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Antares Syndicate 1274

Annual Report and Accounts

31 December 2016

Antares Syndicate 1274

Syndicate Annual Report and Accounts

31 December 2016

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Directors and Administration

Managing Agent:
Antares Managing Agency Limited

Directors
E H Gilmour*, MA, FCA
J A Battle
T A Clegg*, FCII, ACIArb
M C Graham, MSc, FIA
J M Linsao, BA, JD
S D Redmond, FCII
R A Sutlow, ACII, ACMA
G Saacke*
H E Clarke*, MSc, FIA

* Non-Executive Director

Secretary
J M Linsao, BA, JD

Managing Agent’s Registered Office
10 Lime Street
London, EC3M 7AA

Managing Agent’s Registered Number
6646629

Syndicate 1274:

Active Underwriter
J A Battle

Bankers
Lloyds TSB Bank plc
25 Gresham Street
London, EC2V 7HN

Registered Auditor
Deloitte LLP
Hill House, 1 Little New Street
London, EC4A 3TR

Managing Director Overview

With challenging market conditions continuing unabated throughout 2016 it is particularly pleasing to report a third consecutive year of profit for Antares in its third year of ownership by Qatar Insurance Company SAQ. Indeed this period of consecutive years of profitability now spans five years.

Antares Syndicate 1274 reports a higher level of profit in 2016 at US$30.2m compared to 2015 (US$ 9.9m). The combined ratio also improved to 95.8% (2015: 97.1%).

Whilst the frequency and severity of natural catastrophes were higher in 2016 than in preceding years, they were still lower than the historical average.

The ten year trend of the US coastline being spared a Category 3 or greater hurricane making landfall was broken in 2016 when Hurricane Matthew crossed the East Coast. However the scale of destruction to property and human life was not nearly as bad as feared or could have been.

As with Hurricane Matthew the Syndicate had a relatively modest involvement in the other noteworthy natural catastrophes of the year, including Floods in the US, Canadian Wildfires, and the Earthquakes of Central/Southern America, Japan and Taiwan. Indeed the largest losses to the Syndicate originated from individual large losses many of which are noted in the relevant lines of business summary.

Ever increasing levels of competition leaves no room for complacency. Standards of service and delivery of the highest level of professionalism remain ever and increasingly important as a key driver of differentiation both within and outside the Lloyd's market.

With what appears to be an ever expanding amount of capital entering or available to the market, any thoughts of an improving rating environment should not be regarded as imminent or likely in the short term. We need to continue to demonstrate our ability to successfully trade through the market conditions we face, and the ever changing needs and expectations of our clients. Indeed we must be responsive to the challenges our clients themselves face.

Antares embraces and endorses the modernisation of the London market. We trust the collective fruits of our labours demonstrate the unique benefits of trading in the London and in particular Lloyd's market to our clients.

No overview of the year can be silent on Brexit even if only a passing reference is made. The referendum result has and will bring far reaching consequences along with an unnecessary diversion to business as usual. However in a similar way to the obstacles faced on many occasions to Lloyd's throughout its history, the market and its Managing Agents will demonstrate commensurate levels of resilience. We will find appropriate ways to ensure our clients' needs are met.

The Marine, Aviation and Transport portfolio (including Terrorism) remains the largest division of Antares business before investment income and produced a profitable net result of US$11.1m (2015: US$3.7m).

Conditions in the Hull market continue to be soft with no end in sight likely to end this trend of many years. Nevertheless the long term profitable performance of the class continues with a result of US$1.3m although some way off of 2015 (US$ 7.2m). The Cargo and Specie account produced a result more akin to its historical pattern than its 2015 performance. As a result a profit of US$ 3.1m (2015: US$0.1m) was produced. Energy produced a very good result despite an involvement in the high profile Tullow Oil loss. A profit of US$5.3m was generated which is a complete turnaround to the 2015 loss (US$3.1m).

Very difficult trading conditions continued unabated on the Aviation class and a loss of US$6.8m was made exactly equalling the loss of 2015. This year the plethora of events contributing most significantly to the loss included Fly Dubai, United Parcel Services, Egypt Air and Emirates Airlines. During 2016 action has started to reposition the portfolio where the poor performance of recent years is less likely to be repeated in the future.

An excellent result in the Terrorism account of US$ 8.2m profit was produced (2015: US$6.2m). This was despite an exposure to the Brussels Airport atrocity.

Overall the Reinsurance division produced another good set of results whilst not hitting the record levels set in the previous year. 2016 profit US$ 20.5m (2015: US$25.4m).

Property Excess of Loss produced profits of US$ 12.9m (2015: US$16.7m) with the Canadian Wildfires being the most noteworthy catastrophic event.

Marine Excess of Loss was able to produce a profit of US$7.6m (2015: US$8.7m) whilst still bearing the burden of deterioration of the Tianjin explosion, Tullow Oil, and Cargo on board the Amos 6 rocket.

Managing Director Overview (continued)

The Specialty classes of the Antares portfolio represent the accounts with the most diverse and varied accounts. The overall performance before investment income was a very disappointing loss of US$14.6m (2015: US$18.6m loss).

The largest individual portfolios within the division are Professional Indemnity which produced the largest loss of US$15.1m for 2016 to the Syndicate following a US$5.2m loss in 2015. An analysis of the issues which are not systemic in nature leads the business to believe these losses will unlikely be repeated. The second largest portfolio to the division is the Financial Institutions class which also produced a loss albeit a modest one at US$ 0.4m. Some but little comfort is taken from the fact this was a much improved performance on 2015 which was a loss of US$7.2m.

The relatively new Property Direct and Facultative account produced a slightly improved result despite falling to a loss of US$ 0.6m (2015: US$ 1.4m loss). As the earnings lag unwinds there is an expectation that this account will generate its first year of profit in 2017.

Investment income performance turned around in 2016 and a 2.7% yield was achieved producing a result of US$13.9m (2015: 0.4% and US$0.9m).

Our Singapore operation on the Lloyd's Asia platform successfully completed its first full year of underwriting. We are pleased with the progress of our development and are excited at the prospect of a bottom line contribution in 2017 as the business further grows and prospers.

Antares joined the Lloyd's China platform in the third quarter 2016 with a view to commencing underwriting on that platform at 1 January 2017. I am confident this strategic and future long term presence will generate a good bottom line performance to Antares in the fullness of time.

I am delighted to report the 2016 Antares result has contributed to a higher proportion of QIC's overall profit than in 2015. We feel very much part of the QIC family and look forward to contributing to, and demonstrating our strategic importance to QIC. We continue to play a major role in much of the development work being undertaken by QIC. Our technical knowledge and experience means we have a leading role to play as the future needs of the business, and its related infrastructure are enhanced, and delivered.

The Antares business needs not only a financially strong parent, but also the dedication and commitment of our people. I am honoured and proud to have the talented team of individuals working with me to continue to develop the Antares business. Despite challenging markets we can positively look forward to the future with optimism but no complacency. The road ahead is daunting but equally can be rewarding as we deliver our promises to our client base.

In closing I thank the Antares team for their support, dedication and professionalism throughout 2016.

Together we thank QIC for providing us with their support and stability allowing us to maximise opportunities in 2016 and in looking forward to 2017.

Stephen Redmond
Managing Director

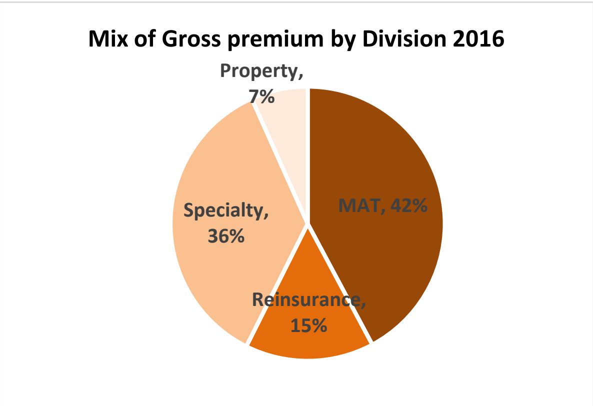
Active Underwriter Review

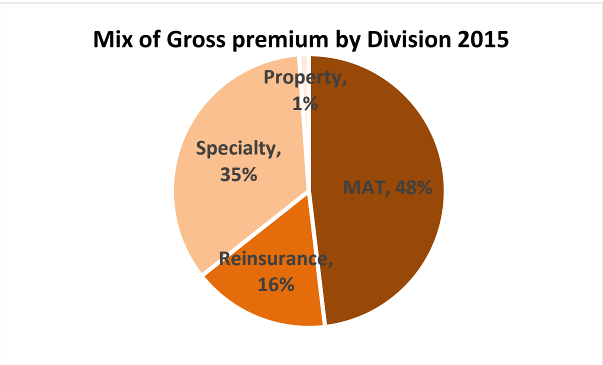
The underwriting activities of the Syndicate are split into four operating divisions: Marine, Aviation and Transport (MAT); Reinsurance; Specialty Lines; and Property. The Syndicate produced combined gross written premium income of $456m for the year (2015: $400m). The majority of the increase was attributable to new opportunities in the Specialty division, in addition to our Property Direct and Facultative class which continued to expand in its first full year of operation. Additional momentum was generated following the arrival of a Casualty Treaty underwriter in June and a dedicated Accident & Health team in September.

Our new operation in Singapore has made a good start. Preliminary recruitment was completed by June and the team has gained traction in our desired markets. Our strategy to be closer to our client base and offer choice of office is bearing fruits and we expect our Singapore activities to continue to grow.

In September our application to join the Lloyd's China Platform in Shanghai was finalised. We have successfully recruited a candidate to lead our China underwriting which will report into our Singapore operation.

Across our portfolio as a whole difficult market conditions prevailed during 2016, just as for 2015. Over-capacity has driven a rate reduction of -5% over the year. We anticipate that these conditions will persist into 2017.



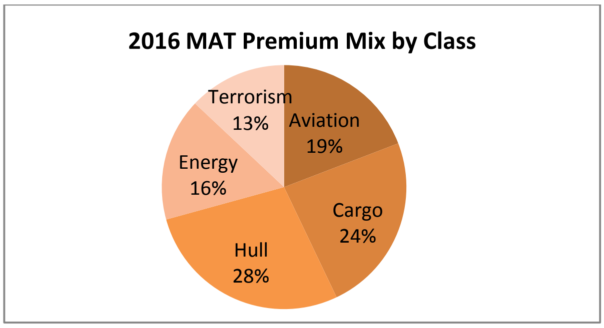


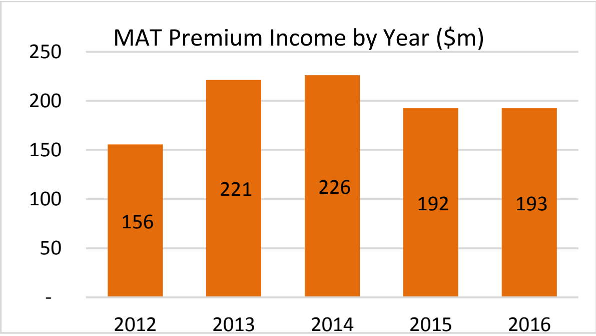
Marine, Aviation and Transport (MAT)

The MAT division offers a marine insurance and reinsurance portfolio comprising Hull, Energy, Marine Liability, Cargo, Specie, Aviation and Terrorism products.

