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SYNDICATE 6129

AXIS MANAGING AGENCY LIMITED • REPORT & ACCOUNTS 2018

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DIRECTORS AND ADMINISTRATION

Directors of AXIS Managing Agency Limited
1 January 2017 to 31 December 2018

Stephen Cane (Chairman)*
Adam Cragg
Tadeusz Dziurman*
Mark Gregory
Tim Hennessy
Kenneth Kwok
Geraldine Lawlor*
Fintan Mullarkey
Tom Rivers
Alistair Robson

* Independent Non-Executive

Active Underwriter
Alistair Robson

Company Secretary
Mark Rowe

Managing Agent's registered office
C/O Willkie Farr & Gallagher (UK) LLP
27th Floor, Citipoint
1 Ropemaker Street
London
EC2Y 9AW

Managing Agent's registered number
08702952

Independent Auditors
Deloitte LLP
1 New Street Square
London
EC4A 3HQ

MANAGING AGENT'S REPORT

The Directors of AXIS Managing Agency Limited ("AMAL"), present the report on the activities of Syndicate 6129 ("the Syndicate") for the year ended 31 December 2018. The Annual Report and Accounts has been prepared using the annual basis of accounting, as required by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (the "Lloyd's Regulations 2008") and is shown on pages 11 to 42.

Managing Agency

Directors

Details of the Directors of the managing agent that served during the year and up to the date of signing of the syndicate annual accounts are provided on page 2. Changes to the directors were as follows:

Adam Cragg	(Appointed 2 February 2018)
Daniel Draper	(Resigned 26 April 2018)
Tom Rivers	(Appointed 26 April 2018)
Jane Warren	(Resigned 16 March 2018)

Review of the business

The Syndicate was established for the 2016 underwriting year as a Special Purpose Arrangement ("SPA"). Its principal activity was to underwrite quota share reinsurance of AXIS Syndicate 2007's US Property Facilities Class of Business. This arrangement was renewed for the 2017 and 2018 underwriting years of account but discontinued for 2019. The reinsurance agreement with Syndicate 2007 is the only inwards contract that the Syndicate writes.

For financial year end December 2018, the Syndicate's wrote gross premiums of £71.7m representing a 14% increase compared to 2017 (£63.1m). 2018 saw positive rate movement of 8% owing to the losses incurred during 2017 but fell short of planned expectations.

After a second consecutive year of heavy US catastrophe related losses, the Syndicate produced a loss of £51.8m (2017: loss of £31.4m). This primarily resulted from hurricanes Michael and Florence as well as another year of devastating California Wildfires as the (re)insurance industry suffered losses in excess of USD 100bn.

Key performance indicators ("KPIs")

- Gross premiums written of £71.7m (2017: £63.1m)
- Loss of £51.8m (2017: loss of £31.4m)
- Combined ratio of 223.6% (2017: 180.4%)

Principle risks and uncertainty

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

MANAGING AGENT'S REPORT (continued)

Underwriting risk
Underwriting risk is the inherent uncertainty as to the occurrence, amount and timing of insurance liabilities transferred to the Syndicate through the underwriting process. Underwriting risk is managed through rigorous protocols, including peer review and underwriting guidelines, which provide a framework for consistent pricing and risk analysis while ensuring alignment to the risk appetite. The approved business plan sets out targets for volumes, pricing, line sizes and retention by class of business.

The AMAL Board then monitors performance against the business plan throughout the year. The Syndicate also mitigates underwriting risk through the purchase of reinsurance.

Reserving Risk
The estimation of reserves is subject to uncertainty due to the fact that the settlement of claims that have arisen before the balance sheet date is dependent on future events and developments, as well as the latency and late reporting of claims. The Syndicate seeks to mitigate reserving risk by, among other things, diligently monitoring claims and maintaining a structured process and control framework for determining carried reserves. Reserve adequacy is monitored through the managing agent quarterly review by the AMAL Chief Actuary and the Reserving Committee.

Credit risk
The key aspect of credit risk is the risk of default by one or more of the Syndicate's reinsurers or intermediaries. The AMAL Board's policy is that the Syndicate will only reinsure with approved reinsurers, supported by collateral where required. The AXIS Reinsurance Security Committee monitors reinsurer ratings and is required to approve all new reinsurers before business is placed with them.

Market risk
Market risk exposure predominantly relates to fluctuations in interest rates or exchange rate for the syndicate, and is of low materiality. The Syndicate is exposed to foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated, although this is limited as syndicate exposures predominantly US$. Interest rate risk is similarly limited, as the syndicate operates on a 'funds withheld' basis, with investment returns being based on a notional cash return as each year of account closes.

