relate to continuing activities.

We have amended the titles of the financial statements that are used in FRS 102 to be more consistent with the titles used in Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 £m	2016 £m
Loss for the financial year	(31.4)	(2.2)
<b>Other comprehensive income</b>		
Exchange differences on translation to presentational currency	1.6	(0.2)
Total comprehensive loss for the financial year	(29.8)	(2.4)

The notes on pages 17 to 30 form part of these financial statements.



## BALANCE SHEET

As at 31 December 2017

Assets	Note	2017		2016	
		£m	£m	£m	£m
<b>Reinsurers' share of technical provisions</b>					
Provision for unearned premiums	5	0.3		1.0	
Claims outstanding		18.5		2.0	
			18.8		3.0
<b>Debtors</b>					
Debtors arising out of reinsurance operations	10	61.4		25.6	
			61.4		25.6
<b>Prepayments and accrued income</b>					
Deferred acquisition costs	11	1.3		1.2	
			1.3		1.2
<b>Total assets</b>			<b>81.5</b>		<b>29.8</b>
<b>Liabilities</b>					
<b>Capital and reserves</b>					
Members' balances	12		(32.2)		(2.4)
<b>Technical provisions</b>					
Provision for unearned premiums	5	22.2		17.5	
Claims outstanding	5	70.9		14.7	
			93.1		32.2
<b>Creditors</b>					
Creditors arising out of reinsurance operations		20.6		-	
			20.6		-
<b>Total liabilities</b>			<b>81.5</b>		<b>29.8</b>

The financial statements on pages 12 to 30 were approved by the Board of AXIS Managing Agency Limited on 13 March 2018 and were signed on its behalf by:



F Mullarkey

Finance Director

The notes on pages 17 to 30 form part of these financial statements.

## STATEMENT OF CHANGES IN MEMBERS' BALANCES

For the year ended 31 December 2017

		2017 Members' Balances £m	2016 Restated Members' Balances £m
<b>Year ended 31 December</b>	<b>Note</b>		
Total recognised loss for the year		(31.4)	(2.2)
Total recognised in other comprehensive income for the year		1.6	(0.2)
<b>Total comprehensive loss for the year</b>		<b>(29.8)</b>	<b>(2.4)</b>
Transfer to members' personal reserve funds		-	-
Net decrease in members' balances		(29.8)	(2.4)
As at 1 January		(2.4)	-
<b>As at 31 December</b>	<b>12</b>	<b>(32.2)</b>	<b>(2.4)</b>

The notes on pages 17 to 30 form part of these financial statements.

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 £m	2016 £m
Loss for the financial year	(31.4)	(2.2)
<i>Adjustments for:</i>		
Increase in net technical provisions	45.0	29.2
Increase in debtors	(35.8)	(26.8)
Increase in creditors	20.6	-
Foreign exchange movements	1.6	(0.2)
<b>Net cash inflow from operating activities</b>	-	-
<b>Net cash inflow from financing activities</b>	-	-
Net increase / (decrease) in cash and cash equivalents	-	-
Opening cash and cash equivalents	-	-
<b>Closing cash and cash equivalents</b>	-	-

The notes on pages 17 to 30 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Basis of preparation

The Syndicate comprises a member of the Society of Lloyd's that underwrites insurance business through a quota share reinsurance agreement. The address of AMAL, the Syndicate's managing agent, is C/O Willkie Farr & Gallagher (UK) LLP, 27th Floor, Citipoint, 1 Ropemaker Street, London, EC2Y 9AW.

These annual accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and applicable Accounting Standards in the United Kingdom, comprising Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ("FRS102") and Financial Reporting Standard 103 'Insurance Contracts' ("FRS103").

The annual accounts comprise the calendar year movement in the 2016 and 2017 years of account of Syndicate 6129. The Syndicate commenced underwriting activities on 1 January 2016. All figures are presented in millions of pounds sterling, rounded to the nearest £0.1 million unless otherwise stated.

