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.

Brit Syndicate 2988

2017 Underwriting Year Accounts

BRIT

writing the future

Contents

Report of the Directors of the Managing Agent

The Directors of the Managing Agent, Brit Syndicates Limited (BSL) a company registered in England and Wales, present their report at 31 December 2019 for the 2017 year of account for Syndicate 2988 (the Syndicate).

The Syndicate underwriting year accounts have been prepared in compliance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and applicable Accounting Standards in the United Kingdom. Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) and Financial Reporting Standard 103 'Insurance Contracts' (FRS 103) have been applied. Separate annual accounts under UK GAAP on the calendar year results are also prepared and publicly available at www.lloyds.com.

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 2017 year of account which has been closed by way of reinsurance to close (RITC) at 31 December 2019; consequently, the balance sheet represents the assets and liabilities of the 2017 year of account and the profit and loss account reflect the transactions for that year of account during the 36 months period until closure.

Review of the 2017 closed year of account

In December 2016, Brit Syndicates Limited (BSL or Brit) received approval from Lloyd's to set up the Syndicate and underwrite for the 2017 year of account. Capacity for the 2017 year of account was

The Syndicate's key performance indicators were as follows:

	2017 **£'000**
Gross premiums written	74,313.2
Earned premiums, net of reinsurance	69,200.6
Net incurred claims	(70,899.1)
Net operating expenses	(25,122.5)
Investment return	896.8
Result for the closed year of account	**(25,767.1)**
Combined ratio	**(138.8%)**
Return on capacity	**(46.8%)**

The Syndicate has closed the 2017 year of account with a loss of £25,767.1k representing a negative return on capacity of 46.8%. Underwriting loss before investment return was £26,821.0k, and the combined ratio was 138.8%

Gross premiums written were in excess of the planned volume as the Syndicate took opportunities to penetrate markets and build up its presence in the market with a focus on North American Property Direct and Property Treaty. In line with plan, the Syndicate purchased catastrophe aggregate excess of loss cover to provide protection against major catastrophe events.

The 2017 year of account was significantly affected by major losses incurred during the 2017 financial year, namely: three major US named hurricanes (Harvey, Irma and Maria) a Mexican earthquake and California Wildfires. Further deterioration continued throughout 2018 and 2019. The Syndicate benefited from the decision to purchase aggregate reinsurance protection rather than per risk cover, but nonetheless catastrophe events contributed 40.4% to the closed year combined ratio.

Attritional loss performance was also adverse to expectations, reflecting both higher frequency and severity of losses across a number of classes.

Expenses incurred include a managing agents fee, fixed as a percentage of stamp capacity, as well as Lloyd's fees and levies. Expenses also include financing costs which the 2017 year of account has incurred on borrowing facilities used to meet trust fund obligations and make claim payments.

Investment return was broadly in line with plan. The low level of income received is commensurate with the fact that this is the first year of operation whereby the Syndicate has no prior year reserves on which to generate a return, whilst also holding short term investments and cash to readily pay claims as they fell due.

The Board of the Managing Agent has conducted an assessment of the 2017 year of account reserves, considering both the level of remaining uncertainty as well as equity between the 2017 year of account members and those of the 2018 year of account. The Board was satisfied that the decision to close the 2017 year of account was appropriate and approved the premium for reinsuring to close the 2017 year of account into the 2018 underwriting year.

Future developments

Following a review of the financial performance and position of the Syndicate the Directors have a reasonable expectation that the Syndicate has adequate resources to continue in operational existence for the foreseeable future.

United Kingdom's exit from the European Union (Brexit)

Brit has continued to work to minimise the impact of Brexit on the Syndicate and Brit's clients. While direct European business is not material for the Syndicate, Brit has continued to monitor and evaluate the associated risks and has implemented the processes and business changes required to write business onto Lloyd's new Brussels-based European insurance company (LBS), of which Brit is fully supportive.

The known work required is complete and new processes are operational. The Syndicate commenced writing business via LBS in the fourth quarter of 2018, for risks incepting on or after 1 January 2019. The placement process is more onerous than for non-European business, however, the solution in place is the most effective approach given that the UK will potentially lose its passporting rights.

