Important information about Syndicate Reports and Accounts

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

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

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

Syndicate 2488

Annual Report and Financial Statements

Syndicate 2488

31 December 2018

Table of Contents

President's Report

I am pleased to present my first President's Report following my appointment in July 2018 as Regional President of the Chubb European Group and subsequently as a Director of Chubb Underwriting Agencies Limited.

2018 has been another difficult year for the Lloyd's market, with insurers facing challenging underwriting conditions driven by an oversupply of capacity, increased regulatory and compliance related requirements, above average catastrophe losses and a turbulent geopolitical environment dominated by Brexit in the UK and increasing protectionism and escalating trade tensions across the globe. Despite this, Syndicate 2488 had a good year.

Financial Performance

Syndicate 2488 underwrote £440.1 million of gross written premium in 2018, a decrease of 4% on the £459.5 million recorded at year end 2017. This decrease was primarily exchange rate driven, reflecting the volatility of sterling against the US dollar during 2018. Excluding the impact of foreign exchange, top line premiums were marginally up on prior year. Net written premiums for the year were £350.8 million, 5% below those of the prior year.

Our underwriting profit for the year of £34.9 million benefitted from prior period reserve releases of £21.0 million and some improvement in underlying accident year losses as our extensive portfolio review work, designed to identify areas of the business with growth potential and potential shortcomings, continues to reap benefits.

2018 saw significant natural catastrophe activity, particularly in the latter half of the year, although fortunately not on the same scale as the industry's record-breaking loss events of 2017. Over 10,000 people tragically lost their lives as a result of floods, tropical cyclones, wildfires and earthquakes worldwide with associated severe economic and insured losses.

In aggregate, Syndicate 2488's net catastrophe related losses for the year amounted to £18.0 million, well within our risk tolerances and expectations.

Pricing

Underwriting conditions in the Lloyd's and London insurance markets have been challenging for a number of years with rates reaching unsustainable levels in many classes. However we are now starting to see signs of firming, with adequate pricing now secured in a number of business lines, with certain sub-classes achieving much-needed double-digit increases. The market dislocation that we are currently seeing as a result of withdrawals of or reductions in capacity following the Lloyd's 'Decile 10' review is playing to Chubb's strengths and adding momentum to the drive for acceptable pricing for the risks we underwrite, and we anticipate rates to further improve into 2019.

Looking ahead

In order to keep pace with the incredible rate of change in the insurance industry, we have to embrace the spirit of entrepreneurship and utilise our specialist expertise and innovative thinking to create opportunities to empower our customers and clients. The risks faced by businesses and individuals are changing all of the time at increasing speed and, as a business, we need to move faster than ever before to keep ahead of that risk dynamic and provide effective and relevant solutions to our customers and distribution partners.

We applaud Lloyd's proposals to tackle underperforming syndicates, address the high operational costs and inefficiencies in the London market operating model and drive sustainable, profitable growth in a modern and increasingly digitalised marketplace. Lloyd's Brussels is now open for business, providing the market with an effective solution to allow business to continue uninterrupted when the UK leaves the European Union as planned later this year and delivering assurance to clients that underwriters will continue to pay all valid claims regardless of the result of the Brexit negotiations.

Chubb has made a number of changes to align the governance structure of the managing agency with Chubb's Brexit plans. One such change is the appointment of Matthew Shaw to the position of Chief Executive Officer, Chubb Underwriting Agencies Limited ("CUAL") with effect from 1 January 2019. Matthew also continues to serve as the Active Underwriter for Syndicate 2488. Further details on the governance structure can be found within the Managing Agent's Report.

President's Report

Culture

Creating a working environment where inclusive behaviours are the norm and where everyone is treated with respect, courtesy and dignity is very important to me. As the Executive Sponsor of the Regional Diversity and Inclusion ("D&I") Council I am proud to be focusing on driving Chubb's D&I strategy across the region. Diversity, whether in terms of markets, customers, ideas and talent is an essential part of our business environment. The mix of our talent and the perspectives that brings helps to keep us competitive, innovative and dynamic. Inclusion enables a collaborative workforce that allows everyone to feel engaged in the business no matter their background, race, religion, gender or sexuality. To demonstrate our commitment, Chubb has signed up to the London market Inclusive Behaviours Pledge, an industry-wide initiative to demonstrate the insurance profession's unwavering commitment to transforming its culture. Signing up to the Pledge means agreeing to change and tackle negative and inappropriate behaviours and promote and encourage the right, desired behaviours in the workplace.

In conclusion

Syndicate 2488 performed well in 2018, with first-rate underwriting results contributing to a healthy financial profit for the year. We have an exceptionally strong balance sheet to support our underwriting activities, an extensive suite of products, a powerful distribution network, great depth of expertise, stand-out data analytics, a strong underwriting culture and, I believe, the best teams in the marketplace to take this business forward.

I would like to express my profound thanks to my predecessor, Andrew Kendrick, who retired from Chubb at the end of the year after a distinguished four-decade career in the insurance industry. Andrew's contribution to building a business that not only survived but thrived through challenging times such as 9/11 and the global financial crisis cannot be overstated: Syndicate 2488 is in fantastic shape and I am delighted to have the opportunity to continue to build on that success.

D Furby
Regional President
18 March 2019

Managing Agent's Report

The Board of Directors of the syndicate's managing agent, Chubb Underwriting Agencies Limited ("CUAL") are pleased to submit their report and the audited syndicate annual accounts for the year to 31 December 2018.

This report and accounts are prepared using the annual basis of accounting as required by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Lloyd's Regulations") as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 (the "Regulations"). In addition to this statutory requirement, the report also addresses other aspects of the syndicate's business which the Board believes will be of benefit to interested parties.

Ownership

Chubb Limited, the ultimate parent of CUAL, is the Swiss-incorporated holding company of the Chubb Group of Companies. Chubb Limited and its direct and indirect subsidiaries, collectively the Chubb Group of Companies ("Chubb") are a global insurance and reinsurance organisation. At 31 December 2018, Chubb Limited held total assets of $167.8 billion and shareholders' equity of $50.3 billion. It is listed on the New York Stock Exchange (NYSE: CB) and is a component of the S&P 500 index. The company maintains executive offices in Zurich, New York, London and other locations, and employs approximately 32,700 people worldwide.

Brexit

On 23 June 2016 the United Kingdom voted in a national referendum to withdraw from the European Union ("EU") and on 29 March 2017 invoked Article 50 of the Treaty on European Union, with the leaving date currently set for 29 March 2019. Negotiations regarding the terms of the UK's exit from the EU officially began in June 2017 but the final outcome remains uncertain. CUAL fully supports Lloyd's commitment to the European markets, including the processes being developed to ensure that all valid claims to EU policyholders with policies written prior to Brexit are paid, and the newly created Brussels-based European insurance company that provides the Lloyd's market with an effective solution to allow business to continue without interruption regardless of the outcome of negotiations. CUAL has already transitioned to the post-Brexit operating model so it can continue to trade with confidence.

Business Overview

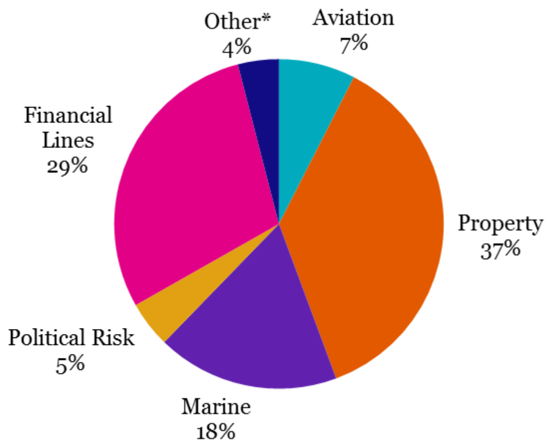
Chubb is the world's largest publicly traded property and casualty insurer. With operations in 54 countries and territories, Chubb is distinguished by its extensive product and service offerings, broad distribution capabilities, exceptional financial strength, superior claims handling expertise and local operations globally. The company serves multinational corporations, mid-size and small businesses with property and casualty insurance and risk engineering services; affluent and high net worth individuals with substantial assets to protect; individuals purchasing life, personal accident, supplemental health, homeowners, automobile and specialty personal insurance coverage; companies and affinity groups providing or offering accident and health insurance programmes and life insurance to their employees or members; and insurers managing exposures with reinsurance coverage. Chubb's core operating insurance companies maintain financial strength ratings of "AA" from Standard & Poor's and "A++" from A.M. Best.

Syndicate 2488 is a strategically important business within Chubb, allowing the group to access specialist Lloyd's and London market risks. The syndicate offers its clients a broad range of insurance and risk solutions, with policies written under the names "Chubb Global Markets" and "Chubb Tempest Re", which capitalise on the distinctiveness and strength of the Chubb brand and acknowledge the group's strong insurance platforms, reputation, skill sets and consistent management philosophy.

The structure of the syndicate's operations allows the underwriters formal and informal interaction with their Chubb underwriting peers across the world. With longstanding client relationships and multi-line global platforms, Syndicate 2488 enjoys a position as a lead insurer in the key lines in which it chooses to compete, with a significant presence in the Lloyd's market.

Chubb Global Markets ("CGM") and Chubb Tempest Re ("CTRe") underwriting products are offered principally through Syndicate 2488 and Chubb European Group SE ("CEG"), a French domiciled company which offers a wide range of property, casualty and accident and health insurance and reinsurance products to both retail and wholesale markets. Business may also be written through a number of overseas Chubb companies. Factors influencing the decision to place business with the syndicate, CEG or an overseas company include licensing eligibilities and capitalisation requirements, but predominantly reflect client and broker preference.

Syndicate 2488 underwrites a diverse portfolio of business organised into product lines including aviation, property, marine, political risk and financial lines. The 2018 split of gross written premiums by major product line is illustrated below:



* Other includes A&H, energy, international casualty, environmental liability, terrorism and other non-core lines

Syndicate 2488 benefits from comprehensive and fully integrated support functions encompassing claims, finance and actuarial, risk management, legal and compliance, human resources, operations and IT.

With effect from 1 January 2019, Syndicate 2488 accepted the reinsurance to close of the liabilities of Syndicate 1882. Syndicate 1882 is also managed by CUAL and has been in run-off since 31 December 2016. The 2016 year of account was its last year of account. The transaction resulted in the transfer to Syndicate 2488 of gross and net technical provisions of £150.2 million and £135.0 million, respectively.

Business Objectives & Strategy

CUAL has market-leading risk expertise, a disciplined approach to underwriting and is fully committed to meeting the insurance needs of its clients. It is distinguished by its ability to manage the challenging and constantly changing external environment, the clarity of its strategy and the thoroughness of its execution.

CUAL's strategy focuses on an established underwriting ethos that permeates the business. Top line growth is not the primary driver for the syndicate and underwriters are fully prepared to shed volume as necessary in order to maintain an underwriting profit. Using CUAL's underwriting skills and targeted marketing strategies, the syndicate aims to generate growth in areas where risk-adjusted underwriting margins are favourable, and achieve better terms or shrink business where they are not.

The syndicate's product line segmental structure enables underwriters to manage each business class at a detailed level, essential for the identification and analysis of the characteristics, challenges and opportunities of each class. Rating adequacy, competition, volatility and margins are analysed at a micro level by the underwriting teams with significant input from CUAL's actuaries and management team.

CUAL strives to offer superior service levels in all aspects of the syndicate's operations, particularly claims, and it continues to invest in technology to improve its operational efficiency, underwriter support and broker interfaces.