#### Going concern

The Syndicate's liabilities are limited to those arising as a result of its quota share reinsurance agreement with Syndicate 2007 and the bespoke reinsurance purchased by the Syndicate. The contracts that the Syndicate has written are on a funds withheld basis. The associated cash flows occur following the closure of the year of account after 36 months. The ability of the Syndicate to meet its obligations as they fall due is underpinned by the support provided by the Lloyd's solvency process and its chain of security for any members who are unable to meet their underwriting liabilities.

The going concern basis of accounting has therefore been adopted in preparing the annual financial statements.

### 2 Accounting policies

#### Basis of accounting

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the Syndicate's annual accounts.

The financial statements have been prepared on an annual basis of accounting, whereby the incurred cost of claims, commission and related expenses is charged against the earned proportion of premiums, net of reinsurance as follows:

#### (i) *Recognition and measurement: premiums*

Generally, written premiums comprise the premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums recognised in respect of binder or consortium agreements are recognised linearly over the duration of the agreement. Premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums. Premiums written include adjustments to contracts entered into in prior accounting periods as well as estimates for future premiums.

An estimate is made at the balance sheet date to recognise retrospective adjustments to premiums or commissions. Earned premium is computed separately for each insurance contract in line with the risk exposure profile. Reinsurance premiums ceded are recognised in line with the related inward business. The provision for unearned premium both gross and ceded represents the portion of written premium expected to be earned in future periods.

## NOTES TO THE FINANCIAL STATEMENTS

### 2 Accounting policies (continued)

#### *(ii) Reinsurance*

The Syndicate buys reinsurance in the normal course of business for the purpose of limiting its net loss potential. Outward reinsurance premiums are accounted for in the same period as the premiums for the related insurance or inwards reinsurance business.

Reinsurance assets include amounts recoverable from reinsurers for losses and loss adjustment expenses. If a reinsurance asset is impaired, the Syndicate reduces its carrying amount accordingly, and immediately recognises the impairment loss in the income statement. A reinsurance asset will be deemed to be impaired if there is objective evidence, as a result of an event occurring after initial recognition of the asset, that the Syndicate may not receive all amounts due to it under the terms of the contract, and that the event has a reliable measurable impact on the amounts that the Syndicate will receive from the reinsurer.

Reinsurance arrangements do not relieve the Syndicate from its direct obligations to its policyholders.

#### *(iii) Recognition and measurement: claims*

Claims incurred consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims.

Claims outstanding comprise provisions for the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not, and related internal and external claims handling expenses. The ultimate liability as a result of outstanding claims will vary due to subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material.

The main assumptions used in the calculation of the ultimate cost of outstanding claims are detailed in the reserving risk section of note 3 on page 21.

#### *(iv) Deferred acquisition costs*

Acquisition costs comprise all commissions and other direct and indirect costs arising from the conclusion of insurance and reinsurance contracts. Deferred acquisition costs represent the proportion of acquisition costs which will be expensed in subsequent accounting periods; the deferral is calculated in the same manner as the unearned premiums provision. Acquisition costs are deferred only to the extent that available future margins are expected to cover them.

Certain reinsurance commissions and profit participations are also included within expenses for the acquisition of insurance contracts and are deferred in line with unearned premium.

#### *(v) Liability adequacy testing*

At each balance sheet date, liability adequacy tests are performed at a year of account level and reviewed to ensure the adequacy of the liabilities from insurance and reinsurance contracts net of deferred acquisition costs. In performing these tests, current best estimates are used of future contractual cash flows, claims handling and administration expenses as well as investment income from the assets backing such liabilities. Any deficiency is immediately expensed, initially by writing off deferred acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests (unexpired risk provision).

## NOTES TO THE FINANCIAL STATEMENTS

### 2 Accounting policies (continued)

#### (vi) Foreign exchange

The Syndicate's functional currency is US dollars, being the primary currency of the economic environment in which the Syndicate operates. The financial statements have been presented in pound sterling. Gains and losses on the retranslation from functional currency to presentational currency are recorded through the statement of other comprehensive income.

Transactions in foreign currencies are revalued to the functional currency using the average exchange rates applicable to the period in which the transaction occurs. AMAL considers these to be a reasonable approximation of the rate at which the transaction actually took place.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. All foreign exchange differences arising on translation to the functional currency are recognised in the non-technical profit and loss account. Unearned premiums and deferred acquisition costs are treated as if they are monetary items.

