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Dale Underwriting Partners Syndicate 1729

Syndicate Annual Report and Accounts

31 December 2017

Contents

Directors and Administration

Managing Agent

Asta Managing Agency Ltd

Directors

T A Riddell (Chairman)*
R P Barke
C V Barley
L Harfitt
A J Hubbard*
D J G Hunt
M D Mohn*
S P A Norton
J W Ramage*
K Shah*
J M Tighe

Non Executive Directors*

Company Secretary

C Chow

Managing Agent's Registered Office

5th Floor
Camomile Court
23 Camomile Street
London
EC3A 7LL

Managing Agent's Registered Number

1918744

Active Underwriter

Duncan Dale

Bankers

Barclays Plc
Citibank NA
RBC Dexia

Investment Manager

Conning Asset Management Ltd

Registered Auditors

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Active underwriter’s report

This year has presented a turning point in the market and whilst not all classes are reacting yet as we would hope, it is somewhat inevitable that the level of claims activity will render recent terms and conditions unsustainable over the long term. We are starting to see elements of dislocation, particularly in entities that have been focused on aggressive top line growth in recent years. We are very fortunate, and it is critically important to our long term success, that our capital providers share our preference for bottom line profit over top line premium volume.

The natural catastrophe activity during the past year in the United States has devastated many lives and livelihoods and we are extremely proud to have played our small part in the repair and rebuilding efforts. The claims associated with Hurricanes Harvey, Irma and Maria and destructive wildfires in California presented us with our sternest test to date in our short history. Our property underwriting teams and claims professionals acquitted themselves very well.

There are always lessons to be learnt from experience, but we demonstrated a good understanding of our exposures to each of the events and were able to construct robust ranges of estimated losses, gross and net of reinsurance. This is exactly what our reinsurers and capital providers should expect from us. It is also what we should expect from our clients and are grateful for their efforts in helping to estimate and adjust the ensuing claims. Our claims team have been proactive in advancing funds to be used for the timely settlement of claims by our clients and local adjusters. We purchased a comprehensive reinsurance programme that has served us well. Our philosophy has been to be conservative buyers of reinsurance and whilst that takes away some of the profit in good years, it significantly protects the downside in an active year for catastrophe losses, as we have just seen.

On the Casualty side we have started to see some retrenchment in the reinsurance market as losses emerge and there is a greater recognition of the underpricing leading to poor results. We are well positioned to build this book as available margins improve.

Across the Syndicate we have a solid base of clients and now have an established presence in the Lloyd’s market. We need to continue to focus on those areas we know best and ensure we are working hard to deliver beyond what is expected in terms of service, expertise, product design, operational capabilities and smart use of information to deliver valued products to our customers.

We have established a plan for migration from the “turn-key” arrangement with Asta to form our own Managing Agency. This will not be immediate and we are in no rush. We will carefully build the capabilities in a way that does not burden the Syndicate with an excessive expense ratio.

Some key figures;

We have 38 employees, 21 in Underwriting, 4 in Exposure Management, 3 in Claims and 10 in Operations and other support roles.

In 2017, we wrote contracts for over 800 clients, generating circa £75m of gross net written premium. We are the lead underwriter on 26% of that premium.

Since inception of the Syndicate we have gross net written premium of £248m, 33% of which was new business to Lloyd’s.

We maintain a conservative reserving philosophy. Total gross IBNR reserves (on an underwriting year, to ultimate basis) stand at £86m at the end of 2017, split £50m casualty (long tail) and £36m property (short tail).

Closed Year (2014)

As reported 12 months ago, our first year closed with a small profit and I can report that there have been no material developments in the past year and as such, the year is running off as expected.

2015 Year of Account

We closed our 2015 year of account at the end of this year with a loss of 7.8% of Stamp, which is incredibly disappointing. Whilst we wrote less premium than initially anticipated, it is important to note that the underwriting ratios remained strong and are slightly better than plan on a gross basis, despite very challenging market conditions. The main reasons for the loss are the lower than expected premiums written, relatively high reinsurance cost and growth of our expenses, predominantly associated with building the team. This is a classic strain in the early years of any business and we expect our expense ratio to reduce as the premium volume increases. We are able to write significantly more premium without adding materially to our existing underwriting resource and this will improve our profit potential in better market conditions.

Our gross underwriting result has improved over the past 12 months, but the Property Insurance portfolio has not performed well and we believe it is fair to close the year at the above-mentioned figures.

We have commuted a material US Casualty contract at a profit, removing a significant amount of reserve risk from this year.

2016 Year of Account

The market conditions continued to deteriorate in this year and we deployed a very cautious approach. At this stage, the gross and net underwriting results are worse than planned due to adverse loss experience in the Property Insurance business. We have taken specific corrective action on that portfolio and continued to buy reinsurance that we intended to protect the Syndicate to a conservative level of risk. Whilst this denotes a relatively risk averse stance, we believe that this is the right strategy in such poor market conditions.

We have also already commuted the same material US Casualty contract as mentioned above, at the planned profit.

Beyond ProAssurance Corporation, we have 4 other corporate and a little over 1,000 private capital providers, all of whom have had the opportunity to grow with the Syndicate. We are enormously grateful for their support and pleased to have delivered to them a positive result in our first year.

In summary, I would like to record my thanks to all who have supported and helped to develop our business. It remains a perilous market and we must be patient, diligent, creative and industrious.

2017 Year of Account

Market conditions continued to deteriorate throughout 2017 despite the market incurring very significant losses from natural catastrophes, which, in the aggregate constitute one of the worst years on record for such events.

Our property portfolios are focused in areas that are exposed to natural catastrophes. We experienced material losses from Hurricanes Harvey and Irma and more modest losses from Hurricane Maria. In the aggregate, at year end 2017, our estimated net exposure to these events (referred to as HIM) was \$10.4m (8% of Stamp) with 85% impacting the 2017 year of account and 15% impacting the 2016 year of account. We are not currently expecting the wildfires in Northern and Southern California, the mudslides in Southern California or the earthquakes in Mexico to generate material claims to the Syndicate.

We anticipated further rate erosion in 2017 and have achieved better than plan in that regard in every year since inception of the Syndicate. We maintained our discipline and ultimately wrote a similar volume of business to the 2016 year.

Active underwriter's report continued

In the second half of 2017, we employed a highly experienced team to underwrite contingency, sports personal accident and niche non-catastrophe property business. We have formed a Special Purpose Arrangement (SPA) 6131, which will write a 60% share of this business for the 2018 year of account.