CUAL is committed to protecting and preserving its assets. It operates a conservative investment strategy and has maintained its focus on cash flow management and liquidity to secure its long term position in the Lloyd's insurance market.

Investment Strategy

Syndicate 2488 operates a conservative investment strategy by establishing highly liquid, diversified, high quality portfolios managed by expert external managers. Detailed Chubb Group investment guidelines are established for each managed portfolio including Chubb customised benchmarks against which manager performance is measured.

Syndicate 2488 maintains five active and one indexed investment grade fixed income portfolios, held in US dollars, sterling, Canadian dollars and euro. In addition, the syndicate maintains a US dollar investment grade portfolio and an actively managed US dollar high yield portfolio in respect of the Funds in Syndicate. The focus of the high yield portfolio is upper tier high yield fixed income securities targeting average Moody's quality of "B" or higher. The approximate currency split of the syndicate investment portfolios, including Funds in Syndicate, is US dollars 76%, sterling 7%, Canadian dollars 9% and euros 6%. Other currency investments comprise approximately 2% of the total. Syndicate 2488 held no equities in 2018.

No significant changes to the existing asset allocation or investment strategy were made in the year and the syndicate continued to maintain diversified actively managed portfolios with exposure to a broad range of sectors.

Presentation of Financial Statements

The basis of preparation of Syndicate 2488's annual financial statements is in accordance with the 2008 Lloyd's Regulations, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017, and applicable accounting standards in the United Kingdom. These financial statements recognise a calendar year profit or loss, driven by net earned premium and net incurred losses arising on that net earned premium.

Managing agents are required to prepare syndicate underwriting accounts, similar to those previously prepared on a three year underwriting basis in respect of any year of account which is being closed by reinsurance to close, unless all the members on the closing year agree otherwise. Syndicate 2488 is a fully aligned syndicate, with 100% of the underwriting capital provided by one corporate capital vehicle, Chubb Capital 1 Limited. Chubb Capital 1 Limited has agreed to waive its right to receive syndicate underwriting accounts in respect of Syndicate 2488's closed 2016 year of account and, as such, no information on this basis has been provided within this report and annual accounts.

Key Performance Indicators

The following financial key performance indicators ("KPIs") have been deemed relevant to the syndicate business. These KPIs are reviewed regularly by the CUAL Board.

£ million	**2018**	**2017**
Gross premiums written	440.1	459.5
Net premiums written	350.8	368.1
Combined ratio % *	90.3%	106.5%
Profit for financial year	34.1	13.4

** Ratio of net claims incurred, commission and expenses to net premiums earned, excluding profit / loss on exchange*

Management also uses a variety of other performance indicators, including production volumes, retention ratios, price monitoring, loss and expense analyses, and operating metrics in assessing the performance of each of the product lines. All financial results are monitored against plan, forecast and prior year on a regular basis.

CUAL seeks to manage syndicate capacity levels in order to make the most effective use of available capital. The 2019 capacity of Syndicate 2488 has been set at £405.0 million (2018: £405.0 million).

Results & Performance

Syndicate 2488's business is principally conducted in US dollars however, for accounting purposes, the financial results are presented in sterling. Syndicate 2488's functional currency is US dollars. The appreciation in the average rate of sterling across the whole year against the US dollar in 2018 compared with the prior year has impacted the comparison of the profit and loss statement against the prior year.

Syndicate 2488 produced a profit for the financial year of £34.1 million and a combined ratio of 90.3%. A summary of the reported financial results is shown below.

£ million	**2018**	**2017**
Gross premiums written	440.1	459.5
Net premiums written	350.8	368.1
Net premiums earned	361.6	354.1
Incurred losses	188.8	241.1
Operating expenses	137.9	135.9
Underwriting profit / (loss)	**34.9**	**(22.9)**
(Loss)/profit on exchange	(3.7)	2.8
Investment return	2.8	33.5
Profit for financial year	**34.1**	**13.4**
Combined ratio %	90.3%	106.5%

Rating Environment

Despite a challenging start to 2018, a more positive rating picture began to emerge as the year progressed due in part to the response to the Lloyd's Decile 10 review and subsequent market dislocation. Overall pricing on renewal business for the full year was up in the mid-single digits, with the extent of rate changes varying by class of business, with the most notable increases within the Aviation, Financial Lines and Property portfolios.

Drivers of Underwriting Result

Gross written premiums were £19.4m below those reported in 2017. However this reduction was driven by the volatility of sterling against the US dollar in 2018 compared with the prior year. If the impact of currency movements is excluded, top line premiums were slightly ahead of the prior year, and testament to Chubb's nimbleness in taking advantage of more favourable underwriting conditions.

The syndicate purchases reinsurance to mitigate the impact of major events and an undue frequency of smaller losses. The programmes are primarily product line specific with some related lines protected by consolidated programmes. The reinsurance purchasing process benefits from the strong relationships built up with key reinsurers over the years. The syndicate seeks to limit its loss exposures by purchasing reinsurance up to its maximum line sizes and accumulations. Natural catastrophe cover is purchased with reference to modelled events, typically with an occurrence probability around 1 in 250 years but potentially more or less frequent for certain types of peril. The principal reinsurance programmes operated by the syndicate during 2018 were partly shared with other Chubb companies including CEG. There were no major changes to the syndicate's reinsurance purchasing strategy in 2018.

A number of significant natural catastrophes occurred in 2018, including floods, tropical cyclones, wildfires and earthquakes which are estimated to have cost the insurance industry approximately $80 billion. Syndicate 2488's exposure to large losses is managed by adherence to clear risk management and underwriting guidelines and the use of reinsurance protection and sophisticated modelling and analysis. Syndicate 2488's catastrophe losses net of reinsurance recoveries during 2018 amounted to £18.0 million (2017: £61.3 million).

Prior period reserve releases amounted to £21.0 million (2017: £15.2 million) due primarily to favourable experience within property, pecuniary loss and third party liability.

Excluding catastrophe losses and prior period development, the accident year loss ratio for the year was 53.0% (2017: 55.1%) which demonstrates the strength of the syndicate's underlying business.

Operating expenses constitute acquisition costs, Lloyd's subscriptions, Central Fund contributions and general administrative expenses (as part of the managing agency fee). CUAL continues to focus on the management of each of these components in line with the growth and needs of the business.

Financial Markets Review

Markets were subjected to a number of geopolitical events that significantly weighed on sentiment during 2018. Political risk events included trade tensions between the US and China, Brexit concerns for the UK, a US government shut down and budget deficits in Italy leading to the potential for EU sanctions. As these tensions ebbed and flowed, so did risk asset returns, which saw marked weakness in February and March, as well as significant negative returns in December. Indeed, US equities delivered their worst month in December 2018 since February 2009, while US 10-year government bond yields fell by over 30 basis points to end the year only 28 bps higher.

Monetary policy was also a key factor in 2018, as central banks in the US and Europe tightened policy. The Federal Reserve continued on its interest rate raising path, increasing interest rates four times. However, the pace of US interest rate rises looks to be slowing with concerns around economic outlook in the US and the continued impact from the government shut down. In Europe, the European Central Bank finally ended its asset purchases. In the UK, interest rates remain on hold until the outcome of Brexit is known, but with inflation near target and a buoyant labour market, the Bank of England could be active once the Brexit process is concluded. However, markets are all but pricing out any interest rate increases in 2019 given the current political uncertainty.

The outlook across markets for 2019 is for lower growth and more muted earnings. While there are suggestions that we are in the latter stages of the economic cycle in the US, should the continued geopolitical events come to pass in an orderly fashion there may well be upside for risk assets. Flattening of US yield curves means investors can find sources of income at the front end of the US curve, while US treasuries can provide ballast against sell off in risk equities. An upward quality bias may also help investors' portfolios in times of risk asset weakness, while company fundamentals across the globe still look to be in good health as we enter 2019. The UK outlook will continue to be clouded until there is greater clarity around the outcome of Brexit. In Europe, economists continue to anticipate muted growth in 2019 due mainly to the impact of weaker global growth.

Investment Performance

Investment markets showed markedly increased levels of volatility in 2018 and this resulted in only a handful of asset classes generating positive total returns in the year. Fixed income returns were generally weak in 2018, as sovereign yield curves flattened. Most spread sectors underperformed duration equivalent government bonds, as spreads widened during the period.

Overall Syndicate 2488 generated a total return of 0.2% in 2018 on balances available for investment. For investment grade portfolios, total returns of 0.1%, 0.3% and 1.9% were generated for sterling, euro and Canadian dollar portfolios respectively. The US dollar investment grade portfolios which comprise over 75% of the investment grade bonds generated a total return of 0.3% in the year.

Syndicate 2488's alternative investment assets, constituting around 12% of the total portfolio are entirely comprised of US dollar upper tier high yield bonds. The portfolio generated negative returns of -1.9% for the year.

Cash Flow

Total syndicate cash flow derived from operating activities in the year was positive. The distribution of the 2015 year of account profits was made in 2018.

Financial Position

Capital

Syndicate capital requirements are determined through the submission and agreement by Lloyd's of a Solvency Capital Requirement ("SCR") adjusted by Lloyd's through the application of a market wide uplift of 35%, which is referred to as the Lloyd's Economic Capital Requirement.

The Prudential Regulation Authority ("PRA") conducts reviews directly with Lloyd's on the overall SCR for the Lloyd's Market rather than at a syndicate level. Under the governance processes surrounding the Lloyd's internal model, the syndicate is obligated to ensure compliance with Lloyd's requirements for the internal model tests and standards, and processes are in place to meet these obligations.

In order to determine the SCR the syndicate assesses its risk profile and capital requirements using an internal model which has been developed to meet Solvency II requirements. The internal model is supported by a robust validation and governance framework which ensures its ongoing appropriateness and is refined to reflect the syndicate's experience, changes in the risk profile and advances in modelling methodologies. For 2019, the SCR shows an increase compared with the 2018 requirement, allowing for the Reinsurance to Close ("RITC") of the liabilities of the legacy Chubb Syndicate 1882.

The syndicate maintained capital throughout 2018 in line with the Lloyd's Economic Capital Requirement.

Syndicate 2488 meets its Funds at Lloyd's ("FAL") requirement by the provision of fixed income investments held within the syndicate which are designated as Funds in Syndicate. The overall quantum of FAL for 2018 year end increased to £677 million (2017: £491 million) including the uplift in the required SCR as a result of the planned RITC of Syndicate 1882 into Syndicate 2488 at the beginning of 2019, and investment gains.

Ratings

All active syndicates benefit from the financial strength ratings assigned to the Lloyd's market by various rating agencies. Lloyd's currently holds financial strength ratings of "A (Excellent)" from A.M. Best, "A+ (Strong)" from Standard & Poor's and "AA- (Very Strong)" from Fitch. In view of these robust ratings, together with Chubb's core operating insurance companies ratings of "A++" and "AA" from A.M. Best and Standard & Poor's respectively, it has not been considered necessary to obtain an individual rating for the syndicate.

Governance

CUAL has a documented corporate governance framework, the purpose of which is to exercise oversight and control over the management of its own and the syndicate's business.

The Board of Directors ("the Board") has reserved responsibility for decisions in connection with a number of matters, including those of a significant strategic, structural, capital, financial reporting, internal control, risk, contractual, policy or compliance nature. The Board meets routinely five times a year and additionally on other occasions to discharge its responsibilities in respect of these and other matters. In 2018 the Board met six times.