In respect of the translation of currencies into US dollars, the following rates have been applied:

	2017 Year-end rate	2017 Average rate	2016 Year-end rate	2016 Average rate
US dollar equals				
Australian dollar	1.28	1.30	1.38	1.35
Canadian dollar	1.26	1.30	1.34	1.33
Euro	0.84	0.88	0.94	0.90
Pound sterling	0.74	0.78	0.81	0.74

In respect of the retranslation from the functional currency (US dollars) to the presentational currency (pound sterling), the following rates have been applied:

	2017 Year-end rate	2017 Average rate	2016 Year-end rate	2016 Average rate
Pound sterling equals				
US dollar	1.35	1.29	1.24	1.35

#### (vii) Taxation

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

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year have been included in the balance sheet under the heading 'members' balances' pending recovery from members via the Lloyd's Members' Services unit through consolidated personal accounts. No provision has been made for any other overseas tax payable by members on underwriting results.

## NOTES TO THE FINANCIAL STATEMENTS

### 2 Accounting policies (continued)

#### *(viii) Net operating expenses*

Net operating expenses consist of Lloyd's charges, processing costs, expenses remitted to the Syndicate relating to the whole account element of the quota share reinsurance agreement, and overrider commission amounts payable under the terms of the quota share reinsurance agreement.

Profit-related remuneration of certain underwriting and non-underwriting employees was recharged to the Syndicate through the whole account quota share reinsurance contract with Syndicate 2007 during the year. Profit-related remuneration relating to the directors is not recharged to the Syndicate.

#### *(ix) Related Parties*

Related party disclosures, including those relating to the directors, are outlined in note 13 of these financial statements.

#### *(x) Quota share reinsurance agreement with Syndicate 2007*

Underlying premiums and claims are settled by Syndicate 2007 with policyholders as they fall due. Within Syndicate 6129 these are accounted for on a funds withheld basis. Debtors and creditors arising between Syndicate 6129 and Syndicate 2007 are not settled until the year of account has closed. Up to that time the balances are shown separately. Claims outstanding are also settled when the year of account closes. These amounts are recognised within technical provisions. Other non-technical transactions are settled when the year of account closes.

### Critical accounting judgements and estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of these factors allow judgements to be made regarding the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Uncertainties exist where current valuations are dependent on estimates of future results.

The Syndicate's greatest area of estimation relates to claims provisions in respect of insurance and reinsurance contracts, the carrying values of which are outlined in note 5 of these financial statements. The estimates and assumptions are reviewed on an ongoing basis. To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, it shall be recognised by adjusting the carrying amount of the related asset or liability item in the period of change. The nature and assessment of certain risks arising from estimate uncertainty are also outlined in greater detail within the risk management note below.

The nature and assessment of certain risks arising from estimate uncertainty are also outlined in greater detail within the risk management note below.

### 3 Risk management

Throughout 2017 Syndicate 6129 ("the Syndicate") was managed by NSL as part of the former Novae Group. From 1 January 2018, this responsibility passed to AMAL. AMAL has adopted the NSL Risk Management Framework in respect of Syndicate 6129, with AMAL governance replacing the corresponding NSL governance as appropriate. In particular, the governance responsibilities of the NSL Audit & Risk Committee have been assumed as appropriate by the Audit Committee and the Risk Committee of AMAL.



## NOTES TO THE FINANCIAL STATEMENTS

### 3 Risk management (continued)

The remainder of this section describes the NSL Framework that has been adopted by AMAL. In this context, the “Managing Agency” refers to NSL prior to 1 January 2018, and to AMAL subsequently. References to the ‘Risk Committee’ or ‘Audit Committee’ in respect of NSL should be taken to mean the Audit & Risk Committee, which fulfilled both these roles.

For the period ended 31 December 2017 risks were assessed as follows:

#### Core risks

##### 3.1 Underwriting

Underwriting risk is the principal risk to which Syndicate 6129 is exposed and results from fluctuations in the timing, frequency and severity of insured losses, relative to expectations at the time of underwriting. This may manifest in a number of ways, for example the severe impact of accumulation from catastrophic events, mispricing at the point of underwriting, changes in interpretation in contractual terms. The Managing Agency categorises underwriting risk into catastrophe, non-catastrophe and reserving risk. Functional oversight of the management of insurance risk is delegated to the Underwriting Committee (“UC”) (in the case of catastrophe and non-catastrophe risk) and to the Reserving Committee (in the case of reserving risk).