Following the UK's exit from the EU on 31 January 2020, significant uncertainties remain surrounding the UK's future relationship with the EU, with potentially unknown economic and political implications for the UK. Brit continues to monitor developments closely.

Directors

The names of the current Directors of the Managing Agent and those who have served during the year are shown on page 24

Independent Auditors

PricewaterhouseCoopers LLP remain in office as the Syndicate's Auditors.

Statement of disclosure of information to the Auditors

Each person who is a Director of the Managing Agent at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information, being information needed by the Syndicate's auditors in connection with its report, of which the Syndicate's auditors are unaware; and

- he or she has taken all the steps that he or she is obliged to take as a director in order to make himself or herself aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

Syndicate Annual General Meeting

In accordance with the Syndicate Meetings (Amendment No. 1) Byelaw (No. 18 of 2000) the Managing Agent does not propose holding a Syndicate Annual General Meeting of members of Syndicate 2988. Objections to this proposal or the intention to reappoint the auditors for a further 12 months can be made by Syndicate members to the Compliance Officer at the Managing Agent's registered address by 20 April 2020.

On behalf of the Board,

Matthew Wilson

Chief Executive Officer
03 March 2020

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 at 31 December in respect of any underwriting year which is being closed by reinsurance to close which give a true and fair view of the result of the underwriting year at closure. Detailed requirements in respect of the underwriting year account are set out in the Lloyd's Syndicate Accounting Byelaw (No 8 of 2005).

In preparing the Syndicate underwriting year accounts, the Managing Agent is required to:

1. select suitable accounting policies and then apply them 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;
2. take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;
3. make judgements and estimates that are reasonable and prudent; and
4. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the notes to 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 and Syndicate Accounting Byelaw. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors of the Managing Agent confirm that they have complied with the above requirement in preparing the Syndicate underwriting year accounts.

Report of the Independent Auditors

Independent Auditor's Report to the Members of Syndicate 2988 – 2017 year of account

Report on the audit of the syndicate underwriting year accounts

Opinion

In our opinion, Syndicate 2988's syndicate underwriting year accounts for the 2017 year of account for the three years ended 31 December 2019 (the "syndicate underwriting year accounts"):

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2019 and of its loss for the 2017 closed year of account;
- have been properly prepared in accordance with 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 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

We have audited the syndicate underwriting year accounts included within the 2017 Underwriting Year Accounts (the "Annual Report"), which comprise: the statement of financial position for the 2017 closed year of account as at 31 December 2019, the income statement, the statement of comprehensive income and the statement of cash flows for the three years then ended, and the notes to the syndicate underwriting year accounts, which include a description of the significant accounting policies and other explanatory information.

Basis for opinion

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

Our responsibilities under ISAs (UK) are further described in the *Auditors' responsibilities for the audit of the syndicate underwriting year 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 underwriting year accounts in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – Basis of preparation

In forming our opinion on the syndicate underwriting year accounts, which is not modified, we draw attention to note 1 of the syndicate underwriting year accounts, which describes the basis of preparation. In particular, as these financial statements relate to a closed underwriting year of account, matters relating to going concern are not relevant to these financial statements. The syndicate underwriting year accounts are prepared in accordance with a special purpose framework for the specific purpose as described in the Use of this report paragraph below. As a result, the syndicate underwriting year accounts may not be suitable for another purpose.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the syndicate underwriting year accounts and our auditors' report thereon. The Managing Agent is responsible for the other information. Our opinion on the syndicate underwriting year accounts does not cover the other information and, 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 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Report of the Directors of the Managing Agent (the "Managing Agent's Report"), we also considered whether the disclosures required by The 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 2019 is consistent with the syndicate underwriting year accounts and has been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

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 underwriting year accounts and the audit

Responsibilities of the managing agent for the syndicate underwriting year accounts

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page *5, the* Managing Agent is responsible for the preparation of the syndicate underwriting year accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view of the result for the 2017 closed year of account. The Managing Agent is also responsible for such internal control as they determine is necessary to enable the preparation of syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these syndicate 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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the syndicate's members as a body in accordance with part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and Part C of the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) 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 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005), 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
- adequate accounting records have not been kept by the Managing Agent in respect of the syndicate; or
- the syndicate underwriting year accounts are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Mark Bolton (Senior statutory auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
03 March 2020