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

Regulatory risk
Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Agency is required to comply with the requirements of the Financial Conduct Authority (FCA), Prudential Regulatory Authority PRA) and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. The Agency has a compliance officer who monitors business activity and regulatory developments and assesses any effects on the Agency.

The UK plans to exit the EU from 29 March 2019. Lloyd's remains committed to doing business with their European partners once the UK leaves the European Union and started underwriting EEA risks on 1 January 2019 through their Brussels subsidiary. The Syndicate will not be participating on the Lloyd's Brussels platform as it will be in run off.

MANAGING AGENT'S REPORT (continued)

Principle risks and uncertainty (continued)

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

Liquidity Risk

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

Future developments

Effective 1 January 2019, the Syndicate was placed into run-off. The Syndicate will, like the host syndicate, continue to be managed by AMAL but will no longer be accepting new business from 1 January 2019 onwards.

Disclosure of information to Auditors

So far as each person who was a director of the managing agent at the date of approving the report is aware, there is no relevant audit information, being information needed by the Syndicate auditors in connection with the auditor's report, of which the auditors are unaware. Each director has taken all the steps that he or she ought to have taken as a director to become aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information

Events since financial year end

There have been no significant events affecting the Syndicate since the financial year end other than those highlighted in the future developments section above.

Independent Auditors

Deloitte LLP acted as the Syndicate's auditors from the appointment date of 21 June 2018. Pursuant to Section 14(2) of Schedule 1 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the auditors will be deemed reappointed and Deloitte LLP will therefore continue in office.

Syndicate Annual General Meeting and reappointment of Auditors

In accordance with the Syndicate Meetings (Amendment No 1) Byelaw (No 18 of 2000) the managing agent does not propose holding an annual meeting this year. Objections to this proposal or the intention to reappoint the auditor for a further 12 months can be made by Syndicate members before 12 April 2019.

Approved by the directors of AXIS Managing Agency Limited on 21 March 2019.

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

ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2018

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The directors of the managing agent are responsible for preparing the Syndicate annual accounts in accordance with applicable law and regulations.

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

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

- select suitable accounting policies and then apply them consistently, subject to changes arising on the adoption of new accounting standards in the year;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Syndicate annual accounts; and
- prepare the Syndicate 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 are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. They are also responsible for the system of internal control, for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors of the managing agent are responsible for the maintenance and integrity of the corporate and financial information included on the holding company's website. Legislation in the United Kingdom governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNDICATE 6129

Report on the audit of the syndicate annual financial statements

Opinion

In our opinion the syndicate annual financial statements:

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 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 financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in members' balances;
- the cash flow statement;
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the syndicate annual financial statements section of our report.

We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the managing agent's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the managing agent has not disclosed in the syndicate annual financial statements 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 financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The managing agent is responsible for the other information. The other information comprises the information included in the annual report, other than the syndicate annual financial statements and our auditor's report thereon. Our opinion on the syndicate annual financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the syndicate annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the syndicate annual financial statements 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 in respect of these matters.

Responsibilities of managing agent

As explained more fully in the managing agent's responsibilities statement, the managing agent is responsible for the preparation of the syndicate annual financial statements and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of syndicate annual financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the syndicate annual financial statements

Our objectives are to obtain reasonable assurance about whether the syndicate annual financial statements 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 financial statements.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNDICATE 6129

(continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008

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

- the information given in the active underwriter's report or the managing agent's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the active underwriter's report and the managing agent's report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

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

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with regulation 10 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Downes
For and on behalf of Deloitte LLP
Senior Statutory Auditor
London, United Kingdom
21 March 2019

PROFIT AND LOSS ACCOUNT: TECHNICAL ACCOUNT
For the year ended 31 December 2018

	Note	2018 £m	2018 £m	2017 £m	2017 £m
Earned premiums, net of reinsurance					
Gross premiums written	4	71.7		63.1	
Outward reinsurance premiums		(31.1)		(16.9)	
Change in the provision for unearned premiums					
Gross amount	5	1.4		(6.2)	
Reinsurers' share	5	(0.1)		(0.7)	
			41.9		39.3
Allocated investment return transferred from the non-technical account			-		-
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(91.7)		(21.0)	
Reinsurers' share		10.9		0.3	
Change in the provision for claims					
Gross amount	5	(35.3)		(59.8)	
Reinsurers' share	5	28.8		17.5	
	6		(87.3)		(63.0)
Net operating expenses	7		(6.4)		(7.9)
Balance on the technical account			(51.8)		(31.6)

PROFIT AND LOSS ACCOUNT: NON-TECHNICAL ACCOUNT
For the year ended 31 December 2018

