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Antares Syndicate 1274

Annual Report and Accounts

31 December 2017

Antares Syndicate 1274

Syndicate Annual Report and Accounts

31 December 2017

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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
M G Finch, BSc, CA (appointed 4 May 2017)
P Grimsey, MMATH, FIA (appointed 4 May 2017)
D Hobbs, BSc, ACA (appointed 4 May 2017)

* Non-Executive Director

Secretary
J M Linsao, BA, JD

Managing Agent's Registered Office
21 Lime Street
London, EC3M 7HB

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
Ernst & Young LLP
25 Churchill Place
London, E14 5EY

Managing Director Overview

2017 was certainly a year of two halves. The first characterised by ever challenging market conditions and large man made individual risk losses. The second by a plethora of catastrophic natural events ranging from the significant hurricanes of Harvey, Irma and Maria to the Californian Wildfires in the last quarter of the year.

In these catastrophic years it is important to remember the devastating impact events such as these have on human lives. Insurance has a vital role in compensating loss, in a speedy and fair manner.

As I highlighted last year, standards of service and the delivery of the highest possible levels of professionalism remain a key driver of differentiation both within and outside the Lloyd's market. Our industry is measured and judged by the customer of the claims service we provide.

Against the backdrop of both claims frequency and severity, it is disappointing but not unsurprising for Antares to report a negative result in 2017. Indeed this comes after five consecutive years of profitability.

Antares Syndicate reports a 2017 loss of US$ 19.5m compared to a profit in 2016 of US$ 30.2m. The result was well within the Syndicate's tolerances, and expectations for events such as those experienced in 2017. The forecast ultimate gross claims of hurricanes Harvey, Irma and Maria for the Syndicate are US$ 109m which reduces to US$ 51m on a net basis.

The initial enthusiasm of a significantly improving market caused by the events of 2017 quickly waned as it became clear the losses were more earnings events than capital ones. The realisation demonstrates just how overcapitalised the insurance and reinsurance market actually is, and indeed remains.

Antares continues to embrace and endorse the ongoing modernisation of the London market, both within and outside the target operating model ("TOM") initiatives. We remain hopeful (but unfortunately not expectant) that the speed of change could increase and be even more far ranging. The same sentiments apply for the operation of the Placing Platform Limited ("PPL").

As Antares continued to adopt its approach to underwriting cycle management, the lines of business contributing to and within the Specialty class became the largest premium producers to the Syndicate. Whilst disappointing, a creditable performance of a loss of US$ 1.0m for the division was produced.

The previous largest division of Marine, Aviation and Transport produced a loss of US$ 2.3m. This was heavily influenced by losses from the Harvey, Irma and Maria hurricanes, a feature which also affected other divisions.

The Property division being the most heavily affected sector by hurricanes Harvey, Irma and Maria produced a loss of US$ 26.5m. Consequently this loss experience is producing the most significant levels of rating correction which will assist a return to profitability.

The international reach and diversification of the Reinsurance division enabled the account to produce a loss of US$ 5.8m despite the catastrophe nature of events in 2017. The resilience of this portfolio is expected to produce satisfactory results if 2018 is a year of normal and expected catastrophe severity.

Despite being by far and away the smallest division of the Antares portfolio with a premium of US$ 47m, the Political Risk and Terrorism classes produced a very pleasing profit of US$ 16.1m. 2017 was the first year the Terrorism class was combined into a division with the Political Risk account.

A stable investment income performance was achieved with a return of 2.8%, slightly higher than the 2.7% yield of 2016.

The global challenges to the successful generation of profitable income was also experienced on our Singapore operation. We are however exceedingly pleased with the progress and development in the region which will continue to play a major part in the future success of Antares.

The first year of Antares' participation on the Lloyd's China platform was successful in further diversifying and improving the portfolio of business from the region.

Whilst it is an obvious disappointment to produce Antares' first negative result for five years, the actual loss was contained and was within all expectations. I expect the result to be credible when directly compared to Antares, other Lloyd's business peers and the industry as a whole.

Managing Director Overview (continued)

Our ultimate parent QIC have proven to be a very understanding and supporting owner in accepting our first negative return since they acquired the business. We anticipate being able to continue to demonstrate our strategic importance to QIC
Antares successfully moved into their new office premises at 21 Lime Street during October 2017. We currently occupy four floors of the seven floor building which allows for expansion as the business grows in future years. We aim to ensure our individual performance matches the level of quality we are now displaying to the outside world.

I remain indebted, and proud to be part of a team whose knowledge, talent and dedication form a powerful force. Our marketplaces will remain challenging. We look forward to delivering success and overcoming any hurdles, and not being complacent.

I close this overview and thank all Antares personnel for their support and commitment in 2017. Together we share our gratitude to QIC for providing us with their confidence in allowing us to operate with appropriate autonomy.

We look forward to 2018 in marginally improving markets to restore the Antares portfolio of business to profitability.

Stephen Redmond
Managing Director

Active Underwriter Review

The underwriting activities of the Syndicate are split into five operating divisions: Marine, Aviation and Transport (MAT); Reinsurance; Specialty; Political & Financial Risks and Terrorism and Property. The Syndicate produced combined gross written premium income of $540m for the year (2016: $457m). The majority of the increase was attributable to continued growth in the Specialty division, particularly A&H and Financial Institutions and in our Property Direct and Facultative class which continued to expand in its second year of operation. Additional momentum was generated following the arrival of a UK Contractors team in July.

Our operations in Asia continue to expand, Our Singapore platform continued to grow, as our team gained traction in our desired markets, in what continues to be a challenging market environment.

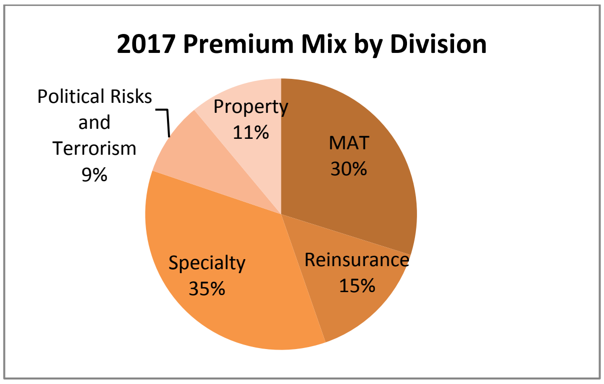
Our strategy to be closer to our client base and offer choice of office is bearing fruits and we expect our Singapore activities to continue to grow during 2018

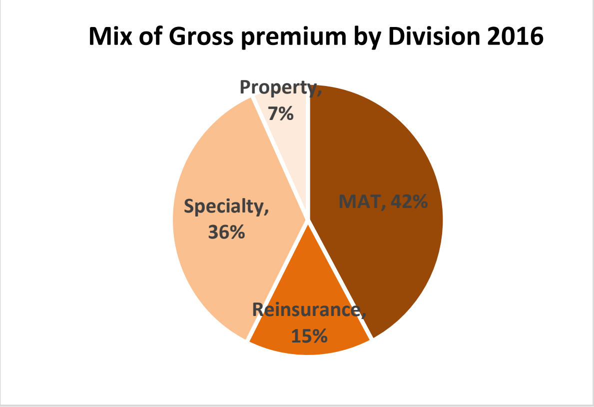
In addition to Singapore, our operation on the Lloyd's China platform made a solid start. In addition to underwriting our renewal portfolio, we sought and managed to secure participations on new business further solidifying our position in the Chinese Market.

Across our portfolio as a whole difficult market conditions prevailed during 2017, just as for 2016.