Income Statement
Technical Account – General Business
2017 Closed Year of Account for the three years ended 31 December 2019

	Note	**2017** **£'000**
Gross premiums written	3	74,313.2
Outward reinsurance premiums		(5,112.6)
Earned premiums, net of reinsurance		**69,200.6**
Allocated investment return transferred from the non-technical account		896.8
Total technical income		**70,097.4**
Claims Paid		
Gross amount		(65,889.0)
Reinsurers' share		16,330.1
Net claims paid		**(49,558.9)**
Reinsurance to close premium payable, net of reinsurance	4	(21,340.2)
Claims incurred, net of reinsurance		**(70,899.1)**
Net operating expenses	5	(25,122.5)
Total technical charges		**(96,021.6)**
Balance on the technical account for general business		**(25,924.2)**

The accompanying notes are an integral part of these accounts.

Income Statement:
Non-Technical Account
2017 Closed Year of Account for the three years ended 31 December 2019

	Note	2017 £'000
Balance on the technical account for general business		**(25,924.2)**
Investment income		738.6
Realised gains on investments		157.4
Unrealised gains on investments		1.3
Investment management charges		(0.5)
Net investment return	7	**896.8**
Allocated investment return transferred to general business technical account	7	(896.8)
Profit on exchange		157.1
Result for the closed year of account		**(25,767.1)**

Statement of Comprehensive Income:
2017 Closed Year of Account for the three years ended 31 December 2019

	Note	2017 £'000
Result for the closed year of account		**(25,767.1)**
Currency translation differences		(320.6)
Total comprehensive income for the closed year of account		**(26,087.7)**

The accompanying notes are an integral part of these accounts.

Statement of Financial Position
Assets
2017 Closed Year of Account as at 31 December 2019

	Note	2017 £'000
Assets		
Investments:		
Financial investments	8	19,274.4
		19,274.4
Reinsurers' share of technical provisions:		
Reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account	4	10,443.2
		10,443.2
Debtors:		
Debtors due within one year:		
Debtors arising out of direct insurance operations		3,143.5
Debtors arising out of reinsurance operations		1,250.2
Other debtors	11	10,855.0
		15,248.7
Other assets:		
Cash at bank and in hand	9	9.3
Other	10	3,748.4
		3,757.7
Prepayments and accrued income		0.2
Total assets		**48,724.2**

The accompanying notes are an integral part of these accounts.

Statement of Financial Position
Liabilities
2017 Closed Year of Account as at 31 December 2019

	Note	2017 £'000
Members' balances and liabilities		
Members' balances		(26,087.7)
		(26,087.7)
Technical provisions:		
Reinsurance to close premiums payable to close the account - gross amount	4	31,783.4
		31,783.4
Creditors:		
Creditors arising out of direct insurance operations		324.5
Creditors arising out of reinsurance operations		895.6
Other creditors	11	10,409.3
Amounts due to credit institutions	12	9,058.3
Inter-year loans	12	22,340.8
		43,028.5
Accruals and deferred income		-
Total liabilities		**74,811.9**
Total members' balances and liabilities		**48,724.2**

The financial statements on page 8 to 23 were approved by the Board of Brit Syndicates Limited on the 03 March 2020 and signed on its behalf by:

Matthew Wilson
Chief Executive Officer

Mark Allan
Chief Financial Officer

Statement of Cash Flows

2017 Closed Year of Account for the three years ended 31 December 2019

	Note	2017 £'000
Cash flows from operating activities		
Result for the 2017 year of account		(25,767.1)
Adjustments for:		
Movement in gross technical provisions		32,767.3
Movement in reinsurers' share of technical provisions		(10,833.0)
Increase in debtors		(15,711.9)
Increase in creditors		44,257.5
Movement in other assets/liabilities		(3,764.4)
Foreign exchange on operating activities		(1,913.8)
Investment return		(896.8)
Net cash flows from operating activities		**18,137.8**
Cash flows from investing activities		
Purchase of equity and debt instruments		(30,540.6)
Sale of equity and debt instruments		12,424.1
Investment income received		895.5
Net cash flows (used in) / from investing activities		**(17,221.0)**
Cash flows from financing activities		
Movement in non-standard personal expenses		-
Net cash flows (used in) / from financing activities		**-**
Net increase in cash and cash equivalents		916.8
Cash and cash equivalents at the beginning of three years		-
Foreign exchange on cash and cash equivalents		-
Cash and cash equivalents at the end of three years	9	**916.8**