The sources of underwriting risk and key techniques applied to mitigate them are discussed below.

##### 3.1.1 Underwriting risk: catastrophe

Catastrophes and risk accumulations have the scope individually to exert a material impact on underwriting performance and the oversight of catastrophe risk involves managing and analysing such exposures.

The Syndicate has a positive appetite for catastrophe risk. The potential is recognised for aggregate losses arising from natural or man-made catastrophic events. This risk, through the application of aggregate limits and purchase of reinsurance protection, controls our exposure to extreme losses. The Syndicate manages and controls aggregate exposure across multiple return periods, and across the many different potential accumulations of risk that exist within a diversified (re)insurance portfolio.

A distinct risk appetite is formulated for this risk, both in aggregate and at the level of individual perils, with considerable variation according to the nature of the event concerned. This variation reflects both the scale of underwriting activity in different areas, the potential returns available, and the probability of different loss events occurring.

The Managing Agency Board sets the overarching appetite for exposure to catastrophe events. This is implemented in practice using a framework for expressing Target Aggregate exposure (“TAg”), where the actual and projected aggregate exposure is periodically assessed against defined targets and limits for a range of scenarios that contribute to the Syndicate’s overall catastrophe risk exposure.

The scenarios and assumptions underpinning this modelling are reviewed on a regular basis by senior management and the principal instances of aggregation of risk are regularly monitored and reported to the Risk Committee and Board through the Quarterly ORSA report. This monitoring takes place on an in-force and prospective basis. Any breaches or potential breaches of limits are reported to the Managing Agency Risk Committee and Board together with any remedial action taken or planned.



## NOTES TO THE FINANCIAL STATEMENTS

### 3 Risk management (continued)

This analysis uses a combination of in-house scenarios and scenarios defined by Lloyd's - upon which the Managing Agency Board is required to report. An in-depth review of both in-house and Lloyd's scenarios is undertaken at the time of the submission to Lloyd's. This is subject to a review of the assumptions made in the assessment and is then presented to the Managing Agency Board for approval before submission to Lloyd's. This is supplemented by quarterly reporting of RDS to the UC and the Board and by ad hoc reviews of actual exposure against Target Aggregates and RDS as appropriate throughout the year. The potential for accumulation of losses from multiple events in the same year is considered by the Managing Agency Board and reported in the Quarterly ORSA process.

In addition to particular natural loss events, the managing agent also considers the impact of non-natural catastrophes. As an example, one such scenario is a corporate collapse following a merger and related fundraising activity. This has the potential to affect a number of exposures in the banking and professional indemnity spheres. Other non-natural events modelled include aviation, marine and energy disasters, terrorism events and various possible scenarios with the potential to affect political risks and credit business. It should be noted that there is a greater degree of uncertainty around exposure to these events, arising both from the nature of potential aggregations and the uncertainty around the impact of insured events on potentially exposed policies.

#### 3.1.2 Underwriting risk: non-catastrophe

The Syndicate is also exposed to risks arising from non-catastrophe loss experience. This is defined as variation in underwriting results that arises from sources other than specific catastrophe events. This could arise in many ways - for example from the underlying variability in claim sizes and frequencies, from variation in pricing and the insurance market cycle, or from changes in policy interpretation leading to new sources of claims.