Over-capacity and a lack of risk and cat losses continued to drive rate reductions during the first half of the year. The combined impact of Hurricanes Harvey, Irma and Maria, the two Californian Wildfires and earthquakes in Mexico looked to have stalled this process and in some cases reversed the downwards pressure on rating toward the end of the year.

Disappointingly we did not see the market hardening that was anticipated, however we anticipate that our portfolio rating will be positive during 2018.



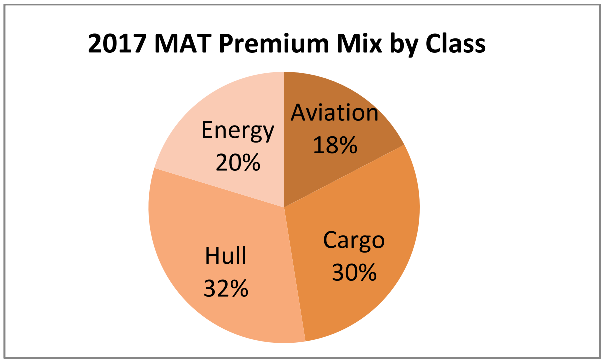


Marine, Aviation and Transport (MAT)

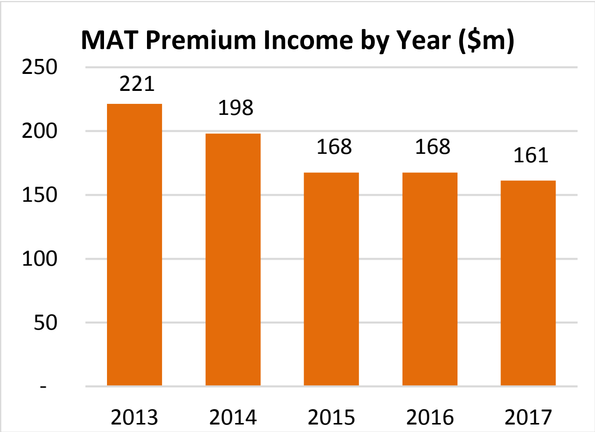
The MAT division offers a marine insurance and reinsurance portfolio comprising Hull, Energy, Marine Liability, Cargo, Specie and Aviation products.

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 2017, 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. The impact of the 2017 Hurricane season and the Californian wildfires has stiffened the resolve in a number of our MAT Classes, in particular, Upstream Energy, Yachts, Cargo and to a limited extent Aviation.



Active Underwriter Review (continued)



Premium income for 2017 was almost unchanged at $161m (2016: $168m).

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.

During 2017, the diversification of the MAT portfolio has been continued, building out the capabilities in Hull, as well as adding further resource to our Cargo and Energy lines.

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 1.9%. Income from Hull decreased by 3% to $52m (2016: $54m).

The strategy is to develop the key sub-classes of Hull, Marine Liability & War, adjusting the portfolio business mix dependent upon market conditions. 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.

Our portfolio this year was impacted by losses arising out of Hurricane's Irma and Maria in our Yacht portfolio as well as risk losses in our Blue Water Hull book

Energy

The Offshore Energy account income increased in 2017 by 4% to $33m (2016: $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.

Our portfolio was largely unaffected by the hurricane activity, however we saw significant rate improvement in our portfolio during Q4 2017. Our retention ratio has stabilised at 55%. Pricing was down 3.7% 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 6% to $49m (2016: $46m). Pricing was down 1.9% across our portfolio.

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 strategy of expanding the Specie portfolio continues to be hampered, broker facilitisation continues to impact 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

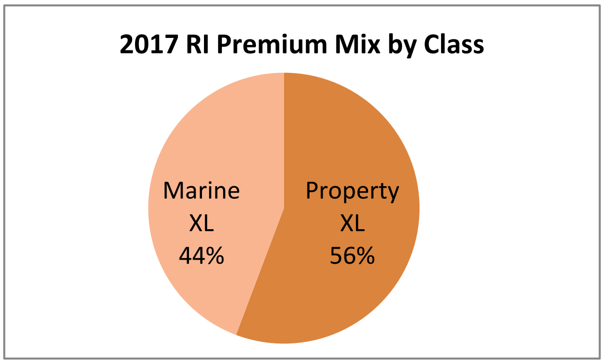
The Aviation class has suffered from a number of consecutive years of price reductions driven by over-capacity. As a result of this and of the continued run of unacceptable results, we undertook a strategic review of the portfolio. We have implemented changes, ranging from reduction in line size to downsizing. This has resulted in a 24% fall in gross premium to $28m (2016: $37m) and our retention ratio dropping to 55%.

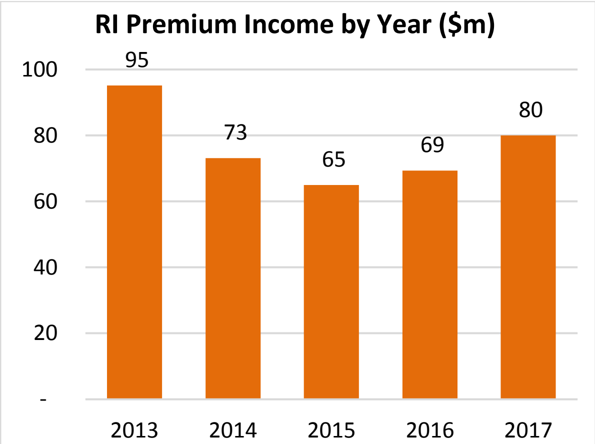
Pricing strength came in ahead of plan, at (0.8%) vs a plan of (1.6%) as market conditions improved during Q4.

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.

Active Underwriter Review (continued)

Reinsurance





The Reinsurance division comprises both Property and Marine Excess of Loss Treaty written on a worldwide basis. Premium income increased by 15% during 2017 to $80m (2016: $69m).

Property XL

Property XL income increased by 21% to $45m (2016: $37m). 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. This year, to add further diversification to the class, we have underwritten a small agriculture portfolio, comprising of business in the US, Canada and China and reallocated an Aquaculture treaty from Miscellaneous to Property XoL.

Premium rates fell by 3.5% 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%.

The syndicate was exposed to losses arising out of Hurricanes, Harvey, Irma and Maria. These have been within the lower end of our expectations and reflect the balanced nature of our portfolio.

Marine XL

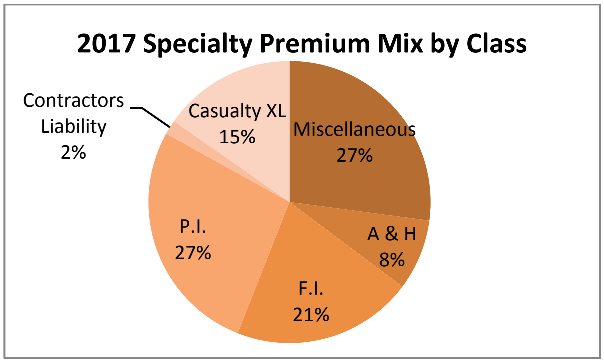
A balanced Marine XL book continues to be underwritten for both London Market (LMX) and Foreign Market (FMX) business where good synergies with direct Hull, Cargo and Specie and Energy accounts exist.