	Note	2018 £m	2017 £m
Balance on the technical account		**(51.8)**	(31.6)
Other income	9	**(0.2)**	0.5
Allocated investment return transferred to the technical account		**-**	-
(Loss)/profit on foreign exchange		**0.2**	(0.3)
Loss for the financial year		**(51.8)**	(31.4)

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

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

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	2018 £m	2017 £m
Loss for the financial year	**(51.8)**	(31.4)
Other comprehensive income		
Exchange differences on translation to presentational currency	**(5.4)**	1.6
Total comprehensive loss for the financial year	**(57.2)**	(29.8)

BALANCE SHEET
As at 31 December 2018

		2018		2017	
Assets	Note	**£m**	**£m**	£m	£m
Reinsurers' share of technical provisions					
Provision for unearned premiums	5	**0.1**		0.3	
Claims outstanding	5	**50.5**		18.5	
			50.6		18.8
Debtors					
Debtors arising out of reinsurance operations	10	**34.5**		61.4	
			34.5		**61.4**
Prepayments and accrued income					
Deferred acquisition costs	12	**1.1**		1.3	
			1.1		1.3
Total assets			**86.2**		81.5
Liabilities					
Capital and reserves					
Members' balances	13		**(89.4)**		(32.2)
Technical provisions					
Provision for unearned premiums	5	**22.2**		22.2	
Claims outstanding	5	**113.2**		70.9	
			135.4		93.1
Creditors					
Creditors arising out of reinsurance operations	11	40.2			20.6
			40.2		20.6
Total liabilities			**86.2**		81.5

The financial statements on pages 11 to 15 were approved by the Board of AXIS Managing Agency Limited on 21 March 2019 and were signed on its behalf by:

T Hennessy

Finance Director

The notes on pages 16 to 28 form part of these financial statements.

STATEMENT OF CHANGES IN MEMBERS' BALANCES

For the year ended 31 December 2018

Year ended 31 December	Note	2018 Members' Balances £m	2017 Members' Balances £m
Total recognised loss for the year		**(51.8)**	(31.4)
Total recognised in other comprehensive income for the year		**(5.4)**	1.6
Total comprehensive loss for the year		**(57.2)**	(29.8)
Transfer to members' personal reserve funds		**-**	-
Net decrease in members' balances		**(57.2)**	(29.8)
As at 1 January		**(32.2)**	(2.4)
As at 31 December	13	**(89.4)**	(32.2)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 £m	2017 £m
Loss for the financial year	**(51.8)**	(31.4)
Adjustments for:		
Increase in net technical provisions	**10.5**	45.0
(Increase)/decrease in debtors	**27.1**	(35.8)
Increase in creditors	**19.6**	20.6
Foreign exchange movements	**(5.4)**	1.6
Net cash inflow from operating activities	**-**	-
Net cash inflow from financing activities	**-**	-
Net increase / (decrease) in cash and cash equivalents	**-**	-
Opening cash and cash equivalents	**-**	-
Closing cash and cash equivalents	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation

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

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

The annual accounts comprise the calendar year movement in the 2016, 2017 and 2018 years of account of the Syndicate. The Syndicate commenced underwriting activities on 1 January 2016. All figures are presented in millions of pounds sterling, rounded to the nearest £0.1 million unless otherwise stated.

Going concern

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

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

2 Accounting policies

Basis of accounting

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

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

(i) Recognition and measurement: premiums

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

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

2 Accounting policies (continued)

(ii) Reinsurance

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

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

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

(iii) Recognition and measurement: claims

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

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

The main assumptions used in the calculation of the ultimate cost of outstanding claims are detailed in the reserving risk section of note 3 on page 19.

(iv) Deferred acquisition costs

Acquisition costs comprise all commissions and other direct and indirect costs arising from the conclusion of insurance and reinsurance contracts. Deferred acquisition costs represent the proportion of acquisition costs which will be expensed in subsequent accounting periods; the deferral is calculated in the same manner as the unearned premiums provision.

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

(v) Liability adequacy testing

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

2 Accounting policies (continued)

(vi) Foreign exchange

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

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

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

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

US dollar equals	**2018 Year-end rate**	**2018 Average rate**	2017 Year-end rate	2017 Average rate
Australian dollar	**1.40**	**1.31**	1.28	1.30
Canadian dollar	**1.34**	**1.29**	1.26	1.30
Euro	**0.88**	**0.84**	0.84	0.88
Pound sterling	**0.79**	**0.75**	0.74	0.78

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

Pound sterling equals	**2018 Year-end rate**	**2018 Average rate**	2017 Year-end rate	2017 Average rate
US dollar	**1.26**	**1.34**	1.35	1.29

(vii) Taxation

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 Accounting policies (continued)

(viii) Net operating expenses

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

(ix) Related Parties

Related party disclosures, including those relating to the directors, are outlined in note 14 of these financial statements.