The risk of adverse loss experience is mitigated by controlling the nature and quality of business underwritten. This is achieved through:

- > The use of a set of agreed underwriting protocols; these are produced for each unit and are reviewed at least annually in conjunction with the agreed business plans. These protocols supplement unit plans and provide a clear framework for, and limits to, underwriting authority.
- > Internal peer reviews of risks written to confirm adherence to the protocols
- > Independent external review of samples of risks from most units by a panel of experts who document any concerns and questions. This review is discussed between senior management at the Managing Agency and senior underwriters, and a regular report is provided to the Managing Agency Board
- > Premium rating and rate monitoring controls to ensure that premiums are commensurate with the risks associated with business written
- > Specific reinsurance transactions which reduce the impact of individual large losses to the Syndicate, and a number of strategic quota share arrangements; and
- > Claims management controls, to manage the variability of possible outcomes of disputed claims, unanticipated legal judgements and retrospective legal change when compared to expectations at the time of underwriting

Furthermore, the risk of over-concentration in any one line of business or uncontrolled volumes of transactions is managed through monitoring of premium income against agreed business plans.

## NOTES TO THE FINANCIAL STATEMENTS

### 3 Risk management (continued)

#### 3.1.3 Underwriting risk: reserving

Reserving risk is the risk that claims reserves and related claims handling reserves will be materially different from the ultimate cost of settlement, influenced principally by the occurrence, value and timing of claims.

Syndicate 6129 has a neutral appetite for reserving risk, which arises inherently from underwriting activities, and the need to estimate uncertain claim amounts in advance of final settlement. Our appetite for reserving risk is determined by our reserving policy, which requires that reserves are set prudently, with an explicit margin in excess of the actuarial best estimate.

The Managing Agency Risk Committee has delegated the management of reserving risk to the Reserving Committee (“RC”). Key to the mitigation of reserving risk is the use of proprietary and standardised modelling techniques, with assurance provided by internal and external benchmarking and appropriate claims development review. The Managing Agency Board seeks to establish realistic and accurate reserves for each category of business underwritten. However, it is inherent in the nature of a reserving exercise that instances may arise where subsequent developments, including new information, result in changes to the assessment of reserves required for particular business segments, either upwards or downwards.

The risk of adverse movements in reserves is mitigated through the following key processes and controls:

- > The actuarial team performs a reserving analysis liaising closely with underwriters, claims and reinsurance staff. It is charged with reporting its conclusions on the basis of an actuarial best estimate. In a statistical context, a best estimate should be interpreted as the mean of all possible outcomes. This means that the downside risk (reserves deteriorating) will be balanced by the upside potential (reserves improving)
- > The RC performs a review of the projections produced by the actuarial team, both gross and net of reinsurance, on a quarterly basis. Following this review the RC makes recommendations to the NSL Board as to the quantum of reserves to be established
- > The Chief Actuary produces a quarterly reserving analysis for management, which sets out a review of developments in the quarter compared to the best estimate expectation. This enables management to identify emerging issues for action at the earliest stage possible
- > On an annual basis, an external actuarial consultant is commissioned to produce an independent reserve estimate. This is presented to the RC and Audit and Risk Committee, along with a detailed comparison between internal and external views of the best estimate reserves

Given the elements of uncertainty relating to the data and assumptions, a margin is applied over and above the actuarial best estimate. This increases the reserves reflected in the Syndicate accounts above the mean expectation.

To indicate the potential impact of reserving risk on the Syndicate, were there to be a 1% variation in the Syndicate’s total net claims reserve, there would be an effect on net assets of £0.5 million (2016: £0.1 million).

## NOTES TO THE FINANCIAL STATEMENTS

### 3 Risk management (continued)

Claims development tables, setting out the development of claims over time on a gross and net of reinsurance basis are provided below:

#### Claims development table gross of reinsurance

Underwriting year	2016	2017	Total
	£m	£m	£m
<b>Estimate of cumulative claims</b>			
At end of underwriting year	18.3	52.4	52.4
One year later	43.3	-	43.3
Less: cumulative payments	16.5	8.3	24.8
Estimated balance to pay	26.8	44.1	70.9

#### Claims development table net of reinsurance

Underwriting year	2016	2017	Total
	£m	£m	£m
<b>Estimate of cumulative claims</b>			
At end of underwriting year	16.5	40.0	40.0
One year later	36.8	-	36.8
Less: cumulative payments	16.1	8.3	24.4
Estimated balance to pay	20.7	31.7	52.4

### 3.2 Investment risk

Investment risk is the risk of an adverse change in earnings and/or solvency resulting from fluctuations and volatilities in the value of our assets, liabilities and financial instruments caused by changes in market variables. The Syndicate does not hold any investments but is indirectly exposed to interest rate risk, currency risk, credit spread risk, equity risk and counterparty. This indirect exposure arises as a result of the investment return remitted to the Syndicate in lieu of the investment return on the funds withheld by Syndicate 2007.