The remaining 40% is retained by Syndicate 1729. This team has a successful track record and the senior members of the team have their own personal funds at risk behind the SPA. We feel that there is a strong alignment of interest to generate positive underwriting returns for Syndicate 1729 and 6131 and Syndicate 1729 also benefits from a management fee charged to the SPA.

In anticipation of potential improvement in the market environment, we sought and obtained Lloyd's approval and capital support for a 32% growth in the Stamp Capacity of Syndicate 1729 in addition to the £8m initial Stamp Capacity for SPA 6131, bringing our total up from £100m to £140m.

As previously reported, our key capital provider, ProAssurance Corporation has extended their long-term commitment of up to $200m of underwriting capital through to the 2022 year of account. We are immensely proud of this most tangible of endorsements and grateful for their breadth and depth of support.

In addition to ProAssurance Corporation, we have a number of other corporate and private capital providers, all of whom have had the opportunity to grow with the Syndicate. We are enormously grateful for their support and remain determined to reward their commitment to our business.

We remain exclusively focused on the Lloyd's broker distribution channel and are working hard with those brokers to generate new, profitable business to the Lloyd's market.

Asta Managing Agency Limited continues to provide excellent governance, guidance and help as our Managing Agency and we greatly appreciate all of their efforts on our behalf.

Finally, I would like to thank all of the Dale team for their hard work, diligence and skill in developing our company. The soft market environment of the past few years is not sustainable over the long term, but we believe we are well placed to generate acceptable returns when conditions improve.

Managing Agent's report

The Syndicate's Managing Agent is a company registered in England and Wales. The directors of the Managing Agent present their report for the year ended 31 December 2017.

This annual report is prepared using the annual basis of accounting as required by Statutory Instrument No 1950 of 2008, The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("Lloyd's Regulations 2008").

Results

The total recognised income for calendar year 2017 is a loss of £19.6m (2016: loss £7.6m).

The Syndicate presents its results under FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. In accordance with FRS102, the Syndicate has identified its insurance contracts and accounted for them in accordance with FRS103.

Principal activity and review of the business

The Syndicate's principal activity continues to be the underwriting of direct insurance and reinsurance business in the Lloyd's market.

The Syndicate writes predominately casualty and property insurance primarily in the United Kingdom.

A full review is included in the Active Underwriter's Report.

Gross written premium income by class of business for the calendar year was as follows;

	2017	**2016**
	£'000	**£'000**
Casualty	38,430	47,737
Property Insurance	39,956	24,347
Property Reinsurance	19,290	15,371
	97,676	87,455

The Syndicate's key financial performance indicators during the year were as follows:

	2017 £'000	**2016 £'000**	**Change %**
Gross written premiums	97,676	87,455	11.7%
Loss for the financial year	(22,560)	(10,769)	109.5%
Total comprehensive income	(19,606)	(7,628)	157.0%
Combined ratio	131.3%	116.2%	15.1%

Managing Agent's report continued

The return on capacity for the 2015 closed year of account at 31 December 2017 is shown below together with forecasts for the two open years of account.

	2015 YOA Closed	2016 YOA Open	2017 YOA Open
Capacity (£'000)	75,000	90,000	100,000
Result/Forecast (£'000)	(5,872)	(9,448)	(11,909)
Return on capacity (%)	(7.8%)	(10.5%)	(11.9%)

Principal risks and uncertainties

The Syndicate sets risk appetite annually, which is approved by the Agency as part of the Syndicate's business planning and Solvency Capital Requirement ('SCR') process. The Agency Risk Committee meets quarterly to oversee the risk management framework. The Syndicate Board reviews the risk profile and monitors performance against risk appetite using a series of key risk indicators. The principal risk and uncertainties facing the Syndicate are as follows:

Insurance risk

Insurance risk includes the risks that a policy will be written for too low a premium or provide inappropriate cover (underwriting risk), that the frequency or severity of insured events will be higher than expected (claims risk), or that estimates of claims subsequently prove to be insufficient (reserving risk). The Syndicate Board manages insurance risk through the approved business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. The Syndicate Board then monitors performance against the business plan through the year. Reserve adequacy is monitored through quarterly review by the Syndicate actuary and the Reserving Committee.

Credit risk

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

Market risk

Market risk exposure impacting the Syndicate relates to fluctuations in interest rates or exchange rates. The Syndicate is exposed to foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. The Agency's policy is to maintain received income or incurred expenditure in the core currencies in which they were received or paid. Any surplus or deficit in a core currency would be subject to review by the Syndicate Board, a sub-committee of the Agency Board.

Exposure to changes in interest rates comes from the Syndicate's investment portfolio. The Agency seeks to minimise this risk through investing in either fixed interest securities or high quality floating rate notes.

In addition, an Investment Committee which reports to the Syndicate Board ensures that the Syndicate's investments are held in high quality instruments.

Liquidity risk

This is the risk that the Syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash. To mitigate this risk the Syndicate Board and Investment Committee reviews cash flow projections regularly and the Syndicate also has in place a line of credit with its largest capital provider.

Operational risk

This is the risk that errors caused by people, processes, systems and external events lead to losses to the Syndicate. The Agency seeks to manage this risk through the use of detailed procedures manuals and a structured programme of testing of processes and systems by internal audit. Business continuity and disaster recovery plans are in place and are regularly updated and tested.

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

The Syndicate has no appetite for failing to treat customers fairly. The Syndicate manages and monitors its conduct risk through a suite of risk indicators and reporting metrics as part of its documented conduct risk framework.

Group / strategic risk

This is the risk of contagion that arises from being associated with key stakeholders and the impact that activities and events that occur within other connected or third parties has on the business.

Strategic risk covers the risks faced by the Syndicate due to changes in underlying strategy of the business or that of its key stakeholders (including strategic conflicts of interest).

Future developments

The Syndicate will continue to transact the current classes of general direct insurance and reinsurance business. If opportunities arise to write new classes of business, these will be investigated at the appropriate time.

The capacity for the 2018 year of account is £140m (2017 year of account £100m).

The risks to UK economic growth remain significant not least because of the UK's decision to leave the European Union ("EU") ("Brexit"). There is significant change and associated uncertainty ahead for the market which is difficult to anticipate as the terms of the UK's exit from the EU remain unclear. Until that happens, the market will need to plan carefully for all possible scenarios to mitigate the impact of Brexit on Lloyd's businesses.

EU membership and access to the single market has enabled underwriters at Lloyd's to underwrite insurance and reinsurance from all the other 27 member states on a cross-border basis. The underwriters operate under a "passport" system, which allows them to conduct business throughout the EU while being regulated and supervised by the PRA.