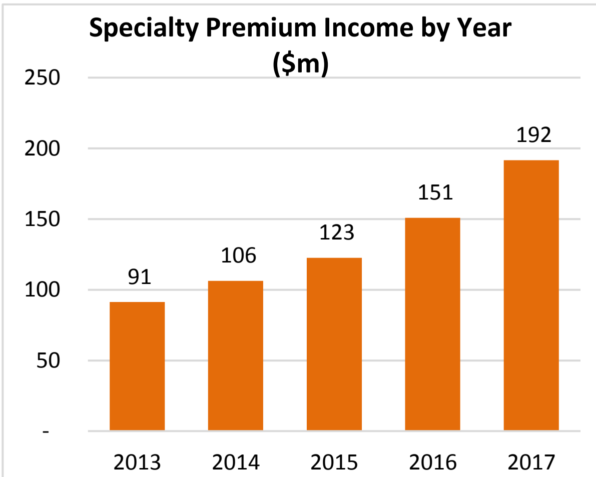
Competitive market conditions prevailed during 2017 with greater levels of capacity chasing fewer risks as cedants looked to retain more themselves and consolidate underwriting panels. As a consequence, pricing for the portfolio, whilst better than planned still fell by 5%.

We continue to grow our portfolios in the Asian market through our offerings in Singapore and Shanghai on the Lloyd's platforms. This has resulted in premium income increase by 9% to $35m (2016: $33m).

Specialty Lines

The Specialty Lines division includes Financial Institutions, Professional Indemnity, Political Risks, Accident & Health, Casualty Treaty and Miscellaneous.





Active Underwriter Review (continued)

In addition this year we have added a new UK Contractors portfolio. The result of which has increased Premium income for 2017 by 27% ahead of 2016 at $192m (2016 $151m).

Financial Institutions

We continue to readjust our appetite is this class. 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 Fund Managers, Stockbrokers and Mortgage Banks whilst we continue to reduce our exposures to Commercial Banks.

As a result of this strategy, income in the class increased by 49% to $40m (2016: $27m). The rating environment was better than planned at -1.6% and our retention ratio was maintained at 78%.

Professional Indemnity

2017 continued to see the portfolio change as we de-risked further from the Design and Construction and Valuers' sub classes, whilst turning our emphasis to Solicitors and lawyers sub classes. .

As a result, premium income for the Professional Indemnity class increased 31% year on year to $52m (2016: $40m).

The retention ratio at 77% was down on plan, however pricing, whilst still negative, was above plan expectations at -1.5%.

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 reduced to $52m from $81m for 2017, as two large individual contracts were reallocated to other classes, one Aquaculture contract, GAIC, to Property XL and a Pioneer Downstream Energy Binder to Property D&F.

Cyber and General Liability continue to make up the majority of the portfolio with the balance from Engineering, Mergers & Acquisitions and Representations & Warranty business.

Accident & Health

Our Accident & Health class grew considerably in 2017 to $16m (2016: $4m). Until September 2016 this business principally derived from the support of one consortium. Our team continue to gain traction during their first full year of operation at Antares and a significant pipeline of business is being generated.

Our retention ratio, unsurprisingly is high at 94%, whilst pricing strength was better than planned at -0.7%.

Contractors Liability

During the year we have secured a small team to underwrite a Contractors Liability class of business. The team had developed a niche product and a core of business underwritten by way of delegated authority which started in July 2017.

We avoid the heavier industry sectors such as Roofers, scaffolders concentrating on the lower volatility sector.

Income generated was $3.2m.

Casualty Treaty

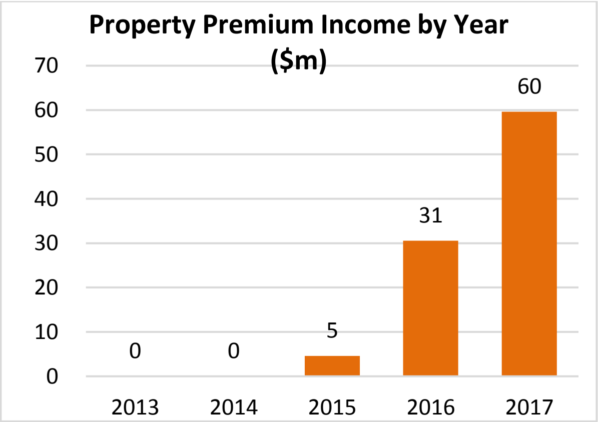
Income from our Casualty Treaty Class remained flat at $29.3m.

This comprised both our transferred portfolios from the Miscellaneous and PI accounts, in addition to new business generated throughout the year.

Rating in the class was marginally positive at 0.3% and better than our planned assumptions.

Property

Our property division continued to grow during its second full year of operation following its launch in the second half of 2015.



Premium income for 2017 grew to $60m (2016: $31m), a growth of 95%. The team have built 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

Active Underwriter Review (continued)

in the Open Market sub class where pricing and completion remained fierce.

The natural catastrophes during the year, most notably the Hurricanes, Harvey, Irma and Maria in addition to the Mexican Earthquakes substantially impacted the portfolio.

Pricing had continued to fall during the first 9 months, however pricing in the 4^{th} quarter turned bringing pricing strength just ahead of planned assumptions at – 3.2%. Retention ratios dropped in September and October as we pushed from improved terms, yet we still finished the year at 80%.

Political and Financial Risks

Premium income for the class, which includes political risks and trade credit, increased by 25% into 2017 at $16m (2016: $13m).

Following a disappointing 2016, 2017 benefited from a number of deals that had been deferred at the end of 2016 into 2017.

Geopolitical issues in the Middle East hampered our ability to grow the account further especially the Multi-lateral segment of our portfolio.

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, 2017 premium has increased to $31m (2016: $25m).

Retention ratios dropped to 72% as the 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.

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

Financial Review

Summary Income Statement

For insurers, 2017 is expected to be the costliest year ever for natural disasters, with hurricanes Harvey, Irma and Maria (HIM) and other natural catastrophes contributing to an estimated $135bn of insured losses.

Although disappointing, it was in this context that the Syndicate suffered its first loss since the events of 2011 which included the Japanese Tsunami. At $19.5m, and with a combined ratio of 108%, that loss has been well contained.

With the hurricanes adding 13% to the combined ratio, underlying profitability has otherwise remained stable.

The Syndicate continues to grow and is well positioned to benefit from the early signs of a modest market revision.

$000	2017	2016
Gross Premium Written	539,603	456,580
Net Premium Earned	418,872	373,273
Net Claims Incurred	(316,612)	(224,710)
Net Commission	(96,269)	(87,177)
Net Underwriting Result	**5,991**	**61,386**
Operating Expenses	(41,248)	(45,870)
Net Foreign Exchange	(147)	847
Investment Return	15,902	13,873
Net (Loss)/Profit	**(19,502)**	**30,236**
Ratios:		
Claims Ratio	75.6%	60.2%
Commission Ratio	23.0%	23.3%
Expense Ratio *	9.8%	12.3%
Combined Ratio	**108.4%**	**95.8%**

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

Net Underwriting Results Review

Gross Premium Written

The Whole Account grew by 18% to $539.6m (2016: $456.6m) during the year through the expansion of recent growth initiatives including new lines of business in Property D&F, Casualty Treaty and A&H, as well as launching the Syndicate's next overseas venture on the Lloyd's China platform following the success of its launch in Singapore in 2015.

Market conditions continued to challenge for much of the year with rates down -2% overall and the worst-affected being Terrorism (-7%). Initial indications suggest a modest improvement following the hurricanes that the Syndicate is well placed to take advantage of.

The business renewal ratio remained strong across the whole account at 75% (2016: 77%). Robust underwriting, and strategic re-underwriting in certain areas, has led to the small decrease. The Syndicate views this as a positive indicator for future profitability.

Net Premium Earned

Net premium earned was $418.9m (2016: $373.3m). The increase was relatively lower than in GWP, in part due to the effect of outward hurricane-related reinstatement premiums, and also due to the increased use of quota share reinsurance in parts of the book where additional protection was required or in order to support growth.