The underwriting teams have the expertise and experience which allows Antares to offer lead capability in all areas of the MAT portfolio.

Trading conditions were difficult in 2016, with a number of new entrants into the marine market leading to continually increasing levels of competition ultimately driving down rates in all classes. In some cases this has also led to a softening of terms and conditions. In the absence of significant loss activity or a change in market discipline, such conditions are expected to prevail through 2017.





Premium income for 2016 was almost unchanged from 2015 at $193m (2015: $192m).

The diverse nature of the MAT portfolio allows us the flexibility to move capacity between lines of business during different market periods and proactively manage the cycle, improve profitability and mitigate loss years.

Following an unsatisfactory run of results and continued poor trading conditions in our Aviation class, we took the decision mid-year to reduce our underwriting in this class.

During 2016, the diversification of the MAT portfolio has been continued, building out the capabilities in Hull, as well as adding further resource to our Marine Liability and Energy lines.

Active Underwriter Review (continued)

Hull

Within the Hull portfolio, overcapacity remains a key feature keeping the rating environment soft. Across the Hull portfolio as a whole, pricing was down 4%. Income from Hull increased by 9% to $54m (2015: $49m).

The strategy is to develop the key sub-classes of Hull, Marine Liability & War, adjusting the portfolio business mix dependent upon market conditions. Pursuant to this, we recruited an underwriter with a specific focus on Latin America. Pleasingly, in such a difficult market, the retention ratio remained high at 73%, reflecting well the levels of service and professionalism offered by the team.

Energy

The offshore Energy account remained static in 2016 at $31m (2015: $31m). As in the prior year, the relatively depressed oil price and significant levels of over-capacity, have driven down prices and intensified competition for business.

As a consequence, we continue to be selective in our risk selection and are prepared to let unsuitably priced business go. Our retention ratio has stabilised at 54% following the strategic re-underwriting that has taken place over the past two years. Pricing, for the second year in a row, was down 11% over the portfolio.

Cargo & Specie

As in previous years, the cargo insurance market has also faced the challenge of excess capacity at a time when the global economy is struggling. Despite these headwinds and the increasing trend for broking houses to facilitise their business with a limited number of preferred carriers, premium income for the class has grown by 8% to $46m (2015: $42m).

The retention ratio has remained high at 76% and again bears testament to the long-term commitment and relationships built by the underwriting team. The new underwriting resource that was added to this class during 2015 has been positive as the portfolio diversifies away from a mainly commodity driven account.

The strategy of expanding the Specie portfolio has been hampered during 2016. The broker facilitisation trend impacted our ability to execute our long term strategy as we had planned. Consequently, we will maintain our selective approach to underwriting, deploying capital to support those areas offering the best opportunity for appropriate return, whilst maintaining a well-diversified portfolio.

Aviation

The Aviation class has suffered from a number of consecutive years of price reductions driven by over-capacity. As a result of this and of the continued run of unacceptable results, we undertook a strategic review of the portfolio. We have implemented changes, ranging from reduction in line size to downsizing. This has resulted in an 18% fall in gross premium to $37m.

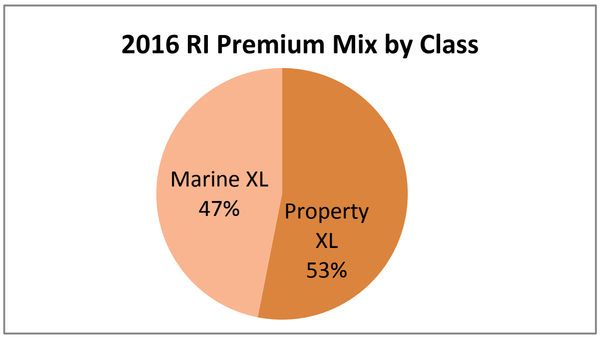
The commitment to the strategy of diversification within this class and the maintenance of a balanced portfolio between Airline, Aerospace and Light General Aviation business continues.

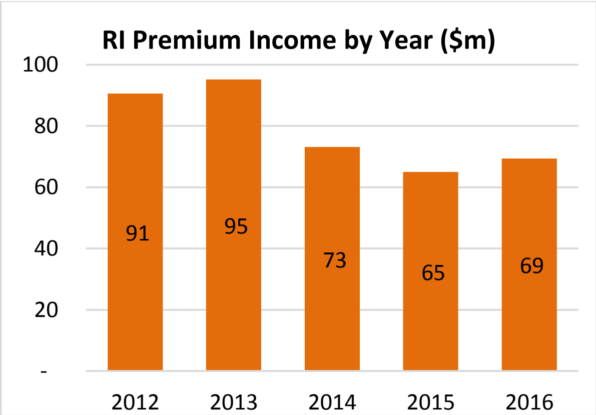
Terrorism

The Terrorism portfolio predominantly comprises standalone terrorism products with limited strikes, riots and civil commotion coverage. Introduced in 2010, there has been a steady gain in foothold in this highly competitive sector. In the face of significant competitive pressure, 2016 premium has remained broadly static at $25m (2015: $25m).

This class has come under increased pressure again this year. The rating environment continues to soften and brokers continue to package business with a limited number of carriers, adding additional competition to the business that falls outside these parameters. Despite this, we continue to see opportunities to expand profitably.

Reinsurance





Active Underwriter Review (continued)

The Reinsurance division comprises both Property and Marine Excess of Loss Treaty written on a worldwide basis. Premium income increased by 7% during 2016 to $69m (2015: $65m).

Property XL

Property XL income increased by 4% to $37m (2015: $36m). The team continues to focus on high quality business written at non-attritional levels, optimising the portfolio balance dependent on market conditions. The portfolio comprises of both risk and catastrophe business, worldwide in nature, with a focus on the US, Europe and Japan. Smaller portfolios are also written in Latin America, Asia, Australasia, Africa and the Caribbean.

Premium rates fell by 5% during the year, very much in line with expectation and unsurprising given the lack of significant catastrophe activity. In spite of the competitive environment, the retention rate over the year remained high at 84%.

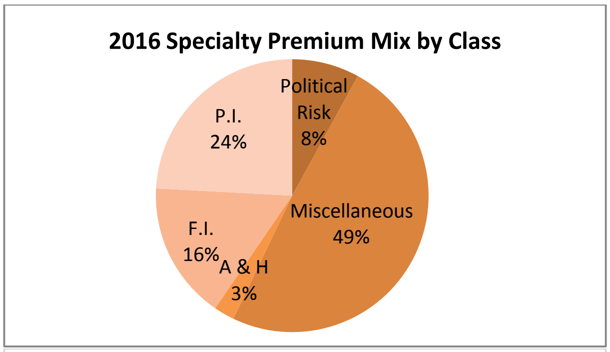
Marine XL

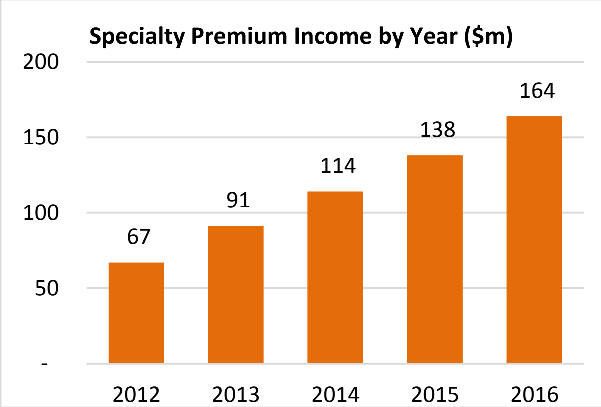
A balanced Marine XL book continues to be underwritten for both London Market (LMX) and Foreign Market (FMX) business where good synergies with direct Hull, Cargo and Specie and Energy accounts exist.

Competitive market conditions prevailed during 2016 with greater levels of capacity chasing fewer risks as cedants looked to retain more themselves and consolidate underwriting panels. As a consequence, pricing for the portfolio fell by 6% as anticipated. The offset to this came from a number of new start-ups in the London market and the decision to expand our underwriting in India and China, where we have experienced good penetration in other classes of business. This has resulted in premium income increase by 11% to $33m (2015: $29m).

Specialty Lines

The Specialty Lines division includes Financial Institutions, Professional Indemnity, Political Risks, Accident & Health and Miscellaneous. Premium income for 2016 was 19% ahead of 2015 at $164m (2015 $138m).





Financial Institutions

During 2016, Cyber business that was previously underwritten in the Financial Institutions (FI) and Professional Indemnity (PI) classes was reclassified into the Miscellaneous account, to enable closer monitoring. As a result of this reallocation, and a strategic decision to decline to renew two large premium income binding authorities, premium income for the class fell by 38% to $27m (2015: $43m). The rating environment was marginally worse than planned with pricing down -3%, nevertheless the retention ratio remained high at 72%.

The Syndicate continues to have limited exposure to the major US or European financial institutions which have been responsible for the majority of market losses. Growth has instead been supplemented by Asset Managers, Venture Capital, Private Equity and Trust sectors that historically have performed extremely well and in which we were under-represented.

Professional Indemnity

As noted above, Cyber business previously underwritten in the Professional Indemnity and Directors & Officers class was reclassified into the Miscellaneous account during 2016. As a result, premium income for the Professional Indemnity class decreased 15% year on year to $40m (2015: $47m).

Active Underwriter Review (continued)

Nevertheless, at 82%, the retention ratio was only marginally down on expectation, although pricing was down -6% from 2015, further than expected.

2016 has proved to be a challenging year, with a number of losses in the portfolio, especially in design and construction and valuers' sub-classes that have continued to disappoint. This has resulted in us substantially withdrawing from and reducing exposures in these areas.

Political and Financial Risks

Premium income for the class, which includes political risks and trade credit, fell by 15% into 2016 at $13m (2015: $15m).

Following a promising start to the year, the anticipated business flow towards the year end did not materialise. The demand for insurance was lower than expected with levels of investment reduced and deals deferred into 2017. On the positive side, we were able to successfully leverage our financial guarantee capability during 2016 allowing us to differentiate our offering with the broking market.

Miscellaneous

The Miscellaneous account comprises a number of embryonic classes, primarily written through delegated facilities such as Lloyd's consortia and binding authorities. Combining a robust due diligence process and close monitoring of performance, this enables the Syndicate to access and develop new classes in a controlled way that leverages the expertise of market specialists in their respective fields.

The Miscellaneous class grew to $81m from $31m for 2015. Of this amount, $33m relates to cyber business that was previously underwritten within our FI and PI classes. We monitor our exposures carefully in this area, looking for diversification by geography or industry where possible.

Another $30m of the account is Casualty Treaty and General Liability business. The remainder of the class is comprised of nascent classes such as Downstream Energy, Aquaculture, Engineering and Mergers & Acquisitions and Representations & Warranty business.