To mitigate the impact of the Lloyd's Syndicates losing EEA passporting rights, Lloyd's are in the process of setting up an EU regulated insurance company (LIC) and have outlined the operational changes that syndicates will need to make to retain their EEA business, albeit through Reinsurance of LIC. The Managing Agency will be working with the Syndicate to implement these operational change in 2018 and to mitigate the risk of losing access to EEA business.

Directors

Details of the Directors of the Managing Agent that were serving at the year end and up to the date of signing of the financial statements are provided on page 1. Changes to directors were as follows:-

R P Barke	Appointed 1 January 2018
D F C Murphy	Resigned 30 June 2017

Disclosure of information to the auditors

So far as each person who was a director of the Managing Agent at the date of approving the report is aware, there is no relevant audit information, being information needed by the Syndicate auditor in connection with the auditor's report, of which the auditor is unaware. Having made enquiries of fellow directors of the Agency and the Syndicate's Auditors, each director has taken all the steps that he or she ought to have taken as a director to become aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

Auditors

The Managing Agent intends to reappoint Ernst & Young LLP as the Syndicate's auditors.

Syndicate Annual General Meeting

In accordance with the Syndicate Meetings (Amendment No 1) Byelaw (No 18 of 2000) the Managing Agent does not propose holding an annual meeting this year; objections to this proposal or the intention to reappoint the auditors for a further 12 months can be made by Syndicate members before 27 April 2018.

On behalf of the Board

C Chow
Company Secretary
16 March 2018

Statement of Managing Agent's responsibilities

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

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

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

- select suitable accounting policies and then apply them consistently subject to changes arising on the adoption of new accounting standards in the year.

- make judgements and estimates that are reasonable and prudent;

- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the notes to the Syndicate accounts; and

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

The managing agent is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The 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

Independent auditor's report to the members of Dale Underwriting Partners Syndicate 1729

Opinion

We have audited the syndicate annual accounts of Syndicate 1729 (‘the syndicate’) for the year ended 31 December 2017 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Members’ Balances, the Statement of Financial Position, 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the managing agent’s use of the going concern basis of accounting in the preparation of the syndicate annual accounts is not appropriate; or

- the managing agent has not disclosed in the syndicate annual accounts any identified material uncertainties that may cast significant doubt about the syndicate's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the syndicate annual accounts are authorised for issue.

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.

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; or
- certain disclosures of the managing agents' emoluments specified by law are not made.

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent’s Responsibilities set out on page 9, 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 is responsible for assessing the syndicate’s ability to continue in operation, disclosing as applicable, matters related to its ability to continue in operation and using the going concern basis of accounting unless the managing agent either intends to cease to operate the syndicate, or has no realistic alternative but to do so.

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

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

A further description of our responsibilities for the audit of 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.

Benjamin Gregory

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

16 March 2018

Income statement

Technical account - General business

For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Gross premiums written	3	97,676	87,455
Outward reinsurance premiums		(19,537)	(12,416)
Net written premiums		78,139	75,039
Change in the provision for unearned premiums			
• Gross amount		(3,774)	(10,616)
• Reinsurers' share		(925)	2,793
Change in the net provision for unearned premiums	4	(4,699)	(7,823)
Earned premiums, net of reinsurance		73,440	67,216
Allocated investment return transferred from the non-technical account		403	147
Claims paid			
• Gross amount		(55,146)	(32,592)
• Reinsurers' share		9,962	1,255
		(45,184)	(31,337)
Changes in claims outstanding			
• Gross amount		(40,896)	(21,445)
• Reinsurers' share		24,282	3,925
Change in the net provision for claims	4	(16,614)	(17,520)
Claims incurred, net of reinsurance		(61,798)	(48,857)
Net operating expenses	5	(34,757)	(29,890)
Balance on technical account – general business		(22,712)	(11,384)

Income statement continued

Non-technical account - General business

For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Balance on technical account – general business		(22,712)	(11,384)
Investment income	9	403	147
Allocated investment return transferred to the general business technical account		(403)	(147)
Exchange gains		152	615
Loss for the financial year		(22,560)	(10,769)

All the amounts above are in respect of continuing operations.

The notes on pages 18 to 42 form part of these financial statements.

Statement of comprehensive income

For the year ended 31 December 2017

	2017 £'000	2016 £'000
Loss for the financial year	(22,560)	(10,769)
OCI – Currency translation differences	2,954	3,141
Total comprehensive loss for the year	(19,606)	(7,628)

Statement of changes in Members' balances

For the year ended 31 December 2017

	2017 £'000	2016 £'000
At 1 January	(16,831)	(8,899)
Total comprehensive loss for the financial year	(19,606)	(7,628)
Members' agent's fees	(238)	(304)
Payments of profit to members' personal reserve funds	(179)	-
At 31 December	(36,854)	(16,831)

Statement of financial position

As at 31 December 2017

	Notes	2017 £'000	2016 £'000
ASSETS			
Investments			
Financial investments	10	52,957	53,033
Reinsurers' share of technical provisions			
Provision for unearned premiums	4	4,523	6,298
Claims outstanding	4	29,064	7,265
		33,587	13,563
Debtors			
Debtors arising out of direct insurance operations	11	11,071	11,532
Debtors arising out of reinsurance operations	12	10,156	15,053
Other debtors		783	508
		22,010	27,093
Cash and other assets			
Cash at bank and in hand		645	1,229
Other assets	15	4,365	2,364
		5,010	3,593
Prepayments and accrued income			
Deferred acquisition costs	4	13,462	13,571
Other prepayments and accrued income		1,085	1,612
		14,547	15,183
Total assets		128,111	112,465

The notes of page 18 to 42 form part of these financial statements.

Statement of financial position continued

As at 31 December 2017

	Notes	2017 £'000	2016 £'000
MEMBERS' BALANCE AND LIABILITIES			
Capital and reserves			
Members' balances		(36,854)	(16,831)
Liabilities			
Technical provisions			
Provision for unearned premiums	4	42,772	46,983
Claims outstanding	4	88,097	54,925
		130,869	101,908
Creditors			
Creditors arising out of direct insurance operations	13	593	289
Creditors arising out of reinsurance operations	14	18,766	17,470
Other creditors	17	14,196	9,082
		33,555	26,841
Accruals and deferred income		541	547
Total liabilities		164,965	129,296
Total members' balances and liabilities		128,111	112,465

The notes of page 18 to 42 form part of these financial statements.