(x) Quota share reinsurance agreement with Syndicate 2007

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

Critical accounting judgements and estimation uncertainty

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

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

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

3 Risk management

The Syndicate is indirectly exposed to underwriting risks through the SPA agreements with Syndicate 2007. These agreements incorporate a whole account quota share on the 2016 and 2017 underwriting years and so any (re)insurance policies underwritten by the host syndicate on those years have the potential to impact the result of the Syndicate. The 2018 underwriting year SPA agreement includes a quota share of the Securis portfolio only.

For the period ended 31 December 2018 risks were assessed as follows:

NOTES TO THE FINANCIAL STATEMENTS

3 Risk management (continued)

Core risks

3.1 Underwriting

The insurance risk category encompasses underwriting risks in all lines of business including the marine, energy, property, credit, liability and accident and health classes of insurance and reinsurance business. Insurance risk is defined as the risk of insured losses being higher than expectations. Premium and reserve risks are significant components of insurance risk. Premium risk is the risk of future claims payments relating to insured losses that have not yet occurred being higher than expected. Reserve risk is the risk of net loss reserves established to cover losses that have already been incurred being insufficient.

3.1.1 Premium risk

Premium risk is managed through the Syndicate's underwriting risk governance framework. A key component of this is the peer review process which allows for a collaborative review of risk and pricing by management, and ensures underwriting is within established protocol and guidelines. Underwriting guidelines are in place to provide a framework for consistent pricing and risk analysis. Limits are set on underwriting capacity, and authority is cascaded to individuals based on their specific roles and expertise.

There are also periodic reviews of underwriting files performed by teams independent of those who originated the transactions, the purpose of which is to test the robustness of underwriting, claims and operating processes and to recognise any early indicators of future trends in operational risk.

3.1.2 Natural catastrophe risk

Natural catastrophes such as earthquakes, storms and floods represent a challenge for risk management due to their accumulation potential and volatility. In managing natural catastrophe risk, the internal risk tolerance framework for the Syndicate aims to limit the impact to its Regulatory SCR coverage ratio from an aggregation of natural peril catastrophe events.

3.1.3 Man-made catastrophe risk

Similar to the management of natural peril catastrophe exposures an analytical approach is taken for the management of man-made catastrophes. Man-made catastrophes include such risks as train collisions, airplane crashes, hotel fires or terrorism. For these risks vendor models (where available) are used with bespoke modelling, scenario analysis, underwriting judgment and expertise.

As an example of this approach, an assessment of terrorism risk is based on a mixture of qualitative and quantitative data (e.g. for estimating property damage, business interruption, mortality and morbidity subsequent to an attack of a predefined magnitude), which is used to control, limit and manage aggregate terrorism exposure. Commercially available vendor modelling and bespoke modelling tools are used to measure accumulations around potential terrorism accumulation zones on a deterministic and probabilistic basis. The results of modelling are supplemented with underwriting judgment.

3.1.4 Reserving

The estimation of reserves is subject to uncertainty due to the fact that the settlement of claims that have arisen before the balance sheet date is dependent on future events and developments. Unforeseen loss trends resulting from court rulings, changes in the law, differences in loss adjustment practice, medical and long-term care, and economic factors such as inflation can have a considerable impact on run-off results.

NOTES TO THE FINANCIAL STATEMENTS

3 Risk management (continued)

3.1.4 Reserving (continued)

The reserves for losses and claims settlement costs are calculated in accordance with actuarial practice based on substantiated assumptions, methods and assessments. The assumptions are regularly reviewed and updated. Application of Group-wide reserving policy and standards of practice ensures a substantially reliable and consistent procedure.

AMAL engage a Signing Actuary to provide an annual Statement of Actuarial Opinion ('SAO') on the Syndicate's worldwide technical provisions, both gross and net of reinsurance and for each open year of account.

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

Claims development table gross of reinsurance

Underwriting year	2016	2017	2018	Total
	£m	£m	£m	£m
Estimate of cumulative claims				
At end of underwriting year	19.5	56.0	92.0	167.5
One year later	46.1	105.6		151.7
Two years later	39.4			39.4
Less: cumulative payments	28.2	62.9	32.7	123.8
Estimated balance to pay	11.2	42.7	59.3	113.2

Claims development table net of reinsurance

Underwriting year	2016	2017	2018	Total
	£m	£m	£m	£m
Estimate of cumulative claims				
At end of underwriting year	17.5	42.0	69.4	128.9
One year later	38.5	73.9		112.4
Two years later	31.3			31.3
Less: cumulative payments	26.3	52.9	32.7	111.9
Estimated balance to pay	5.0	21.0	36.7	62.7

The uncertainty associated with the ultimate claims experience of an underwriting year is greatest when the underwriting year is at an early stage of development and the margin for future experience potentially being more adverse than assumed is at its highest. As claims develop, and the ultimate cost of the claims becomes more certain, the relative level of margin should decrease. Due, however, to the uncertainty inherent in the claims estimation process, initial reserves may not always be sufficient.