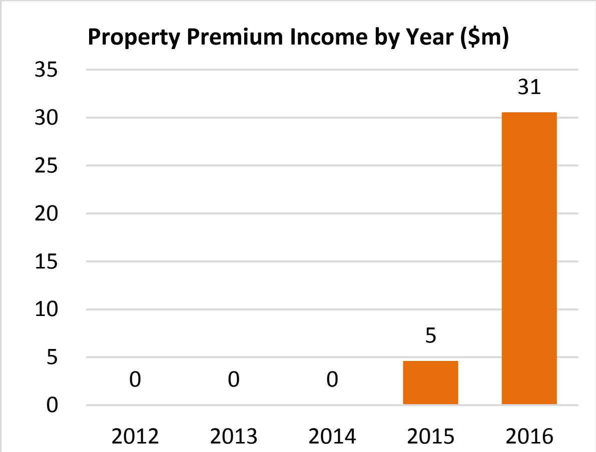
Accident & Health

Our Accident & Health class remains small at $4m (2015: $2m). Until September 2016 this business principally derived from the support of one consortium.

In September, following a recruitment process, our new Accident & Health team started to underwrite. They have been successful in attracting new business during the fourth quarter and in developing a pipeline into 2017.

Property

In the second half of 2015, Antares relaunched its Property division that is made up exclusively of the Property Direct & Facultative class.



Premium income for 2016 grew to $31m (2015: $4.6m). 2016 has seen the team implement their strategy of a balanced portfolio of Open Market Facultative Reinsurance and Property Binder Portfolio, supplemented with a small limited Commercial General Liability (CGL) Binder offering. As with other classes, headwinds remain strong, especially in the Open Market sub class where pricing and completion remained fierce.

At the end of the third quarter, Michael Harding, MAT Underwriting Manager, retired from Antares. Michael had been with the company since its inception, successfully growing the MAT portfolio to its current position. I would like to thank Michael for his contribution to our success and wish him a happy and healthy retirement.

I remain indebted to my underwriting colleagues who continue to strive to produce the optimum portfolio for the Syndicate in what are challenging market conditions. I am convinced that the diverse portfolio is balanced and strategically placed for the future.

Jonathan Battle
Active Underwriter
Antares Syndicate 1274

Financial Review

Summary Income Statement

The Syndicate delivered a $30.2m profit for 2016 at an improved 95.8% combined ratio (2015: profit $9.9m, 97.1%).

Year on year premium growth of 14% has been achieved and underlying performance remained strong in the benign claims environment, notwithstanding continued market softening.

The result further benefited from significantly better investment return.

$000	2016	2015
Gross Premium Written	456,580	400,080
Net Premium Earned	373,273	336,141
Net Claims Incurred	(224,710)	(211,388)
Net Commission	(87,177)	(71,064)
Net Underwriting Result	**61,386**	**53,689**
Operating Expenses	(45,871)	(43,893)
Net Foreign Exchange	847	(756)
Investment Return	13,873	855
Net Profit	**30,236**	**9,896**
Ratios:		
Claims Ratio	60.2%	62.9%
Commission Ratio	23.3%	21.1%
Expense Ratio *	12.3%	13.1%
Combined Ratio	**95.8%**	**97.1%**

* Expense Ratio excludes Net Foreign Exchange Gain/(Loss)

The Whole Account grew to $456.6m (2015: $400.1m) during the year despite rate reductions of -5% and strengthening of the US Dollar. Growth was realised through the successful execution of strategies launched at the end of 2015 including Property and Singapore as well as new business in Miscellaneous.

Strong underwriting in the soft market and the absence of any major catastrophe events in the Syndicate's Marine XL and Property XL classes contributed to a very profitable performance for the Reinsurance division.

The Marine, Aviation and Transport (MAT) segment also returned a profit led by Terrorism and, notably, Energy which turned around last year's loss.

Back-year claims in Professional Indemnity (PI) contributed to an overall Specialty loss.

The new Property team delivered premium growth of $26.0m, establishing itself in its first full year of trading as one of the core pillars of the Syndicate platform going forward.

The investment portfolio generated a total return of 2.7%, exceeding its target of 2.5% and in contrast to the 0.2% return of 2015. In addition to the generally favourable fixed income environment, the Syndicate also benefited from gains made on its diversifying equity funds.

Net Underwriting Results Review

Gross Premium Written

Gross premium written (GWP) of $456.6m was 14% higher than 2015 ($400.1m). Market conditions continued to challenge with rates down -5% overall and the worst-affected being Energy (-11%) and Terrorism (-9%).

The business renewal ratio remained strong across the whole account at 77% (2015: 81%). Robust underwriting, and strategic re-underwriting in certain areas, has inevitably led to the modest decrease. The Syndicate views this as a positive indicator for future profitability.

Growth was achieved through a number of key initiatives, most notably the first full year of the Property division and the new Singapore operation, both launched towards the end of 2015. Furthermore the Syndicate has leveraged its relationship with its corporate backer, Qatar Insurance Company SAQ (QIC), to introduce new business to its Miscellaneous account.

Net Premium Earned

Net premium earned was $373.3m (2015: $336.1m). The increase was consistent with the movement in GWP.

Net Claims Incurred

2016 was another benign year for claims, continuing the run without any major catastrophe event impacting the Syndicate.

Net claims incurred of $224.7m (2015: $211.4m) was a relative improvement on prior year, with the Claims Ratio decreasing from 63% to 60%.

The largest loss ($10m net), Tullow Oil, was the result of a damaged oil and gas floating production storage and offloading (FPSO) vessel and impacted the Marine XL and Energy classes.

Net Commission

The Commission Ratio increased slightly to 23.3% (2015: 21.1%) as a result of key growth areas such as Miscellaneous and Property and the related increase in binder business written by the Syndicate, which attract relatively higher rates.

Financial Review (continued)

Net Underwriting Results by Division

MAT

$000	2016	2015
Gross Premium Written	192,628	192,482
Net Premium Earned	177,109	178,436
Net Claims Incurred	(102,098)	(113,072)
Net Commission	(43,158)	(39,317)
Net Underwriting Result	**31,853**	**26,047**
Claims Ratio	57.6%	63.4%
Commission Ratio	24.4%	22.0%

The MAT division continues to be at the core of the Syndicate's business representing 42% (2015: 48%) of the underwriting portfolio and produced an underwriting profit of $31.9m (2015: $26.0m profit).

This was a very creditable performance given the challenging environment. Over-capacity in the market continued to put pressure on prices, contributing to the static year on year premium volume. All lines of business returned a profit other than Aviation.

It was another good year for the Terrorism account which recorded solid profits of $11.2m (2015: $9.4m profit) with the only loss of any significance relating to the Brussels airport attack.

The $8.3m profit in Energy was particularly notable for its sustained turnaround (2015: $0.7m profit, 2014: $6.0m loss), demonstrating the success of re-underwriting in the book in recent years.

Aviation suffered a number of large isolated claims, returning a loss of $0.7m (2015: $0.7m loss). Losses included some that hit the headlines such as the tragic flights of EgyptAir which crashed into the Mediterranean Sea and Flydubai's crash during an aborted landing in Russia.

Cargo & Specie returned a $6.7m profit (2015: $4.4m profit) and Hull similarly recorded a profit of $6.3m (2015: $11.9m profit), together making another solid contribution to the Division.

Reinsurance

$000	2016	2015
Gross Premium Written	69,376	64,956
Net Premium Earned	58,163	53,350
Net Claims Incurred	(21,579)	(13,948)
Net Commission	(7,750)	(6,785)
Net Underwriting Result	**28,833**	**32,617**
Claims Ratio	37.1%	26.1%
Commission Ratio	13.3%	12.7%

The Reinsurance division represents 15% (2015: 16%) of the underwriting portfolio and with an underwriting profit of $28.8m (2015: $32.6m profit), produced the largest divisional profit for the fourth consecutive year.

Net underwriting profits were split between Property XL $17.6m (2015: $20.8m profit) and Marine XL $11.2m (2015: $11.8m profit). Significant claims in the year were limited to Marine XL's majority share of the Syndicate's largest loss, Tullow Oil, and the Canadian Wildfires in Property XL.

Robust underwriting and absence of major catastrophe activity contributed to another excellent result, serving to keep the Claims Ratio low.

Specialty

$000	2016	2015
Gross Premium Written	164,019	138,044
Net Premium Earned	123,287	103,333
Net Claims Incurred	(92,977)	(83,811)
Net Commission	(31,936)	(24,743)
Net Underwriting Result	**(1,625)**	**(5,221)**
Claims Ratio	75.4%	81.1%
Commission Ratio	25.9%	23.9%

Specialty represents 36% (2015: 35%) of the portfolio and is the fastest growing division, together with Property, as the Syndicate continues to invest in diversifying the whole account.

The 19% increase in GWP was primarily attributable to growth in the Miscellaneous class. The Syndicate has written a number of large Cyber, General Liability and other contracts, that were either new opportunities, or where the Syndicate has taken a greater line size in the year. The business remains profitable as the class returned $3.1m (2015: $0.8m).

However it was an underwriting loss of $1.6m (2015: $5.2m loss) for the division overall due to heavy back-year claims experience in Professional Indemnity (2016: $11.2m loss, 2015: $0.6m loss).

As a consequence of the disappointing result, an in-depth analysis of the PI portfolio was undertaken. The absence of any obvious systemic issue is, on the one hand, encouraging. On the other, it offers no clear corrective action that has not already been taken. Notwithstanding this, the work done highlighted that the majority of losses have arisen in areas that are no longer a focus of the book.

Financial Review (continued)

Therefore the Syndicate remains cautiously optimistic for the future profitability of this strategically important class.

Political Risks continued its controlled growth delivering a $2.1m profit (2015: $1.6m). Furthermore both Financial Institutions, with a $3.7m profit, and Accident & Health (A&H) with a $0.7m profit, turned around prior year losses (2015: $2.8m and $4.2m losses respectively).

Property

$000	2016	2015
Gross Premium Written	30,557	4,599
Net Premium Earned	14,714	1,022
Net Claims Incurred	(8,056)	(557)
Net Commission	(4,333)	(219)
Net Underwriting Result	**2,325**	**245**
Claims Ratio	54.7%	54.5%
Commission Ratio	29.4%	21.4%

Property is another key area of growth and, after its first full year of trading, represents 7% of the whole.

With $30.6m of GWP and a $2.3m profit, the future of the Property division and its contribution to the Syndicate is very promising. The account has got off to a good start, as planned, and had just one notable claim event during the year being Hurricane Matthew in October with losses arising in South Carolina and the Bahamas.

Investment Income Review

$000	2016	2015
Interest Income	11,570	9,454
Realised Gains/(Losses)	(790)	(3,909)
Unrealised Gains/(Losses)	3,966	(3,948)
Gross Investment Return	**14,746**	**1,598**
Fees	(873)	(743)
Net Investment Return	**13,873**	**855**
Avg Cash and Investments	505,414	438,901
Return	**2.7%**	**0.2%**

The full benefits of the Strategic Asset Allocation review completed in 2015 were borne out in 2016, as a full year of enhanced investment yields helped to deliver a 2.7% total return (2015: 0.2%).