The financial statements on pages 13 to 42 were approved by board of directors on 13 March 2018 and were signed on its behalf by:

D J G Hunt
Director
16 March 2018

Statement of cash flows

For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities			
Loss on ordinary activities		(22,560)	(10,769)
Increase in gross technical provisions		28,961	43,120
Increase in reinsurers' share of gross technical provisions		(20,024)	(8,286)
Decrease/(Increase) in debtors		5,083	(8,680)
Increase in creditors		6,714	2,269
Movement in other asset/liabilities		(1,370)	(4,899)
Foreign exchange		6,944	(4,069)
Investment Return		(403)	(147)
Net cash inflows from operating activities		3,345	8,539
Cash flows from investing activities			
Purchase of financial investments		(44,510)	(35,382)
Sale of financial instruments		32,499	35,169
Investment income received		403	147
Net cash outflows from investing activities		(11,608)	(66)
Cash flows from financing activities			
Payments of profit to members' personal reserve funds		(179)	-
Members' agents fee advances		(238)	(304)
Net cash outflows from financing activities		(417)	(304)
Net (decrease)/increase in cash and cash equivalents		(8,680)	8,169
Cash and cash equivalents at beginning of year	16	18,880	9,003
Exchange differences on opening cash		(1,108)	1,708
Cash and cash equivalents at end of year	16	9,092	18,880

Notes to the financial statements

For the year ended 31 December 2017

1. Basis of preparation

Statement of compliance

The financial statements have been prepared in compliance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and FRS 102 and FRS 103, being applicable UK GAAP accounting standards, 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 financial statements are prepared under the historical cost convention except for certain financial instruments which are measured at fair value. The financial statements are prepared in GBP which is the reporting and presentational currency of the Syndicate and rounded to the nearest £'000. The functional currency of the Syndicate is US Dollars.

As permitted by FRS 103 the Syndicate continues to apply the existing accounting policies that were applied prior to this standard for its insurance contracts.

The Syndicate has elected to early-apply the March 2016 amendments to FRS 102, *Fair value hierarchy disclosures*. As a result, the fair value hierarchy disclosures, including comparatives, shown in Note 10 are now prepared on a basis consistent with the measurement of the financial instruments.

2. Accounting policies

Use of estimates

In the preparation of the financial statements, the directors of the Managing Agent have made judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the accounts, and the reported amounts of income and expenses during the reporting period. Actual results may differ from those estimates. Significant items subject to such estimates and assumptions include:

(i) provision for claims outstanding (refer to claims incurred accounting policy);

(ii) estimates of future premium for binder contracts (refer to gross premiums accounting policy).

Significant accounting policies

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

Gross premiums

Gross written premiums comprise the total premiums receivable for the whole period of cover provided by the contracts entered into during the reporting period, regardless of whether these are wholly due for payment in the reporting period, together with any adjustments arising in the reporting period to such premiums receivable in respect of business written in prior reporting periods. They are recognised on the date on which the policy commences. Gross written premiums are stated gross of brokerage payable and exclude taxes and duties levied on them.

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates, primarily relating to binder business, are judgemental and could result in misstatements of revenue recorded in the financial statements.

Accounting policies continued

The main assumption underlying future premium, is that past premium development can be used to project future premium development.

Reinsurance premiums

Reinsurance written premiums comprise the total premiums payable for the whole cover provided by contracts entered into the period, including portfolio premiums payable, and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Outwards reinsurance premiums are accounted for and earned in the same accounting period as the premiums for the related direct or inwards business being reinsured.

Claims incurred

Claims incurred comprise claims and settlement expenses (both internal and external) paid in the year and the movement in provision for outstanding claims and settlement expenses, including an allowance for the cost of claims incurred by the balance sheet date, but not reported until after the year end.

The provision for claims comprises amounts set aside for claims notified and claims incurred, but not yet reported (IBNR).

The amount included in respect of IBNR is based on statistical techniques of estimation applied by actuaries. These techniques 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. The provision for claims also includes amounts in respect of internal and external claims handling costs. 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 reinsurers' share of provisions for claims is based on calculated 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 and the claims experience for the year. The Syndicate uses a number of statistical techniques to assist in making these estimates.

Accordingly, the two most critical assumptions as regards 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, ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided.

Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

Provisions for unearned premiums

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. In respect of general insurance business, written premiums are recognised as earned over the period of the policy on a time apportionment basis having regard where appropriate, to the incidence of risk. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Accounting policies continued

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Unexpired risks

A provision for unexpired risks is made where claims and related expenses likely to arise 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 separately by reference to classes of business which are managed together, after taking into account relevant investment return.

At 31 December 2017 and 31 December 2016 the Syndicate did not have an unexpired risk provision.

Deferred acquisition costs

Acquisition costs comprise costs arising from the conclusion of insurance contracts. They include both direct costs, such as intermediary commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio, and indirect costs, such as the advertising costs or the administrative expenses connected with the processing of proposals and the issuing of policies.

Deferred acquisition costs are costs arising from conclusion of insurance contracts that are incurred during the reporting period but which relate to a subsequent reporting period and which are carried forward to subsequent reporting periods.

Deferred acquisition costs are amortised over the period in which the related premiums are earned.

Reinsurance assets

The Syndicate cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Syndicate may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Syndicate will receive from the reinsurer. The impairment loss is recorded in the income statement.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. There were no such gains recognised in 2017 or 2016.

Ceded reinsurance arrangements do not relieve the Syndicate from its obligations to policyholders.

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

Insurance receivables are not recognised when the derecognition criteria for financial assets have been met.

Accounting policies continued

Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method. Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

Foreign currencies

The Syndicate's functional currency is USD and the reporting currency and presentational currency is GBP.

Transactions denominated in currencies other than the functional currency are initially recorded in the functional currency at the exchange rate ruling at the date of the transactions. 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 retranslated into the functional currency at the exchange rate ruling on the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items denominated in a foreign currency, measured at fair value are translated into the functional currency using the exchange rate ruling at the date when the fair value was determined.

Exchange differences are recorded in the non-technical account.

The following balance sheet rates of exchange have been used in the preparation of these accounts:

	2017	**2016**
	Year End	**Year End**
USD	1.35	1.24
CAD	1.70	1.66
EUR	1.13	1.17

Financial liabilities

The Syndicate's financial liabilities include trade and other payables, borrowings and insurance payables, where applicable. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

A financial liability is derecognised when the obligation under the liability is discharged or expires.

Financial investments

The Syndicate classifies its financial investments as either financial assets at fair value through profit or loss, loans and receivables or available for sale. The Syndicate determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value plus, in the case of instruments not at fair value through profit or loss, directly attributable transaction costs.

