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Sirius International Managing Agency Ltd – Syndicate 1945 Report and Accounts

31 December 2017

Sirius
International

SIMA Syndicate 1945 Report and Accounts 31 December 2017

Contents

Directors and Administration

MANAGING AGENT:

Sirius International Managing Agency Limited - (SIMA).

The parent company of SIMA is Sirius International Insurance Corporation, an international (re)insurer based in Sweden focused on property and other short-tail lines of business.

The Directors of SIMA:

S Acland (Chief Underwriting Officer and Active Underwriter)
M Channell (Chief Operating Officer) (Resigned with effect from 31 March 2017)
C Cooper (Finance Director)
M Cramér Manhem (Group Non-Executive)*
M Dashfield (Chairman and Group Non-Executive)*
L Ek (Group Non-Executive)*
H Franks (Independent Non-Executive and Chair of the Strategic Underwriting Committee)*
R Harman (Chief Executive Officer)
W Hook (Compliance & Regulatory Director) (Appointed with effect from 21 April 2017)
J Mantz (Independent Non-Executive and Chair of the Audit Committee and Remuneration and Nomination Committee)*
A Smith (Chief Risk Officer)
H Westcott (Senior Independent Non-Executive and Chair of the Risk and Capital Committee)*

*Non-Executive Directors

None of the Directors have any participation on the Syndicate.

Company Secretary

Clyde Secretaries Ltd
The St Botolph Building
138 Houndsditch
London EC3A 7AR

Managing Agent's registered office

The St Botolph Building
138 Houndsditch
London EC3A 7AR

Managing Agent's registered number 08536887

SYNDICATE:

Active Underwriter

S Acland

Bankers

Citibank NA
RBC Dexia

Investment Manager

Amundi (UK) Ltd

Independent Auditor

PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

Chief Executive Officer's Report

My first year as Chief Executive Officer saw significant challenges for the market and Syndicate 1945; changes in underwriting teams, the transition by Michael Dashfield from CEO to Chairman as well as one of the largest industry loss years at a time when the market is still dominated by surplus capital has made this a difficult first year.

One of the key pressures facing Syndicate 1945 in 2017 has been the volume of premium written against its expense base. Premium growth seen in prior years has plateaued and combined with the difficult market conditions that have been faced in recent years combined with strong management decisions in respect of certain lines of business has meant it has not been possible to write at the levels planned. The result being that gross written premium has fallen to £111m in 2017 (2016 - £115m). Notwithstanding this, there has been an increase in net premium earned to £97m in 2017 (2016 - £94m), benefitting from the levels of premium written in prior years.

While the fall in written premium has been disappointing but reflective of the market conditions, 2017 has also seen a significant increase in the level of claims activity, with claims incurred at £109m compared to the £68m incurred in 2016. The overriding factor in this has been the storms in the South-eastern USA and Caribbean in September 2017, compounded by two earthquakes occurring in Mexico, collectively referred to as the "HIMM" losses where the syndicate had exposure in the property, marine and contingency classes.

In addition to the increase in claims incurred, 2017 saw an increase in operating expenses (including acquisition costs) to £39m in 2017 (2016 - £34m). Foreign exchange rate movements and currency translation differences however have together contributed a surplus of £6m to total comprehensive income (2016 – loss of £3m).

The anticipated beneficial impact on premium rates from the storm and quake losses has been predominantly confined to the Property and Contingency lines of business. Without meaningful improvement in rates post events in the Marine market, a review of our Marine book was undertaken and the difficult decision to withdraw from the Marine Excess of Loss, Yachts and Marine Cargo classes of business was taken. It goes without saying that Syndicate 1945 is continuing to support the business committed prior to this decision being taken, and continue to write Accident & Health, Contingency, Energy, and Property Direct and Facultative business. Additionally, during 2018 the Syndicate will commence writing a Casualty account, initially focussing on US Casualty Treaty. As a result of these changes, and planned growth in the Property Direct and Facultative account, the balance within the portfolio will change, reducing the Syndicate's initial reliance on the Accident and Health class.