Having introduced additional duration and credit broadening, yields of around 2.3% have been achieved in the prevailing low interest rate environment.

Historic events in “Brexit” and the US Election, and their global economic impact, made for another volatile year in investments.

The “flight to quality” as a result of uncertainty created by the UK Referendum on EU Membership and the positive effect it had on bond valuations, was largely undone by the election of President Trump and the upward shift in yield curve that has accompanied his anticipated fiscal stimulus.

The year closed on a positive note with the core fixed income portfolio reporting gains above its target yield. The overall portfolio further benefited from gains on the modest allocation to US equities, introduced to further diversify the portfolio.

Operating Expenses Review

$000	2016	2015
Admin Expenses GBP	£33,979	£28,688
Conversion Rate	1.35	1.53
Admin Expenses USD	$45,871	$43,893
Exchange (Gain)/Loss	$(847)	$756
Operating Expenses	**$45,024**	**$44,649**

Administrative Expenses

Administrative Expenses of $45.9m (2015: $43.9m) consisted primarily of staff costs, including those related to the acquisition of new insurance contracts such as underwriters’ salaries.

The Syndicate recruited in key growth areas and GWP per employee increased accordingly from $3.1m to $3.3m. Year-end headcount was 147 (2015: 130), accounting for the higher underlying expenses, further added to by an increase in performance related remuneration on the back of improved profitability.

The increase was partially offset by the effects of foreign exchange. The Syndicate’s expense base is predominantly sterling denominated and the further significant strengthening of the US Dollar served to depress its converted value.

Net Foreign Exchange Gain/(Loss)

The Syndicate does not speculate on foreign currency and matches assets and liabilities at an individual currency level, holding its surplus in USD, thereby largely mitigating the effects of movements in exchange. As such, the impact of the large fluctuations in rates seen in 2016, was limited to a net gain of $0.8m (2015: $0.8m loss).

Richard Sutlow
Chief Financial Officer

Managing Agent's Report

The Directors of Antares Managing Agency Limited ('the Managing Agent') present their Report for the year ended 31 December 2016.

Directors

The names of the Directors who served during the year can be found in the Directors and Administration information on page 3.

Directors' Interests

None of the Directors hold any interests in Antares Managing Agency Limited.

The Managing Agent

The Managing Agent is Antares Managing Agency Limited (AMAL), whose registered office is 10 Lime Street, London, EC3M 7AA and registered number is 6646629.

Results

The Syndicate reports a fifth successive year of profitable performance in 2016. The Syndicate produced a profit of $30.2m (2015: $9.9m). The detailed results for the year and the key financial performance indicators during the year are set out in the Financial Review, pages 11 to 13.

Review of the Business

Syndicate 1274 is a provider of global insurance and reinsurance products. The Antares Group supports the vast majority of the capacity of Syndicate 1274. The parent company of the Antares Group is Antares Group Holdings Limited, a UK registered company. Antares Group Holdings Limited is wholly owned by Qatar Insurance Company SAQ (QIC), a publicly listed composite insurer listed on the Qatar Exchange.

Antares Underwriting Services Limited provides insurance services to the Syndicate under an outsourcing agreement with AMAL.

In line with the Antares Group's objective and strategy, the Syndicate contributes to the Group's strategy of controlled, profitable growth. The Syndicate provides a worldwide, diversified, range of insurance and reinsurance products and is dedicated to providing an efficient and effective service to its clients ensuring quality, security, continuity and a consistent approach to risk transfer.

A review of the Syndicate's business, and development during the year, is set out in the Managing Director's Overview, Active Underwriter's Review and Financial Review sections on pages 4 to 13. This includes information on key performance indicators and such information and analysis is hereby incorporated by reference into this report.

Financial Instruments

Details of financial instruments are provided in Note 21 to the accounts.

Going Concern

In assessing going concern for the Syndicate, the Directors reviewed the budgets and forecasts as well as the available sources of capital and the uses of that capital and associated cash flow for the Syndicate. After consideration of these factors and the support of the shareholders of the Antares Group, the Directors have concluded that it is appropriate to adopt the going concern basis of accounting.

Events after the Reporting Period and Future Developments

There are no events that are material to the operations of the Syndicate that have occurred since the reporting date (Note 23). The directors of the Syndicate do not anticipate any change to its strategy and will continue to maintain a balanced portfolio for 2017.

Principal Risk and Uncertainties

The Syndicate's activities expose the business to a number of risks which have the potential to affect the achievement of the business objectives. The Board of the Managing Agency (the AMAL Board) is responsible for maintaining an appropriate structure for managing these risks and acknowledges that it is not possible to eliminate risk(s) entirely. However, the AMAL Board seeks to manage risk in line with risk appetite by maintaining effective systems and controls.

Risk Categories

The Syndicate is exposed to risk in the following categories:

Underwriting Risk is defined as the risk that the frequency and severity of insured events exceeds the expectations of Syndicate 1274 at the time of underwriting.

Reserving Risk is defined as the risk of loss due to the previously established reserves for claims reported on previously exposed business turning out to be incorrect in terms of quantum or timing.

Claims Management Risk is the risk of loss or regulatory breach due to inappropriate claim management process and/or inadequate governance.

Credit Risk is defined as the risk of loss due to counterparty default or failure to fulfil their obligations. This is the risk of loss or of adverse change in AMAL's financial position, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which AMAL is exposed, in the form of counterparty default risk, spread risk, or market risk concentrations.

Managing Agent's Report (continued)

Market Risk is defined as the risk of loss, or of adverse change in the financial situation, resulting directly or indirectly from fluctuations in the volatility of market prices of assets, liabilities and financial instruments. It is the risk that the value of AMAL's basic own funds changes unfavourably, due to economic factors such as variations in interest rates.

Liquidity Risk is defined as the risk of loss, or inability to realise investments and other assets, in order to settle financial obligations when they fall due.

Operational Risk is defined as the risk of loss arising from inadequate or failed internal processes, people, and systems or from external events impacting AMAL's ability to operate. This risk encompasses all functions rendered in the course of conducting business. This includes legal and regulatory risk, but excludes risks arising from strategic and reputational risk.

Strategic Risk is defined as the risk to earnings or capital arising from adverse business decisions or improper implementation of those decisions. This risk is a function of the compatibility between AMAL's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, the quality of implementation and appropriateness of response to changing business conditions. This includes reputational risk that is recognised as a by-product of inappropriate and/or inadequate management and mitigation of other risk categories.

Regulatory risk is the risk that the Managing Agency fails to meet the regulatory requirements of the Financial Conduct Authority, the Prudential Regulation Authority and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. Antares Managing Agency Limited has a Compliance department that monitors regulatory developments and assesses the impact on Agency policy.

AMAL recognises **reputational risk** as a by-product of inappropriate/inadequate management and mitigation of all other risk categories.

Risk Governance

The AMAL Board is ultimately responsible for ensuring the effective management and control of risk affecting the Syndicate. The AMAL Board is committed to maintaining sound risk management and control systems that are suitable, effective and proportionate to protect the interests of all stakeholders. The AMAL Board has, for practical reasons, delegated its day-to-day responsibility for different aspects of the risk management to committees and the senior management.

Refer to Note 21 – Risk Management for more information on how the Syndicate 1274 monitors, controls, mitigates and manages the risks described above.

Disclosure of Information to the Auditors

The Directors each confirm that:

- so far as they are aware, there is no relevant audit information of which the Syndicate's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

Auditors

The Managing Agent intends to reappoint Deloitte LLP as the Syndicate's auditors.

By order of the Board

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J M Linsao

Company Secretary

15 February 2017

Statement of Managing Agent's Responsibilities

The Managing Agent is responsible for preparing the syndicate annual report and 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 and applicable law). The 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:

1. select suitable accounting policies and then apply them consistently;

2. make judgements and estimates that are reasonable and prudent;

3. state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the annual accounts; and

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

The 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 annual accounts comply with the 2008 Regulations. It is also responsible for safeguarding the assets of the syndicate and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

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

Independent Auditor's Report to the Members of Syndicate 1274

We have audited the syndicate annual financial statements for the year ended 31 December 2016 which comprise Statement of Comprehensive Income, Statement of Financial Position and the Statement of Cash Flows and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

Respective responsibilities of the managing agent and the auditor

As explained more fully in the Statement of Managing Agent's Responsibilities, the managing agent is responsible for the preparation of syndicate annual financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the syndicate annual financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the syndicate annual financial statements

An audit involves obtaining evidence about the amounts and disclosures in the annual financial statements sufficient to give reasonable assurance that the annual financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the syndicate's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the managing agent; and the overall presentation of the annual financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on syndicate annual financial statements

In our opinion the annual financial statements:

- give a true and fair view of the syndicate's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

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

In our opinion the information given in the Managing Agent's Report for the financial year in which the annual financial statements are prepared is consistent with the annual financial statements.

Independent Auditor's Report to the Members of Syndicate 1274 (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 requires us to report to you, if in our opinion:

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate 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.

Andrew Downes ACA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London
15 February 2017

Statement of Comprehensive Income

For the year ended 31 December 2016

Technical Account – General Business	Notes	2016 $000	2015 $000
Earned Premium, Net of Reinsurance			
Gross Premium Written	4	456,580	400,080
Outward Reinsurance Premium		(59,084)	(43,218)
Net Premiums Written		**397,496**	**356,862**
Change in the Provision for Unearned Premium			
Gross Amount		(34,193)	(19,082)
Reinsurers' Share		9,970	(1,639)
Net Change in Provision for Unearned Premium		**(24,223)**	**(20,721)**
Earned Premiums, Net of Reinsurance		**373,273**	**336,141**
Allocated Investment Return Transferred from the Non-Technical Account		**13,873**	**855**
Claims Incurred, Net of Reinsurance			
Claims Paid			
Gross Amount		(166,205)	(175,835)
Reinsurers' Share		8,790	31,125
Net Claims Paid		**(157,415)**	**(144,710)**
Change in the Provision for Claims			
Gross Amount		(64,336)	(46,842)
Reinsurers' Share		(2,959)	(19,835)
Net Change in the Provision for Claims	5	**(67,295)**	**(66,677)**
Claims Incurred, Net of Reinsurance		**(224,710)**	**(211,387)**
Net Operating Expenses	6	**(133,047)**	**(114,956)**
Balance on the Technical Account – General Business		**29,388**	**10,652**

All the amounts above are in respect of continuing operations.

Statement of Comprehensive Income
For the year ended 31 December 2016

		2016	2015
Non - Technical Account	Notes	$000	$000
Balance on General Business Account		29,388	10,652
Investment Income	10	10,780	5,547
Unrealised Gains/(losses)	10	3,966	(3,948)
Investment Expenses and Charges	10	(873)	(744)
Allocated Investment Return Transferred to General Business Technical Account		(13,873)	(855)
Exchange Gains/(losses)		847	(756)
Profit for the Financial Year		**30,236**	**9,896**

The Syndicate has no other comprehensive income other than the profit for the year.