### 3.3 Foreign exchange risk

This risk arises from changes in the level of currency exchange rates. The Syndicate is exposed to currency risk arising from non-US dollar assets and liabilities. The core currencies that the Syndicate receives and reports in are: Sterling, US dollars, Euros, Canadian dollars and Australian dollars. Other currencies are translated into US dollars either at the time of receipt or at the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS

### 3 Risk management (continued)

The carrying value of total assets and total liabilities categorised by currency is as follows:

At 31 December 2017:

	GBP £m	USD £m	EUR £m	CAD £m	AUD £m	Total £m
Reinsurers' share of technical provisions	0.3	18.3	-	0.1	0.1	18.8
Insurance and reinsurance receivables	-	59.6	1.0	0.1	0.7	61.4
Other assets	-	1.3	-	-	-	1.3
<b>Total assets</b>	<b>0.3</b>	<b>79.2</b>	<b>1.0</b>	<b>0.2</b>	<b>0.8</b>	<b>81.5</b>
Technical provisions	4.9	85.9	1.1	0.6	0.6	93.1
Insurance and related payables	-	20.6	-	-	-	20.6
<b>Total liabilities</b>	<b>4.9</b>	<b>106.5</b>	<b>1.1</b>	<b>0.6</b>	<b>0.6</b>	<b>113.7</b>
<b>Net liabilities</b>	<b>(4.6)</b>	<b>(27.3)</b>	<b>(0.1)</b>	<b>(0.4)</b>	<b>0.2</b>	<b>(32.2)</b>

At 31 December 2016:

	GBP £m	USD £m	EUR £m	CAD £m	AUD £m	Total £m
Reinsurers' share of technical provisions	0.2	2.5	0.1	0.1	0.1	3.0
Insurance and reinsurance receivables	0.4	24.1	0.6	0.2	0.3	25.6
Other assets	0.3	0.9	-	-	-	1.2
<b>Total assets</b>	<b>0.9</b>	<b>27.5</b>	<b>0.7</b>	<b>0.3</b>	<b>0.4</b>	<b>29.8</b>
Technical provisions	2.4	28.5	0.6	0.3	0.4	32.2
<b>Total liabilities</b>	<b>2.4</b>	<b>28.5</b>	<b>0.6</b>	<b>0.3</b>	<b>0.4</b>	<b>32.2</b>
<b>Net assets</b>	<b>(1.5)</b>	<b>(1.0)</b>	<b>0.1</b>	<b>-</b>	<b>-</b>	<b>(2.4)</b>

If the Pound, Canadian dollar, Australian dollar and Euro were to weaken against the US dollar by 10%, with all other variables constant, profit would be higher by an estimated £2.5m (2016: lower by an estimated £0.2 million).

#### 3.4 Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The Syndicate is indirectly sensitive to the credit risk managed by Syndicate 2007. The Syndicate uses ratings issued by agencies as follows:

As at 31 December 2017	AAA £m	AA £m	A £m	BBB £m	BBB or less £m	Not rated £m	Total £m
Reinsurers' share of claims outstanding	-	3.2	14.8	-	-	0.5	18.5
<b>Total credit risk</b>	<b>-</b>	<b>3.2</b>	<b>14.8</b>	<b>-</b>	<b>-</b>	<b>0.5</b>	<b>18.5</b>
As at 31 December 2016	AAA £m	AA £m	A £m	BBB £m	BBB or less £m	Not rated £m	Total £m
Reinsurers' share of claims outstanding	-	0.5	1.5	-	-	-	2.0
<b>Total credit risk</b>	<b>-</b>	<b>0.5</b>	<b>1.5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.0</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 3 Risk management (continued)

#### 3.4 Credit risk (continued)

The table above does not include the funds withheld balance due from Syndicate 2007 of £40.8m (2016: £25.6 million). Syndicate 2007 is also managed by the Managing Agent. There are no indicators of increased credit risk in respect of this balance.