The classification depends on the purpose for which the investments were acquired or originated. In general, financial assets are classified as fair value through profit or loss as the Syndicate's documented investment strategy is to manage financial investments acquired on a fair value basis.

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

These 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 losses 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.

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 carried at market value are calculated as the difference between sale proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting underwriting business.

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 (currently at 20%) 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 other overseas tax payable by members on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year have been included in the balance sheet under the heading 'other debtors'.

Profit commission

Profit commission is charged by the managing agent at a rate of 17.5% on the profit on a year of account basis subject to a 2 year deficit clause. Such commission does not become payable until after the appropriate year of account closes normally at 36 months.

Pension costs

The Managing Agent operates a defined contribution scheme. Pension contributions to Syndicate staff are charged to the Syndicate and included within net operating expenses.

Accounting policies continued

Syndicate operating expenses

Where expenses are incurred by the Managing Agent or on behalf of the Managing Agent on the administration of managed Syndicates, these expenses are apportioned using various methods depending on the type of expense. Expenses which are incurred jointly for the Managing Agent and managed Syndicates are apportioned between the Managing Agent and the Syndicates depending on the amount of work performed, resources used and volume of business transacted.

3. Segmental analysis

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

2017	Gross written premiums	Gross premium earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Direct insurance:						
Accident & Health	215	92	(53)	(15)	(4)	20
Motor (third-party liability)	315	305	(86)	(122)	(43)	54
Motor (other classes)	4,283	3,843	(3,420)	(1,474)	(234)	(1,285)
Marine aviation and transport	2,998	3,498	(947)	(896)	(426)	1,229
Fire and other damage to property	31,234	23,929	(36,756)	(9,679)	9,576	(12,930)
Third-party liability	25,251	25,810	(9,991)	(9,124)	(3,351)	3,344
Miscellaneous	4,577	4,288	(3,102)	(2,088)	23	(879)
	68,873	61,765	(54,355)	(23,398)	5,541	(10,447)
Reinsurance	28,803	32,137	(41,687)	(11,359)	8,241	(12,668)
Total	97,676	93,902	(96,042)	(34,757)	13,782	(23,115)

2016	Gross written premiums	Gross premium earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Direct insurance:						
Accident & Health	-	-	-	-	-	-
Motor (third-party liability)	379	228	(90)	(91)	(20)	27
Motor (other classes)	3,690	4,925	(2,853)	(1,903)	(277)	(108)
Marine aviation and transport	2,302	2,554	(703)	(721)	(206)	924
Fire and other damage to property	18,850	15,779	(17,644)	(5,986)	1,043	(6,808)
Third-party liability	26,102	18,770	(6,170)	(7,874)	(1,760)	2,966
Miscellaneous	3,750	2,692	(1,858)	(1,422)	(343)	(931)
	55,073	44,948	(29,318)	(17,997)	(1,563)	(3,930)
Reinsurance	32,382	31,891	(24,719)	(11,893)	(2,880)	(7,601)
Total	87,455	76,839	(54,037)	(29,890)	(4,443)	(11,531)

Segmental analysis continued

Commissions on direct insurance gross premiums earned during 2017 were £14.7m (2016: £11.0m).

The reinsurance balance is the aggregate total of all those items included in the technical account which relate to reinsurance outwards transactions including items recorded as reinsurance commissions and profit participation.

All premiums were concluded in the UK.

Gross operating expenses are the same as net operating expenses shown in the income statement, as no commissions in respect of outward reinsurance were received and set off in arriving at the net operating expenses for 2017.

4. Technical provisions

	2017 Gross provisions £'000	2017 Reinsurance assets £'000	2017 Net £'000	2016 Gross provisions £'000	2016 Reinsurance assets £'000	2016 Net £'000
Claims outstanding						
Balance at 1 January	54,925	(7,265)	47,660	26,778	(2,710)	24,068
Change in claims outstanding	40,896	(24,282)	16,614	21,445	(3,925)	17,520
Effect of FX and other movements	(7,724)	2,483	(5,241)	6,702	(630)	6,072
Balance at 31 December	**88,097**	**(29,064)**	**59,033**	**54,925**	**(7,265)**	**47,660**
Claims notified	34,023	(18,407)	15,616	17,030	(3,453)	13,577
Claims incurred but not reported	54,074	(10,657)	43,417	37,895	(3,812)	34,083
Balance at 31 December	**88,097**	**(29,064)**	**59,033**	**54,925**	**(7,265)**	**47,660**
Unearned premiums						
Balance at 1 January	46,983	(6,298)	40,685	32,010	(2,567)	29,443
Change in unearned premiums	3,774	925	4,699	10,616	(2,793)	7,823
Effect of movements in exchange rates	(7,985)	850	(7,135)	4,357	(938)	3,419
Balance at 31 December	**42,772**	**(4,523)**	**38,249**	**46,983**	**(6,298)**	**40,685**
Deferred acquisition costs						
Balance at 1 January	13,571	-	13,571	9,727	-	9,727
Change in deferred acquisition costs	1,853	-	1,853	2,770	-	2,770
Effect of movements in exchange rates	(1,962)	-	(1,962)	1,074	-	1,074
Balance at 31 December	**13,462**	**-**	**13,462**	**13,571**	**-**	**13,571**

5. Net operating expenses

	2017	2016
	£'000	£'000
Acquisition costs	(29,321)	(25,058)
Change in deferred acquisition costs	1,853	2,770
Administration expenses	(7,289)	(7,602)
Net operating expenses	(34,757)	(29,890)

Members' standard personal expenses amounting to £2.0m (2016: £2.2m) are included in administrative expenses. Members' standard personal expenses include Lloyd's subscriptions, New Central Fund contributions, managing agent's fees and profit commission.

6. Staff costs

	2017	2016
	£'000	£'000
Wages and salaries	(4,455)	(3,198)
Social security costs	(579)	(404)
Other pension costs	(411)	(484)
	(5,445)	(4,086)

The average number of employees working during the year for the Syndicate were as follows:

	2017	2016
Administration and finance	13	9
Underwriting	18	16
Claims	2	2
	33	27

7. Auditor's remuneration

	2017	2016
	£'000	£'000
Audit of the Syndicate annual accounts	(25)	(24)
Other services pursuant to Regulations and Lloyd's Byelaws	(87)	(86)
Other non-audit services	(33)	(31)
	(145)	(141)

Auditor's remuneration is included as part of the administrative expenses in note 5 to the financial statements.