I would like to take this opportunity to thank Simon Acland, who has had an equally challenging first year as the Active Underwriter of the Syndicate, and I know I can rely on his continuing support as we work to achieve the targets that have been set for the Syndicate in the coming years and deliver our 2018 plan. Finally, 2017 has been a year of transition and I would like to thank all of the staff for their loyalty and professionalism during some very challenging times, as well as thanking our brokers and customers for their continuing support.

R Harman
Chief Executive Officer
16 March 2018

Report of the Directors of the Managing Agent

The directors of the managing agent present their managing agent's 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.

Results

The result for year ended 31 December 2017 is a loss of £48.7 million (2016: loss of £9.9 million); and the total comprehensive income is a loss of £45.2 million (2016: loss of £11.1 million). The total recognised result on open years is a loss of £79.3 million (2016: loss of £25.3 million). As a result of claims arising from natural catastrophe in September 2017, the Managing Agent decided to make a cash call on the Corporate Member in respect of certain open years' losses. The total amount called was £43.9 million, and this accordingly reduced the deficit of the member's balance at 31 December 2017 to £35.5 million.

Principal Activities

The principal activity of Syndicate 1945 is the transaction of general insurance and reinsurance business in the United Kingdom at Lloyd's. The Syndicate continues to underwrite a range of direct and reinsurance business including Accident & Health, Contingency, Property, and Energy business. At the end of 2017 the Syndicate significantly reduced its Marine portfolio and in early 2018 it plans to begin writing a Casualty account.

Business Review

The Syndicate underwrote five classes of business in 2017: Accident and Health, Contingency, Property, Marine and Energy, and participated in consortia underwriting Bloodstock.

Key Performance Indicators

The directors consider the information in the following tables to be the key performance indicators for the Syndicate.

Gross written premium by class of business	2017 £000	2016 £000
Accident and health	38,939	42,281
Contingency	7,850	10,980
Property	34,849	36,733
Marine	23,237	19,528
Energy	5,966	5,660
Total	**110,841**	115,182

These are the classes of business that management use to review the business.

Key performance indicators	2017 £000	2016 £000
Gross written premium	**110,841**	115,182
Claims ratio	**112.6%**	72.4%
Expense ratio	**38.4%**	38.7%
Combined ratio	**151.0%**	111.1%

The 2017 claims ratio has been adversely impacted by the storm and earthquake losses experienced in the third quarter, as noted in the Chief Executive Officer's report.

In common with much of the London market the Syndicate has been experiencing downward pressure on rates and limited opportunities for profitable growth during the year. The Syndicate continues to investigate additional opportunities for growth.

Investment Policy

The investment objective is to continue to invest the Premium Trust Funds within the risk appetite whilst ensuring the liquidity needs of the Syndicate can be met. The current risk appetite of the Syndicate is one of preserving capital and reducing counterparty exposure. To avoid undue concentration with Citibank, the Syndicate purchases US Treasury notes. These holdings at year end had a market value of £11.4m (2016: £12.7m). The rest of the investment portfolio comprises Money Market Mutual Fund holdings with short term maturities.

Principal Risks and Uncertainties

SIMA sets the risk appetite for the Syndicate annually, which is approved by the Board as part of the Syndicate's business planning and Solvency Capital Requirement ('SCR') process. The SIMA Risk and Capital Committee meets quarterly to oversee the risk management framework. This committee reviews the risk profile and monitors performance against risk appetite using a series of key risk indicators. The principal risks 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 Board manages insurance risk by agreeing its appetite for these risks annually through the business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. The Underwriting Committee then monitors performance against the business plan regularly through the year. Reserve adequacy is monitored through quarterly review by the Reserving Committee. It is also reviewed annually by an independent firm of actuaries, which is part of the SAO process.