Statement of Financial Position - Assets

at 31 December 2016

	Notes	2016 $000	2015 $000
Investments			
Financial Investments	9	467,008	391,120
Deposits with Ceding Undertakings		273	457
Reinsurers' Share of Technical Provisions			
Provision for Unearned Premiums	15	18,772	9,120
Claims Outstanding	15	56,276	61,043
		75,049	**70,163**
Debtors			
Debtors Arising out of Direct Insurance Operations	12	178,920	152,823
Debtors Arising out of Reinsurance Operations		52,607	55,897
Other Debtors		-	24
		231,527	**208,744**
Other Assets			
Cash and Cash Equivalents	13	44,559	43,899
Overseas Deposits	14	35,667	28,575
Prepayments and Accrued Income			
Other Prepayments and Accrued Income		1,573	2,530
Deferred Acquisition Costs	16	51,796	43,494
		53,369	46,024
Total Assets		**907,452**	**788,983**

Statement of Financial Position – Liabilities
at 31 December 2016

	Notes	2016 $000	2015 $000
Capital and Reserves			
Members' Balances	17	55,375	40,122
Technical Provisions			
Provision for Unearned Premiums	15	227,633	197,087
Claims Outstanding	15	527,577	477,796
		755,210	**674,883**
Deposits Received from Reinsurers		1,327	1,008
Creditors			
Creditors Arising out of Direct Insurance Operations	18	39,209	29,240
Creditors Arising out Reinsurance Operations		38,271	25,365
Other Creditors		18,061	18,365
		95,541	**72,970**
Total Liabilities		**907,452**	**788,983**

The annual accounts on pages 18 to 47 were approved by the Board of Antares Managing Agency Limited on 15 February 2017 and signed on its behalf by:

S D Redmond
Managing Director

15 February 2017

R A Sutlow
Chief Financial Officer

15 February 2017

Statement of Cash Flows
at 31 December 2016

	2016	2015
	$000	$000
Operating Result	**30,236**	**9,896**
Adjustments for non-cash items		
Unrealised (gains)/losses on investments	(3,966)	3,948
Changes in working capital		
Increase in gross technical provisions	98,528	65,925
(Increase)/decrease reinsurers' share of gross technical provisions	(7,012)	21,474
Increase in debtors	(35,350)	(17,571)
Increase in creditors	25,888	4,501
Movement in other assets/liabilities	445	486
Investment return	(9,906)	(4,802)
Net cash flows from operating activities	**98,863**	**83,857**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equity and debt instruments	(427,877)	(618,551)
Sale of equity and debt instruments	335,891	544,566
Investment income received	10,780	5,545
Other	(873)	(743)
Net cash flows from investing activities	**(82,080)**	**(69,183)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Profit distribution	(14,983)	(21,320)
Net cash flows from financing activities	**(14,983)**	**(21,320)**
Cash and cash equivalents at beginning of year	43,899	51,749
Effect of exchange rate fluctuations on cash and cash equivalents	(1,140)	(1,204)
Cash and cash equivalents at end of year	**44,559**	**43,899**
Cash at bank and in hand	44,559	43,899
Cash and cash equivalents at end of year	**44,559**	**43,899**

Notes to the Annual Accounts
at 31 December 2016

1. Managing Agent and Syndicate Information

The Managing Agent of Syndicate 1274 is Antares Managing Agency Limited ("AMAL"), whose registered office is 10 Lime Street, London, EC3M 7AA and registered number is 6646629. AMAL is a wholly owned subsidiary of Qatar Insurance Company SAQ ("QIC"), an insurance group listed on the Qatar Exchange.

The principal activity of Syndicate 1274 is the transaction of general insurance and reinsurance business in the United Kingdom.

2. Basis of Preparation

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

The annual accounts have been prepared on a going concern basis and a historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below. The Syndicate presents its annual accounts as an individual undertaking and not about its group.

3. Accounting Policies

(a) Premiums written

Premiums written comprise premiums on contracts incepted during the financial year as well as adjustments made in the year to premiums written in prior accounting periods. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Premiums include estimates for pipeline premiums, representing amounts due to the Syndicate not yet notified.

(b) Unearned premiums

Written premiums are recognised as earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

(c) Reinsurance premium ceded

Outwards reinsurance premiums are earned according to the type of policy. For losses occurring during (LOD) contracts the premium is earned on a straight line basis over the period of coverage. For risks attaching during (RAD) contracts the premium is earned in line with the gross premiums earned to which the risks attaching contract relates.

Notes to the Annual Accounts
at 31 December 2016

(d) Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with FRS 102 and 103 requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the year. The estimates and associated assumptions are based on historical experience and other factors as deemed reasonable and appropriate. The results of these factors allow judgements to be made in respect of the carrying values of assets and liabilities that are not readily apparent from other sources. The nature of estimation means that actual outcomes could differ from those estimates. Uncertainties exist where current valuations are dependent on estimates of future results.

The Syndicate's areas of estimation primarily relate to valuation of liabilities in respect of insurance and reinsurance contracts and valuation of investments.

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, or relates to an item of equity, it shall be recognised by adjusting the carrying amount of the related assets, liability or equity item in the period of change.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below and in Note 21 Risk Management.

(d) (i) Claims provisions and related recoveries

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years.

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

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

The reinsurers' share of provisions for claims is based on the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. A number of statistical methods are used to assist in making these estimates.

The two most critical assumptions regarding claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

The Directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the annual accounts for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

Notes to the Annual Accounts
at 31 December 2016

(d) (ii) Financial investments

The Syndicate classifies its investments as financial assets measured at fair value through profit or loss.

The Syndicate investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value at each reporting date. Fair value adjustments and realised gains and loss are recognised in the Income Statement.

The Syndicate uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Refer to Note 21 Risk Management for details on the Fair Value Hierarchy and fair value measurement criteria.

The Syndicate measures the fair value of its financial assets based on market data from independent pricing services. The pricing services used obtain the actual transaction prices for securities that have quoted prices in active markets. For those securities which are not actively traded, the pricing services use common market valuation pricing models. Observable inputs used in common market valuation pricing models include, but are not limited to, broker quotes, credit ratings, interest rates and yield curves, prepayment speeds, default rates and other such inputs which are available from market sources.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of the derivatives are recognised in profit or loss in finance costs as appropriate. The syndicate does not apply hedge accounting.

(e) Unexpired Risks Provision

A provision for unexpired risks is made where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

The provision for unexpired risks is calculated by reference to classes of business which are managed together, after taking into account relevant investment return.

(f) Deferred Acquisition Costs

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at year end.

Notes to the Annual Accounts
at 31 December 2016

(g) Foreign Currencies

The Syndicate's functional currency and presentational currency is US Dollars.

Foreign currency transactions are recorded in the functional currency using the exchange rates prevailing at the date of the transactions, or at the average rate for the period when this is a reasonable approximation. Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisition costs) denominated in foreign currencies are translated at period end exchange rates. Non-monetary assets and liabilities carried at historical cost denominated in a foreign currency are translated at historic rates. Non-monetary assets and liabilities carried at estimated fair value denominated in a foreign currency are translated at the exchange rate at the date the estimated fair value was determined.

Exchange differences are recorded in the non-technical account.

(h) Investment Return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

Realised gains and losses on investments are calculated as the difference between sale proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments relate to the technical account.

(i) 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 are included in the balance sheet under the heading "other debtors".

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

(j) Pension Costs

Antares Underwriting Services Limited operates a defined contribution scheme for staff working on behalf of Antares Syndicate 1274. Pension contributions relating to these members of staff are charged to the Syndicate and included within net operating expenses. Antares Underwriting Services Limited is a wholly owned subsidiary within the Antares Group.

Notes to the Annual Accounts
at 31 December 2016

4. Segmental Analysis

An analysis of the underwriting result before investment return for 2016 and 2015 is set out below:

2016	Gross Written Premiums $000	Gross Premiums Earned $000	Gross Claims Incurred $000	Gross Operating Expenses $000	Reinsurance Balance $000	Total $000	Net Technical Provisions $000
Marine, Aviation and Transport	192,628	193,914	(102,827)	(64,321)	(16,076)	10,690	(270,317)
Reinsurance	69,376	69,864	(23,555)	(15,949)	(9,725)	20,635	(63,349)
Specialty	164,019	140,066	(95,845)	(45,531)	(13,910)	(15,220)	(322,924)
Property	30,557	18,543	(8,313)	(7,246)	(3,571)	(588)	(23,572)
	456,580	**422,387**	**(230,541)**	**(133,047)**	**(43,283)**	**15,516**	**(680,162)**

2015	Gross Written Premiums $000	Gross Premiums Earned $000	Gross Claims Incurred $000	Gross Operating Expenses $000	Reinsurance Balance $000	Total $000	Net Technical Provisions $000
Marine, Aviation and Transport	192,482	199,696	(118,670)	(61,156)	(15,661)	4,209	(263,689)
Reinsurance	64,956	64,375	(12,066)	(14,082)	(12,907)	25,320	(57,490)
Specialty	138,044	115,928	(91,458)	(37,873)	(4,948)	(18,351)	(277,934)
Property	4,599	999	(483)	(1,845)	(52)	1,381	(5,607)
	400,080	**380,998**	**(222,677)**	**(114,956)**	**(33,568)**	**9,797**	**(604,720)**

Commissions on direct insurance gross premiums earned were $91,220,760 during 2016 and $69,325,000 during 2015.

Gross Operating Expenses include reinsurance commission's receivable.

All premium transactions were concluded in the UK and Singapore.

Notes to the Annual Accounts
at 31 December 2016

4. Segmental Analysis (continued)

The geographical analysis of premiums by destination (or by situs of the risk) is as follows:

	2016	2015
	$000	$000
UK	50,360	64,053
Other EU Countries	33,986	44,382
US	153,071	93,390
Central & South America	41,619	37,804
Japan	14,965	12,896
Australia	20,557	17,029
Other	142,022	130,526
Total	**456,580**	**400,080**

5. Change in Net Provision for Claims

The change in net provision for claims is made up of the following:

	2016	2015
	$000	$000
Outstanding Claims	25,665	40,523
Claims Incurred but not Reported	38,050	24,347
Claims Handling Expenses Provision	3,580	1,807
Change in Net Provision for Claims	**67,295**	**66,677**

The movement in the net provision for claims includes a deterioration of ($7,197,000) in respect of claims outstanding at the previous year end (2015: release $6,284,000). The deterioration comprises net claims including the change in claims incurred but not reported ('IBNR').