8. Emoluments of the directors of Asta Managing Agency Ltd

The aggregate emoluments of the Directors and staff of the Managing Agency are met by Asta Managing Agency Ltd and are disclosed within the financial statements of that company, with the exception of J. M. Tighe, S.P.A. Norton, D.J.G. Hunt and L Harfitt. J.M. Tighe and S.P.A Norton's remuneration is disclosed in the financial statements of Asta Capital Ltd and the remuneration of D.J.G. Hunt and L Harfitt is disclosed in the financial statements of Asta Insurance Markets Ltd and were all charged in the accounts of Asta Managing Agency Ltd.

No emoluments of the Directors or staff of Asta Managing Agency Ltd were directly charged to the Syndicate.

No other compensation was payable to key management personnel.

The Active Underwriter received the following aggregate remuneration, charged as a Syndicate expense:

	2017	2016
	£'000	£'000
Active Underwriter's emoluments	435	428

9. Investment return

	2017	2016
	£'000	£'000
Income from other financial investments	372	147
Net gains on realisation of investments		
- Fair value through profit or loss designated upon initial recognition	95	-
Total investment income	467	147
Net unrealised gains on investments		
- Fair value through profit or loss designated upon initial recognition	(64)	-
Investment expenses and charges	-	-
Total investment return	403	147

10. Financial investments

	2017		
	Carrying value	Purchase price	Listed
	£'000	£'000	£'000
Shares and other variable yield securities and units in unit trusts			
- Designated at fair value through profit or loss	8,447	8,447	8,447
Debt securities and other fixed income securities			
- Designated at fair value through profit or loss	44,510	44,574	44,474
	52,957	53,021	52,921

	2016		
	Carrying value	Purchase price	Listed
	£'000	£'000	£'000
Shares and other variable yield securities and units in unit trusts			
- Designated at fair value through profit or loss	17,651	17,651	17,651
Debt securities and other fixed income securities			
- Designated at fair value through profit or loss	35,382	35,382	35,382
	53,033	53,033	53,033

Financial investments continued

Amounts included within Shares and other variable securities include CIS/Unit Trusts where funds are invested in a single entity which invests in investments. These have the attributes of a cash instrument with the carrying value and purchase price being the same.

There was no material change in fair value for financial instruments held at fair value attributable to own credit risk in the current or comparative period.

The following table shows financial investments recorded at fair value analysed between the three levels in the fair value hierarchy.

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
31 December 2017				
Shares and other variable yield securities and units in unit trusts	-	8,447	-	8,447
Debt securities and other fixed income securities	-	44,510	-	44,510
Overseas deposits	850	3,515	-	4,365
Total	850	56,472	-	57,322

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
31 December 2016				
Shares and other variable yield securities and units in unit trusts	-	17,651	-	17,651
Debt securities and other fixed income securities	-	35,382	-	35,382
Overseas deposits	745	1,619	-	2,364
Total	745	54,652	-	55,397

Included in the level 1 category are financial assets that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Syndicate, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Included in the level 2 category are financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. For example, assets for which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Syndicate's own models whereby the significant inputs into the assumptions are market observable.

Included in the level 3 category, are financial assets measured using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

Financial investments continued

Therefore, unobservable inputs reflect the Syndicate's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Syndicate's own data.

11. Debtors arising out of direct insurance operations

	2017	2016
	£'000	£'000
Due from intermediaries (within one year)	11,071	11,532
	11,071	11,532

12. Debtors arising out of reinsurance operations

	2017	2016
	£'000	£'000
Due from intermediaries (within one year)	10,156	15,053
	10,156	15,053

13. Creditors arising out of direct insurance operations

	2017	2016
	£'000	£'000
Due to intermediaries (within one year)	593	289
	593	289

14. Creditors arising out of reinsurance operations

	2017	2016
	£'000	£'000
Due to intermediaries:		
Reinsurance accepted (within one year)	14,918	15,719
Reinsurance ceded (within one year)	3,848	1,751
	18,766	17,470

15. Other assets

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

16. Cash and cash equivalents

	2017	2016
	£'000	£'000
Cash at bank and in hand	645	1,229
Shares and other variable yield securities and units in unit trusts	8,447	17,651
	9,092	18,880

Shares and other variable yield securities and units in unit trusts are investments in nature but are treated as Cash and cash equivalents for cash flow purposes, so therefore are included in both Financial investments and Cash and cash equivalents.

17. Related parties

Asta provides service and support to Syndicate 1729 in its capacity as Managing Agent. Managing agent's fees of £1.1m (2016: £0.9m) and service charges of £2.5m (2016: £2.6m) were recharged by Asta to the Syndicate during 2017. As at 31 December 2017 an amount of £0.4m (2016: £0.4m) was owed to Asta in respect of services provided.

ProAssurance Corporate Capital Limited is a significant but not fully aligned 100% capital provider. ProAssurance Corporate Capital Limited is a subsidiary of ProAssurance Corporation a public company based in Alabama, USA. The syndicate set up a GBP Sterling loan facility with ProAssurance Corporation which was entered into at appropriate commercial rates of interest. The amount outstanding on this loan facility at 31 December 2017 was £14.2m (2016: £8.8m) and is showing as a creditor on the balance sheet.

The amount of premium written with Podiatry Insurance Company of America, another subsidiary of ProAssurance in the period was £6.9m (2016: £12.1m). The amount of reinsurance purchased from ProAssurance was £nil (2016: £nil). At 31 December 2017, the amount receivable was £1.1m (2016: £3.3m) and is included in the RI debtor balance on the balance sheet.

From time to time, Syndicates managed by Asta enter into (re)insurance contracts with one another. All such transactions are subject to Asta's internal controls which ensure that all are compliant with Lloyd's Related Party Byelaw provisions. All transactions are entered into on an arms length basis.

18. Disclosure of interests

Managing Agent's interest

During 2017 Asta was the managing agent for ten Syndicates and three Special Purpose Arrangements. Syndicates 1686, 1729, 1897, 1910, 2357, 2525, 2689, 2786, 4242 and 5886 as well as Special Purpose Arrangements 6117, 6123 and 6126 were managed on behalf of third party capital providers.

On 7 February 2017, Syndicate 1910 and Special Purpose Arrangement 6117 migrated to Argo Managing Agency Limited.

On 4 August 2017, Syndicate 1686 migrated to AXIS Managing Agency Ltd.

On 1 January 2018 Asta took on management of Syndicate 1980 and Syndicate 3268. Asta also took on management of Special Purpose Arrangement 6131.

The agency also provides administrative services to Syndicates and undertakes a number of ancillary roles for clients.

The Financial Statements of the Managing Agency can be obtained by application to the Registered Office (see page 1).