Net Claims Incurred

2017 saw the return of major catastrophe losses following a lengthy, largely benign period.

Net claims incurred of $316.6m (2016: $224.7m) was significantly worse than prior year, with the Claims Ratio increasing from 60% to 76%.

The HIM hurricanes heavily impacted the MAT, Reinsurance and Property divisions, accounting for $51m losses in total. Irma hit the Syndicate hardest with estimated losses of $28m and Harvey and Maria accounted for $11m and $12m respectively.

In addition to the HIM hurricanes, there were further catastrophe losses with flooding in Peru, earthquakes in Mexico and New Zealand and Californian wildfires, albeit with much less significant impacts on the Syndicate.

Net Commission

The Commission Ratio was steady at 23.0% (2016: 23.3%), with the slight decrease attributable to the effect of hurricane-related reinstatement premiums which do not attract any brokerage.

Net Underwriting Results by Division

MAT

$000	2017	2016
Gross Premium Written	161,130	167,621
Net Premium Earned	157,579	157,610
Net Claims Incurred	(112,579)	(98,244)
Net Commission	(36,571)	(38,676)
Net Underwriting Result	**8,429**	**20,689**
Claims Ratio	71.4%	62.3%
Commission Ratio	23.2%	24.5%

The MAT division continues to be at the core of the Syndicate's business representing 30% (2016:

Financial Review (continued)

37%) of the underwriting portfolio and produced an underwriting profit of $8.4m (2016: $20.7m profit).

Over-capacity in the market continued to put pressure on prices, and an increase in claims caused a significant reduction in underwriting profit. The hurricanes contributed losses after reinstatements of $7.3m to the division, on top of an unusually high level of large losses in the Hull account which had a particularly difficult year.

The Aviation account was restructured with the book undergoing a re-underwriting exercise and significantly reduced in size in order to stem the losses of recent years. However the market for this class remains a challenge and a large loss resulting from a Brazilian plane crash prevented it from achieving profitability again this year (2017: $1.0m loss, 2016: $0.7m loss).

The $14.4m profit in Energy was an excellent result in a class largely unscathed by the hurricanes and particularly notable for its sustained turnaround (2016: $8.3m profit, 2015: $0.7m profit, 2014: $6.0m loss), demonstrating the success of re-underwriting in the book in recent years.

Cargo & Specie returned a $2.5m profit (2016: $6.7m profit) with the reduction largely attributable to $2.0m hurricane related claims but it was Hull that saw the largest reduction from a profit of $6.3m in 2016 to a loss of $7.5m in 2017.

Hull incurred hurricane losses of $5.5m, mostly relating to Caribbean yachts destroyed by Irma. Beyond this there were a number of large losses including the sinking of the Stellar Daisy cargo ship and the sinking of the new Seikongen fishing vessel among others. The run of losses were unrelated and, although unusually high, not considered systemic.

Reinsurance

$000	2017	2016
Gross Premium Written	79,999	69,376
Net Premium Earned	60,824	58,163
Net Claims Incurred	(55,408)	(21,579)
Net Commission	(6,819)	(7,750)
Net Underwriting Result	**(1,403)**	**28,833**
Claims Ratio	91.1%	37.1%
Commission Ratio	11.2%	13.3%

Reinsurance represents 15% (2016: 15%) of the portfolio and is one of the Syndicate's most exposed divisions to catastrophe risk. Consequently, in the absence of any major events, Reinsurance produced the largest divisional profit for the fourth consecutive year in 2016. However that turned sharply to a well contained loss in the wake of 2017's natural disasters.

The most significant losses were incurred in Marine XL which made a loss of $3.3m (2016: $11.2m profit) and was almost entirely the result of the hurricanes which has cost the class an estimated $13.0m.

Although reducing with time as more and better claims information flows from disaster-struck areas, there remains considerable uncertainty over the final bill for the hurricanes. The Syndicate has worked closely with its brokers, cedants and coverholders to obtain the best information available as a basis for its reserve estimates.

In view of the year's events, Property XL's underwriting profit of $1.9m (2016: $17.6m) was a very creditable performance. Careful selection of risks and participating layers helped avoid some of the market's bigger losses and limit the impact of the hurricanes to $10.2m and the Californian wildfires to $2.9m.

Specialty

$000	2017	2016
Gross Premium Written	191,646	150,910
Net Premium Earned	136,935	117,375
Net Claims Incurred	(100,336)	(90,530)
Net Commission	(34,056)	(30,568)
Net Underwriting Result	**2,543**	**(3,723)**
Claims Ratio	73.3%	77.1%
Commission Ratio	24.9%	26.0%

Specialty represents 36% (2016: 33%) of the portfolio and is the fastest growing division, together with Property, as the Syndicate continues to invest in diversifying the whole account.

The 27% increase in GWP was primarily attributable to growth in the division's newly launched classes: A&H and Casualty Treaty. Towards the end of the year, the division launched Contractors Liability, a new class that promises to be a good source of growth for 2018. Together these classes contributed a modest loss of $1.1m (2016: $0.7m profit).

Professional Indemnity, the division's largest distinct class, significantly reduced its losses from $11.2m in 2016 to $1.3m. Following the in-depth analysis into previous heavy back-year claims experience, which did not identify any systemic issue and highlighted that the majority of losses had arisen in areas that were no longer a focus of the book, it was encouraging that there were no such further deterioration in 2017.

The Syndicate has written a number of large Cyber and General Liability contracts in its Miscellaneous class which continues to return a profit of $1.3m

Financial Review (continued)

(2016: $3.1m). So too does Financial Institutions which was once again the division's most profitable class with $3.7m (2016: $3.7m).

The Syndicate remains cautiously optimistic for the future profitability of this strategically important division which can show its value in such volatile underwriting years.

Property

$000	2017	2016
Gross Premium Written	59,598	30,557
Net Premium Earned	31,608	14,714
Net Claims Incurred	(43,179)	(8,056)
Net Commission	(11,596)	(4,333)
Net Underwriting Result	**(23,167)**	**2,325**
Claims Ratio	136.6%	54.7%
Commission Ratio	36.7%	29.4%

The Property division has been a key area of growth and, in its second full year of trading, has grown to 11% (2016: 7%) of the Syndicate.

As another catastrophe-exposed division, it was perhaps no surprise that Property was unable to build on the success of its first year as it was reduced to a $23.2m loss. The hurricanes were the major cause, contributing $23.6m. But further catastrophes added to the loss with earthquakes in Mexico and New Zealand, flooding in Peru and tropical storm Lidia.

Political Financial Risks & Terrorism

$000	2017	2016
Gross Premium Written	47,230	38,115
Net Premium Earned	31,926	25,412
Net Claims Incurred	(5,111)	(6,301)
Net Commission	(7,227)	(5,850)
Net Underwriting Result	**19,588**	**13,261**
Claims Ratio	16.0%	24.8%
Commission Ratio	22.6%	23.0%

The Political Financial Risks & Terrorism division represents 9% (2016: 8%) of the total book.

Political Risks continued its controlled growth delivering a $4.0m profit (2016: $2.1m) and it was another good year for the Terrorism account, the Syndicate's most profitable line of business in 2017, recording profits of $15.6m (2016: $11.2m profit) without any significant losses incurred in either class.

Investment Income Review

$000	2017	2016
Interest Income	12,730	11,570
Realised/Unrealised Gains	4,021	3,176
Fees	(849)	(873)
Net Investment Return	**15,902**	**13,873**
Avg Cash and Investments	577,287	505,414
Return	**2.8%**	**2.7%**

The positioning of the portfolio, which was substantially realigned in 2016 to introduce additional duration and credit broadening, was largely maintained throughout the year following its successful enhancement of investment yields in the prevailing low interest rate environment.