Membership of the Board is kept under review to ensure that the composition and available expertise remains relevant to the current needs of the syndicate. The Board comprises four independent non-executive directors, two non-executive and two executive directors. During 2018 two executive directors left the Board and David Furby was appointed. In addition to this, Chubb also made a number of changes during the year to align the governance structure of the managing agency with Chubb's Brexit plans. One such change is the appointment of Matthew Shaw to the position of Chief Executive Officer of CUAL with effect from 1 January 2019. On 31 December 2018 an independent non-executive director resigned and on 1 January 2019 an additional non-executive director was appointed on behalf of the shareholder. CUAL greatly values the contribution of its non-executive directors in providing contrasting insights, experience and challenge in the Board's discussions and the insights into the wider Chubb Group. Details of director appointments and resignations can be found on page 17.

Key non-routine Board activity during the year included: i) consideration of the impact on the governance of the company of Chubb's planning for Brexit, ii) readiness for the implementation of new legislation including the Insurance Distribution

Directive, the General Data Protection Regulation and the Senior Manager & Certification Regime, and iii) a refresh of the Managing Agent's Agreement with Chubb Capital I Limited. It also agreed changes to board policies and the Risk Management Framework to reflect the new governance arrangements and changes to the internal solvency model and investment allocations.

The Board received regular reports on the status of business results, business and function plans, resourcing, developments in the risk and regulatory environments, regulatory compliance, underwriting controls, actuarial and solvency matters. The Board and its Committees have also reviewed the progress of the run-off of Syndicate 1882 during the year.

The Board has delegated a number of matters to committees. Each of the following committees has formal terms of reference and matters reserved to it. Each, with the exception of the CUAL Management Committee, includes non-executive directors in its membership, and reports to the Board regularly in respect of its remit. In order to reflect the impact on the company of the changes in governance for Chubb's planning for Brexit the terms of reference of each Board committee were reviewed and refreshed in February 2019.

The Audit Committee, which was comprised exclusively of non-executive directors, considered and made recommendations to the Board on areas including validation of solvency calculations, internal controls, financial reporting, whistleblowing, actuarial matters and the external audit. It received reports from the compliance, actuarial and finance functions and internal audit on a quarterly basis.

In relation to the external audit process, the Audit Committee monitored the nature and scope of work in the audit of the financial statements and other external reporting requirements. It met regularly with the External Auditor without management being present.

In the case of the internal audit function, the Audit Committee's role involved agreeing and monitoring, in conjunction with the group audit function, the nature and scope of work to be carried out by the internal audit team and the availability of sufficient resources. It met regularly with the Head of Internal Audit without management being present.

The Audit Committee's role was aimed at providing assurance to the Board and Chubb group management that the internal control systems, agreed by executive management as being appropriate for the prudent management of the business, were operating as designed. At all times the Audit Committee members were expected to challenge any aspect of these processes which it considered weak or generally poor practice.

During 2018 the Audit Committee in particular reviewed: i) the adequacy of reserves and the changes in inflation on reserves, ii) assurance over Cyber underwriting processes, and iii) the impact of changes in governance resulting from Chubb's planning for Brexit on financial controls and the Interal Controls Framework.

The Board delegated responsibility for the oversight and implementation of its risk management framework to the Risk Committee. The Committee oversaw and advised the Board on risk exposures, future risk strategy, the design and implementation of the risk management framework into the business and on solvency and capital matters. It also ensured that business risks and controls were recorded and monitored. It received regular reports on the syndicate's "Own Risk and Solvency Assessment" metrics, which helps to provide an independent overview of management's assessment of risk, including performance against Board approved risk appetites.

During the year the Risk Committee's non-routine activity included: i) a review of the IT operating model, ii) an implementation review of compliance with the General Data Protection Regulation which came into effect May 2018, iii) an assessment of compliance with the Lloyd's Minimum Standards, iv) an implementation and ongoing development of information security measures, v) review of mitigation against cyber insurance risks, vi) a consideration of Brexit implications on the Chubb group of companies, and vii) appropriate remuneration practices.

As part of the changes to governance for Chubb's planning for Brexit, the Audit Committee and Risk Committee were combined to become an Audit & Risk Committee from 1 January 2019. The responsibilities detailed above for the individual committees have been combined and the terms of reference updated to reflect the extended remit of the new committee. The Audit & Risk Committee is comprised of a combinatin of non-executive and Regional executive directors.

The remit of the Nominations Committee was to advise and make recommendations in connection with independent non-executive director appointments to and the structure of the Board, including diversity and independence of composition, Board evaluation, succession planning for the non-executive directors and leadership needs. During 2018 the Committee met to consider the appointment of David Furby, Regional President of Chubb Europe, as a Regional executive director of the Board. The structure and composition of the Board has been reviewed to ensure this is appropriate for the size and complexity of the managing agent in view of changes in governance resulting from Chubb's planning for Brexit. The responsibilities of the Nominations Committee were assumed by the full Board from 1 January 2019, when the Committee was disbanded.

The CUAL Management Committee comprises executive directors and other members of the senior management team. The primary role of the Management Meeting is to oversee the day-to-day management of business operations and performance, and to assist the Chief Executive Officer in implementing and overseeing operational strategies and decisions determined by the Board. The CUAL Management Committee oversees the support function activities, key steering groups and sub-committees including investment, credit risk, internal model steering, reserving and underwriting on a monthly basis and discuss current issues. The structure and composition of the CUAL Management Committee was updated to reflect the new governance arrangements from 1 January 2019.

A number of specialist sub-committees, such as those for customer conduct, underwriting controls, broker credit control and reserving, report to the CUAL Management Committee to ensure that various aspects of the business are reviewed by a wide senior management group. During 2018 the Product Oversight Committee oversaw the functioning of the Chubb Europe conduct framework pertaining to product risk through the performance of the line of business Product Councils. In recognition of the increased accountability of the Product Councils and in conjunction with the Conduct Risk Director, it was agreed that the Product Oversight Committee would be disbanded from 1 January 2019 and reporting on conduct matters would flow through to the CUAL Management Committee, with escalation to the Board and its committees as necessary. The remit and composition of the sub-committees was reviewed resulting in a number of changes from 1 January 2019 and the term of reference were updated in early 2019.

CUAL has a Routine Business Committee which meets on an ad hoc basis between formal Board meetings to consider authorisation of routine activity and its activities are reported at the subsequent Board meeting.

Risk & Control Framework

The Chubb Group is a global underwriting franchise whose risk management obligation to stakeholders is simple: ensure sufficient financial strength over the long term in order to pay policyholder claims while simultaneously building and sustaining shareholder value.

The Chubb Enterprise Risk Management ("ERM") strategy helps achieve the goal of building shareholder value by systematically identifying, and then monitoring and managing, the various risks to the achievement of corporate business objectives and thereby minimising potential disruptions that could otherwise diminish shareholder value or balance sheet strength.

CUAL has adopted the Chubb Group Enterprise Risk Management Framework ("RMF"), which describes the role of ERM within CUAL and how it helps the syndicate achieve its business objectives, meet its corporate obligations and maintain the reputation of the Chubb franchise. Chubb's documented RMF is principles-based and sets out the organisational framework for risk taking, monitoring and governance.

The RMF adopts a "three lines of defence" model, comprising day-to-day risk management and controls, risk management oversight, and independent assurance.

The RMF identifies the key risks to which each business segment, and the syndicate as a whole, is exposed, and their resultant impact on economic and regulatory capital. This framework employs Solvency II principles to assess risk and manage capital requirements to ensure the capital required to support CUAL's business objectives and to meet the requirements of policyholders and regulators.

The Board is ultimately responsible for ensuring that the syndicate operates within an established framework of effective systems of internal control, including the approval of the overall risk tolerance for the organisation and compliance with policies, procedures, internal controls and regulatory requirements.

The Board's oversight of the RMF is effected through the various committees and functions with particular purposes and direction around the monitoring of risk tolerances and oversight of internal controls and compliance procedures. The risk management function has a strong mandate from the Board to promote the RMF and embed it across the syndicate.

The RMF was re-approved by the Board in 2018 together with a review of individual risk policies and risk appetite statements which set out defined risk-tolerance constraints for the execution of the business strategy. All key policies and procedures are subject to Board approval and ongoing review by executive management, the risk management function and internal audit function.

Disclosures regarding risks and capital management are provided in note 3 to the financial statements.

Compliance

Compliance with regulation, legal and ethical standards is a high priority for Chubb and CUAL, and the compliance function has an important oversight role in this regard. Annual affirmation of the Chubb Code of Conduct is required of all employees and directors.

As a material subsidiary of Chubb Limited, a US listed company, the financial control environment in which the US GAAP financial statements are derived is subject to the requirements of US Sarbanes-Oxley legislation. CUAL has formalised documentation and tested controls to enable Chubb Limited to fulfil the requirements of the legislation.

CUAL is also committed to fulfilling its other compliance-related duties, including its observance of customer-focused policies, in line with regulatory principles, and it uses various metrics to assess its performance.

The managing agency employs a skilled and specialist workforce to manage its regulatory and compliance responsibilities and aims to operate to a high standard. CUAL recognises and values its relationships with regulators in each of its jurisdictions and engages in open dialogue and communication to address and resolve any issues.

Social and Employee Matters

The Chubb Code of Conduct

Chubb aims to comply with legal and regulatory requirements in all countries in which it operates and embed the Chubb Code of Conduct values in its activities. The Chubb Code of Conduct affirms Chubb's commitment to compliance with equal employment opportunity laws and other applicable civil rights, human rights and labour laws. Chubb expects staff to behave ethically and transparently and to be accountable for their actions. All employees, officers and directors are expected to acknowledge acceptance of this code confirming that they know and understand the standards expected. Chubb expects its business partners such as consultants, agents, third party representatives and service providers to also comply with the code. Appropriate measures may be taken if they fail to meet those standards or contractual obligations.

Human Rights

Chubb policies, frameworks and actions aim to prevent modern slavery and human trafficking in both the business and its supply lines by:

- Undertaking employment verification checks as part of the hiring process;
- Requiring agencies who supply workers to carry out employment verification checks, wherever staff are located;
- Procurement questionnaires require third party suppliers to state what steps they take to comply with the Modern Slavery Act 2015;
- Procurement agreements require third party suppliers to comply with applicable laws and regulations and permit Chubb to terminate relationships where they fail to do so;
- Subjecting key business transactions to both on boarding and periodic regulatory screening;
- Providing regular training for staff on sanctions restrictions, anti-bribery, anti-money laundering, and the Chubb Code of Conduct to which they must attest;

- Providing training and support for all staff on how and where they can raise concerns about wrongdoing and assurances that they will not suffer reprisals for doing so; and
- Taking appropriate action where potential violations of the Modern Slavery Act 2015 are identified.

Chubb continues to update its policies, procedures and training materials to make its commitment to anti-slavery and human trafficking explicit to customers, employees, suppliers, and business partners. Over the course of the last year, Chubb has revised its EU Procurement Policy which focuses on and re-iterates third parties' obligations to comply with modern slavery and human trafficking laws. Training in this regard was also provided to key management across Chubb's European offices. Furthermore, Chubb's General Data Protection Regulations communications included reference to our continued expectation that third party vendors must abide by modern slavery and human trafficking legislation.

Chubb's Modern Slavery and Human Trafficking Transparency statement has been published on the UK website.

Diversity & Inclusion Approach

Chubb is committed to a diverse and inclusive environment where all staff are treated with dignity, fairness and respect, regardless of their age, disability, race, religion or belief, gender identity and expression, sexual orientation, marital status or family circumstances.