19. Funds at Lloyd's

Every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). These funds are intended primarily to cover circumstances where Syndicate assets prove insufficient to meet participating members' underwriting liabilities.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and 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. Refer to note 21 for further details.

20. Off-balance sheet items

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

21. Risk management

a) Governance framework

The Syndicate's risk and financial management framework aims to protect the Syndicate's members capital from events that might otherwise prevent the Syndicate from meeting its policyholder obligations, while maximising the returns to its members. The directors recognise the critical importance of having efficient and effective risk management systems in place.

Asta maintains a risk management function for the Syndicate with clear terms of reference from the Syndicate Board, its committees and sub committees. Asta supplements this with a clear organisational structure with documented delegated authorities and responsibilities from the main Asta managing agency board to the Syndicate who perform the underwriting activities. Lastly, the Syndicate policy framework sets its risk management and control and business conduct standards for operations. Asta reviews and monitors each policy to ensure compliance with the policy throughout the Syndicate.

The Syndicate board approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the identification of risk and its interpretation to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the Syndicate goals, and specify reporting requirements. The Syndicate board places significant emphasis on the assessment and documentation of risks and controls, including the articulation of the Syndicate's risk appetite.

b) Capital management objectives, policies and approach

Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000.

Within the supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II capital requirements, and beyond that to meet its own financial strength, licence and ratings objectives.

Although Lloyd's capital setting processes use a capital requirement set at Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at Syndicate level. Accordingly the capital requirement in respect of Dale Underwriting Partners Syndicate 1729 is not disclosed in these financial statements.

Risk management continued

Lloyd's capital setting process

In order to meet Lloyd's requirements, each Syndicate is required to calculate its Solvency Capital Requirement (SCR) for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The Syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each Syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.

A Syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the Syndicate on which it participating but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate SCR 'to ultimate'. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2017 was 35% of the member's SCR 'to ultimate'.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (funds at Lloyd's), held within and managed within a Syndicate (funds in Syndicate) or as the member's share of the members' balances on each Syndicate on which it participates. Accordingly, the ending members balances reported on the statement of financial position on page 15, represent resources available to meet members' and Lloyd's capital requirements.

c) Insurance risk

The principal risk the Syndicate faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Syndicate is to ensure that sufficient reserves are available to cover these liabilities.

The Syndicate purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Syndicate's net exposure to single risk and catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. The Syndicate's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations substantially dependent upon any single reinsurance contract.

Sub committees of the Syndicate board oversee the management of reserving risk. The use of standardised and internal modelling techniques, as well as benchmarking and the review of claims development are key in mitigating reserving risk.

The purpose of these underwriting, reinsurance and reserving strategies is to limit exposure to catastrophes or large losses based on the Syndicate's risk appetite as decided by the Syndicate board.

The Syndicate uses both its own and commercially available risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from an unmodelled event are greater than those arising from a modelled event.

As a further guide to the level of catastrophe exposure written by the Syndicate, the following table shows hypothetical claims arising out of the Realistic Disaster Scenario (RDS) on the Syndicates in-force exposure at 31 December 2017.

	Estimated Gross loss	**Estimated Net loss**
	£'000	**£'000**
Aggregate exceedance probability loss 30 year return period – Whole World	(74,671)	(21,529)
Alternate RDS A – Dual landfall of major hurricanes Betsy and Donna	(102,524)	(16,951)
Terrorism – Rockefeller Centre	(33,319)	(15,186)
Terrorism – One World Trade Centre	(33,319)	(15,186)
Alternate RDS B –British Columbia 1/500 year earthquake	(57,836)	(10,694)
Liability – Internal Scenario 1: Medical Malpractice	(33,582)	(9,142)

Key assumptions

The principal assumption underlying the liability estimates is that the future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each underwriting year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: once-off occurrence; changes in market factors such as public attitude to claiming, economic conditions, as well as, internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities

The claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

Risk management continued

	2017 £'000	2016 £'000
Gross		
Five percent increase	4,405	2,746
Five percent decrease	(4,405)	(2,746)
Net		
Five percent increase	2,937	2,379
Five percent decrease	(2,937)	(2,379)

Whilst there is naturally uncertainty at this stage with respect to the final cost of the HIM losses, the losses are well protected by reinsurance. The underwriting teams have constructed a range of ultimate costs for each event. The high end of these gross estimates is 36.0% above our current ultimate claims and at this level would generate a total net loss of $10.6m (8% of Stamp). This is only $0.2m greater than our current net best estimate of $10.4m. 85.0% of the loss is attributable to the 2017 underwriting year.

The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

Claims development table

The tables below show the Syndicate's cumulative incurred claims development, including both claims notified and IBNR for each underwriting year, together with the cumulative payments to date on a gross and net of reinsurance basis at the balance sheet date.

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

Underwriting year	**2014**	**2015**	**2016**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Estimate of cumulative gross claims incurred:				
At end of underwriting year	16,743	23,424	31,700	59,633
One year later	30,631	44,681	62,673	
Two years later	31,382	45,313		
Three years later	31,191			
Less cumulative gross paid	(25,072)	(33,008)	(33,048)	(19,585)
Liability for gross outstanding claims	6,119	12,305	29,625	40,048
Total gross outstanding claims all years				88,097

Underwriting year	2014	2015	2016	2017
	£'000	£'000	£'000	£'000
Estimate of cumulative net claims incurred:				
At End of underwriting year	15,842	21,053	27,458	29,304
One year later	29,643	41,128	54,878	
Two years later	30,783	42,422		
Three years later	30,586			
Less cumulative net paid	(24,467)	(30,511)	(30,301)	(12,878)
Liability for net outstanding claims (2014 to 2016)	6,119	11,911	24,577	16,426
Total net outstanding claims all years				59,033

The uncertainty associated with the ultimate claims experience of an underwriting year is greatest when the underwriting year is at an early stage of development and the margin for future experience potentially being more adverse than assumed is at its highest. As claims develop, and the ultimate cost of the claims becomes more certain, the relative level of margin should decrease. Due, however, to the uncertainty inherent in the claims estimation process, initial reserves may not always be in a surplus. In 2017, there has been an overall deficit of £1.8m on prior year reserves (2016:surplus £0.7m). This has been primarily generated by the reduction in premium on casualty reinsurance class of business.

d) Financial risk

1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to honour their obligation to the Syndicate.

The following policy and procedure is in place to mitigate the exposure to credit risk.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits. If the counterparty is downgraded or does not have a good credit rating, then collateral is sort to mitigate any risk. This is monitored by the Reinsurance Security Committee, a sub committee of the Syndicate Board.

The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through collateral agreements and the use of credit derivatives.