Credit Risk

The key aspect of credit risk is the risk of default by one or more of the Syndicate's reinsurers. The Board's policy is that the Syndicate will normally only reinsure with businesses rated in the A range (S & P or AM Best) or higher or otherwise requires collateral. SIMA participates in the Sirius Group Security Committee which assesses and is required to approve all new reinsurers before business is placed with them.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Syndicates' liability as primary insurer. If a reinsurer fails to pay a claim, the Syndicate remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy. Where ratings are lower than the A range (S & P or AM Best) and in certain other circumstances, deposits from reinsurers may be held as collateral.

Market Risk

Market risk is the risk arising from uncertainty of asset prices, interest rates, foreign exchange rates, and other factors related to all financial markets and investment asset management.

The key aspect of market risk for the Syndicate is that it may incur losses on foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. SIMA's policy is to maintain received income or incurred expenditure in the currencies in which they were received or paid. Any surplus or deficit in a currency would be subject to review by the Board.

Liquidity and Cash Flow 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 Board reviews cash flow projections regularly and the investment portfolio is held in cash and readily realisable securities. In addition the Syndicate has a credit facility with SINT as disclosed in note 19.

Operational Risk

This is the risk that errors caused by people, processes, systems and external events lead to losses to the Syndicate. SIMA 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.

SIMA relies on the processes of Xchanging, and therefore considers the controls in place at Xchanging as part of its control environment.

Regulatory Risk

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. SIMA is required to comply with the requirements of the Financial Conduct Authority (FCA), Prudential Regulation 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. SIMA monitors regulatory developments and assesses the impact on agency policy.

Future Developments

The Syndicate will continue to transact the current classes of general insurance and reinsurance business, and is planning to begin underwriting a Casualty account in 2018, and to reduce its activities in the Marine sector. If opportunities arise to write new classes of business, these will be investigated at the appropriate time.

Whilst the Syndicate has not written to planned levels, the income to date has been in line with revised expectations. The current rating environment still provides opportunities for growth over the planning cycle, either organically or by adding new strategies. Due to the restructuring changes, the capacity for the 2018 year of account is £102 million.

Directors Serving in the Year

The directors of the Managing Agency who held office during the year were as follows:

S Acland (Chief Underwriting Officer and Active Underwriter) (Appointed with effect from 1 January 2017)
M Channell (Chief Operating Officer) (Resigned with effect from 31 March 2017)
C Cooper (Finance Director)
M Cramér Manhem (Group Non-Executive)*
M Dashfield (Chairman and Group Non-Executive with effect from 1 January 2017)*
L Ek (Group Non-Executive)*
H Franks (Independent Non-Executive and chair of the Strategic Underwriting Committee)*
R Harman (Chief Executive Officer)
W Hook (Compliance & Regulatory Director) (Appointed with effect from 21 April 2017)
J Mantz (Independent Non-Executive and chair of the Audit Committee and Remuneration and Nomination Committee)*
A Smith (Chief Risk Officer)
H Westcott (Senior Independent Non- Executive and chair of the Risk and Capital Committee)*

*Non-Executive Directors

The directors of the Managing Agent are covered by the Sirius Group indemnity provision policy, which was in force during the financial year and at the date of signing the annual accounts.

Statement of disclosure of information to auditors

Each of the persons who are a director of the Managing Agent at the date of this report confirms that:

- So far as each of them is aware, there is no information relevant to the audit of the Syndicate's annual accounts for the year ended 31 December 2017 of which the auditors are unaware; and
- The director has taken all steps that he/she ought to have taken in his/her duty as a director in order to make him/herself aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

Independent Auditors

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (IAD) require that the auditor of the Syndicate annual accounts be appointed by the member of the Syndicate.

The Syndicate independent auditors are PricewaterhouseCoopers LLP. The member of the Syndicate is currently undertaking a review of the audit provision, and a resolution to make an appropriate appointment to the role of the recognised auditor for the Syndicate for the 2018 year end will be proposed.