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

NOTES TO THE FINANCIAL STATEMENTS

3 Risk management (continued)

3.2 Investment risk

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

3.3 Foreign exchange risk

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

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

At 31 December 2018:

	GBP £m	USD £m	EUR £m	CAD £m	AUD £m	Total £m
Reinsurers' share of technical provisions	**0.2**	**50.2**	**0.1**	**0.1**	**-**	**50.6**
Insurance and reinsurance receivables	**(3.5)**	**36.1**	**1.1**	**0.1**	**0.7**	**34.5**
Other assets	**-**	**1.1**	**-**	**-**	**-**	**1.1**
Total assets	**(3.3)**	**87.4**	**1.2**	**0.2**	**0.7**	**86.2**
Technical provisions	**3.9**	**129.5**	**1.1**	**0.4**	**0.5**	**135.4**
Insurance and related payables	**-**	**40.2**	**-**	**-**	**-**	**40.2**
Total liabilities	**3.9**	**169.7**	**1.1**	**0.4**	**0.5**	**175.6**
Net liabilities	**(7.2)**	**(82.3)**	**0.1**	**(0.2)**	**0.2**	**(89.4)**

At 31 December 2017:

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

NOTES TO THE FINANCIAL STATEMENTS

3 Risk management (continued)

If the Pound, Canadian dollar, Australian dollar and Euro were to weaken against the US dollar by 10%, with all other variables constant, profit would be higher by an estimated £0.6m (2017: higher by an estimated £0.5m).

3.4 Credit risk

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

As at 31 December 2018	AAA	AA	A	BBB	BBB or less	Not rated	Total
	£m	£m	£m	£m	£m	£m	£m
Reinsurers' share of claims outstanding	-	6.8	42.0	-	-	1.7	50.5
Total credit risk	-	6.8	42.0	-	-	1.7	50.5

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

The table above does not include the funds withheld balance due from Syndicate 2007 of £34.5m (2017: £40.8m). Syndicate 2007 is also managed by the managing agent. There are no indicators of increased credit risk in respect of this balance.

3.5 Liquidity risk

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

3.6 Capital risk

The Corporation of Lloyd's determines the amount of capital required at the market level to meet the market's commercial objectives and in particular to sustain the market's financial strength rating at the target level. This capital requirement is met from the aggregate of central resources - the Lloyd's Central Fund plus reinsurances - and capital provided by underwriting members, who are required to deposit assets at Lloyd's.

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

NOTES TO THE FINANCIAL STATEMENTS

4 Segmental analysis

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

2018	**Gross premiums written £m**	**Gross premiums earned £m**	**Gross claims incurred £m**	**Gross operating expenses £m**	**Reinsurance balance £m**	**Result before investment return £m**
Reinsurance acceptances	**71.7**	**73.1**	**(127.0)**	**(6.4)**	**8.5**	**(51.8)**

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

Each underwriting year of the Syndicate underwrites one inwards reinsurance contract.

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

Geographical origin of insurance gross premiums written

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

	2018 £m	**2017 £m**
United Kingdom	**71.7**	63.1

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

NOTES TO THE FINANCIAL STATEMENTS

5 Technical provisions

	2018			2017		
	Gross provisions £m	Reinsurance assets £m	Net provisions £m	Gross provisions £m	Reinsurance assets £m	Net provisions £m
Claims outstanding						
Balance at 1 January	70.9	(18.5)	52.4	14.7	(2.0)	12.7
Change in claims outstanding	35.3	(28.8)	6.5	59.8	(17.5)	42.3
Effect of movements in exchange rates	7.0	(3.2)	3.8	(3.6)	1.0	(2.6)
Balance at 31 December	113.2	(50.5)	62.7	70.9	(18.5)	52.4
Consisting of:						
Claims notified	39.2	(21.0)	18.2	18.0	(0.7)	17.3
Claims incurred but not reported	74.0	(29.5)	44.5	52.9	(17.8)	35.1
Balance at 31 December	113.2	(50.5)	62.7	70.9	(18.5)	52.4
Unearned premiums						
Balance at 1 January	22.2	(0.3)	21.9	17.5	(1.0)	16.5
Change in unearned premiums	(1.4)	0.1	(1.3)	6.2	0.7	6.9
Effect of movements in exchange rates	1.4	0.1	1.5	(1.5)	-	(1.5)
Balance at 31 December	22.2	(0.1)	22.1	22.2	(0.3)	21.9

The gross and net provisions at 31 December 2018 include margin held above actuarial best estimate of £0.2m (2017: gross and net provisions included margin of £2.5m). No margin was held in the reinsurance assets.