1 Accounting policies, statement of compliance and basis of preparation

1.1 Statement of compliance and 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 (FRS 102) and Financial Reporting Standard 103 'Insurance Contracts' (FRS 103).

The Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) requires the aggregation of movements in each of the three calendar years for any Underwriting Year of account. For 2017's Underwriting Year Account each calendar year result is aggregated using the relevant years average rates of exchange for each item in the income statement.

The financial statements are prepared under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

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 2017 year of account which has been closed by reinsurance to close at 31 December 2019; consequently, the statement of financial position represents the assets and liabilities of the 2017 year of account and the income statement and the statement of cash flows reflect the transactions for that year of account during the three year period until closure.

The functional currency of the Syndicate is the United States dollar (US$). The financial statements are reported in Sterling, which is the presentational currency of the Syndicate, and rounded to the nearest £'000, unless otherwise stated.

1.1.1 Reinsurance to close

A Reinsurance to Close (RITC) is a reinsurance which closes a year of account and transfers the responsibility for discharging all the liabilities that attach to that year of account (and any year of account closed into that year) plus the right to any income due to the closing year of account into an open year of account of the same or a different syndicate in return for a premium. The reinsurance to close premium is determined by reference to the outstanding technical provisions relating to the closed year

Effective at each year-end 31 December, the RITC process means that all assets and liabilities have been transferred to a reinsuring year of account. To this extent, the risks that the syndicate is exposed to in respect of the reported financial position and financial performance are significantly less than those relating to the open years of account as disclosed in the syndicate Annual Accounts. Accordingly, these underwriting year accounts do not include the associated risk disclosures required by section 34 of FRS 102 and section 4 of FRS 103. Full disclosures relating to these risks are provided in the main Annual Accounts of the Syndicate. In addition, certain other disclosure requirements under FRS 102 and FRS 103, such as the disclosure of a Statement of Changes in Members' Balances, have not been provided as it is believed that they are not required for a proper understanding of the underwriting year accounts.

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 following accounting policies have been applied consistently from when the year of account was opened in dealing with items which are considered material in relation to the syndicate underwriting year accounts.

1 Accounting policies, statement of compliance and basis of preparation (continued)

1.2 Product classification

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when an insurer agrees to compensate a policyholder if a specified uncertain future event adversely affects the policyholder. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect to the policyholder. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

1.3 Significant accounting policies

1.3.1 Insurance Contracts

The results for all classes of business have been determined on an annual basis, whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premium written, net of reinsurance, as follows. These annual results have then been aggregated for the purposes of the underwriting accounts.

a. Premiums written

Premiums written relate to business incepted during the period and include estimates of premiums due but not yet received or notified, less an allowance for cancellations. Premiums are accreted to the Technical Account on a pro rata basis over the term of the related policy, except for those contracts where the period of the risk differs significantly from the contract period. In these circumstances, premiums are recognised over the period of risk in proportion to the amount of insurance protection provided. Reinstatement premiums are accreted to the Technical Account on a pro rata basis over the term of the original policy to which it relates. Premiums are stated gross of commissions but net of premium taxes and other duties levied on premiums.

Outwards reinsurance premiums ceded are attributed to the same as the original risk being protected.

b. Acquisitions costs

Commission and other acquisition costs incurred during the financial period that are related to securing new insurance contracts and/or renewing existing insurance contracts, but which relate to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. Deferred acquisition costs are capitalised and amortised over the life of the policy to which they relate on a basis consistent with the earnings pattern of that policy.

c. Claims

Gross claims paid include internal and external claims settlement expenses and, together with reinsurance recoveries less amounts provided for in respect of doubtful reinsurers, are attributed to the same year of account as the original premium for the underlying policy. Reinstatement premiums payable in the event of a claim being made are charged to the same year of account as that to which the recovery is credited.