#### 3.5 Liquidity risk

The quota share agreement with Syndicate 2007 operates on a funds withheld basis and the final settlement upon closure is on a net basis. The Managing Agent therefore do not consider liquidity risk to be a significant risk.

#### 3.6 Capital risk

The Corporation of Lloyd's determines the amount of capital required at the market level to meet the market's commercial objectives and in particular to sustain the market's financial strength rating at the target level. This capital requirement is met from the aggregate of central resources - the Lloyd's Central Fund plus reinsurances - and capital provided by underwriting members, who are required to deposit assets at Lloyd's equal to the member's Economic Capital Assessment ("ECA"). As in prior years, this is based on the Solvency II capital calculation.

The requirement to meet Solvency II and Lloyd's capital requirement in respect of Syndicate 6129 apply at a member level and not at the syndicate level. The risk that capital resources are insufficient to meet regulatory requirements therefore lies at the member level.

## 4 Segmental analysis

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

	Gross premiums written £m	Gross premiums earned £m	Gross claims incurred £m	Gross operating expenses £m	Reinsurance balance £m	Result before investment return £m
<b>2017</b>						
Reinsurance acceptances	63.1	56.9	(80.8)	(7.9)	0.2	(31.6)

	Gross premiums written £m	Gross premiums earned £m	Gross claims incurred £m	Gross operating expenses £m	Reinsurance balance £m	Result before investment return £m
<b>2016</b>						
Reinsurance acceptances	40.5	24.3	(18.3)	(3.5)	(5.0)	(2.5)

The analyses in the tables above have been prepared in accordance with the requirements of Schedule 3 of *The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008: Insurance Companies* and do not necessarily reflect how the Board of NSL presents and uses information in its management of the Syndicate.

## NOTES TO THE FINANCIAL STATEMENTS

### 4 Segmental analysis (continued)

#### Geographical origin of insurance gross premiums written

An analysis of gross premiums written by reference to the location that the reinsurance contract is concluded, is provided below:

	2017 £m	2016 £m
United Kingdom	63.1	40.5

The Lloyd's insurance market has been treated as one geographical segment. All business is signed and concluded in the United Kingdom.

### 5 Technical provisions

	2017			2016		
	Gross provisions £m	Reinsurance assets £m	Net provisions £m	Gross provisions £m	Reinsurance assets £m	Net provisions £m
<b>Claims outstanding</b>						
Balance at 1 January	14.7	(2.0)	12.7	-	-	-
Change in claims outstanding	59.8	(17.5)	42.3	13.6	(1.8)	11.8
Effect of movements in exchange rates	(3.6)	1.0	(2.6)	1.1	(0.2)	0.9
Balance at 31 December	70.9	(18.5)	52.4	14.7	(2.0)	12.7
<b>Consisting of:</b>						
Claims notified	18.0	(0.7)	17.3	3.7	(0.1)	3.6
Claims incurred but not reported	52.9	(17.8)	35.1	11.0	(1.9)	9.1
Balance at 31 December	70.9	(18.5)	52.4	14.7	(2.0)	12.7
<b>Unearned premiums</b>						
Balance at 1 January	17.5	(1.0)	16.5	-	-	-
Change in unearned premiums	6.2	0.7	6.9	16.2	(1.0)	15.2
Effect of movements in exchange rates	(1.5)	-	(1.5)	1.3	-	1.3
Balance at 31 December	22.2	(0.3)	21.9	17.5	(1.0)	16.5

The gross and net provisions at 31 December 2017 include margin held above actuarial best estimate of £2.5 million (2016: gross and net provisions included margin of £0.6 million). No margin was held in the reinsurance assets.

### 6 Net claims incurred in the calendar year and reserve movements

Claims incurred, net of reinsurance, totalled £63.0 million (2016: £16.5 million) during the calendar year. £21.2 million relates to the 2016 year of account.

## NOTES TO THE FINANCIAL STATEMENTS

### 7 Net operating expenses

	2017 £m	2016 £m
Brokerage and commissions	0.2	0.2
Change in deferred acquisition costs	(1.6)	(1.2)
Other acquisition costs	5.5	3.1
Administrative expenses	2.8	0.9
Personal expenses	1.0	0.5
	<b>7.9</b>	<b>3.5</b>

The figures for auditors' remuneration for the audit of the Syndicate shown below relate to those incurred by the Syndicate through the quota share reinsurance agreement.