Notes to the Annual Accounts
at 31 December 2016

6. Net Operating Expenses

	2016	2015
	$000	$000
Acquisition costs	100,140	77,063
Change in deferred acquisition costs	(9,945)	(4,892)
Acquisition costs – other	18,372	14,549
Change in deferred acquisition costs – other	(2,794)	(503)
Administrative expenses	30,193	29,847
	135,967	**116,064**
Reinsurance commissions receivable	(2,920)	(1,108)
Net operating expenses	**133,047**	**114,956**

Administrative Expenses Include:

	2016	2015
	$000	$000
Auditors' Remuneration		
Audit Services	297	307
Actuarial and Tax Services	-	-
Members' Standard Personal Expenses (Lloyd's Subscription, New Central Fund Contributions, Managing Agent's Fees and Profit Commission)	4,313	4,016

7. Staff Numbers and Costs

All staff are employed by either Antares Underwriting Services Limited or Antares Underwriting Asia PTE Limited. The following amounts were recharged to the Syndicate in respect of salary costs:

	2016	2015
	$000	$000
Wages and Salaries	25,685	22,060
Social Security Costs	3,278	2,931
Other Pension Costs	1,473	1,668
Other Staff Costs including Recruitment, Training and Medical Insurance	1,605	1,698
	32,041	**28,357**

Notes to the Annual Accounts
at 31 December 2016

7. Staff Numbers and Costs (continued)

The average number of employees employed by Antares Underwriting Services Limited and Antares Underwriting Agency Limited and working for the Syndicate during the year was as follows:

	2016	2015
	Number	Number
Executive	5	5
Underwriting	50	41
Underwriting Support and Claims	32	31
Finance and Administration	51	50
	138	**127**

8. Emoluments of the Directors of Antares Managing Agency Limited

The Directors of Antares Managing Agency Limited received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2016	2015
	$000	$000
Total Emoluments	**5,021**	**5,942**

The active underwriter received the following remuneration charged as a syndicate expense:

	2016	2015
	$000	$000
Total Emoluments	**913**	**1,169**

No advances or credits were granted by the Managing Agent to any of its Directors during the year.

9. Financial Investments

	Market Value		Cost	
	2016	2015	2016	2015
	$000	$000	$000	$000
Shares and Other Variable Yield Securities and Units in Unit Trusts	76,448	64,896	74,349	64,468
Debt Securities and other Fixed Income Securities	347,238	298,338	348,070	301,892
Participation in Investment Pools	39,695	27,886	39,785	27,886
Deposits with Credit Institutions	3,626	-	3,626	-
	467,008	**391,120**	**465,831**	**394,246**

Notes to the Annual Accounts
at 31 December 2016

10. Investment Income and Expenses

	2016	2015
	$000	$000
Investment Income		
Income from Investments	11,570	9,454
Realised Losses on Investments	(790)	(3,907)
Unrealised Gains/(losses) on Investments	3,966	(3,948)
	14,746	**1,599**
Investment Expenses and Charges		
Investment Management Expenses	(873)	(744)

11. Calendar Year Investment Yield

The average amount of syndicate funds available for investment during 2016 and the investment return and yield for that calendar year was as follows:

	2016	2015
	$000	$000
Average Fund	505,414	437,898
Investment Return	14,746	1,599
Calendar Year Investment Yield	2.9%	0.4%
Average Funds Available for Investment by Currency		
United States Dollars and Other	$396,523	$335,012
Sterling	£57,750	£50,469
Canadian Dollars	C$37,867	C$27,399
Analysis of Calendar Year Investment Yield by Fund	%	%
United States Dollars and Other	2.9	0.3
Sterling	3.9	0.3
Canadian Dollars	0.9	1.0

“Average fund” is the average of bank balances, overseas deposits and investments held during the calendar year.

Notes to the Annual Accounts
at 31 December 2016

12. Debtors Arising out of Direct Insurance Operations

	2016	2015
	$000	$000
Due from Intermediaries	**178,920**	**152,823**

There were no balances due from policyholders arising out of direct insurance operations as at 31 December 2016 (2015: $nil).

13. Cash and Cash Equivalents

Cash and cash equivalents include cash at bank and in hand, as well as other short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes as per the FRS 102 standard. The cash equivalents include selected balances of holdings in collective investment schemes meeting the cash equivalent criteria.

14. Overseas Deposits

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries. These assets are managed by Lloyd's on a pooled basis and are predominantly invested in fixed income securities.

15. Insurance Contracts and Reinsurance Contracts

	2016			2015		
	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net
	$000	$000	$000	$000	$000	$000
Claims Outstanding	527,577	56,276	471,300	477,796	61,043	416,753
Provision for Unearned Premiums	227,633	18,772	208,861	197,087	9,120	187,967
	755,210	**75,049**	**680,161**	**674,883**	**70,163**	**604,720**
Contracts due no more than 12 months after the reporting date	413,515	50,891	362,625	432,372	52,882	379,490
Contracts due more than 12 months after the reporting date	341,695	24,158	317,537	242,511	17,283	225,228
	755,210	**75,049**	**680,162**	**674,883**	**70,163**	**604,720**

Notes to the Annual Accounts
at 31 December 2016

15. Insurance Contracts and Reinsurance Contracts (continued)

(a) Movement in Claims Outstanding

	2016			2015		
	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net
	$000	$000	$000	$000	$000	$000
Balance at 1 January	477,796	61,043	416,752	446,119	83,207	362,912
Movements During the Year	64,336	(2,959)	67,295	46,843	(19,835)	66,678
Impact of Foreign Exchange	(14,555)	(1,808)	(12,747)	(15,166)	(2,329)	(12,837)
Balance at 31 December	**527,577**	**56,276**	**471,300**	**477,796**	**61,043**	**416,753**

(b) Movement in Unearned Premium

	2016			2015		
	Insurance Contract Liabilities	Reinsurance Contracts	Net	Insurance Contract Liabilities	Reinsurance Contracts	Net
	$000	$000	$000	$000	$000	$000
Balance at 1 January	197,087	9,120	187,967	183,381	10,962	172,419
Premiums Written During the Year	456,581	59,084	397,497	400,080	43,218	356,862
Premiums Earned During the Year	(422,388)	(69,054)	(353,334)	(380,998)	(41,579)	(339,419)
Impact of Foreign Exchange	(3,647)	19,622	(23,269)	(5,376)	(3,481)	(1,895)
Balance at 31 December	**227,633**	**18,772**	**208,861**	**197,087**	**9,120**	**187,967**

Notes to the Annual Accounts
at 31 December 2015

16. Deferred Acquisition Costs

	2016	2015
	$000	$000
Balance as 1 January	43,494	39,526
Charges during the year	9,945	5,306
Impact of Foreign Exchange	(1,643)	(1,338)
Deferred Acquisitions Costs	**51,796**	**43,494**

17. Reconciliation of Members' Balances

	Total Balance
	$000
Members' Balances Carried Forward at 1 January 2015	51,547
Settlement of 2012 Year of Account Profit	(21,321)
Other Recognised Gains	-
2015 Financial Year Profit	9,896
Members' Balances Carried Forward at 31 December 2015	**40,122**
Settlement of 2013 Year of Account Profit	(14,983)
2016 Financial Year Profit	30,236
Members' Balances Carried Forward at 31 December 2016	**55,375**

Members participate on syndicates by reference to Years of Account and their forecast ultimate result; assets and liabilities are assessed with reference to policies incepting in that Year of Account in respect of their membership of a particular year.

18. Creditors Arising out of Direct Insurance Operations

	2016	2015
	$000	$000
Due to Intermediaries	**39,209**	**29,240**

There were no balances due to policyholders arising out of direct insurance operations as at 31 December 2016 (2015: £nil).

Notes to the Annual Accounts
at 31 December 2016

19. Related Parties

a) Related party insurance and reinsurance transactions with Syndicate 1274

During the year the Syndicate entered into transactions in the ordinary course of business with Qatar Insurance Company SAQ (QIC) as well as Qatar Reinsurance Company Limited (QRE), a subsidiary of QIC. QIC is the ultimate parent of the Antares Group that supports the majority of the capacity of Syndicate 1274.

	2016			**2015**		
	Qatar Insurance Company	Qatar Reinsurance Company Limited	Total	Qatar Insurance Company	Qatar Reinsurance Company Limited	Total
	$000	$000	$000	$000	$000	$000
Gross Written Premium	2,376	9	2,386	814	1	815
Reinsurance Written Premium	7,584	10,952	18,536	2,204	1,424	3,628
Gross Claims Paid	336	-	336	223	-	223
Reinsurance Recoveries	32	-	32	123	-	123
Gross Claims Outstanding	1,017	-	1,017	249	37	286
Reinsurance Claims Outstanding	656	263	919	509	261	770
Due from Related Party	-	-	-	64	-	64
Due to Related Party	(1,272)	-	(1,272)	-	(498)	(498)

b) Other related transactions with Syndicate 1274

During 2016, managing agency fees were charged to the Syndicate as follows:

	2016	**2015**
	$000	$000
Antares Managing Agency Limited	**629**	**964**

Antares Managing Agency Limited also charged the Syndicate $30,182,000 (2015: $38,550,000) for expenses paid on its behalf. A balance of $11,209,000 was due to Antares Managing Agency Limited at 31 December 2016 (2015: $7,899,000), $377,000 (2015: $235,000) was due to Antares Underwriting Asia PTE Ltd, $2,925,839 (2015: $nil) was due to Antares Underwriting Limited and $474,195 was due to Antares Capital I Limited (2015: $nil).

Notes to the Annual Accounts
at 31 December 2016

20. Funds at Lloyd's

Every member at Lloyd's is required to hold capital 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.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on FCA/PRA requirements and resource criteria. The amount of FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the Managing Agent, no amount has been shown in these annual accounts by way of such capital resources. However, the Managing Agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses.

21. Risk Management

Principal Risk and Uncertainties

The Syndicate's activities expose the business to a number of risks which have the potential to affect the achievement of the business objectives. The Board is responsible for maintaining an appropriate structure for managing these risks and acknowledges that it is not possible to eliminate risk entirely. However, the Board seeks to manage risk in line with risk appetite by maintaining effective systems and controls.

The Syndicate is exposed to risk in the following categories:

Insurance Risk: Underwriting Risk is defined as: "The risk that the frequency and severity of insured events exceeds the expectations of Syndicate 1274 at the time of underwriting".

Reinsurance is an important risk mitigation tool employed by the Syndicate to reduce its exposure to Underwriting Risk. Reinsurance strategy is developed as part of the Three Year Business Plan and the Annual Business Plan, with reference to the overall risk appetite of the Syndicate, historical and projected future reinsurance costs, and potential sources of capital alternatives. The reinsurance strategy is approved by the AMAL Board and implemented by senior management.

The other risk mitigation techniques/tools in respect of the Underwriting Risk include: increasing diversification; altering limits and attachment points; and changing product mix (including classes of business and territories).

Underwriting Risk is managed through underwriting authorities, and both peer and independent expert review procedures. Pricing is determined through the use of bespoke pricing models. Underwriting authorities are monitored through systems which report adherence to individual underwriter limits (including contract limits and jurisdiction restrictions). Any delegated underwriting authorities are subject to diligence review, and regular audit.

Realistic Disaster Scenario (RDS) and Probable Maximum Loss (PML) limits are set to limit the exposure to underwriting risk. Aggregate and Class of Business exposures are assessed and monitored, in line with the Exposure Management Framework, to control the risk from the underwriting activities.

Detailed underwriting management information is prepared regularly, including metrics for the main components of risk. These include pricing, loss ratio selection, experience variations, cycle management, reinsurance protection and catastrophe modelling through proprietary software.