The reinsurance to close premium is determined by reference to the outstanding technical provisions (including those for outstanding claims and unearned premiums, net of deferred acquisition costs and unexpired risk) relating to the closed year. Although this estimate of net outstanding technical provisions is considered to be fair and reasonable, it is implicit in the estimation procedure that the ultimate liabilities will 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 to the members of the successor 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 these accounts.

1 Accounting policies, statement of compliance and basis of preparation (continued)

Claims incurred comprise claims and claims handling costs paid during the period and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported (IBNR) and related expenses. Claims handling costs are mainly external costs related to the negotiation and settlement of claims.

Outstanding claims represent the estimated ultimate cost of settling all claims (including direct and indirect claims settlement costs) arising from events which have occurred up to the date of the statement of financial position, including IBNR, less any amounts paid in respect of those claims.

While the Directors consider that the estimate of claims outstanding is fairly calculated on the basis of the information currently available to them, there is inherent uncertainty in relation to the ultimate liability which will vary as a result of subsequent information and events.

d. Expenses and other income receivable

The Managing Agent has charged the Syndicate a fixed fee and has borne all the management expenses of the Syndicate, other than those related to the direct cost of underwriting. Any internal or external claims adjustment or settlement costs are included within gross claims paid.

The Managing Agent also charges the Syndicate profit commission equal to a fixed percentage of profit for each year of account. An accrual is recognised as and when the year of account becomes profitable, with payment crystallising on closure of the year of account after three years. Given the loss position of the 2017 year of account after 36 months, no profit commission was accrued for or charged.

e. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred and subsequently stated at amortised cost. Fair value is normally determined by reference to the fair value of the proceeds received. Any difference between the initial carrying amount and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest rate method.

1.3.2 Investments

a. Financial investments

The Syndicate has designated on initial recognition its financial assets held for investment purposes (investments) at fair value through profit or loss (FVTPL). This is in accordance with the Syndicate's documented investment strategy and consistent with investment risk being assessed on a portfolio basis. Information relating to investments is provided internally to the Directors of the Managing Agent and management personnel on a fair value basis.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (which are the principal markets or the most advantageous markets that maximise the amount that would be received to sell the asset or minimises the amount that would be paid to transfer the liability) are based on quoted market bid and ask price for both financial assets and financial liabilities respectively. The fair value of financial assets and liabilities that are not traded in an active market would be determined using valuation techniques which include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and others commonly used by market participants and which make the maximum use of observable inputs.

Gains and losses on investments designated as FVTPL are recognised through the income statement.

1 Accounting policies, statement of compliance and basis of preparation (continued)

b. Overseas deposits

Overseas deposits lodged as a condition of conducting underwriting business in certain countries in compliance with Lloyd's licences are stated at the market value, based on a bid price, ruling at the statement of financial position date.

c. Investment return

Investment return comprises all investment income, interest receivable, realised and unrealised investment gains and losses, dividend income and overseas deposit income.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price and are recognised when the sale transaction occurs. Unrealised gains and losses on investments represent the difference between the valuation at the date of the statement of financial position and their purchase price.

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. All investment return is considered to arise on such funds.

Investment return and associated investment management charges are apportioned to years of account open during the calendar year in proportion to the average funds available for investment on each year of account.

1.3.3 Measurement of other financial assets and financial liabilities

Other financial assets and financial liabilities are initially recognised at transaction price and subsequently measured at amortised cost using the effective interest rate method.

1.3.4 Recognition and derecognition of financial assets and financial liabilities

Financial assets and financial liabilities are recognised when the Syndicate becomes a party to the contractual provisions of the contract. A financial asset is derecognised when either the contractual rights to the asset's cash flows expire, or the asset is transferred, and the transfer qualifies for derecognition under a combination of risks and rewards and control tests.

A financial liability is derecognised when it is extinguished which is when the obligation in the contract is discharged, cancelled or expired.

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

If the carrying value of an asset is impaired, it is reduced to the recoverable amount by an immediate charge in the income statement. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1.3.5 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.