6 Net claims incurred in the calendar year and reserve movements

Claims incurred, net of reinsurance, totalled £87.3m (2017: £63.0m) during the calendar year. £22.1m relates to the 2016 & 2017 years of account.

7 Net operating expenses

	2018 £m	2017 £m
Brokerage and commissions	-	0.2
Change in deferred acquisition costs	0.3	(1.6)
Other acquisition costs	4.4	5.5
Administrative expenses	0.2	2.8
Personal expenses	1.5	1.0
	6.4	7.9

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

Administrative expenses include:

	2018 £m	2017 £m
Fees payable to the Syndicate's auditors for the audit of the Syndicate	0.1	0.1
Fees payable to the Syndicate's auditors for other services:	-	-
	0.1	0.1

8 Staff costs and directors' emoluments

The Syndicate and AMAL have no employees and in 2017 Novae Syndicate Limited had no employees. No staff expenses were recharged to the Syndicate by AMAL for the year ended 31 December 2018.

The directors of the managing agency are executives of the related Group Companies. The directors received total remuneration of GBP 4.5m (2017: GBP 6.5m) from related Group Companies during the year. It is not practicable to allocate this between their services as executives of Group Companies and their services as directors of AMAL.

The active underwriter received remuneration of GBP 40k (2017: GBP 40k) during the year based on the allocation of his service as active underwriter as a proportion of his service to other AXIS Group entities.

9 Other income

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

10 Debtors arising out of reinsurance operations

	2018 £m	2017 £m
Due from cedants within one year	10.6	-
Due from cedants after one year	23.9	61.4
	34.5	61.4

There are no debtors past due or impaired.

NOTES TO THE FINANCIAL STATEMENTS

11 Creditors arising out of reinsurance operations

	2018 £m	2017 £m
Due to cedants within one year	10.0	-
Due to cedants after one year	30.2	20.6
	40.2	20.6

12 Deferred acquisition costs

	2018 £m	2017 £m
Balance at beginning of the year	1.3	1.2
Change in deferred acquisition costs	(0.3)	(1.2)
Effect of movements in exchange rates	0.1	1.3
Balance at end of the year	1.1	1.3

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

13 Reconciliation of members' balances

	2018 £m	2017 £m
Total recognised losses since last annual report	(57.2)	(29.8)
Transfers to members' personal reserve funds	-	-
Members' balances brought forward at 1 January	(32.2)	(2.4)
Members' balances carried forward at 31 December	(89.4)	(32.2)

14 Related parties

AMAL is the managing agent for the Syndicate. There is no managing agent's fee charged directly to the Syndicate from AMAL. There are no profit commissions payable to the managing agent under the managing agent's agreement.

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

The Syndicate has entered into a quota share agreement with AXIS Syndicate 2007 which is also managed by AMAL. The contract operates on a "funds withheld" basis for a period of 36 months after the commencement of the 2016, 2017 and 2018 underwriting years of account.

The debtors arising out of reinsurance operations balance of £34.5m (2017: £61.4m) relates to balances due from Syndicate 2007 for the Syndicate's share of gross written premium, reinsurance

14 Related parties (continued)

recoveries and investment income. It is net of amounts owed to Syndicate 2007 for the Syndicate's share of reinsurance premium, paid claims and whole account expenses, as well as bespoke reinsurance premiums paid for by Syndicate 2007, and commission payable to Syndicate 2007 under the terms of the quota share reinsurance agreement.

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

There were no other transactions with AXIS Group entities.

15 Funds at Lloyd's

Every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's ("FAL"). These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities. Since FAL is not under the management of the managing agent, no amount has been shown in these financial statements by way of such capital resources. However, the managing agent is able to make a call on the member's FAL to meet liquidity requirements or to settle losses.

16 Ultimate Parent Undertaking

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

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

2016 CLOSED YEAR OF ACCOUNT - UNDERWRITING YEAR ACCOUNTS

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare syndicate underwriting year accounts for each syndicate in respect of any underwriting year which is being closed by reinsurance to close at 31 December. In accordance with UK accounting standards, comprising Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102") as modified by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005). The syndicate underwriting year accounts are required by law to give a true and fair view of the result of the closed year of account.

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

(a) select suitable accounting policies which are applied consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable as between the members of the syndicate affected. In particular, the amount charged by way of premium in respect of the reinsurance to close shall, where the reinsuring members and reinsured members are members of the same syndicate for different years of account, be equitable as between them, having regard to the nature and amount of the liabilities reinsured;

(b) take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;

(c) make judgements and estimates that are reasonable and prudent;

(d) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in these accounts.