The Syndicate's equity funds helped further to deliver the overall 2.8% total investment return (2016: 2.7%) as gains on the global bull stock markets returned in excess of 20%.

Operating Expenses Review

$000	2017	2016
Admin Expenses GBP	£31,975	£33,979
Conversion Rate	1.29	1.35
Admin Expenses USD	$41,248	$45,871
Exchange (Gain)/Loss	$147	$(847)
Operating Expenses	**$41,395**	**$45,024**

Administrative Expenses

Administrative Expenses of $41.2m (2016: $45.9m) consisted primarily of staff costs, including those related to the acquisition of new insurance contracts such as underwriters' salaries.

The decrease in expenses was the result of a reduction in performance related pay due to the loss in the Syndicate and also the effects of foreign exchange. The expense base is predominantly sterling denominated and the further strengthening of the US Dollar served to depress its converted value. This was partially offset by an increase in headcount at year-end to 150 (2016: 147).

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 rates and limiting their impact to a net loss of $0.1m (2016: $0.8m gain).

Mike Finch
Finance Director

Managing Agent's Report

The Directors of Antares Managing Agency Limited ('the Managing Agent') present their Report for the year ended 31 December 2017.

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 21 Lime Street, London, EC3M 7HB and registered number is 6646629.

Results

The Syndicate produced a loss of ($19.5m) (2016: $30.2m profit). 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 20 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

On 15 February 2018 the Syndicate entered into a Reinsurance to Close (RITC) transaction with Chaucer Syndicates 6124 and the associated UK division portfolio of 1084. The effective date is 1 January 2018 and the premium payable is $99,200,000 (Note 22). The directors of the Syndicate do not anticipate any change to its strategy and will continue to maintain a balanced portfolio for 2018.

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

Managing Agent's Report (continued)

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.

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 20 – 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 Ernst & Young LLP as the Syndicate's auditors.

By order of the Board

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J M Linsao

Company Secretary

15 February 2018

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

Opinion

We have audited the syndicate annual accounts of syndicate 1274 ('the syndicate') for the year ended 31 December 2017 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Members' Balances, the Statement of Cash Flows and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 ' Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

- give a true and fair view of the syndicate's affairs as at 31 December 2017 and of its loss 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the syndicate annual accounts section of our report below. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with 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 and the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Other information

The other information comprises the information included in the annual report, other than the syndicate annual accounts and our auditor's report thereon. The managing agent is responsible for the other information.

Our opinion on the syndicate annual accounts does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

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

- the information given in the managing agent's report for the financial year in which the syndicate annual accounts are prepared is consistent with the syndicate annual accounts, and
- the managing agent's report has been prepared in accordance with applicable legal requirements

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where The Insurance Accounts Directive (Lloyd'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 accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 16, the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate annual accounts, the managing agent's responsibility for preparing syndicate annual accounts includes the requirement for the syndicate annual accounts to be prepared on the basis that the syndicate will continue to write future business unless it is inappropriate to presume the syndicate will do so.

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

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

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

Ed Jervis (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

16 February 2018

Statement of Comprehensive Income
For the year ended 31 December 2017

Technical Account – General Business	Notes	2017 $000	2016 $000
Earned Premium, Net of Reinsurance			
Gross Premium Written	4	539,603	456,580
Outward Reinsurance Premium		(102,800)	(59,084)
Net Premiums Written		**436,803**	**397,496**
Change in the Provision for Unearned Premium			
Gross Amount		(36,351)	(34,193)
Reinsurers' Share		18,420	9,970
Net Change in Provision for Unearned Premium		**(17,931)**	**(24,223)**
Earned Premiums, Net of Reinsurance		**418,872**	**373,273**
Allocated Investment Return Transferred from the Non-Technical Account		**15,902**	**13,873**
Claims Incurred, Net of Reinsurance			
Claims Paid			
Gross Amount		(234,828)	(166,205)
Reinsurers' Share		13,939	8,790
Net Claims Paid		**(220,889)**	**(157,415)**
Change in the Provision for Claims			
Gross Amount		(155,124)	(64,336)
Reinsurers' Share		59,401	(2,959)
Net Change in the Provision for Claims	5	**(95,723)**	**(67,295)**
Claims Incurred, Net of Reinsurance		**(316,612)**	**(224,710)**
Net Operating Expenses	6	**(137,517)**	**(133,047)**
Balance on the Technical Account – General Business		**(19,355)**	**29,388**

All the amounts above are in respect of continuing operations.

Statement of Comprehensive Income
For the year ended 31 December 2017

		2017	2016
Non - Technical Account	Notes	$000	$000
Balance on General Business Account		(19,355)	29,388
Investment Income	10	9,972	10,780
Unrealised Gains	10	6,779	3,966
Investment Expenses and Charges	10	(849)	(873)
Allocated Investment Return Transferred to General Business Technical Account		(15,902)	(13,873)
Exchange (Losses)/Gains		(147)	847
(Loss)/Profit for the Financial Year		**(19,502)**	**30,236**

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

Statement of Financial Position - Assets
at 31 December 2017

	Notes	2017	2016 Restated
		$000	$000
Investments			
Financial Investments	9	549,152	484,791
Deposits with Ceding Undertakings		976	273
Reinsurers' Share of Technical Provisions			
Provision for Unearned Premiums	15	37,885	18,772
Claims Outstanding	15	117,666	56,276
		155,551	**75,049**
Debtors			
Debtors Arising out of Direct Insurance Operations	12	217,061	178,920
Debtors Arising out of Reinsurance Operations		72,086	52,607
Other Debtors		-	-
		289,147	**231,527**
Other Assets			
Cash at bank and in hand	13	14,513	26,777
Overseas Deposits	14	43,674	35,667
Prepayments and Accrued Income			
Other Prepayments and Accrued Income		2,210	1,573
Deferred Acquisition Costs	16	63,103	51,796
		65,313	53,369
Total Assets		**1,118,326**	**907,452**

Statement of Financial Position – Liabilities

at 31 December 2017

	Notes	2017 $000	2016 Restated $000
Capital and Reserves			
Members' Balances		13,819	55,375
Technical Provisions			
Provision for Unearned Premiums	15	269,900	227,633
Claims Outstanding	15	701,294	527,577
		971,194	**755,210**
Deposits Received from Reinsurers		1,127	1,327
Creditors			
Creditors Arising out of Direct Insurance Operations	17	47,953	39,209
Creditors Arising out Reinsurance Operations		75,017	38,271
Other Creditors		9,182	18,061
		132,152	**95,541**
Accruals and deferred income		34	-
Total Liabilities		**1,118,326**	**907,452**

The annual accounts on pages 19 to 49 were approved by the Board of Antares Managing Agency Limited on 15 February 2018 and signed on its behalf by:

S D Redmond
Managing Director

15 February 2018

M G Finch
Finance Director

15 February 2018

Statement of Changes in Members' Balances
Year ended 31 December 2017

	2017	2016
	$000	$000
Members' Balances Carried Forward at 1 January	55,375	40,122
Settlement of Year of Account Profit	(22,053)	(14,983)
Financial Year (Loss)/Profit	(19,502)	30,236
Members' Balances Carried Forward at 31 December	**13,819**	**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.