1 Accounting policies, statement of compliance and basis of preparation (continued)

No provision has been made for any overseas tax payable by members on underwriting results. It is the responsibility of members to agree and settle their individual tax liabilities with HM Revenue and Customs. Members resident overseas for tax purposes are responsible for agreeing and settling any tax liabilities with the taxation authorities of their country of residence.

1.3.6 Pension costs

Brit Group Services Limited operates a defined contribution pension scheme on behalf of the Managing Agent. Contributions are charged to the Syndicate within the fixed fee.

1.3.7 Foreign currencies

In accordance with FRS102, the functional currency is the currency of the primary economic environment in which the Syndicate operates. The functional currency for Syndicate 2988 is the US dollar. The underwriting year's accounts are presented in Sterling. Foreign exchange resulting from translating balances from the functional currency to the presentational currency is reported in other comprehensive income.

Unless otherwise stated, transactions in Sterling, Canadian dollars and Euros are translated into the functional currency at average rates of exchange. Transactions in foreign currencies other than Sterling, US dollars, Canadian dollars and Euros are translated at the rate of exchange ruling at the date the transaction is processed.

Monetary assets and liabilities in currencies other than the functional currency are translated at the rate of exchange ruling at 31 December of each year. Exchange profits or losses arising on the translation of foreign currency amounts relating to the Syndicate insurance operations are included within the Non-Technical account as prescribed by FRS 103.

1.3.8 Offsetting of financial instruments

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

2 Critical accounting judgements and key sources of estimation uncertainty

Various assumptions are made that affect the reported amounts of assets and liabilities. Estimates and judgements are regularly re-evaluated and are based on a combination of historical experience and other factors, including exposure analysis, expectations of future experience and expert judgement.

2.1 Insurance contract technical provisions (reinsurance to close premium payable)

The estimation of the ultimate liability arising from claims made under insurance contracts is the Syndicate's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the amounts that the Syndicate will ultimately pay to settle such claims. Significant areas requiring estimation and judgement include:

- Estimates of the amount of any liability in respect of claims notified but not settled and incurred but not reported claims (IBNR) to be included within provisions for inwards insurance and reinsurance contracts;
- The corresponding estimate of the amount of outwards reinsurance recoveries which will become due as a result of the estimated claims on inwards business;
- The recoverability of amounts due from reinsurers; and
- Estimates of the proportion of exposure which has expired in the period as represented by the earned proportion of premiums written.

2 Critical accounting judgements and key sources of estimation uncertainty (continued)

The assumptions used and the manner in which these estimates and judgements are made are set out below, including the reserving process for the estimation of gross, and net of reinsurance, ultimate premiums and claims:

- Quarterly statistical data is produced in respect of gross and net premiums and claims (paid and incurred);
- Projections of ultimate premiums, reinstatement premiums and claims are produced by the actuarial department using standard actuarial projection techniques (e.g. Basic Chain Ladder, Bornhuetter-Ferguson, Initial Expected Loss Ratio). Given the early stage of development for the Syndicate, these methods have typically relied on benchmark information e.g. from similar business written by BSL into Syndicate 2987;
- In the event of catastrophe losses, claims provision estimates are compiled using a combination of detailed reviews of contracts exposed to the event in question, benchmarking to industry loss estimates and standard actuarial techniques.

The estimates and judgements are applied in line with the overall reserving philosophy and seek to state the claims provisions on a best estimate, undiscounted basis. No management risk margin is applied to the closing year of account to ensure equity between names either side of the RITC transaction.

In addition to claims provisions, the reserve for future loss adjustment expenses is also subject to estimation with consideration being given to the level of internal and third party loss adjustment expenses incurred annually. The estimated loss adjustment expenses are expressed as a percentage of gross claims reserves and the reasonableness of the estimate is assessed through benchmarking. Further judgements are made as to the recoverability of amounts due from reinsurers. Provisions for bad debts are made specifically, based on the solvency of reinsurers, internal and external ratings, payment experience with them and any disputes of which the Syndicate is aware.

2.2 Fair value of financial assets determined using valuation techniques

Financial investments are carried in the statement of financial position at fair value. Where fair values cannot be derived from active markets, determining the fair value of certain investments requires estimation techniques, using designated methodologies, estimations and assumptions.