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the syndicate underwriting year accounts comply with the Lloyd's Regulations. It also has a general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Syndicate and to prevent and detect fraud or any other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNDICATE 6129

2016 closed year of account

Report on the audit of the syndicate underwriting year accounts for the 2016 closed year of account for the three years ended 31 December 2018

Opinion

In our opinion the syndicate underwriting year accounts of Syndicate 6129 (the 'syndicate'):

- give a true and fair view of the loss for the 2018 closed year of account;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 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 and in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

We have audited the syndicate underwriting year accounts which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in members' balances;
- the cash flow statement;
- the related notes 1 to 9.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "the Financial Reporting Standard applicable in the UK and Republic of Ireland", the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the syndicate underwriting year accounts section of our report.

We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate underwriting year accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The managing agent is responsible for the other information. The other information comprises the information included in the annual report, other than the syndicate underwriting year accounts and our auditor's report thereon. Our opinion on the syndicate underwriting year accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

We have nothing to report in respect of these matters.

Responsibilities of managing agent

As explained more fully in the managing agent's responsibilities statement, the managing agent is responsible for the preparation of the syndicate underwriting year accounts under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005), and for being satisfied that they give a true and fair view of the result, and for such internal control as the managing agent determines is necessary to enable the preparation of syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Under the Lloyd's Syndicate Accounting Byelaw (no.8 of 2005) we are required to report in respect of the following matters if, in our opinion:

- the managing agent in respect of the syndicate has not kept proper accounting records; or
- the syndicate underwriting year accounts are not in agreement with the accounting records.

We have nothing to report in respect of these matters.

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

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with regulation 6 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Downes
For and on behalf of Deloitte LLP
Senior Statutory Auditor
London, United Kingdom
21st March 2019

2016 CLOSED YEAR OF ACCOUNT
PROFIT AND LOSS ACCOUNT: TECHNICAL ACCOUNT
For the 36 months ended 31 December 2018

	Notes	£m	2016 year of account £m
Syndicate allocated capacity			**51.0**
Earned premiums, net of reinsurance			
Gross premiums written and earned	5	47.6	
Outward reinsurance premiums written and earned		(14.6)	
			33.0
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		(28.2)	
Reinsurers' share		2.0	
Reinsurance to close premium payable, net of reinsurance	4	(5.2)	
			(31.4)
Net operating expenses	6		(6.7)
Balance on the technical account			**(5.1)**

PROFIT AND LOSS ACCOUNT: NON-TECHNICAL ACCOUNT

For the 36 months ended 31 December 2018

	Notes	2016 year of account £m
Balance on the technical account		**(5.1)**
Other income		0.5
Profit for the 2016 closing year of account		**(4.6)**

There are no recognised gains or losses in the accounting period other than those dealt with in the technical and non-technical accounts.

All results for the closed year relate to continuing activities.

BALANCE SHEET
As at 31 December 2018

	Notes	2016 year of account £m
Assets		
Debtors arising out of reinsurance operations	7	10.6
Reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account	4	6.3
Total assets		**16.9**
Liabilities		
Amounts due to members		(4.6)
Reinsurance premium payable to close the account - gross amount	4	11.5
Creditors arising out of reinsurance operations	8	10.0
Total liabilities		**16.9**

The syndicate underwriting year accounts on pages 34 to 36 were approved by the Board of AXIS Managing Agency Limited on 21March 2019 and were signed on its behalf by:

T Hennessy
Finance Director

The notes on pages 37 to 42 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the 36 months ended 31 December 2018

	Notes	2016 year of account £m
Reconciliation of closing year result to net cash inflow from the operations of the closing year		
Loss for the closing year of account on ordinary activities	5	(4.6)
Increase in reinsurance to close		5.2
(Increase) in debtors		(10.6)
Increase in creditors		10.0
Net cash inflow		-
Cash flows were invested as follows:		
Increase in cash at bank and cash equivalents		-
Net portfolio investment		-
Net investment of cash flows		-

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

1 Basis of preparation

These accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and applicable Accounting Standards in the United Kingdom, comprising Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102") as modified by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture.

These accounts relate to the 2016 year of account which has been closed by reinsurance to close as at 31 December 2018. Consequently, the balance sheet represents the assets and liabilities of the 2016 year of account at the date of closure. The underwriting account reflects the transactions for that year of account during the three-year period until closure. These accounts cover the three years from the date of inception of the 2016 year of account to the date of closure. Accordingly, this is the only reporting period and so corresponding amounts are not shown.