Statement of Cash Flows
at 31 December 2017

	Notes	2017 $000	2016 Restated $000
Operating Result		**(19,502)**	**30,236**
Adjustments for non-cash items			
Unrealised (gains)/losses on investments		(6,779)	(3,966)
Changes in working capital			
Increase in gross technical provisions		191,476	98,528
(Increase)/decrease reinsurers' share of gross technical provisions		(77,821)	(7,012)
Increase in debtors		(62,014)	(35,350)
Increase in creditors		33,782	25,888
Movement in other assets/liabilities		(909)	445
Investment return		(9,123)	(9,906)
Net cash flows from operating activities		**49,109**	**98,863**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equity and debt instruments		(376,163)	(427,877)
Sale of equity and debt instruments		333,285	335,891
Purchase of derivatives		(6,527)	-
Sale of derivatives		7,414	-
Investment income received		9,972	10,780
Other		(6,822)	(873)
Net cash flows from investing activities		**(38,841)**	**(82,080)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Profit distribution		(22,053)	(14,983)
Net cash flows from financing activities		**(22,053)**	**(14,983)**
Cash and cash equivalents at beginning of year		44,559	43,899
Effect of exchange rate fluctuations on cash and cash equivalents		235	(1,140)
Cash and cash equivalents at end of year		**33,009**	**44,559**
Cash at bank and in hand		14,513	26,777
Short term deposits with credit institutions		18,496	17,782
Cash and cash equivalents at end of year	13	**33,009**	**44,559**

Notes to the Annual Accounts
at 31 December 2017

1. Managing Agent and Syndicate Information

The Managing Agent of Syndicate 1274 is Antares Managing Agency Limited (“AMAL”), whose registered office is 21 Lime Street, London, EC3M 7HB 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 London Market.

2. Basis of Preparation

The accounts for the year ended 31 December 2017 were approved by the Antares Managing Agency Board of directors on 15 February 2018.

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”) and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

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.

Previously cash and cash equivalents where shown together on the face of the balance sheet. Cash equivalents have now been disclosed as investments and the remaining cash at bank separately disclosed in accordance with schedule 3 of the Large and Medium–sized Companies and Groups (Accounts and Reports) regulations 2008.

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

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 2017

(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 20 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 2017

(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 20 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.

(g) Financial Assets/Liabilities

All financial assets/liabilities are recognised initially at fair value.

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(h) 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.

(i) 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.

(j) 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.

(k) 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.

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4. Segmental Analysis

An analysis of the underwriting result before investment return for 2017 and 2016 is set out below:

2017	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	161,130	165,324	(112,824)	(51,483)	(7,500)	(6,483)	(267,531)
Reinsurance	79,999	77,740	(70,368)	(13,344)	(1,956)	(7,928)	(96,695)
Specialty	191,646	166,597	(110,550)	(45,495)	(19,448)	(8,896)	(361,430)
Property	59,598	52,634	(90,364)	(15,542)	26,160	(27,112)	(54,073)
Political Risks and Terrorism	47,230	40,957	(5,846)	(11,653)	(8,296)	15,162	(35,914)
	539,603	**503,252**	**(389,952)**	**(137,517)**	**(11,040)**	**(35,257)**	**(815,643)**

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	167,621	169,633	(99,825)	(56,823)	(10,443)	2,542	(257,547)
Reinsurance	69,376	69,864	(23,555)	(15,949)	(9,725)	20,635	(63,349)
Specialty	150,911	131,976	(93,104)	(41,633)	(12,028)	(14,789)	(304,009)
Property	30,557	18,543	(8,313)	(7,246)	(3,571)	(587)	(23,572)
Political Risks and Terrorism	38,115	32,371	(5,744)	(11,396)	(7,516)	7,715	(31,685)
	456,580	**422,387**	**(230,541)**	**(133,047)**	**(43,283)**	**15,516**	**(680,162)**

The above segmental analysis is broken down into the divisional structure by which management views the business. For the purpose of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations, the Specialty division consists of Third Party Liability insurance. The Political Risks & Terrorism division consists of Fire and Other Damage to Property and Credit & Suretyship insurance.

Commissions on direct insurance gross premiums earned were $105,715,853 during 2017 and $91,220,760 during 2016.

Gross Operating Expenses include reinsurance commission's receivable.

All premium transactions were concluded in the UK, Singapore and China.

Notes to the Annual Accounts
at 31 December 2017

4. Segmental Analysis (continued)

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

	2017	2016
	$000	$000
UK	62,908	50,360
Other EU Countries	39,543	33,986
US	155,541	153,071
Central & South America	34,766	41,619
Japan	9,943	14,965
Australia	20,905	20,557
Other	215,997	142,022
Total	**539,603**	**456,580**

5. Change in Net Provision for Claims

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

	2017	2016
	$000	$000
Outstanding Claims	37,491	25,665
Claims Incurred but not Reported	59,048	38,050
Claims Handling Expenses Provision	(816)	3,580
Change in Net Provision for Claims	**95,723**	**67,295**

The movement in the net provision for claims includes a deterioration of ($9,889,984) in respect of claims outstanding at the previous year end (2016: deterioration $7,197,000). The deterioration comprises net claims including the change in claims incurred but not reported ('IBNR').

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6. Net Operating Expenses

	2017	2016
	$000	$000
Acquisition costs	117,359	100,140
Change in deferred acquisition costs	(9,522)	(9,945)
Acquisition costs – other	14,329	18,372
Change in deferred acquisition costs – other	(2,730)	(2,794)
Administrative expenses	28,136	30,193
	147,572	**135,967**
Reinsurance commissions receivable	(10,055)	(2,920)
Net operating expenses	**137,517**	**133,047**

Administrative Expenses Include:

	2017	2016
	$000	$000
Auditors' Remuneration		
Audit Services	344	297
Actuarial and Tax Services	-	-
Members' Standard Personal Expenses (Lloyd's Subscription, New Central Fund Contributions, Managing Agent's Fees and Profit Commission)	4,089	4,313

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:

	2017	2016
	$000	$000
Wages and Salaries	18,447	25,685
Social Security Costs	2,262	3,278
Other Pension Costs	1,471	1,473
Other Staff Costs including Recruitment, Training and Medical Insurance	1,725	1,605
	23,905	**32,041**

Notes to the Annual Accounts
at 31 December 2017

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:

	2017	2016
	Number	Number
Executive	6	5
Underwriting	52	50
Underwriting Support and Claims	32	32
Finance and Administration	49	51
	139	**138**

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:

	2017	2016
	$000	$000
Total Emoluments	**4,352**	**5,021**

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

	2017	2016
	$000	$000
Total Emoluments	**914**	**913**

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

9. Financial Investments

	Market Value		Cost	
	2017	2016 Restated	2017	2016 Restated
	$000	$000	$000	$000
Shares and Other Variable Yield Securities and Units in Unit Trusts	99,955	76,448	94,700	74,349
Debt Securities and other Fixed Income Securities	397,832	365,022	392,928	365,846
Derivatives	265	-	265	-
Participation in Investment Pools	49,540	39,695	48,627	39,784
Deposits with Credit Institutions	1,560	3,626	1,561	3,626
	549,152	**484,791**	**538,081**	**483,605**

Notes to the Annual Accounts
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10. Investment Income and Expenses

	2017	2016
	$000	$000
Investment Income		
Income from Investments	12,730	11,570
Realised Losses on Investments	(2,758)	(790)
Unrealised Gains/(losses) on Investments	6,779	3,966
	16,751	**14,746**
Investment Expenses and Charges		
Investment Management Expenses	(849)	(873)

11. Calendar Year Investment Yield

The average amount of syndicate funds available for investment during 2017 and the investment return and yield for that calendar year was as follows:

	2017	2016
	$000	$000
Average Fund	577,287	505,414
Investment Return	16,751	14,746
Calendar Year Investment Yield	2.8%	2.9%
Average Funds Available for Investment by Currency		
United States Dollars and Other	$459,481	$396,523
Sterling	£61,217	£57,750
Canadian Dollars	C$47,537	C$37,867
Analysis of Calendar Year Investment Yield by Fund	%	%
United States Dollars and Other	3.5	2.9
Sterling	0.4	3.9
Canadian Dollars	0.7	0.9

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

Notes to the Annual Accounts
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12. Debtors Arising out of Direct Insurance Operations

	2017	2016
	$000	$000
Due from Intermediaries	**217,061**	**178,920**

There were no balances due from policyholders arising out of direct insurance operations as at 31 December 2017 (2016: $nil).