Notes to the Annual Accounts
at 31 December 2015

21. Risk Management (continued)

The table below sets out the concentration of outstanding claims liabilities by division:

	2016			2015		
	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net
	$000	$000	$000	$000	$000	$000
Marine, Aviation and Transport	192,157	16,966	175,191	183,048	17,567	165,481
Reinsurance	62,676	12,983	49,694	61,665	18,579	43,086
Specialty	264,267	25,985	238,281	230,992	24,814	206,178
Property	8,477	342	8,134	2,091	83	2,008
Total	**527,577**	**56,276**	**471,300**	**477,796**	**61,043**	**416,752**

The table below sets out the concentration of outstanding claims liabilities by geographic area:

	2016			2015		
	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net
	$000	$000	$000	$000	$000	$000
UK	58,193	6,207	51,985	76,495	9,773	66,722
Other EU Countries	39,271	4,189	35,082	53,003	6,772	46,231
US	176,873	18,867	158,006	111,531	14,249	97,282
Central & South America	48,090	5,130	42,960	45,147	5,768	39,379
Japan	17,292	1,844	15,447	15,401	1,968	13,433
Australia	23,753	2,534	21,219	20,337	2,598	17,739
Other	164,105	17,505	146,600	155,882	19,915	135,967
Total	**527,577**	**56,276**	**471,300**	**477,796**	**61,043**	**416,752**

Notes to the Annual Accounts
at 31 December 2016

21. Risk Management (continued)

Insurance Risk: Reserving Risk is defined as: “The risk of loss due to the previously established reserves for claims reported on previously exposed business being incorrect in terms of quantum or timing”.

The Reserving Policy and Technical Provisions Framework, approved by the AMAL Board and the Finance Committee, sets out the detailed principles, methodologies, practice and governance arrangements for the estimation of reserves and technical provisions.

The reserving policy seeks to ensure consistency in reserving from year to year, and the equitable treatment of capital providers on closure of a Syndicate Year of Account.

Reserving risk is monitored by the robust application of actuarial methodologies, sign-off procedures, quarterly tracking of projected ultimate loss ratios and reassessment of methodologies where appropriate. Regular dialogue between actuaries, underwriters and claims adjusters also assists the process.

The claims liabilities are sensitive to a number of assumptions. A key, quantifiable, assumption is the average claim cost. If the average claim cost were to increase by 1%, Profit and Members’ Balances would be impacted by $4.7m (2015: $4.2m).

Insurance Risk: Claims Management Risk is the risk of loss or regulatory breach due to inappropriate claim management process and/or inadequate governance.

Claims related risks are managed through a number of control activities and Key Performance Indicators that range from claim authority and claims processing time to potential significant loss event reporting and outstanding case reserve monitoring.

Claims development tables are shown on an underwriting year basis; these set out the development of claims over time on a gross and net of reinsurance basis (without any adjustment for any impact from changes to projected premiums). These claims are shown on an earned basis for each successive development year. Balances have been translated at exchange rates prevailing at 31 December 2016 in all cases.

Notes to the Annual Accounts
at 31 December 2016

21. Risk Management (continued)

Whole Account Underwriting Year	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**Total**
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Gross Claims										
Estimate of incurred gross claims										
At the end of underwriting year	142,613	75,042	99,199	95,275	102,670	102,788	101,751	101,954	113,309	
One year later	193,678	166,546	197,739	151,843	158,484	170,451	192,589	191,184	-	
Two years later	195,630	149,877	202,224	164,347	174,440	183,933	203,214	-	-	
Three years later	209,322	158,525	206,393	171,086	141,355	180,767	-	-	-	
Four years later	209,978	166,283	206,038	174,535	185,418	-	-	-	-	
Five years later	203,050	161,865	206,415	178,142	-	-	-	-	-	
Six years later	208,059	165,410	208,906	-	-	-	-	-	-	
Seven years later	209,137	165,974	-	-	-	-	-	-	-	
Eight years later	208,456	-	-	-	-	-	-	-	-	
Gross paid claims position										
At the end of underwriting year	21,501	6,860	17,182	11,792	10,042	17,811	11,674	6,728	9,574	
One year later	69,023	58,757	72,325	55,502	63,351	62,948	61,034	56,138	-	
Two years later	111,907	90,588	121,160	98,486	104,894	104,883	100,929	-	-	
Three years later	137,374	112,985	150,115	119,620	129,350	124,660	-	-	-	
Four years later	150,053	120,794	161,272	134,394	139,244	-	-	-	-	
Five years later	168,527	132,421	180,504	150,511	-	-	-	-	-	
Six years later	182,533	142,400	190,668	-	-	-	-	-	-	
Seven years later	185,468	143,138	-	-	-	-	-	-	-	
Eight years later	192,931	-	-	-	-	-	-	-	-	
Gross claims reserve	**15,525**	**22,836**	**18,238**	**27,631**	**46,174**	**56,107**	**102,285**	**135,045**	**103,735**	**527,577**

Notes to the Annual Accounts
at 31 December 2016

21. Risk Management (continued)

Whole Account Underwriting Year	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**Total**
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Net Claims										
Estimate of ultimate gross claims										
At the end of underwriting year	97,015	64,454	76,191	80,606	69,982	93,610	92,272	95,130	103,912	
One year later	156,123	124,039	149,218	132,581	122,384	161,394	180,774	184,707		
Two years later	158,861	114,199	145,791	139,859	139,942	178,115	191,163	-		
Three years later	166,723	117,247	148,454	143,903	141,922	176,114	-	-		
Four years later	167,385	125,471	147,475	147,585	152,373	-	-	-		
Five years later	165,955	121,158	145,346	152,037	-	-	-	-		
Six years later	168,955	120,621	144,017	-	-	-	-	-		
Seven years later	170,074	125,038								
Eight years later	170,883	-	-	-	-	-	-	-		
Net paid claims position										
At the end of underwriting year	19,943	5,804	14,318	11,792	10,042	17,327	11,674	6,653	9,572	
One year later	53,887	51,955	63,457	51,232	51,395	61,917	61,032	56,057	-	
Two years later	90,758	73,321	100,796	85,821	84,498	102,594	100,826	-	-	
Three years later	111,856	91,471	119,038	99,505	104,692	122,329	-	-	-	
Four years later	122,580	96,026	124,613	111,713	113,110	-	-	-	-	
Five years later	135,799	106,670	126,557	126,499	-	-	-	-	-	
Six years later	146,537	111,731	131,628	-	-	-	-	-	-	
Seven years later	149,338	112,936								
Eight years later	155,986	-	-	-	-	-	-	-		
Net claims reserve	**14,897**	**12,102**	**12,389**	**25,538**	**39,263**	**53,785**	**90,337**	**128,651**	**94,339**	**471,301**

Notes to the Annual Accounts
at 31 December 2016

21. Risk Management (continued)

Credit Risk is defined as: "The risk of loss due to counterparty default or failure to fulfil their obligations". This is the risk of loss or of adverse change in the Syndicate's financial position, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which the Syndicate is exposed, in the form of counterparty default risk, spread risk, or market risk concentrations.

Syndicate Investment Guidelines are approved by the AMAL Board and include details of permitted securities (including limits), minimum credit ratings and maximum concentrations, to mitigate credit and counterparty default risk exposures in respect of the investment portfolio. Adherence to these guidelines is monitored on a monthly basis.

The Syndicate deals primarily with brokers that are registered with Lloyd's and with which it has a current, signed Terms of Business Agreement (TOBA). The financial standing of the brokers, their payment performance and adherence to approved procedures is monitored and all exceptions are escalated to the Security Committee, which recommends a bad and doubtful debt provision to be applied against amounts due from brokers.

The Security Committee sets reinsurer exposure thresholds based on credit ratings. This is supported by placing limits on exposure to a single reinsurer in respect of the largest Realistic Disaster Scenario exposures. Reinsurer exposures are monitored on a regular basis and reported to the Security Committee, which considers the ongoing appropriateness of the thresholds and agrees strategies for reducing exposure in respect of any breaches. The Security Committee also monitors the creditworthiness of approved reinsurers, their payment performance and sets out bad debt write-off provisions. All commutation agreements are approved by the Finance Committee.

The Syndicate's maximum exposure to counterparty credit risk analysed by credit quality is detailed below.

As at 31 December 2016	**AAA**	**AA**	**A**	**BBB & Below**	**Lloyd's syndicates**	**Unrated**	**Total**
	$000	$000	$000	$000	$000	$000	$000
Financial investments	35,212	137,426	117,826	175,183	-	37,027	502,675
Cash and cash equivalents	10,653	1,199	28,652	4,054	-	0	44,559
Insurance and other receivables	-	-	-	-	-	273	273
Reinsurance contracts assets	-	11,299	20,880	-	21,288	6,248	59,715
	45,865	**149,924**	**167,359**	**179,237**	**21,288**	**43,548**	**607,221**

As at 31 December 2015	**AAA**	**AA**	**A**	**BBB & Below**	**Lloyd's syndicates**	**Unrated**	**Total**
	$000	$000	$000	$000	$000	$000	$000
Financial investments	124,453	5,849	166,088	123,305	-	-	419,695
Cash and cash equivalents	13,472	-	21,169	9,258	-	-	43,899
Insurance and other receivables	-	-	-	-	-	209,200	209,200
Reinsurance contracts assets	-	202	27,058	-	25,937	7,847	61,043
	137,925	**6,051**	**214,315**	**132,563**	**25,937**	**217,047**	**733,838**

Notes to the Annual Accounts
at 31 December 2016

21. Risk Management (continued)

Overdue reinsurance receivables, including premiums and claims, were as follows:

Overdue Reinsurance Receivable	0-1 month	2-3 months	4-6 months	7-12 months	Total
	$000	$000	$000	$000	$000
At 31 December 2016	**(351)**	**(2,299)**	**1,496**	**(904)**	**(2,057)**
At 31 December 2015	485	(887)	2,009	(50)	1,557

Market Risk is defined as: "The risk of loss, or of adverse change in the financial situation, resulting directly or indirectly from fluctuations in the volatility of market prices of assets, liabilities and financial instruments". Market risk is driven by currency risk, interest risk, and spread risk as follows:

Currency Risk: the sensitivity of the values of assets, liabilities and financial instruments to changes in the level, or in the volatility of, currency exchange rates.

The Syndicate underwrites a significant proportion of business in currencies other than US Dollars, which gives rise to a potential exposure to currency risk. In addition, the Syndicate has a natural currency mismatch, as a higher proportion of its expenses are incurred in Sterling.

The most significant non-US Dollar currency exposure relates to Sterling and Euro.

Currency risk is controlled through an Asset Liability Matching (ALM) process. The ALM process is performed on a quarterly basis to achieve alignment of assets and liabilities in currency, to address any mismatch between currency premiums and claims, and the natural mismatch between US Dollar income and Sterling expenses. The income and expenditure process is performed on an annual basis and, in particular, endeavours to align the currency mix of outward reinsurance premiums paid with that of related inwards premium received. AMAL does not specifically target asset liability matching for duration. Benchmarks are broadly in line with average liabilities on the main trust fund assets, and deliberate mismatching is viewed as a valid strategy to limit any losses arising from interest rate risk and, where possible, to enhance returns.