2 Accounting policies

Underwriting transactions

(i) Reinsurance to close

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

The reinsurance to close premium is determined by reference to the outstanding technical provisions (including those for outstanding claims, unearned premiums net of deferred acquisition costs, and unexpired risks) relating to the closed year and to all previous closed years reinsured therein. Although this estimate of net outstanding liabilities is considered to be fair and reasonable, it is implicit in the estimation procedure that the ultimate liabilities could be at variance from the premium so determined.

The reinsurance to close premium transfers the liability in respect of all claims, reinsurance premiums, return premiums and other payments in respect of the closing year (and previous closed years reinsured therein) to the members of the receiving year of account and gives them the benefit of refunds, recoveries, premiums due and other income in respect of those years in so far as they have not been credited in previous accounts.

(ii) Recognition and measurement: premiums

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

An estimate is made at the balance sheet date to recognise retrospective adjustments to premiums or commissions.

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

2 Accounting policies (continued)

Earned premium is computed separately for each insurance contract in line with the risk exposure profile. Reinsurance premiums ceded are recognised in line with the related inward business. The provision for unearned premium both gross and ceded represents the portion of written premium expected to be earned in future periods.

(iii) Reinsurance

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

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

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

(iv) Deferred acquisition costs

Acquisition costs comprise all commissions and other direct costs arising from the conclusion of insurance and reinsurance contracts. Deferred acquisition costs represent the proportion of acquisition costs which will be expensed in subsequent accounting periods; the deferral is calculated in the same manner as the unearned premiums provision. Certain reinsurance commissions and profit participations are also included within expenses for the acquisition of insurance contracts and are deferred in line with unearned premium.

(v) Recognition and measurement: claims

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

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

(vi) Liability adequacy testing

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

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

2 Accounting policies (continued)

(vii) Foreign exchange

The Syndicate's functional currency is US dollars, being the primary currency of the economic environment in which the Syndicate operates. The Syndicate's presentational currency is sterling.

The same exchange rates have been used in translating the three-year income statement and balance sheet and so there is no other comprehensive income.

The exchange rates applied in the period in order to translate balances to the presentational currency (pound sterling) are shown below:

Pound Sterling equals	2018 Year-end rate
Australian dollar	1.76
Canadian dollar	1.69
Euro	1.11
US dollar	1.26

(viii) Taxation

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

No provision has been made for any United States Federal Income Tax or any overseas tax payable on the underwriting results or investment earnings. Members resident overseas for tax purposes are responsible for agreeing and settling any tax liabilities with the taxation authorities of their country of residence.

(ix) Net operating expenses

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

3 Risk Management

As a consequence of the 2016 year of account reinsuring to close into the 2017 year of account of AXIS Syndicate 2007, the residual risks to the members on the closed year have been minimised. The risk disclosure requirements of FRS 102 are therefore deemed not applicable to these underwriting year accounts. However, it should be noted that a reinsurance contract does not extinguish the primary liability of the original underwriter.

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

4 Reinsurance to close premium payable, net of reinsurance

	£m	2016 year of account £m
Gross reported outstanding claims	7.7	
Less: reinsurance recoveries anticipated	(3.6)	
Net reported outstanding claims		**4.1**
Provision for gross incurred but not reported claims	3.6	
Less: reinsurance recoveries anticipated	(2.7)	
Provision for net incurred but not reported claims		**0.9**
Claims handling expense provision		0.2
Reinsurance premium to close the 2016 account		**5.2**

5 Segmental analysis

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

2016 Year of Account	Gross premiums written £m	Gross premiums earned £m	Gross claims incurred £m	Gross operating expenses £m	Reinsurance balance £m	**Result before investment return £m**
Reinsurance acceptances	**47.6**	**47.6**	**(39.7)**	**(6.7)**	**(6.3)**	**(5.1)**

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

Geographical origin of gross direct insurance premiums written

An analysis of gross direct insurance premiums written by reference to the location where the insurance contract was concluded:

	2016 year of account £m
United Kingdom	47.6

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

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

6 Net operating expenses

	2016 year of account £m
Administrative expenses	2.2
Acquisition costs	3.3
Standard personal expenses	1.2
	6.7

7 Debtors

	2016 year of account £m
Arising out of reinsurance operations	10.6

The Syndicate operates on a funds withheld basis. The debtor balance represents premiums receivable net of claims payable, and other amounts due to the Syndicate from the host syndicate under the terms of the quota share reinsurance agreement. This balance falls due within one year.

8 Creditors

	2016 year of account £m
Arising out of reinsurance operations	10.0

The Syndicate purchases reinsurance cover in order to mitigate losses on business assumed from the host syndicate. The creditor balance represents the reinsurance premium payable less recoveries on paid claims. This balance falls due within one year.

9 Related parties

Relevant information regarding related parties as they affect the 2016 closed year of account is detailed in note 14 of the annual accounts on pages 27 to 28.