13. Cash and Cash Equivalents

	2017	2016 Restated
	$000	$000
Cash at bank and in hand	14,513	26,777
Short term deposits with credit institutions	18,496	17,782
	33,009	**44,559**

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

	2017			2016		
	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net
	$000	$000	$000	$000	$000	$000
Claims Outstanding	701,294	117,666	583,628	527,577	56,276	471,300
Provision for Unearned Premiums	269,900	37,885	232,015	227,633	18,772	208,861
	971,194	**155,551**	**815,643**	**755,210**	**75,049**	**680,161**
Contracts due no more than 12 months after the reporting date	429,253	69,758	359,495	413,515	50,891	362,625
Contracts due more than 12 months after the reporting date	541,941	85,793	456,148	341,695	24,158	317,537
	971,194	**155,551**	**815,643**	**755,210**	**75,049**	**680,162**

Notes to the Annual Accounts
at 31 December 2017

15. Insurance Contracts and Reinsurance Contracts (continued)

(a) Movement in Claims Outstanding

	2017			2016		
	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net
	$000	$000	$000	$000	$000	$000
Balance at 1 January	527,577	56,276	471,300	477,796	61,043	416,752
Movements During the Year	155,124	59,401	95,723	64,336	(2,959)	67,295
Impact of Foreign Exchange	18,593	1,989	16,605	(14,555)	(1,808)	(12,747)
Balance at 31 December	**701,294**	**117,666**	**583,628**	**527,577**	**56,276**	**471,300**

(b) Movement in Unearned Premium

	2017			2016		
	Insurance Contract Liabilities	Reinsurance Contracts	Net	Insurance Contract Liabilities	Reinsurance Contracts	Net
	$000	$000	$000	$000	$000	$000
Balance at 1 January	227,633	18,772	208,861	197,087	9,120	187,967
Premiums Written During the Year	539,603	102,800	436,803	456,580	59,084	397,496
Premiums Earned During the Year	(503,252)	(84,380)	(418,872)	(422,387)	(69,054)	(353,333)
Impact of Foreign Exchange	5,916	693	5,223	(3,647)	19,622	(23,269)
Balance at 31 December	**269,900**	**37,885**	**232,015**	**227,633**	**18,772**	**208,861**

Notes to the Annual Accounts

at 31 December 2017

16. Deferred Acquisition Costs

	2017	2016
	$000	$000
Balance as 1 January	51,796	43,494
Charges during the year	9,522	9,945
Impact of Foreign Exchange	1,785	(1,643)
Deferred Acquisitions Costs	**63,103**	**51,796**

17. Creditors Arising out of Direct Insurance Operations

	2017	2016
	$000	$000
Due to Intermediaries	**47,953**	**39,209**

There were no balances due to policyholders arising out of direct insurance operations as at 31 December 2017 (2016: £nil).

Notes to the Annual Accounts
at 31 December 2017

18. 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.

	2017			**2016**		
	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	1,305	6	1,311	2,376	9	2,386
Reinsurance Written Premium	4,532	6,696	11,228	7,584	10,952	18,536
Gross Claims Paid	1,409	-	1,409	336	-	336
Reinsurance Recoveries	804	136	940	32	-	32
Gross Claims Outstanding	287	366	653	1,017	-	1,017
Reinsurance Claims Outstanding	339	202	541	656	263	919
Due from Related Party	-	-	-	-	-	-
Due to Related Party	(224)	-	(224)	(1,272)	-	(1,272)

b) Other related transactions with Syndicate 1274

During 2017, managing agency fees were charged to the Syndicate as follows:

	2017	**2016**
	$000	$000
Antares Managing Agency Limited	**628**	**629**

Antares Managing Agency Limited also charged the Syndicate $32,700,000 (2016: $40,300,000) for expenses paid on its behalf. A balance of $62,408 was due to Antares Managing Agency Limited at 31 December 2017 (2016: $11,209,000), $15,800 (2016: $377,000) was due to Antares Underwriting Asia PTE Ltd, $nil (2016: $2,925,839) was due to Antares Underwriting Limited (AUL) and $484,808 was due to Antares Capital I Limited (2016: $474,195).

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19. 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.

20. 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.

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20. Risk Management (continued)

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

	2017			2016		
	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net
	$000	$000	$000	$000	$000	$000
Marine, Aviation and Transport	190,930	9,187	181,743	192,157	16,966	175,191
Reinsurance	103,242	23,495	79,747	62,676	12,983	49,694
Specialty	316,901	34,160	282,741	264,267	25,985	238,281
Property	79,603	49,323	30,280	8,477	342	8,134
Political Risks and Terrorism	10,618	1,501	9,117	-	-	-
Total	**701,294**	**117,666**	**583,628**	**527,577**	**56,276**	**471,300**

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

	2017			2016		
	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net
	$000	$000	$000	$000	$000	$000
UK	81,757	13,718	68,039	58,193	6,207	51,985
Other EU Countries	51,392	8,623	42,769	39,271	4,189	35,082
US	202,148	33,917	168,231	176,873	18,867	158,006
Central & South America	45,184	7,581	37,603	48,090	5,130	42,960
Japan	12,922	2,168	10,754	17,292	1,844	15,447
Australia	27,169	4,559	22,610	23,753	2,534	21,219
Other	280,722	47,100	233,622	164,105	17,505	146,600
Total	**701,294**	**117,666**	**583,628**	**527,577**	**56,276**	**471,300**

Notes to the Annual Accounts
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20. 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 $5.8m (2016: $4.7m).

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 2017 in all cases.

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20. Risk Management (continued)

Whole Account Underwriting Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Gross Claims											
Estimate of incurred gross claims											
At the end of underwriting year	146,672	77,107	102,346	98,435	104,445	105,627	104,347	104,663	115,720	211,269	
One year later	198,826	169,470	203,731	157,414	162,357	175,190	198,448	195,926	272,708	-	
Two years later	201,058	152,806	208,623	169,409	178,605	189,232	210,150	218,429	-	-	
Three years later	215,487	163,810	212,205	176,333	179,566	186,149	207,395	-	-	-	
Four years later	216,913	170,157	211,969	179,772	190,336	186,413	-	-	-	-	
Five years later	209,020	165,756	212,273	183,574	191,074	-	-	-	-	-	
Six years later	214,135	169,544	215,146	181,728	-	-	-	-	-	-	
Seven years later	215,264	170,032	214,353	-	-	-	-	-	-	-	
Eight years later	214,669	175,846	-	-	-	-	-	-	-	-	
Nine years later	215,510	-	-	-	-	-	-	-	-	-	
Gross paid claims position											
At the end of underwriting year	21,679	6,922	17,404	12,030	10,169	18,188	11,837	6,915	9,804	21,023	
One year later	70,727	59,456	73,956	57,797	64,639	64,527	62,527	57,168	87,647	-	
Two years later	114,783	91,911	124,245	101,705	107,208	107,401	103,620	112,036	-	-	
Three years later	140,997	116,144	154,029	123,392	132,350	127,825	142,450	-	-	-	
Four years later	154,776	123,043	165,679	138,784	142,564	142,151	-	-	-	-	
Five years later	173,151	135,178	185,335	155,103	157,436	-	-	-	-	-	
Six years later	187,462	145,302	196,084	159,914	-	-	-	-	-	-	
Seven years later	190,490	146,084	202,690	-	-	-	-	-	-	-	
Eight years Later	198,199	147,470	-	-	-	-	-	-	-	-	
Nine years later	200,615	-	-	-	-	-	-	-	-	-	
Gross claims reserve	**14,895**	**28,376**	**11,663**	**21,814**	**33,638**	**44,262**	**64,946**	**106,393**	**185,061**	**190,247**	**701,294**