The syndicate uses derivative financial instruments as an economic hedge for the risk of revaluation of net monetary assets denominated in non-functional currency. The syndicate does not apply hedge accounting. The marked to market value of open contracts at 31 December 2016 is $36k (2015:$0)

If the Sterling and the Euro were to weaken against the US Dollar by 10%, with all other variables constant, profit would be lower by an estimated $1.3m (2015: $0.5m). This analysis is based on the current information available and the assumptions in making this assessment are:

- The closing year-end spot rates and average rates throughout the year are 10% higher
- There is no active hedging of currency during the period
- The analysis includes an estimate of the impact on foreign borrowings
- The impact of foreign exchange movements on non-monetary items is assumed to be nil

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at 31 December 2015

21. Risk Management (continued)

Interest Risk: the sensitivity of the values of assets, liabilities and financial instruments to changes in the term structure of interest rates, or in the volatility of interest rates.

Interest rate risk is the risk that the value and/or future cash flows of a financial instrument will fluctuate due to changes in interest rates. The Syndicate's exposure to interest rate risk is spread across the Syndicate's investment portfolio, and cash and cash equivalents.

In managing interest rate risk, the Syndicate currently invests in short duration financial investments, cash and cash equivalents. Interest rate risk is controlled by imposing maximum duration limits to the conventional fixed income assets, as defined in the investment guidelines provided to investment managers.

Duration is a commonly used measure of risk and gives an indication of the likely sensitivity of the Syndicate's portfolio of fixed interest securities to changes in interest rates. The average duration for investment assets is 3.5 years (2015: 3.8 years).

The Syndicate's financial assets comprise a portfolio of fixed income securities, UCITS funds and bank deposits. The portfolio of fixed income securities is managed by professional fund managers, under a segregated investment mandate, and in accordance with guidelines approved by the AMAL Board. The guidelines permit investment in a range of fixed income investment products, including government securities, corporate bonds and asset backed securities, as well as a modest allocation to equities and other alternative investments.

An increase of 50 basis points in interest rates, with all other variables constant, would decrease the valuation of the Syndicate's investments by an estimated 157 basis points. Therefore if interest rates were to increase by 0.5%, with all other variables constant, profit would be lower by an estimated $9.1m (2015: $7.5m).

A comparable decrease in interest rates would increase the valuation by an estimated 1.48 basis points.

Spread Risk: the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure.

Volatility (spread risk) is controlled by imposing Value at Risk (VaR) limits, at a specified confidence level and time period, to the overall investment funds. This is reviewed on a quarterly basis by the Finance Committee.

Fair value hierarchy

The tables below summarise the fair value hierarchy for the Syndicate. The levels of the fair value hierarchy are defined as follows:

- Level 1 – Fair values are measured using quoted prices (unadjusted) in active markets for identical instruments
- Level 2 – When quoted prices are unavailable, fair values are measured using the price of a recent transaction for an identical instrument. The price can be adjusted if it can be demonstrated that the last transaction price is not a good estimate of fair value.
- Level 3 – Fair values measured using valuation techniques. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

The Syndicate measures the fair value of its financial assets based on prices provided by investment managers (who obtain market data from independent pricing services). These are reviewed by the finance team. The pricing services used by the investment manager obtain the actual transaction prices for securities that have quoted prices in active markets. For those securities which are not actively traded, the pricing services use common market valuation pricing models. Observable inputs used in common market valuation pricing models include, but are not limited to, broker quotes, credit ratings, interest rates and yield curves, prepayment speeds, default rates and other such inputs which are available from market sources.

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21. Risk Management (continued)

At 31 December 2016:

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial investments	305,823	196,852	-	502,675

As restated

At 31 December 2015:

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial investments	264,302	155,393	-	419,695

Level 1 of the hierarchy includes all government bonds/bills and corporate bonds only which are measured based on prices representing actual and regularly occurring market transactions. Level 2 of the hierarchy includes all other financial assets. The Syndicate has no Level 3 financial assets.

In March 2016 the FRC issued an amendment to FRS102 which impacted the fair value hierarchy disclosures. The amended disclosures are effective for accounting periods beginning on or after 1 January 2017. However the revised standard does also permit early adoption and, to ensure consistency of disclosures in the aggregate accounts, the Syndicate has restated 2015 comparative.

There have been no transfers between level 1 and level 2 in either direction in 2015 or 2016.

Liquidity Risk is defined as: "The risk of loss, or inability to realise investments and other assets, in order to settle financial obligations when they fall due."

Liquidity policy includes a specific requirement to hold sufficient funds in working capital to meet the following quarter's estimated claims liabilities and this position is reviewed by the Finance Committee on a quarterly basis. Additionally, an annual stress test is performed to ensure that sufficient liquidity is maintained in order to meet a Realistic Disaster Scenario ("RDS") event without unnecessary cost to AMAL. Rolling 12-month cash flow projections, in each of the underlying main operating currencies, are prepared quarterly, reviewed against available liquid funds and used in the quarterly balance sheet asset liability matching exercise. The review recognises the restrictions placed on funds committed to meet Lloyd's overseas trust fund requirements. Liquidity requirements for all accounts and respective currency amounts are determined periodically via a process of analysis of historic daily settlements.

A summary showing the undiscounted expected timing of future cash flows is as follows (insurance contract liabilities and reinsurance contract assets have been analysed based on actuarial cash flow estimates):

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at 31 December 2016

21. Risk Management (continued)

At 31 December 2016:

	0-1years	1-3 years	3-5 years	> 5 years	Total
	$000	$000	$000	$000	$000
Financial investments	141,344	137,183	85,819	102,662	467,008
Cash and cash equivalents	44,559	-	-	-	44,559
Overseas Deposits	35,667	-	-	-	35,667
Insurance and other receivables	283,595	-	-	-	283,595
Reinsurance contracts assets	50,9892	10,137	11,346	2,675	75,049
Other assets	1,576	-	-	-	1,576
Total assets	557,631	147,320	97,165	105,337	907,452
Insurance contracts liabilities	413,515	190,284	123,243	28,167	755,210
Provisions, reinsurance and other payables	96,868	-	-	-	96,868
Total liabilities	510,383	190,284	123,243	28,167	852,078
Net assets	47,248	(42,965)	(26,078)	77,170	55,375

At 31 December 2015

	< 1years	1-3 years	3-5 years	> 5 years	Total
	$000	$000	$000	$000	$000
Financial investments	86,722	143,003	32,999	128,396	391,120
Cash and cash equivalents	43,899	-	-	-	43,899
Overseas Deposits	28,575	-	-	-	28,575
Insurance and other receivables	252,671	-	-	-	252,671
Reinsurance contracts assets	52,881	7,376	7,631	2,275	70,163
Other assets	2,554	-	-	-	2,554
Total assets	467,302	150,379	40,630	130,671	788,983
Insurance contracts liabilities	432,372	141,862	79,330	21,318	674,883
Provisions, reinsurance and other payables	73,978	-	-	-	73,978
Total liabilities	506,350	141,862	79,330	21,318	748,860
Net assets	(39,048)	8,518	(38,751)	109,352	40,071

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21. Risk Management (continued)

Operational Risk is defined as: “The risk of loss arising from inadequate or failed internal processes, people, systems or from external events impacting the Syndicate’s ability to operate. This risk encompasses all functions rendered in the course of conducting business. This includes legal and regulatory risk, but excludes risks arising from strategic and reputational risk”.

AMAL has formally documented policies and procedures for all key aspects of the business that define the end-to-end business processes, provide guidelines, put in place appropriate governance structures and include control activities to ensure the robustness of the business operations. Internal Audit provides independent assurance over the robustness of the business operations and compliance with the internal policies/procedures.

Strategic Risk is defined as: “The risk to earnings or capital arising from adverse business decisions or improper implementation of those decisions. This risk is a function of the compatibility between the Group’s strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, the quality of implementation and appropriateness of response to changing business conditions. This includes reputational risk that is recognised as a by-product of inappropriate/inadequate management and mitigation of other risk categories”.

The Syndicate mitigates this risk through a variety of planning techniques including robust business planning, stress and scenario testing and capital contingency planning

Regulatory risk is the risk that the Managing Agency fails to meet the regulatory requirements of the PRA, FCA and Lloyd’s. Lloyd’s requirements include those imposed on the Lloyd’s market by overseas regulators, particularly in respect of US situs business. AMAL has a Compliance department that monitors regulatory developments and assesses the impact on agency policy.

Risk Governance

The AMAL Board is ultimately responsible for ensuring the effective management and control of risk affecting the Syndicate. The AMAL Board is committed to maintaining sound risk management and control systems that are suitable, effective and proportionate to protect the interests of all stakeholders, including those of its capital providers and policyholders. The AMAL Board has, for practical reasons, delegated its day-to-day responsibility for different aspects of the risk management to committees and the senior management.

The AMAL Board utilises a “Three Lines of Defence” model for risk governance.

First Line: Those individuals undertaking any activity or making decisions on behalf of Antares are responsible for managing the risk that is attached to that activity. They are the ‘first risk managers’.

Second Line: Those functions and executive level committees responsible for the provision of the risk management framework and policies within which the First Line is expected to operate and who are responsible for providing assurance to the Board of adherence to that framework.

Third Line: Oversight of the above by the Board, Audit Committee together with Internal Audit. The majority of risk reporting is through the Risk, Actuarial and Exposure Management Departments, that routinely engage individual business units and report to the Board and its Committees.

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21. Risk Management (continued)

Risk Appetite

Risk Appetite is the amount of risk that the AMAL Board is prepared to take in pursuit of its objectives. Although set by the AMAL Board, Risk Appetite is driven by key stakeholders and includes both qualitative and quantitative statements.

The Risk Appetite Statement covers all material risk categories (Underwriting, Reserve, Credit, Market, Liquidity and Operational Risk). In addition, it details the approved Risk Appetite and Risk Tolerances for losses arising from various events, based upon the extent to which the risks could impact the business.

Risk Monitoring and controls

Risk management processes are based on risk identification; assessment and quantification; response; and monitoring and reporting.

All risk categories are identified in the risk register. Supporting controls mitigate the inherent impact of the risks to a residual level that is within the approved risk appetite and tolerance levels. All risk categories and related controls are assigned risk owners and control owners that are responsible for managing the risks.

The risk register is maintained through regular review by the Risk Department and through the monthly self-certification process by the risk and control owners. The Risk Department provides regular reports on key risk issues and actions required to the AMAL Board and its Committees.

22. Off-Balance Sheet Items

The Syndicate has not been party to any arrangement, which is not reflected in its balance sheet, where material risks and benefits arise for the Syndicate.

23. Events After the Reporting Period

There are no events that are material to the operations of the Syndicate that have occurred since the reporting date.

Antares Managing Agency Limited
10 Lime Street
London EC3M 7AA
www.antaresunderwriting.com

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