The Chubb approach is based on 3 key principles:

1. **Inclusion:** creating a working culture and environment where we value the whole person and the experiences they bring to work, where everyone has the opportunity to achieve their full potential and develop in a way that is consistent with our vision and values. Our aim is to be an organisation where people feel valued, involved, respected, supported and connected to the success of the business;

2. **Equality:** promoting equality by removing barriers, eliminating discrimination and ensuring equal and fair opportunity and access for all; and

3. **Diversity:** accepting each person as an individual and respecting and appreciating differences in ethnicity, gender identity and expression, age, national origin, disability, sexual orientation, education and religion and the value that these differences bring to the workplace every day.

In creating a diverse and inclusive environment Chubb aims to:

- ensure that all job applicants are treated fairly and judged on criteria relevant to a vacant position;
- ensure that all employees are treated in a fair manner which allows each individual to reach their full potential;
- ensure that decisions on recruitment, selection, training, promotion, career opportunities and management, all aspects of employment including terms and conditions are based solely on fair and objective and job-related criteria;
- provide Chubb with a workforce of the highest ability which reflects the community in which we conduct business;
- create an environment in which individual differences and the contributions of all team members are recognised, valued and respected; and
- ensure the leadership team and all managers and HR Business Partners actively promote equal opportunities as well as diversity and inclusion within Chubb.

Chubb's regional Diversity & Inclusion ("D&I") Council of senior representatives across Europe, Eurasia and Africa is responsible for developing and supporting the implementation of Chubb's D&I strategy, taking into account the varied requirements and needs of the region.

With the support of the executive team, Chubb has launched a number of employee-led internal networks to provide opportunities for networking, education and development of business capabilities for all employees. These include the Gender Equality Network, the Parents and Carers Network and the Cultural Awareness Network.

In addition to a number of internal employee networks, Chubb is also a founding member of the cross-market Gender Inclusion Network for Insurance, connecting a number of organisations across the insurance market in the UK and Ireland to work towards the common goal of establishing greater gender balance at all levels. Chubb is also a Stonewall Diversity Champion, an Out and Equal Workplace Advocate and a Working Families Employer Member. Additionally, Chubb has been a gold sponsor of the global Dive In Festival for several years, showcasing D &I in Insurance.

Chubb supports a wide range of activities that benefit the community through the Chubb International Foundation and the Chubb Community Support Committee, predominantly in the areas of education, poverty, health and the environment. Chubb employees also participate in a number of local voluntary community schemes and personal fundraising efforts which the Company supports through a charity-matching scheme. In 2018 Chubb contributed almost £0.2 million to various charities across UK and Europe.

Talent Strategy

Chubb's ability to deliver outstanding business results relies on the calibre of its talent and the efforts of its employees at all levels of the organisation. Chubb aims to build and develop a mid and long-term talent pipeline to ensure the right quality and quantity of diverse talent is available for the company to deliver its key business objectives.

To this end, Chubb has a talent strategy that actively supports the personal and professional development of all its people. Chubb strives to attract, retain and develop employees to meet their career aspirations and has a robust D&I strategy to ensure that all available talent is accessed and given equal opportunity. A core element of Chubb's employee value proposition is the opportunity to constantly evolve as a professional and reach one's full potential. It endeavours to identify talent on a regular basis and provide high quality development programmes that build the necessary leadership qualities for now and the future. Succession plans are in place at the senior level.

Chubb expects all employees to own and drive their development by availing themselves of the structured and unstructured learning on offer. In turn, Chubb will help those employees who are motivated to develop and grow by providing the critical experiences, resources, tools and opportunities to succeed in their career. Chubb internally sources talent to fill open positions where appropriate.

Environmental Matters

Chubb recognises its responsibility to provide solutions that help clients manage environmental risks, reduce any environmental impact and make meaningful contributions to environmental causes.

Chubb is one of the largest and most advanced global underwriters of environmental liability and pollution risks, and as a result has a significant interest in current and future regulatory requirements that may affect its operations. As an insurance company, Chubb's emissions produce a modest climate footprint and it continues to improve its facilities by implementing energy efficient projects such as lighting, heating, ventilation and air conditioning and increasing chiller set points across all of its operations. Chubb's commitment to the disclosure of environmental actions and philanthropic activities reduces the reputational risk relating to its environmental practices.

As a global property and casualty insurer, Chubb has significant exposure to potential losses from weather related events of any kind. Assessing and managing risk is a core competency for Chubb and hence the costs of managing climate change risk are embedded into its risk management process. Chubb does not anticipate that climate change will present material near-term risk to its European operations.

Chubb produces an annual Environmental Report which outlines the full scope of the group's environmental programme and initiatives. It reports to the CDP on an annual basis disclosing climate change risks and opportunities as well as emissions performance. A third-party certified environmental statement on the company's greenhouse gas emissions program is also included in the Chubb Limited annual report.

Chubb is a proud member of ClimateWise, an independent network of insurers, reinsurers, brokers and insurance industry service providers facilitated by the University of Cambridge Institute for Sustainability Leadership. Chubb discloses its global actions to ClimateWise annually based on the ClimateWise principles of direct consumption. This independent review enables Chubb to assess its influence on those it interacts with, from brokers and clients to government agencies and regulators; whilst also comparing its actions against other leaders in the industry. In 2018 Chubb scored 78%, placing it joint second out of sixteen ClimateWise members.

Chubb is committed to managing and reducing greenhouse gas emissions throughout its operations. From 2015 to 2018, Chubb has reduced absolute greenhouse gas emissions by 21%. The group will continue to deploy successful approaches for greenhouse gas emissions reduction including installing energy-efficient lighting and equipment with more efficient use of office space.Since 2018, Chubb has begun transitioning all of its offices in Europe to Activity Based Working resulting in up to 25% increases in the efficiency of space usage and energy consumption. As part of the transition Chubb is also eliminating single use plastic in all of its offices.

Chubb is a pioneer in developing advanced environmental insurance solutions, including coverages for premises-based exposures, contractors' and project pollution liability, renewable energy, clean technology and environmental cleanup projects, as well as "green building" consulting services and a property policy that enables greener rebuilding after a loss. Chubb's role in mitigating supply chain and global operations risks through its risk engineering services helps organisations identify climate-related exposures while providing risk management expertise to help manage environmental challenges caused by climate change.

Anti-Bribery and Corruption

Chubb recognises the importance of the effective management of financial crime risk in terms of its obligations to its customers, the expectations of its regulators and long term financial stability. The Financial Crime Framework is comprised of board policies and procedures and sets out the company's approach to the management of financial crime risk including anti-bribery and corruption. This framework is underpinned by the Chubb Code of Conduct.

Risks relating to financial crime may include fines or penalties for non-compliance with laws and regulations, loss of licences or a restriction on the company's ability to transact business, additional regulatory scrutiny and a loss of reputation. The management of financial crime risk is fully integrated into Chubb's wider Risk Management Framework.

Financial crime policies and explanatory guidance notes relating to financial crime are in place and are appropriately detailed and take into account the nature and complexity of Chubb's activities. The policies require that all Chubb business units develop and maintain controls that are sufficient to achieve compliance with the standards set out in each individual policy and the responsibility and accountability for the implementation and oversight of these controls is clearly allocated in the policy documents. Regular policy reviews are undertaken and new and emerging risks are considered. Oversight procedures are in place and all financial crime policies and procedures are subject to internal and external audit and review procedures.

CUAL has to take reasonable steps to identify, prevent and report all identified incidents of bribery and corruption and ensure that it conducts its business with integrity and honesty at all times. Chubb's European Anti-Bribery & Corruption Policy describes a number of standards that must be adhered to, including the need to carry out due diligence checks when performing various business activities, adding appropriate contractual wording under certain circumstances, gifts and hospitality procedures, remuneration agreements and payment requirements and how concerns or suspicious activity should be reported. All business lines are required to implement anti-bribery and corruption procedures and controls at each stage of the insurance transaction appropriate to their risk exposure and supported by compliance monitoring procedures to ensure compliance with the agreed standards. Training relating to the Anti-Bribery & Corruption Policy is provided to all new joiners as part of the induction programme, with all employees required to complete refresher training on a periodic basis.

Managing Agent's Report

Directors

The following have been directors of the managing agent from 1 January 2018 to the date of this report unless otherwise indicated:

Executive directors:
A J Kendrick (resigned 31/12/2018)
M K Hammond
J U Rehman (resigned 11/06/2018)
A M W Shaw (Active Underwriter)

Non-executive directors:
A Turner
M C Bailey (resigned 31/12/2018)
M A Connole (appointed 01/01/2019)
D M A Furby (appointed 19/11/2018)
K N O'Shiel
C E Riley
T C Wade

Qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) are in place for the benefit of the directors and, at the date of this report, are in in force in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers or office.

The managing agent also has the benefit of a group insurance company management activities policy effected by Chubb Limited (CUAL's ultimate holding company). No charge was made to CUAL during the year for this policy.

Directors' Participations

None of the directors participates on the syndicate on a bespoke basis. Certain directors participate indirectly on the syndicate by virtue of their interests in the stock of Chubb Limited.

Statement of Managing Agent's Responsibilities

The managing agent is required by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 (the "Regulations"), to prepare syndicate annual accounts for Syndicate 2488 for each financial year which give a true and fair view of the state of affairs of the syndicate and of its profit or loss for that year.

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

i) select suitable accounting policies which are applied consistently with the exception of changes arising on the adoption of new accounting standards in the year;

ii) make judgements and estimates that are reasonable and prudent;

iii) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the syndicate annual accounts; and

iv) prepare the syndicate annual accounts on the basis that the syndicate will continue to write future business unless it is inappropriate to presume that the syndicate will do so.

The directors of the managing agent confirm that they have complied with the above requirements in preparing the syndicate annual accounts.

The managing agent is responsible for keeping adequate accounting records that are sufficient to show and explain the syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the syndicate and enable it to ensure that the syndicate annual accounts comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate

Accounts) Regulations 2008. The managing agent is also responsible for safeguarding the assets of the syndicate and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

Legislation in the UK concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement as to Disclosure of Information to Auditors

Each of the persons who is a director of the managing agent at the date of this report confirms that:

i) So far as he/she is aware, there is no information relevant to the audit of the syndicate's annual accounts for the year ended 31 December 2018 of which the auditors are unaware; and

ii) The director has taken all steps that he/she ought to have taken in his/her duty as a director in order to make him/herself aware of any relevant audit information and to establish that the syndicate's auditors are aware of that information.

Independent Auditors

The 2008 Lloyd's Regulations, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 (the "Regulations") require that the auditors of the syndicate annual accounts be appointed by the members of the syndicate, initially for the syndicate annual accounts for the 2009 year end after which provisions for deemed reappointment of auditors will apply. PricewaterhouseCoopers LLP is deemed to have been reappointed as the auditors of the syndicate annual accounts for the 2018 year end.

On 10th December 2001, Lloyd's granted consent to PricewaterhouseCoopers LLP continuing to act as syndicate auditors for Syndicate 2488 (for the 2002 and previous years of account) and as corporate auditors for CUAL and other Chubb group companies (for the 2002 financial year). This consent was, in effect, an extension of the consent granted previously in relation to the 2001 and prior years of account and has been further extended without time limit.

Approved by the Board and signed on its behalf

M K Hammond

Director
18 March 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 2488

Report on the syndicate annual accounts

Opinion

In our opinion, Syndicate 2488'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 2018 and of its profit 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 Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position at 31 December 2018, the Income Statement for the year then ended, the Statement of Comprehensive Income for the year then ended, the Statement of 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 Auditor's 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

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the syndicate's business and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the syndicate annual accounts and our auditor's report thereon. The managing agent is responsible for the other information. Our opinion on the syndicate annual accounts does not cover the other information and, 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 2018 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 17, 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.