Administrative expenses include:

	2017 £m	2016 £m
Fees payable to the Syndicate's auditors for the audit of the Syndicate	0.1	0.1
Fees payable to the Syndicate's auditors for other services:	-	-
	<b>0.1</b>	<b>0.1</b>

### 8 Staff costs and directors' emoluments

The Syndicate and its previous managing agent Novae Syndicates Limited have no employees (2016: nil). No staff expenses were recharged to Syndicate 6129 by AXIS Managing Agency for the year ended 31 December 2017.

The Syndicate did not directly incur staff costs or costs relating to directors' emoluments during the year. Staff expenses are included within the calculation of expenses payable in respect of the whole account element of the ceding agreement with Syndicate 2007.

### 9 Other income

The Syndicate does not hold any investments. Under the quota share agreement the Syndicate receives a share of the investment return generated by Syndicate 2007 and investment expenses and charges incurred by the Syndicate. This is recognised as other income in the profit and loss account.

### 10 Debtors arising out of reinsurance operations

	2017 £m	2016 £m
Due from cedants within one year	-	-
Due from cedants after one year	61.4	25.6
	<b>61.4</b>	<b>25.6</b>

There are no debtors past due or impaired.

## NOTES TO THE FINANCIAL STATEMENTS

### 11 Deferred acquisition costs

	2017 £m	2016 £m
Balance at beginning of the year	1.2	-
Utilisation of balance brought forward	(1.2)	-
Additional amounts deferred in year	1.3	1.2
Balance at end of the year	1.3	1.2

Additional amounts deferred in year relate to the Syndicate's share of Syndicate 2007's acquisition costs in addition to the override commission payable to Syndicate 2007 in accordance with the quota share agreement.

### 12 Reconciliation of members' balances

	2017 £m	2016 £m
Total recognised losses since last annual report	(29.8)	(2.4)
Transfers to members' personal reserve funds	-	-
Members' balances brought forward at 1 January	(2.4)	-
Members' balances carried forward at 31 December	(32.2)	(2.4)

### 13 Related parties

#### Directors' interests in other AXIS group companies

AMAL is the managing agent for Syndicate 6129, and NSL the previous managing agent. There is no managing agent's fee charged directly to the Syndicate from either AMAL or NSL. There are no profit commissions payable to the managing agent under both managing agent's agreements.

The ultimate parent company of AMAL is AXIS Capital Holdings Limited. A copy of AXIS' consolidated financial statements can be obtained from that company's registered office which is located at AXIS House, 92 Pitts Bay Road, Pembroke, HM08, Bermuda or from its website at [www.axiscapital.com](http://www.axiscapital.com).

The Syndicate has entered into a quota share agreement with AXIS Syndicate 2007 which is also managed by AMAL. The contract operates on a "funds withheld" basis for a period of 36 months after the commencement of the 2016 and 2017 underwriting years of account.

The debtors arising out of reinsurance operations balance of £61.4m (2016: £25.6m) relates to balances due from Syndicate 2007 for Syndicate 6129's share of gross written premium, reinsurance recoveries and investment income. It is net of amounts owed to Syndicate 2007 for Syndicate 6129's share of reinsurance premium, paid claims and whole account expenses, as well as bespoke reinsurance premiums paid for by Syndicate 2007, and commission payable to Syndicate 2007 under the terms of the quota share reinsurance agreement.

The Syndicate's share of claims estimates are recognised in technical provisions.

There were no other transactions with AXIS Group entities.



## NOTES TO THE FINANCIAL STATEMENTS

### 14 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. Since FAL is not under the management of the managing agent, no amount has been shown in these financial statements 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.

### 15 Ultimate Parent Undertaking

Securis LCM Limited and Securis LCM 2 Limited are the members of Syndicate 6129.

The ultimate parent undertaking and controlling party of Securis LCM Limited and Securis LCM 2 Limited is the Securis LCM Purpose Trust, Bermuda.