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20.Risk Management (continued)

Whole Account Underwriting Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Net Claims											
Estimate of ultimate gross claims											
At the end of underwriting year	99,728	66,182	78,619	83,032	71,387	96,224	94,595	97,630	106,182	150,323	
One year later	160,479	126,658	153,378	137,019	125,665	165,858	186,313	189,175	249,194	-	
Two years later	163,544	116,941	150,195	143,788	143,461	183,209	197,578	214,963	-	-	
Three years later	171,830	121,964	152,424	148,004	145,561	181,327	194,976	-	-	-	
Four years later	173,273	128,977	151,506	151,675	156,698	182,004	-	-	-	-	
Five years later	171,190	124,527	149,259	156,365	158,392	-	-	-	-	-	
Six years later	174,243	124,282	148,042	154,506	-	-	-	-	-	-	
Seven years later	175,406	128,338	146,758	-	-	-	-	-	-	-	
Eight years later	176,407	131,291	-	-	-	-	-	-	-	-	
Nine years later	177,375	-	-	-	-	-	-	-	-	-	
Net paid claims position											
At the end of underwriting year	20,115	5,864	14,527	12,030	10,169	17,704	11,837	6,840	9,802	20,876	
One year later	55,126	52,620	64,878	53,159	52,424	63,314	62,525	57,086	85,043	-	
Two years later	93,098	74,571	103,290	88,326	86,369	105,084	103,516	111,990	-	-	
Three years later	114,911	94,482	121,764	102,274	107,162	125,463	135,920	-	-	-	
Four years later	126,688	98,170	127,588	115,036	115,899	139,815	-	-	-	-	
Five years later	139,793	109,300	129,832	130,014	129,216	-	-	-	-	-	
Six years later	150,822	114,502	135,096	134,354	-	-	-	-	-	-	
Seven years later	153,712	115,747	138,802	-	-	-	-	-	-	-	
Eight years Later	160,589	117,277	-	-	-	-	-	-	-	-	
Nine years later	162,860	-	-	-	-	-	-	-	-	-	
Net claims reserve	**14,515**	**14,014**	**7,956**	**20,152**	**29,176**	**42,189**	**59,056**	**102,973**	**164,150**	**129,447**	**583,628**

Notes to the Annual Accounts
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20. 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 2017	**AAA**	**AA**	**A**	**BBB & Below**	**Lloyd's syndicates**	**Unrated**	**Total**
	$000	$000	$000	$000	$000	$000	$000
Financial investments	28,338	168,219	140,617	192,687	-	62,965	592,826
Cash at bank and in hand	134	5,629	8,750	-	-	-	14,513
Insurance and other receivables	-	-	-	-	-	976	976
Reinsurance contracts assets	-	16,340	45,584	-	43,281	15,666	120,871
	28,472	**190,188**	**194,951**	**192,687**	**43,281**	**79,607**	**729,186**

As at 31 December 2016- Restated	**AAA**	**AA**	**A**	**BBB & Below**	**Lloyd's syndicates**	**Unrated**	**Total**
	$000	$000	$000	$000	$000	$000	$000
Financial investments	52,995	137,426	117,826	175,183	-	37,028	520,458
Cash at bank and in hand	10,653	1,199	10,870	4,055	-	-	26,777
Insurance and other receivables	-	-	-	-	-	273	273
Reinsurance contracts assets	-	11,299	20,880	-	21,288	6,246	59,713
	63,648	**149,924**	**149,576**	**179,238**	**21,288**	**43,549**	**607,221**

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at 31 December 2017

20. 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 2017	**(4,334)**	**(260)**	**(1,130)**	**1,838**	**(3,886)**
At 31 December 2016	(351)	(2,299)	1,496	(904)	(2,057)

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 2017 is $155k (2016: $36k).

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 $0.9m (2016: $1.3m). 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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20. 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 2.8 years (2016: 3.5 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 126 basis points. Therefore if interest rates were to increase by 0.5%, with all other variables constant, profit would be lower by an estimated $7.0m (2016: $9.1m).

A comparable decrease in interest rates would increase the valuation by an estimated 122 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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20. Risk Management (continued)

At 31 December 2017:

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial investments	363,720	228,227	770	592,716

Restated

At 31 December 2016:

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial investments	323,606	196,852	-	520,458

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 except those included in Level 3 which are holdings in real estate investments and derivatives.

There have been no transfers between level 1 and level 2 in either direction in 2016 or 2017.

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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20. Risk Management (continued)

At 31 December 2017:

	0-1years	1-3 years	3-5 years	> 5 years	Total
	$000	$000	$000	$000	$000
Financial investments	160,764	90,233	242,834	55,321	549,152
Cash at bank and in hand	14,513	-	-	-	14,513
Overseas Deposits	43,674	-	-	-	43,674
Insurance and other receivables	353,226	-	-	-	353,226
Reinsurance contracts assets	69,758	33,482	43,139	9,172	155,551
Other assets	2,210	-	-	-	2,210
Total assets	644,145	123,715	285,973	64,493	1,118,326
Insurance contracts liabilities	429,253	275,486	218,609	47,846	971,194
Provisions, reinsurance and other payables	133,313	-	-	-	133,313
Total liabilities	562,566	275,486	218,609	47,846	1,104,507
Net assets	81,579	(151,771)	67,364	16,647	13,819

At 31 December 2016---Restated

	< 1years	1-3 years	3-5 years	> 5 years	Total
	$000	$000	$000	$000	$000
Financial investments	159,127	137,183	85,819	102,662	484,791
Cash at bank and in hand	26,777	-	-	-	26,777
Overseas Deposits	35,667	-	-	-	35,667
Insurance and other receivables	283,596	-	-	-	283,596
Reinsurance contracts assets	50,892	10,137	11,346	2,674	75,049
Other assets	1,573	-	-	-	1,573
Total assets	557,632	147,320	97,165	105,336	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

Notes to the Annual Accounts
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20. 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.

Notes to the Annual Accounts
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20. 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.

21. 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.

22. Events After the Reporting Period

On 15 February 2018 the Syndicate entered into a Reinsurance to Close (RITC) transaction with Chaucer Syndicates 6124 and the associated UK division portfolio of 1084. The effective date is 1 January 2018 and the premium payable is $99,200,000.

Syndicate 6124 was set up in 2015 to reinsure the policies originally underwritten by the UK division of Syndicate 1084 prior to 30 June 2015, when the business of the UK division was transferred to Markerstudy Limited, a specialist in motor insurance products and complementary services. This reinsurance was executed via a 100% quota share. Syndicate 1274 intends to enter into a 90% quota share with QIC, in respect of this business.

The sole capital provider to Syndicate 6124 was AUL, who also provides a vast majority of the capital to support Syndicate 1274.

Antares Managing Agency Limited
21 Lime Street
London EC3M 7HB
www.antaresunderwriting.com

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