Auditor's responsibilities for the audit of the syndicate annual accounts

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

A further description of our responsibilities for the audit of the syndicate annual accounts is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's 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.

Siobhan Byrne (Senior statutory auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

20 March 2019

Income Statement for the year ended 31 December 2018

Technical account – general business	Notes	2018 £000	2017 (restated) £000
Earned premiums, net of reinsurance			
Gross premiums written	4	440,091	459,524
Outwards reinsurance premiums		(89,301)	(91,463)
Net premiums written		350,790	368,061
Change in the gross provision for unearned premiums		15,552	(16,544)
Change in the provision for unearned premiums, reinsurers' share		(4,734)	2,599
Change in unearned premiums, net of reinsurance		10,818	(13,945)
Earned premiums, net of reinsurance		361,608	354,116
Allocated investment return transferred from the non-technical account	8	4,177	18,357
Total technical income		365,785	372,473
Claims incurred, net of reinsurance			
Claims paid, gross amount	4	(273,618)	(245,314)
Claims paid, reinsurers' share		63,068	47,830
Net claims paid		(210,550)	(197,484)
Change in the provision for claims, gross amount	4	73,107	(55,286)
Change in the provision for claims, reinsurers' share		(51,317)	11,646
Change in the provision for claims, net of reinsurance		21,790	(43,640)
Claims incurred, net of reinsurance		(188,760)	(241,124)
Net operating expenses	6	(137,915)	(135,881)
Total technical charges		(326,675)	(377,005)
Balance on the general business technical account		39,110	(4,532)

Income Statement for the year ended 31 December 2018

Non-technical account	Notes	2018 £000	2017 £000
Balance on the general business technical account		39,110	(4,532)
Investment return			
Investment income	8	44,592	40,011
Unrealised gains on investments	8	47,364	35,745
Investment expenses and charges	8	(23,186)	(2,951)
Unrealised losses on investments	8	(65,964)	(39,290)
Allocated investment return transferred to general business technical account	8	(4,177)	(18,357)
Investment return	8	(1,371)	15,158
(Loss)/profit on exchange		(3,670)	2,804
Profit for the financial year		34,069	13,430

The above results are all derived from continuing operations.

Statement of Comprehensive Income for the year ended 31 December 2018

	2018 £000	2017 £000
Profit for the financial year	34,069	13,430
Currency translation differences	38,329	(28,513)
Total comprehensive income for the financial year	72,398	(15,083)

Statement of Financial Position as at 31 December 2018

Assets	Notes	2018 £000	2017 (restated) £000
Investments			
Other financial investments	9	1,326,252	1,183,744
Reinsurers' share of technical provisions			
Provision for unearned premiums	16	59,523	60,496
Claims outstanding	16	273,468	309,858
		332,991	370,354
Debtors – amounts falling due within one year			
Debtors arising out of direct insurance operations		60,920	74,742
Debtors arising out of reinsurance operations		65,894	59,902
Other debtors	10	20,789	19,823
		147,603	154,467
Other assets			
Cash at bank and in hand	12	112,138	97,316
Prepayments and accrued income			
Deferred acquisition costs	16	54,308	60,608
Other prepayments and accrued income		10,788	11,174
		65,096	71,782
Total assets		1,984,080	1,877,663

Statement of Financial Position as at 31 December 2018

Liabilities	Notes	2018 £000	2017 (restated) £000
Capital and reserves			
Members' balances		631,063	501,728
Technical provisions			
Provision for unearned premiums	16	225,880	226,682
Claims outstanding	16	956,510	982,165
		1,182,390	1,208,847
Deposits received from reinsurers		58	54
Creditors – amounts falling due within one year			
Creditors arising out of reinsurance operations		48,212	58,694
Bank loans and overdrafts	12	92,022	84,712
Other creditors including taxation and social security		15,978	7,689
		156,212	151,095
Accruals and deferred income		14,357	15,939
Total liabilities		1,984,080	1,877,663

The syndicate annual accounts on pages 22 to 51 were approved by the board of Chubb Underwriting Agencies Ltd on the 18 March 2019 and were signed on its behalf by:

M Hammond

Director
18 March 2019

Statement of Members' Balances

	Members' Balances £000
At 1 January 2017	556,146
Profit for the financial year	13,430
Net transfer into members' balances designated as Funds in Syndicate	36,524
Profit distribution	(75,859)
Currency translation differences	(28,513)
At 31 December 2017	501,728
Profit for the financial year	34,069
Net transfer into members' balances designated as Funds in Syndicate	146,371
Profit distribution	(89,434)
Currency translation differences	38,329
At 31 December 2018	631,063

Statement of Cash Flows

	Notes	2018 £000	2017 (restated) £000
Operating result		34,069	13,430
(Decrease)/increase in gross technical provisions		(26,457)	24,533
Decrease/(increase) in reinsurers' share of gross technical provisions		37,364	(658)
Decrease/(increase) in debtors		13,549	(6,751)
Decrease) in creditors		(3,776)	(4,009)
Investment return		(2,806)	(33,514)
Other		(32,346)	20,020
Net cash inflows from operating activities		19,597	13,053
Investing activities			
Investment income received		21,405	37,059
Purchase of debt and equity investments		(793,244)	(314,521)
Sale of debt and equity investment		740,678	311,762
Other		(6,658)	(590)
Net cash (outflow)/inflows from investing activities		(37,819)	33,710
Financing activities			
Transfers to members in respect of underwriting participations		(89,434)	(75,859)
Profits added to funds in syndicate		146,371	35,353
Net cash inflows/(outflow)from financing activities		56,937	(40,506)
Increase in cash and cash equivalents		38,715	6,257
Cash and cash equivalents at 1 January		41,541	34,137
Exchange differences on opening cash		2,894	1,147
Cash and cash equivalents at 31 December	12	83,150	41,541
Cash at bank and in hand	12	112,138	97,316
Short-term deposits with credit institutions	12	63,034	28,937
Overdraft	12	(92,022)	(84,712)
Cash and cash equivalents at 31 December	12	83,150	41,541

1. BASIS OF PREPARATION

These annual accounts include all sources of capital supporting the operations of the syndicate. Capital is provided to Lloyd's by the syndicate's member in the form of Funds at Lloyd's ("FAL"), and held in trust as disclosed in note 11. Given that Syndicate 2488 is a fully aligned syndicate, with 100% of the underwriting capacity provided by Chubb corporate capital vehicles, these accounts are able to disclose the total FAL supporting the operations of the syndicate (see note 14).

The syndicate annual accounts have been prepared in accordance with the provisions of Schedule 3 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("SI2008/410"), Regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Lloyd's Regulations"), as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 (the "Regulations") and applicable accounting standards in the United Kingdom, including Financial Reporting Standard FRS 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and Financial Reporting Standard, "Insurance Contracts" ("FRS 103").

These annual accounts have been prepared on a going concern basis. The principal accounting policies, which are set out below, have been applied consistently to all the years presented unless otherwise stated.

Syndicate 2488's functional currency is US dollars. The presentational currency is sterling.

Prior year restatement

The basis on which the syndicate recognises outwards reinsurance premiums has been revised during 2018 and prior year comparative figures have been restated accordingly.

Prior to 2018 reinsurance premiums for excess of loss contracts were recognised when the premium was payable. For 2018 the basis for recognition has been revised so that outwards reinsurance premiums for excess of loss contracts are now recognised when the contracts incept. This is in line with the basis for recognising premiums on other forms of reinsurance purchased by the syndicate.

A similar change has been made for the reinsurers' share of the change in the provision for unearned premiums so that net earned premium is unchanged under the new and previous basis of recognition. Net assets and members' balances are also unaffected by this change.

The impact of this change in the technical account is to reduce outwards reinsurance premiums for 2017 by £0.7 million (from £92.2 million originally reported to £91.5 million) and to reduce the off-setting change in provision for unearned premiums, reinsurers' share by £0.7 million (from £3.3 million originally reported to £2.6 million).

The impact to the balance sheet is to increase the asset for reinsurers' share of provisions for unearned premiums by £12.7 million (from £47.8 million originally reported to £60.5 million) and to increase the liability for creditors arising out of reinsurance operations by £12.7 million (from £46.0 million originally reported to £58.7 million).

2. ACCOUNTING POLICIES

The following are the significant accounting policies used in the preparation of these financial statements.

Premiums written

Premiums written, which are stated gross of brokerage but exclusive of premium taxes, relate to business incepted during the year, together with adjustments made in the year to premiums written in prior accounting periods. Estimates are made of pipeline premiums, representing amounts due but not yet received or notified to the syndicate by intermediaries.

Unearned premiums

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on the basis of established risk profiles or time apportionment as appropriate.

Acquisition costs

Acquisition costs comprise brokerage, commissions and other related costs, and are deferred over the period in which the related premiums are earned.

Claims incurred

Claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect expenses and adjustments to claims outstanding from previous years. Where applicable, deductions are made for reinsurance, salvage and other recoveries.

Provision for claims outstanding and related reinsurance recoveries

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

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

The reinsurers' share of the provision for claims outstanding 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 the provision for claims outstanding 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 provision for gross claims outstanding and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly. When calculating the provision for claims outstanding, the reported business segments are subject to specific issues, as set out below:

2. ACCOUNTING POLICIES – continued

Fire and other damage to property; marine, aviation and transport; accident and health

These business segments are predominantly "short tail"; that is there is not a significant delay between the occurrence of the claim and the claim being reported to the syndicate. The costs of claims notified to the syndicate at the balance sheet date are estimated on a case by case basis to reflect the individual circumstances of each claim. The ultimate expected cost of claims is projected from this data by reference to statistics, which show how estimates of claims incurred in previous periods have developed over time to reflect changes in the underlying estimates of the cost of notified claims and late notifications.

Third party liability (including marine and aviation liability)

Liability claims are longer tail than the classes of business described above and so a larger element of the provision for claims outstanding relates to IBNR. Claims estimates for the syndicate's liability business are derived from a combination of loss ratio based estimates and an estimate based upon actual claims experience using a predetermined formula whereby greater weight is given to actual claims experience as time passes. The initial estimate of the loss ratio based on the experience of previous years adjusted for factors such as premium rate changes and claims inflation, and on the anticipated market experience, is an important assumption in this estimation technique. In respect of liability claims, the assessment of claims inflation and anticipated market experience is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. The liability class of business is also subject to the emergence of new types of latent claims but no allowance is included for this as at the balance sheet date.

Reinsurance acceptances

This business segment includes both short tail and longer tail business, and is subject to the issues laid out in the preceding two sections.

Unexpired risks provision

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

Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest. Both realised investment gains and losses are included as part of investment return in the profit and loss account. Dividends receivable are accounted for by reference to the date on which the price of the investment is quoted ex-dividend. Interest and expenses are accounted for on an accruals basis.

Realised gains and losses on investments carried at bid value are calculated as the difference between net sale proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their purchase price or, if they have previously been revalued, their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting underwriting business. Other than investment return on Funds at Lloyd's retained within the syndicate, all investment return has been wholly allocated to the technical account.

2. ACCOUNTING POLICIES – continued

Investments

Investments in marketable securities are stated at bid value on the balance sheet date. For quoted investments where there is an active market, this is their quoted bid price at the balance sheet date. For quoted investments where there is no active market, the bid value is determined by reference to prices for similar assets in active markets.

Overseas deposits are stated at cost or market value, as notified by Lloyd's.