These valuation techniques include valuations from independent pricing vendors who use discounted cash flow models supplemented with market and credit research to gather information, other market observable inputs such as broker-dealer quotes, reported trades, issuer spreads and available bids. Other market observable inputs include benchmark yields and reported trades.

Changes in assumptions about these factors could affect the reported fair value of financial investments. US and non-US corporate debt securities are investment grade and the information collected during pricing of these instruments includes credit data as well as other observations from the market and the particular sector. Prices for all these securities are based on a limited number of transactions (OTC prices/broker-dealer quotes) so they are derived indirectly using inputs that can be corroborated by observable market data. These also include certain private placement corporate debt securities which are valued with the use of discounted cash flow models.

Specialised investment funds contain credit opportunities funds that are valued based on the underlying assets in the fund on a security by security basis. A number of direct and indirect inputs such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates and anticipated timing of principal repayments are considered during their valuation.

Management exercise a higher degree of judgement for all instruments for which a fair value cannot be wholly directly determined by reference to an active market.

3 Analysis of underwriting result

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

	Gross premiums Written	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
	£'000	£'000	£'000	£'000	£'000
For 3 years ended 31 December 2019					
Accident and health	1,472.3	(987.8)	(620.2)	-	(135.7)
Marine aviation and transport	13,735.1	(12,702.1)	(4,617.4)	51.7	(3,532.7)
Fire and other damage to property	22,137.8	(34,858.7)	(9,262.1)	9,101.1	(12,881.9)
Third party liability	8,999.6	(3,767.3)	(2,894.3)	(184.2)	2,153.8
Credit and suretyship	463.6	(195.1)	207.2	(3.0)	472.7
Total Direct Insurance	**46,808.4**	**(52,511.0)**	**(17,186.8)**	**8,965.6**	**(13,923.8)**
Reinsurance	27,504.8	(45,161.4)	(7,935.7)	12,695.1	(12,897.2)
Total	**74,313.2**	**(97,672.4)**	**(25,122.5)**	**21,660.7**	**(26,821.0)**

a. Gross premiums earned are identical to gross premiums written.
b. Gross claims incurred comprise gross claims paid and movement in gross technical provisions.
c. All premiums are concluded in the UK.

4 Reinsurance to close premium payable

	2017 £'000
Gross outstanding claims	(20,580.1)
Reinsurance recoveries anticipated	7,945.3
Net outstanding claims	**(12,634.8)**
Provision for gross claims incurred but not reported	(10,929.3)
Reinsurance recoveries anticipated	2,497.9
Provision for net claims incurred but not reported	**(8,431.4)**
Claims handling expenses provision	(274.0)
Net premium for reinsurance to close	**(21,340.2)**

5 Net operating expenses

The cumulative Syndicate expenses charged to the 2017 closed year of account comprise the following:

	2017 **£'000**
Acquisition costs	17,193.0
Administrative expenses	7,929.5
Total	**25,122.5**

The auditor's renumeration and audit services charged to the Syndicate within the fixed fee charged by the Managing Agent are as follows:

	2017 **£'000**
Audit of the Syndicate 2017 underwriting year accounts	85.5
Other services pursuant to Regulations and Lloyd's Byelaws	38.0
Total	**123.5**

6 Staff numbers and costs

All staff in the UK are employed by the Brit Group service company, Brit Group Services Limited, and the full staff cost disclosures are included in the notes to those accounts. Amounts are recharged to the Syndicate as part of the fixed fee charged by the Managing Agent.

7 Investment return

	2017 **£'000**
Income from investments	738.6
Gains on investments	166.6
Losses on investments	(7.9)
Investment management charges	(0.5)
	896.8
Allocated investment return transferred to the general business technical account	(896.8)
Net investment return included in the non-technical account	-
Total investment return	**896.8**

8 Financial investments

2017 year of account	Market Value £'000	Cost £'000
Shares and other variable yield securities and units in unit trusts	907.5	957.7
Debt Securities	18,366.9	18,329.1
Total	**19,274.4**	**19,286.8**

Shares and other variable yield securities and unit trusts comprise of short-term deposits that are highly liquid cash equivalents, all of which are not listed.