Risk management continued

2017	£'000			
	Neither past due or impaired	Past due	Impaired	Total
Shares and other variable yield securities	8,447	-	-	8,447
Debt Securities	44,510	-	-	44,510
Overseas Deposits	4,365	-	-	4,365
Reinsurers share of claims outstanding	29,064	-	-	29,064
Debtors arising out of direct insurance operations	11,071	-	-	11,071
Other debtors	30,009	-	-	30,009
Cash and cash equivalents	645	-	-	645
Total	128,111	-	-	128,111

2016	£'000			
	Neither past due or impaired	Past due	Impaired	Total
Shares and other variable yield securities	17,651	-	-	17,651
Debt Securities	35,382	-	-	35,382
Overseas Deposits	2,364	-	-	2,364
Reinsurers share of claims outstanding	7,265	-	-	7,265
Debtors arising out of direct insurance operations	11,532	-	-	11,532
Other debtors	36,988	54	-	37,042
Cash and cash equivalents	1,229	-	-	1,229
Total	112,411	54	-	112,465

Assets which are past due but not impaired have been in arrears for less than 3 months from the reporting date.

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2017 by classifying assets according to independent credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade and have not been rated, Debtors, other than amounts due from reinsurers, have been excluded from the table as these are not rated.

Risk management continued

2017				£'000			
	AAA	**AA**	**A**	**BBB**	**BBB or less**	**Not Rated**	**Total**
Shares and other variable yield securities	-	-	8,447	-	-	-	8,447
Debt Securities	25,958	4,511	14,041	-	-	-	44,510
Overseas Deposits	2,699	611	614	330	4	107	4,365
Reinsurers share of claims outstanding	-	11,635	4,624	-	-	12,805	29,064
Cash and cash equivalents	-	-	645	-	-	-	645
Total	28,657	16,757	28,371	330	4	12,912	87,031

2016				£'000			
	AAA	**AA**	**A**	**BBB**	**BBB or less**	**Not Rated**	**Total**
Shares and other variable yield securities	-	-	17,651	-	-	-	17,651
Debt Securities	35,382	-	-	-	-	-	35,382
Overseas Deposits	1,544	44	94	46	561	75	2,364
Reinsurers share of claims outstanding	-	5,382	665	-	-	1,218	7,265
Cash and cash equivalents	-	-	1,229	-	-	-	1,229
Total	36,926	5,426	19,639	46	561	1,293	63,891

Maximum credit exposure

It is the Syndicate's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business.

During the year, no credit exposure limits were exceeded.

2) Liquidity risk

Liquidity risk is the risk that the Syndicate may not have enough cash to pay insurance claims and other liabilities. The Syndicate tries to reduce this risk by reviewing its expected cash obligations on a quarterly basis and keeping adequate cash on deposit to meet those obligations.

The table below summarises the maturity profile of the Syndicate's financial liabilities based on remaining undiscounted contractual obligations, including interest payable and outstanding claim liabilities based on the estimated timing of claim payments resulting from recognised insurance liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately.

2017	£'000					
	No stated maturity	0-1 Year	1-3 Years	3-5 Years	More than 5 years	Total
Claims outstanding	-	31,841	28,376	12,766	15,114	88,097
Creditors	-	19,555	14,000	-	-	33,555
Total	-	51,936	42,376	12,766	15,114	121,652

2016	£'000					
	No stated maturity	0-1 Year	1-3 Years	3-5 Years	More than 5 years	Total
Claims outstanding	-	14,984	18,295	9,427	12,219	54,925
Creditors	-	17,859	8,982	-	-	26,841
Total	-	32,843	27,277	9,427	12,219	81,766

3) Market risk

a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Syndicate's functional currency is US Dollars and its exposure to foreign exchange risk arises primarily with respect to transactions in Euro, GBP and Canadian dollars. The Syndicate seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

The table below summarises the exposure of the financial assets and liabilities to foreign currency exchange risk at the reporting date, as follows:

2017	£'000				
	GBP	USD	EUR	CAD	Total
Total Assets	11,111	104,655	92	12,253	128,111
Total Liabilities	(16,808)	(138,648)	(925)	(8,584)	(164,965)
Net Assets	(5,697)	(33,993)	(833)	3,669	(36,854)

2016	£'000				
	GBP	USD	EUR	CAD	Total
Total Assets	8,153	94,980	(620)	9,952	112,465
Total Liabilities	(12,927)	(108,211)	(881)	(7,277)	(129,296)
Net Assets	(4,774)	(13,231)	(1,501)	2,675	(16,831)

Risk management continued

The Syndicate matches its currency position so holds net assets across a number of currencies. The Syndicate takes into consideration the underlying currency of the Syndicate's required capital and invests its assets proportionately across these currencies so as to protect the solvency of the Syndicate, against variation in foreign exchange rates. As a result, the Syndicate holds a significant proportion of its assets in foreign currency adjustments.

Sensitivity to changes in foreign exchange rates

The table below gives an indication of the impact on profit of a percentage change in the relative strength of Sterling against the value of the US dollar, Canadian dollar and Euro simultaneously. The analysis is based on the information as at 31st December 2017.

	Impact on profit and member's balance	
	2017	**2016**
	Profit/(Loss)	**Profit/(Loss)**
	£'000	**£'000**
Sterling weakens		
10% against other currencies	(3,116)	(1,206)
20% against other currencies	(6,231)	(2,411)
Sterling strengthens		
10% against other currencies	3,116	1,206
20% against other currencies	6,231	2,411

b) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Syndicate to cash flow interest risk, whereas fixed rate instruments expose the Syndicate to fair value interest risk.

The Syndicate has no significant concentration of interest rate risk.

Insurance liabilities are not discounted and therefore not exposed to interest rate risk.

The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit and members' balance of the effects of changes in interest rates on fixed rate financial assets and liabilities. This measures the impact on profit or loss for the year (for items at fair value through profit or loss) and on members' balance (for available for sale investments) that would arise from a reasonably possible change in interest rates at the reporting date on financial instruments at the period end.

	2017	**2016**
	Profit/(Loss)	**Profit/(Loss)**
	£'000	**£'000**
Interest Rate Risk		
Impact of 50 basis point increase on result	(405)	(106)
Impact of 50 basis point decrease on result	426	37
Impact of 50 basis point increase on net assets	(405)	(106)
Impact of 50 basis point decrease on net assets	426	37

Risk management continued

The method used for deriving sensitivity information and significant variables did not change from the previous period.

22. Post balance sheet events

The Syndicate will collect the 2015 year of account losses in US Dollars from members in 2018.