Investments – fair value through profit and loss

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

Financial assets designated as fair value through profit and loss are initially recognised at fair value with any transaction costs being expensed through the profit and loss account. For quoted investments where there is an active market, the fair value is their quoted bid price at the balance sheet date. For quoted investments where there is no active market, the fair value is determined by reference to prices for similar assets in active markets.

Insurance and other receivables

Insurance and other receivables are recognised at fair value less any provision for impairment. Any impairment of a receivable will be recognised if there is evidence that the company will not be able to collect the amounts receivable according to the original terms of the receivable.

Insurance and other payables

Payables arising from insurance contracts, creditors and deposits received from reinsurers, are initially measured at cost, which is equal to fair value, net of transaction costs.

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 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 "other debtors".

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

Foreign currencies

Foreign currency transactions are accounted for, in functional currency, at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, from translating such transactions into the functional currency of the syndicate, and from the revaluation to year end exchange rates of monetary assets and liabilities, are recognised in the profit and loss account.

At each period end foreign currency monetary items are translated using the closing rate. For this purpose all assets and liabilities arising from insurance contracts (including unearned premiums, deferred acquisition costs and unexpired risks provisions) are monetary items. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

2. ACCOUNTING POLICIES – continued

Results recorded in their functional currency, are translated into sterling at average rates of exchange for the year while assets and liabilities are translated to sterling at year end exchange rates. Differences arising on translation are recorded in the statement of comprehensive income.

Profit commission

Profit commission is chargeable by the managing agent at a rate of 15% of the year of account profit, subject to the operation of a deficit clause. This does not become payable until after the appropriate year of account closes, normally at 36 months.

The managing agent has waived its right to the receipt of profit commission for the 2015 and 2016 years of account. It is currently anticipated that the profit commission will also be waived for the 2017 and 2018 years of account.

3. CAPITAL MANAGEMENT & FINANCIAL RISK MANAGEMENT

Capital management

CUAL assesses its capital needs on a risk management basis and maintains an efficient capital structure consistent with the company's risk profile and business requirements, and to meet regulatory requirements. The company then seeks to maintain financial strength and capital adequacy to support business growth and meet the requirements of policyholders, rating agencies and regulators, whilst retaining financial flexibility by ensuring substantial levels of liquidity. Once the capital needs have been met, it is the policy of the company to distribute any surplus capital through dividends to its ultimate parent company.

From a prudential perspective, the Lloyd's market is regulated by the PRA and is subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held. In line with regulatory requirements CUAL managed its capital levels in 2018 in the context of Solvency II and the Funds at Lloyd's requirement.

Syndicate 2488's regulatory capital requirement is set according to the Solvency II Internal Model. The company performs tests and controls to ensure continuous and full compliance with the Solvency II regulations.

The primary objectives of the company in managing capital can be summarised as follows:

- to satisfy the requirements of its policyholders, regulators and rating agencies;
- to match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- to manage exposures to key risks;
- to retain financial flexibility by maintaining strong liquidity.

Insurance risk

Insurance risk arises from fluctuations in the frequency and/or severity of claims. The syndicate mitigates this risk by maintaining underwriting discipline throughout its operations. This policy is supported by each strategic business unit's underwriting guidelines, expertise and appropriate authority limits. These guidelines are updated regularly to reflect developments in the nature of the insurance risks being underwritten. The syndicate also uses a reinsurance programme to manage its insurance risk by providing cover against certain large exposures.

Sensitivity to insurance risk

As highlighted in note 2, there is inherent uncertainty in the ultimate cost of claims for which the company uses a variety of different actuarial techniques to estimate the provision for claims outstanding. If the net claims ratio for the year had been higher by 1%, then the profit for the financial year would have been lower by £3.6 million (2017: £3.5 million) and members' balances would have been lower by £3.6 million (2017: £3.5 million). If the net claims ratio had been lower by 1%, then the profit for the financial year would have been higher by £3.6 million (2017: £3.5 million) and members' balances would have been higher by £3.6 million (2017: £3.5 million).

3. CAPITAL MANAGEMENT & FINANCIAL RISK MANAGEMENT – continued

Concentrations of insurance risk

As shown in note 4, the syndicate writes a diverse book of business across a number of underwriting classes. Approximately 68% of the gross written premiums for 2018 (2017: approximately 70%) related to property and casualty line of insurance, with the remainder split across a number of other classes.

Geographically, 56% (2017: 71%) of gross premiums written in 2018 relate to risks within the United States of America, with the remainder being spread across Europe, Asia Pacific and Latin America.

Financial risk management objectives

The syndicate is exposed to a range of financial risks through its financial assets and financial liabilities. The most important components of this financial risk are market risk (including interest rate risk and currency risk), liquidity risk and credit risk.

These financial risks principally arise from the investment activity of the business and consequent holdings in fixed income investments, all of which are exposed to general and specific market movements. The underwriting activity of the business also generates financial risk, particularly in the form of currency risk as well as liquidity and credit risk through its insurance and reinsurance receivables and payables. The notes below explain how financial risks are managed. The processes used to manage these risks are unchanged from previous periods, and cover areas such as investment activity through stochastic modelling of the portfolio, within its internal capital model and consequent capital requirements.

Investment activity governance

The managing agent operates an Investment Committee which functions under terms of reference determined by the Board. The Committee is charged with establishing and effecting an appropriate investment policy for the syndicate having regard to the financial risk appetite of the syndicate. In addition, the committee has the responsibility for recommending the appointment and removal of investment managers, for reviewing the managers' performance and for reporting on all other material aspects of the investment function.

The Investment Committee comprises senior Chubb management along with representatives from Chubb Asset Management, the group's investment specialists who provide advisory services to Chubb group companies, and is chaired by the Chief Financial Officer of the managing agent.

The investment management function is outsourced to specialist external managers.

Asset allocation policy

The Investment Committee has established a broad asset allocation policy which defines the limits for different asset types. The asset allocation policy cites two major asset classes: investment grade fixed income securities and alternative assets. Alternative assets can include equities, high yield and emerging market instruments. The policy stipulates a target range of between 80% and 100% for investment grade fixed income securities and a range of between 0% and 20% for alternative asset classes. The current allocation to alternative assets sits slightly above the mid of the target range, however, the position is regularly reviewed by the Investment Committee. The syndicate held no equities and emerging market instruments in 2018.

Investment guidelines

Investment management agreements have been established with the external investment managers. The agreements include specific guidelines for each individual portfolio in order to limit risks arising from duration, currency, liquidity, credit and counterparty exposures. The managers provide quarterly affirmation of compliance with these guidelines.

3. CAPITAL MANAGEMENT & FINANCIAL RISK MANAGEMENT – continued

Interest rate risk

The syndicate is exposed to interest rate risk primarily through its investments in fixed interest securities and, to the extent that claims inflation is correlated to interest rates, its liabilities to policyholders. Interest rate risk arises in the fixed income investment portfolio primarily through instrument duration. Accordingly, the investment guidelines include restrictions relating to the maximum weighted average duration of the portfolio. The restriction is stated by reference to the permissible duration variance compared to the customised benchmark index by which the external investment managers' performance is assessed.

Sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. To illustrate the downside risk within the fixed interest portfolio of £1,183.5 million at external managers as at 31 December 2018 (2017: £1,083.4 million), the impact of an increase of 50 basis points in interest yields across all portfolios consecutively (principally sterling, euros and US dollars) has been calculated. Such an increase would decrease the market value of the investment portfolio and lead to a decrease in the total investment return of £21.2 million (2017: £25.2 million) and accordingly decrease total shareholders' funds by £21.2 million (2017: £25.2 million).

Equity price risk

The syndicate held no equities in 2018 (2017: £Nil) and as a result the syndicate is not susceptible to equity price risk.

Currency risk

The syndicate is primarily exposed to currency risk in respect of assets and liabilities under policies of insurance denominated in currencies other than sterling. The syndicate maintains various currency balances generated through regular business activity but the majority of the funds held are denominated in sterling, euros, Canadian dollars and US dollars. The syndicate's policy seeks to ensure that an approximate currency match of assets and liabilities is maintained, with the bulk of surplus funds held in Canadian dollars and US dollars.

Any component of the members' funds denominated in currencies other than sterling gives rise to currency risk due to exchange rate volatility relative to sterling.

The accounting policy for foreign currencies is stated in note 2 to the financial statements.

For the profit and loss account, the 2018 average US dollar/sterling rate of US$1.342/£1 is up 5% on the prior period (2017: US$1.277/£1). Had the average sterling rate weakened against the US dollar by 10% compared to the actual 2018 average and all other variables remained constant, the profit for the year would have been £3.8 million more than the amount reported (2017: £1.5 million more).

For the monetary components of the balance sheet, the year-end rates used to convert US dollar to sterling has decreased 6.4% to US$1.249/£1 (2017: US$1.334/£1). Assuming sterling had strengthened by 10% against the US dollar and all other variables remained constant, the effect of translating year-end net assets based on these parameters would have resulted in a reduction in members' balances of £57.4 million, which would have appeared as a loss in the statement of comprehensive income (2017: £45.6 million loss).

3. CAPITAL MANAGEMENT & FINANCIAL RISK MANAGEMENT – continued

Liquidity risk

Liquidity risk is the risk that the syndicate is unable to meet its obligations as they fall due. To counter this risk, the syndicate aims to maintain funds in the form of cash or cash equivalents to meet known cash flows. In addition, the asset allocation policy and the investment guidelines are structured in order to ensure that funds are predominantly held in investment grade fixed income securities, the proceeds of which are readily realisable.

However, a significant share of the syndicate's investments is held to meet regulatory deposit requirements which may not be available to meet recommended liquidity needs.

CUAL participates in a notional pooling programme with other Chubb group companies under a facility operated by Bank Mendes Gans, a subsidiary of ING, which specialises in global liquidity management. The facility operates by the notional pooling of designated balances of the Chubb group participants in order to provide additional liquidity. Chubb group participants may overdraw individual account balances to fund immediate short term needs against credit balances held elsewhere within the pool. On this basis, CUAL maintained an overdraft of £92.0 million at year end (2017: £84.7 million) and credit balances of £104.6 million (2017: £93.5 million) in designated accounts.

The syndicate also benefits from letter of credit facilities which can be utilised to meet certain funding needs and notional pooling facilities with other Chubb group companies which serve to provide additional liquidity.

As indicated in the balance sheet, the syndicate's financial liabilities are all payable within one year. Non-derivative financial liabilities with contractual maturities are paid within agreed terms of trade. Non-derivative financial liabilities with contractual maturities are limited to reinsurance premiums payable and expense accruals.

£000 **31 December 2018**	**No Stated Maturity**	**0-1 year**	**1-3 years**	**3-5 years**	**>5 years**	**Total**
Deposits received from reinsurers	58	-	-	-	-	58
Claims outstanding	-	315,223	313,783	150,551	176,953	956,510
Creditors	-	156,212	-	-	-	156,212
Total	58	471,435	313,783	150,551	176,953	1,112,780

£000 **31 December 2017**	**No Stated Maturity**	**0-1 year**	**1-3 years**	**3-5 years**	**>5 years**	**Total**
Deposits received from reinsurers	54	-	-	-	-	54
Claims outstanding	-	330,377	326,000	149,686	176,102	982,165
Creditors	-	138,433	-	-	-	138,433
Total	54	468,810	326,000	149,686	176,102	1,120,652

3. CAPITAL MANAGEMENT & FINANCIAL RISK MANAGEMENT – continued

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The syndicate is exposed to credit risk through its investment activity and its insurance operations.