9 Cash and cash equivalents

	2017 £'000
Cash at bank and in hand	9.3
Short-term deposits	907.5
Total	**916.8**

Short term deposits are presented within financial investments on the Statement of Financial Position.

10 Other assets

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

11 Other Debtors and Creditors

Included within other debtors and creditors are investment receivables of £10,580.9k and investment payables of £10,354.3k. These are due to certain investments maturing at the date of the Statement of Financial Position however remained unsettled.

12 Borrowings

The Syndicate has a revolving credit facility of US$50,000k, or £37,743k at the December 2019 balance sheet rate, which expires on 30th September 2020. The Syndicate has currently drawn down $12,000k / £9,058.3k of the facility as cash to meet liquidity needs all of which has been attributed to the 2017 year of account.

The facility incurs an interest rate of LIBOR + 1.9% for the drawn down amount, and a 0.665% non-utilisation fee for the undrawn amount.

Additionally, an inter-year loan between the 2017 year of account and other open years of account of the Syndicate has been drawn upon. The interest has been charged at a rate appropriate to an arm's length transaction.

13 Seven-year summary

This is the first set of closed year of accounts for the Syndicate. No further useful information would be obtained from a separate summary that is not already within the primary financial statements and accompanying notes.

14 Related parties

a. Brit Syndicates Limited (BSL or the Managing Agent)

The Managing Agent is a wholly-owned subsidiary of Brit Insurance Holdings Limited, which in turn is a subsidiary of Brit Limited. During the period, the 2017 Year of Account paid £4,125.0k to BSL in respect of management fees and a further £550.0k in managing agency fees. As at 31 December 2019, there were no amounts outstanding. The Syndicate also participates on various Lloyd's consortia managed by BSL. During the period, the Syndicate paid no management fee and no technical advisor fees or profit commission to Brit Syndicates Limited in respect of the consortia agreements.

b. Brit Insurance Services USA, Inc.

During the period, the Syndicate paid commissions to Brit Insurance Services USA, Inc., a service company within the Brit Limited group. The amounts in the Income Statement relating to trading with Brit Insurance Services USA, Inc. for the period included commission for introducing insurance business of £866.2k. As at 31 December 2019, no amounts of commission were outstanding. As at 31 December 2019, Brit Insurance Services USA, Inc. owed £28.1k of premiums to the Syndicate.

c. Syndicate 2987

BSL also manages Syndicate 2987, a wholly-aligned syndicate of the Brit Limited group. No commissions or fees are paid or payable between the two syndicate entities.

d. Directors of Brit Syndicates Limited

There are no related party director disclosures to note for the 36 months period ended 31 December 2019.

e. Ambridge Partners LLC

On 11 April 2019 the Brit Group exercised a call option to acquire the remaining 50% of the issued shares of Ambridge Partners LLC (Ambridge), following the initial acquisition of 50% in December 2015. Ambridge Partners LLC is a managing general underwriter of transactional insurance products, writing business on behalf of a range of insurers including entities within the Brit Limited group.

Trading with Ambridge Partners LLC is undertaken on an arm's-length basis and is settled in cash. The amounts in the Income Statement relating to trading with Ambridge Partners LLC for the period included commission for introducing insurance business of £678.2k. As at 31 December 2019, no amounts of commission were outstanding. As at 31 December 2019, Ambridge Partners LLC owed £37.6k of premiums to the Syndicate.

Directors of the Managing Agent

Executive
Mark Andrew Allan
Matthew Dominic Wilson
Christiern Robert James Dart
Michael David Jeremy Gould

Non-Executive
Simon Philip Guy Lee
Anthony John Medniuk
Caroline Frances Ramsay
Andrea Caroline Natascha Welsch
Pinar Yetgin

Secretary
Tim James Harmer

Active Underwriter
Simon Bird (appointed on 1 January 2019)

Registered Office
The Leadenhall Building
122 Leadenhall Street
London
EC3V 4AB

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London, Riverside
London
SE1 2RT

Brit Syndicates Limited
The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AB, UK
www.britinsurance.com

BRIT

writing the future