The syndicate is exposed to investment credit and price risk as a result of its holdings in fixed income. The risk in respect of fixed income investments is moderated by the application of detailed investment guidelines which limit the size of holdings with individual issuers, restrict duration and dictate minimum credit quality, both for individual holdings and for the aggregate weighted portfolio.

The average credit quality of investment portfolios using Moody's ratings remained high throughout the year and at year end was "A+". This is comparable to the previous year ("A+").

The investment guidelines seek to limit the credit risk of each of the portfolios through specifying eligible/ineligible investments, setting maximum counterparty exposures and minimum weighted credit quality and individual issuer credit quality.

Credit risk – insurance operations

The syndicate is exposed to credit risk as a result of its regular insurance and reinsurance activity. The areas of key exposure are:

- reinsurers' share of provision for claims outstanding;
- debtors arising from reinsurers in respect of claims already paid;
- amounts due from direct insurance and reinsurance policyholders; and
- amounts due from direct insurance and reinsurance intermediaries.

Ceded reinsurance is used to manage and mitigate inwards direct insurance and reinsurance risk. Ceded reinsurance does not discharge the syndicate's liability as primary insurer. If a ceded reinsurer fails to pay a claim, the syndicate remains liable for the payment to the policyholder. A Reinsurance Security Committee is operated by the Chubb group which analyses the creditworthiness of ceded reinsurers on a quarterly basis by reviewing their financial strength. In addition, the recent payment history of ceded reinsurers is used to update the reinsurance purchasing strategy.

With regard to direct insurance and reinsurance receivables, the syndicate operates a committee to review broker security, a process for monitoring arrangements with managing general agents, and, in certain circumstances, the requirement for collateral to be posted by the policyholder to the benefit of the syndicate.

The assets bearing credit risk are summarised below:

	2018	**2017**
	£000	**£000**
Other financial investments	1,326,252	1,183,744
Reinsurers' share of technical provisions	332,991	357,691
Debtors arising out of direct insurance operations	60,920	74,742
Debtors arising out of reinsurance operations	65,894	59,902
	1,786,057	1,676,079

3. **CAPITAL MANAGEMENT & FINANCIAL RISK MANAGEMENT** – continued

Other financial investments are designated as fair value through comprehensive income at inception, and their performance evaluated on a fair value basis, in accordance with a documented investment strategy as detailed in note 2. The Moody's credit rating for other financial investments is detailed below.

	2018	2017
	£000	£000
AAA	135,182	160,688
AA	629,418	459,311
A	229,477	246,076
BBB	154,302	157,772
Below BBB or not rated	177,873	159,897
	1,326,252	1,183,744

Other financial investments are neither past due nor impaired.

The amount of change, during the period and cumulatively, in the fair value of receivables that is attributed to changes in credit risk is represented by a provision for impairment against receivables past due.

Reinsurers' share of technical provisions includes claims outstanding, related claims handling costs and IBNR. This is described along with the valuation methods in note 2. This balance includes 2.7% past due that have been impaired (2017: 0.0%).

Debtors arising out of direct and reinsurance operations are held at fair value less any provision for impairment as described in note 2. They include 0.0% (2017: 1.2%) that have been impaired and 33.5% (2017: 10.6%) that are past due, but not impaired. The latter is aged 23.0% up to six months (2017: 7.3%), 2.8% six months to a year (2017: 2.4%) and the remaining 7.7% is older than a year (2017: 1.0%).

The Standard & Poor's credit rating for reinsurers' share of claims outstanding and debtors arising out of reinsurance operations that are neither past due nor impaired are detailed below.

	2018	2017
	£000	£000
AA	184,835	187,763
A	102,950	119,903
BBB	(41)	284
Below BBB	3	64
Not rated	5,576	12,286
	293,323	320,300

4. SEGMENTAL ANALYSIS

Segmental information in the format required by Schedule 3 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors 2017 ("the Regulations"), is as follows:

Year to 31 December 2018	Gross premiums written £000	Gross premiums earned £000	Gross Claims Incurred £000	Gross Operating Expenses £000	Reinsurance balance £000
Direct Insurance					
Fire and other damage to property	160,487	164,148	(63,857)	(65,053)	(14,839)
Marine, aviation and transport	53,708	54,155	(28,108)	(19,426)	(7,767)
Accident and health	1,660	1,622	(1,220)	(910)	(149)
Third party liability	128,672	129,501	(73,751)	(43,205)	(11,326)
Miscellaneous	11,138	12,288	(280)	(7,286)	646
Reinsurances acceptances	84,426	93,929	(33,295)	(16,723)	(34,162)
TOTAL	440,091	455,643	(200,511)	(152,602)	(67,597)

Year to 31 December 2017	Gross premiums written £000	Gross premiums earned £000	Gross Claims Incurred £000	Gross Operating Expenses £000	Reinsurance balance £000
Direct Insurance					
Fire and other damage to property	176,210	177,409	(153,618)	(71,659)	10,319
Marine, aviation and transport	56,541	55,338	(29,711)	(19,511)	409
Accident and health	2,218	2,941	(1,558)	(1,274)	245
Third party liability	111,636	103,794	(63,351)	(34,781)	9,068
Miscellaneous	18,981	13,285	1,824	(7,485)	(3,260)
Reinsurances acceptances	93,938	90,213	(54,186)	(13,124)	(34,216)
TOTAL	459,524	442,980	(300,600)	(147,834)	(17,435)

The reinsurance balance represents the credit/(charge) to the technical account from the aggregate of all items relating to outwards reinsurance. All business is completed in the United Kingdom.

4. SEGMENTAL ANALYSIS – continued

Gross written premium information by destination (location of risk) as required by Schedule 1, Regulations 2015 (Part V, 84) is as follows:

	2018	2017
	£000	£000
United Kingdom	48,691	11,069
United States of America	247,965	326,799
Continental Europe	41,546	37,910
Africa and Middle East	20,143	10,373
Asia Pacific	25,160	23,362
Americas	56,586	50,010
	440,091	459,524

5. MOVEMENT IN PRIOR YEAR'S PROVISION FOR CLAIMS OUTSTANDING

The prior year's net provision for claims outstanding generated a surplus for 2018 (2017: surplus) as detailed below:

	2018	2017
	£000	£000
Direct insurance		
Fire and other damage to property	14,559	2,399
Marine, aviation and transport	(1,045)	11,857
Accident and health	(662)	189
Third party liability	1,779	(7,771)
Miscellaneous	9,619	6,787
Reinsurance acceptances	(3,262)	1,766
	20,988	15,225

6. NET OPERATING EXPENSES – TECHNICAL ACCOUNT

	2018	2017
	£000	£000
Acquisition costs	110,634	112,991
Change in deferred acquisition costs	9,568	(4,789)
Administrative expenses	32,400	39,631
Reinsurance commission	(14,687)	(11,952)
	137,915	135,881

"Acquisition costs" includes total commissions for direct business amounting to £88.7 million (2017: £88.3 million).

"Administrative expenses" includes the managing agent's fee (which covers most expenses generally classified as syndicate expenses), net of an element of the fee deemed to be indirect acquisition costs and included within acquisition costs, Lloyd's Central Fund contributions and Lloyd's subscriptions.

The managing agent's fee for 2018, before the transfer to acquisition costs, is £37.6 million (2017: £42.5 million).

Auditor's remuneration

During the year, the syndicate obtained the following services from the managing agent's auditors and their associates.

	2018	2017
	£000	£000
Fees payable to the syndicate's auditors and their associates for the audit of the syndicate's annual accounts	300	268
Fees payable to the syndicate's auditors and their associates for other services:		
Audit-related assurance services	72	103
	372	371

"Audit-related assurance services" includes the audit of the syndicate's regulatory returns.

7. DIRECTORS AND EMPLOYEES

Staff costs

The managing agency has no employees (2017: none). Staff that support the syndicate and managing agency are employed by Chubb Services UK Limited ("CSUK"), a fellow Chubb group undertaking, and their costs are covered by the managing agency fee as described in note 6.

Directors' emoluments

All directors of the managing agent received emoluments from CSUK in respect of their services to the syndicate and Chubb group companies. The cost of these emoluments is covered by the managing agent's fee and incorporated within the management charges from CSUK to the managing agent. It is not practical to allocate these amounts to the underlying entities to which the directors provide services. Consequently, the following amounts represent the total emoluments paid by CSUK in respect of the directors of the managing agent.

	2018	**2017**
	£000	**£000**
Aggregate emoluments and benefits	3,967	3,825
Company pension contributions to money purchases pension schemes	8	-
	3,975	3,825

Included in the above amounts paid by CSUK in respect of the directors of the managing agent, the active underwriter was paid a total of £607,433 (2017: £629,033) in respect of emoluments and benefits and the highest paid director was paid a total of £1,194,937 (2017: £835,764) in respect of emoluments and benefits. The amount of accrued pension and accrued lump sum in relation to the highest paid director at the end of the year was £Nil (2017: £Nil) and £Nil (2017: £Nil) respectively.

The aggregate emoluments above do not include share based remuneration. All executive directors of the managing agent are entitled to shares in Chubb Limited under long-term incentive plans. During the year, four directors received shares in Chubb Limited under long-term incentive plans and no director exercised options over the shares of Chubb Limited. The active underwriter and highest paid director received shares in Chubb Limited under long-term incentive plans. Disclosures relating to the share based payments are contained within the financial statements of CSUK.

8. INVESTMENT RETURN

	2018 £000	2017 £000
Investment Income		
Investment income	41,166	37,103
Gains on the realisation of investments	3,426	2,908
	44,592	40,011
Investment expenses and charges		
Investment management expenses	(1,422)	(1,330)
Losses on the realisation of investments	(21,764)	(1,621)
	(23,186)	(2,951)
Net unrealised gains and losses on investments		
Unrealised gains on investments	47,364	35,745
Unrealised losses on investments	(65,964)	(39,290)
	(18,600)	(3,545)
Total Investment Return	2,806	33,515

Investment return is analysed between:

Allocated investment return transferred to the general business technical account	4,177	18,357
Net Investment included in the non-technical account	(1,371)	15,158
	2,806	33,515

9. OTHER FINANCIAL INVESTMENTS

	2018	2017
	£000	£000
Market value:		
Debt securities and other fixed interest securities	1,183,474	1,083,363
Overseas deposits	79,744	71,444
Deposits with credit institutions	63,034	28,937
	1,326,252	1,183,744
Cost:		
Debt securities and other fixed interest securities	1,198,854	1,086,475
Overseas deposits	79,744	69,550
Deposits with credit institutions	63,034	28,937
	1,341,632	1,184,962

All securities are listed investments.

The overseas deposits are held under Lloyd’s premium trust deed arrangements where applicable and are administered by Lloyd's. The syndicate is required to lodge deposits in various overseas insurance markets as a condition of conducting underwriting business in those markets. All such overseas deposits are calculated in accordance with the relevant territorial authority’s requirements, usually by reference to outstanding liabilities derived from business written in those territories.

£671.4 million (2017: £487.4 million) of the total market value relates to Funds at Lloyd’s, as explained in note 11. This is analysed as follows:

	2018	2017
	£000	£000
Market value:		
Debt securities and other fixed interest securities	637,988	478,869
Deposits with credit institutions	33,439	8,554
	671,427	487,423
Cost:		
Debt securities and other fixed interest securities	648,499	483,263
Deposits with credit institutions	33,439	8,554
	681,938	491,817

9. OTHER FINANCIAL INVESTMENTS - continued

Fair Value Hierarchy

FRS 102 requires the syndicate to classify financial instruments into a fair value hierarchy as follows:

- Level 1 – The unadjusted quoted price in an active market for identical assets or liabilities that the syndicate can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3 – Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

An analysis of financial instruments at 31 December 2018 by fair value hierarchy is set out below:

	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Debt securities and other fixed income securities	345,566	836,065	1,843	1,183,474
Loans and deposits with credit institutions	26,221	36,813	-	63,034
Overseas deposits	39,836	39,908	-	79,744
Total	411,623	912,786	1,843	1,326,252

An analysis of financial instruments at 31 December 2017 by fair value hierarchy is set out below:

	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Debt securities and other fixed income securities	52,992	1,028,210	2,161	1,083,363
Loans and deposits with credit institutions	14,337	14,600	-	28,937
Overseas deposits	25,374	46,070	-	71,444
Total	92,703	1,088,880	2,161	1,183,744

9. OTHER FINANCIAL INVESTMENTS - continued

'Debt securities and other fixed interest securities' with active markets such as Government securities are classified within Level 1, as fair values are based on quoted market prices. For debt securities and other fixed interest securities that trade in less active markets, including corporate securities, fair values are based on the output of pricing models, the significant inputs into which include, but are not limited to, yield curves, credit risks and spreads, measures of volatility, and prepayment speeds. These debt securities and other fixed interest securities are classified within Level 2. For debt securities and other fixed interest securities and debt securities and other fixed interest securities for which pricing is unobservable, these are classified within Level 3.

'Loans and deposits with credit institutions' include short term investments, such as liquidity funds. Where such securities are traded in active markets, they are classified within Level 1, as fair values are based on quoted market prices. Where no active market exists for such securities they are typically classified within Level 2 and where pricing is unobservable, Level 3.

For securities in level 3 where pricing is based on unobservable inputs, valuations are sourced from models and / or third parties. Any third party models are reviewed and approved by the Chubb Group's specialist asset management function on a quarterly basis. Significant uncertainty would be considered to exist in relation to pricing based on unobservable inputs. However, for Syndicate 2488 this uncertainty is considered to be immaterial as the exposure to these types of assets is insignificant (0.1%) of the investment portfolio as at 31 December 2018 (2017: 0.2%).

An analysis of movements during the year in Level 3 balances is as follows:

	2018
	£000
Balance at 1 January 2018	2,161
Gains recognised in profit and loss account	87
Sales	(405)
Balance at 31 December 2018	1,843

10. OTHER DEBTORS

	2018 £000	2017 £000
Amounts falling due within one year:		
Amounts due from members	1,006	3,547
Amounts due from group companies	18,339	16,173
Other debtors	1,444	103
	20,789	19,823

Amounts due from members relate to payments on account of United States Federal Income Taxes.

11. MEMBERS' BALANCES

Members participate on syndicates by reference to years of account and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a particular year.

Members' balances are supported by Funds at Lloyd's ("FAL"), as disclosed in note 14.

Members' balances at 31 December 2018 include £676.7 million (2017: £491.3 million) designated as FAL.

Members' balances designated as FAL are included in the following asset headings:

	£000	£000
Other financial investments (note 9)	637,988	478,869
Deposits with credit institutions	33,439	8,554
Other prepayment and accrued income	5,315	3,892
Total assets designated as Funds at Lloyd's	676,742	491,315

12. CASH AND CASH EQUIVALENTS

An analysis of cash and cash equivalents is as follows:

	£000	£000
Cash at bank and in hand	112,138	97,316
Short-term deposits with credit institutions	63,034	29,936
Overdrafts	(92,022)	(84,712)
	83,150	41,540

Short-term deposits with credit institutions include deposits held at call with banks and other short term highly liquid investments that are readily convertible to cash and which are subject to an insignificant risk of change in value. Such investments are those with less than three months' maturity from the date of acquisition, or which are redeemable on demand with only an insignificant change in their fair values.

13. TRANSACTIONS WITH RELATED PARTIES

The ultimate holding company of the syndicate's managing agent, Chubb Underwriting Agencies Limited ("CUAL"), is Chubb Limited, a company which is registered in Zurich, Switzerland and quoted on the New York Stock Exchange.

Copies of the ultimate holding company's consolidated accounts can be obtained from Investor Relations at Chubb's executive offices at 17 Woodbourne Avenue, Hamilton HM 08, Bermuda.

The principal related reinsurance partner of the syndicate is Chubb Tempest Re, a leading global multi-line reinsurer that is part of the Chubb group. The syndicate may have reinsured, or have been reinsured by, insurance companies in which Chubb Limited has interests and of which it and certain of its subsidiaries are controllers.

During calendar year 2018, a number of outwards reinsurance contracts were effected with group companies. The main excess of loss reinsurance programmes in operation during 2018 were shared with other Chubb companies, including Chubb European Group SE.

The following is a summary of the reinsurance transactions and balances with related parties in 2018 and as at 31 December 2018:

Reinsurance Premium Related	**Chubb Tempest Reinsurance**	**Chubb European Group SE**	**Chubb America**	**Other**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Reinsurance Premiums	12.9	2.6	0.7	0.3	16.5
Reinsurance Commissions	1.1	0.6	-	-	1.7
Reinsurance on Unearned Premium Reserve	8.7	1.1	0.3	0.1	10.2
Reinsurance Creditor	7.5	1.3	0.4	0.4	9.6

Reinsurance Recovery Related	**Chubb Tempest Reinsurance**	**Chubb European Group SE**	**Chubb America**	**Other**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Reinsurance on Claims Incurred	4.5	0.6	(2.0)	1.4	4.5
Reinsurance on Claims Outstanding	63.0	1.6	9.1	1.9	75.6
Reinsurance Debtor	4.5	0.1	0.1	4.0	8.7

The syndicate's capacity for the 2016, 2017 and 2018 years of account is provided entirely by Chubb Capital I Limited, which is a corporate member of Lloyd's, participating only on Syndicate 2488. Chubb Capital I Limited is a wholly owned subsidiary within the Chubb group.

Managing agency fees of £37.6 million (2017: £42.5 million) were paid by the syndicate to CUAL. Staff providing services to CUAL and the syndicate are employed by Chubb Services UK Limited ("CSUK"), another Chubb Limited company. CSUK settles expenses on behalf of, and provides services to, the syndicate and CUAL.

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 and can therefore be considered as the capital supporting the operations of the syndicate.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on Prudential Regulatory Authority ("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 assessment of the reserving risk in respect of business that has been underwritten. The syndicate's members have met their FAL requirements by the retention of closed year of account profits in the syndicate. At 31 December 2018 FAL totaled £676.7 million (2017: £491.3 million).

15. CLAIMS DEVELOPMENT TABLES

The following tables show the development of claims over a period of time on both a gross and net of reinsurance basis. FRS 103 requires that claims development shall go back to the period when the earliest claim arose for which there is still uncertainty about the amount and timing of the claims payment, but need not go back more than 10 years. When adopting FRS 103 for the first time in 2015, the standard allowed the syndicate to disclose information in relation to claims development occurring up to 5 years prior to 2015, and to thereafter add one extra development year annually up to the maximum of 10 years. The top half of the table shows how the estimates of total claims for each underwriting year develop over time. The lower half of the table reconciles the cumulative claims to the amount appearing in the balance sheet.

The cumulative claims estimates and payments for each underwriting year are translated into sterling at the current year-end rates.

Claims development as at 31 December 2018 – Gross

	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	Total £000
Estimate of ultimates:									
End of underwriting year	153,613	138,569	102,910	100,770	104,945	109,431	156,454	106,872	973,564
One Year Later	323,899	277,718	266,851	249,392	239,120	291,585	317,778		1,966,343
Two Years Later	380,526	277,398	277,216	243,314	257,979	296,244			1,732,677
Three Years Later	311,984	249,249	265,822	238,719	244,546				1,310,320
Four Years Later	290,256	242,189	235,562	228,961					996,968
Five Years Later	287,178	230,680	219,423						737,281
Six Years Later	279,990	227,723							507,713
Seven Years Later	274,825								274,825
Current estimate of ultimate claims	274,825	227,723	219,423	228,961	244,546	296,244	317,778	106,872	1,916,372
Cumulative payments	(248,301)	(190,252)	(178,514)	(168,678)	(158,317)	(162,582)	(133,512)	(17,524)	(1,257,680)
In balance sheet	26,524	37,471	40,909	60,283	86,229	133,662	184,266	89,348	658,692
Provision for prior financial years									297,818
Liability in the balance sheet									956,510

Claims development as at 31 December 2018 – Net

	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	Total £000
Estimate of ultimates:									
End of underwriting year	117,146	97,744	77,395	78,277	74,416	81,353	108,941	84,110	719,382
One Year Later	229,382	209,002	202,977	198,647	177,803	222,517	250,625		1,490,953
Two Years Later	265,637	207,530	209,480	199,390	197,112	235,584			1,314,733
Three Years Later	214,543	201,223	202,407	201,981	187,267				1,007,421
Four Years Later	207,822	195,500	181,257	195,440					780,019
Five Years Later	210,330	188,926	168,478						567,734
Six Years Later	203,667	186,456							390,123
Seven Years Later	202,287								202,287
Current estimate of ultimate claims	202,287	186,456	168,478	195,440	187,267	235,584	250,625	84,110	1,510,247
Cumulative payments	(180,956)	(156,404)	(142,550)	(148,738)	(126,613)	(130,967)	(104,834)	(12,238)	(1,003,300)
In balance sheet	21,331	30,052	25,928	46,702	60,654	104,617	145,791	71,872	506,947
Provision for prior financial years									176,095
Liability in the balance sheet									683,042

16. RECONCILIATION OF INSURANCE BALANCES

The reconciliation of opening and closing deferred acquisition costs is as follows:

	2018	2017
	£000	£000
At 1 January	60,608	59,315
Change in acquisition costs deferred during the year	(9,568)	4,789
Foreign exchange movement	3,268	(3,496)
At 31 December	54,308	60,608

The reconciliation of opening and closing unearned premium provision is as follows:

	Gross		Reinsurers' share	
	2018	2017	2018	2017 (restated)
	£000	£000	£000	£000
At 1 January	226,682	222,168	60,497	60,253
(Decrease)/increase in provision	(15,552)	16,544	(4,734)	2,599
Foreign exchange movements	14,750	(12,030)	3,760	(2,355)
At 31 December	225,880	226,682	59,523	60,497

The reconciliation of opening and closing provision for claims is as follows:

	Gross		Reinsurers' share	
	2018	2017	2018	2017
	£000	£000	£000	£000
At 1 January	982,165	962,146	309,858	309,444
(Decrease)/increase in provision	(73,107)	55,286	(51,317)	11,646
Foreign exchange movements	47,452	(35,267)	14,927	(11,232)
At 31 December	956,510	982,165	273,468	309,858

17. ULTIMATE HOLDING COMPANY

The managing agent's immediate holding company is Chubb Leadenhall Limited. The managing agent's ultimate holding company is Chubb Limited, a company which is registered in Zurich, Switzerland and quoted on the New York Stock Exchange. Copies of the ultimate holding company's consolidated accounts can be obtained from Investor Relations at Chubb's executive offices at 17 Woodbourne Avenue, Hamilton HM 08, Bermuda.

18. SUBSEQUENT EVENTS

With effect from 1 January 2019, Syndicate 2488 accepted the reinsurance to close of the liabilities of Syndicate 1882. Syndicate 1882 is also under the management of CUAL. This transaction resulted in the transfer to Syndicate 2488 of gross and net technical provisions of £150.2 million and £135.0 million, respectively.