On behalf of the Board,

R Harman

Chief Executive Officer

16 March 2018

Statement of Managing Agent's Responsibilities

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare syndicate annual accounts as at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland ("FRS 102"), and Financial Reporting Standard 103 Insurance Contracts ("FRS 103"). 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:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRSs 102 and 103 have been followed, subject to any material departures disclosed and explained in the annual accounts;
- notify the members in writing about the use of disclosure exemptions, if any, of FRS 102 and FRS 103 used in preparation of the annual accounts; and
- 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 that 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 the prevention and detection of fraud and other irregularities.

On behalf of the Board,

R Harman

Chief Executive Officer

16 March 2018

Independent Auditor's Report to the Member of Syndicate 1945

Report on the syndicate annual accounts

Opinion

In our opinion, Syndicate 1945's syndicate annual accounts (the "syndicate annual accounts"):

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2017 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"); and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have audited the syndicate annual accounts included within the Report and Accounts (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2017, the Profit and Loss Account and the Statement of Comprehensive Income for the year then ended, the Statement of Changes in Member's Balance, the Statement of Cash Flows, and the notes to the syndicate annual accounts, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

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

Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the syndicate annual accounts section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the syndicate's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the syndicate annual accounts and our auditors' 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, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the syndicate 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Report of the Directors of the Managing Agent, we also considered whether the disclosures required by Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Report of the Directors of the Managing Agent

In our opinion, based on the work undertaken in the course of the audit, the information given in the Report of the Directors of the Managing Agent for the year ended 31 December 2017 is consistent with the syndicate annual accounts and has been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

In light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we did not identify any material misstatements in the Report of the Directors of the Managing Agent.

Responsibilities for the syndicate annual accounts and the audit

Responsibilities of the managing agent for the syndicate annual accounts

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The managing agent is also responsible for such internal control as they determine is necessary to enable the preparation of 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 as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless it is intended for the syndicate to cease operations, or it has no realistic alternative but to do so.

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the syndicate's members as a body in accordance with part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Other matters on which we are required to report by exception
Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017, we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- certain disclosures of managing agent remuneration specified by law are not made; or
- the syndicate annual accounts are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Kirstie Hanley (Senior statutory auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
16 March 2018

Profit and Loss Account: Technical Account – General Business

For the year ended 31 December 2017

	Note	2017 £000	£000	2016 £000	£000
Earned premiums, net of reinsurance					
Gross premiums written	*5*	**110,841**		115,182	
Outwards reinsurance premiums		**(14,985)**		(11,220)	
			95,856		103,962
Change in the provision for unearned premiums	*16*				
Gross amount		**2,220**		(10,685)	
Reinsurers share		**(1,248)**		422	
			972		(10,263)
			96,828		93,699
Allocated investment return transferred from the non-technical account	*9*		**662**		449
Claims incurred, net of reinsurance	*6*				
Claims paid					
Gross amount		**(79,035)**		(56,518)	
Reinsurers' share		**4,737**		4,670	
			(74,298)		(51,848)
Change in the provision for claims	*6, 16*				
Gross amount		**(46,958)**		(17,779)	
Reinsurers' share		**12,180**		1,808	
			(34,778)		(15,971)
Claims incurred, net of reinsurance			**(109,076)**		(67,819)
Net operating expenses	*7*		**(39,457)**		(34,375)
Balance on the technical account – general business			**(51,043)**		(8,046)

All operations relate to continuing activities.

Sirius
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Profit and Loss Account: Non-Technical Account

For the year ended 31 December 2017

	2017 £000	2016 £000
Balance on the technical account – general business	**(51,043)**	(8,046)
Investment income	**663**	448
Unrealised gains on investments	**9**	13
Investment expenses and charges	**(7)**	(4)
Unrealised losses on investments	**(3)**	(8)
Allocated investment return transferred to technical account	**(662)**	(449)
Profit/(loss) on foreign exchange	**2,307**	(1,869)
Loss for the financial year	**(48,736)**	(9,915)

All operations relate to continuing activities.

Statement of Comprehensive Income

For the year ended 31 December 2017

	2017 £000	2016 £000
Loss for the financial year	**(48,736)**	(9,915)
Currency translation differences	**3,569**	(1,172)
Total comprehensive income	**(45,167)**	(11,087)

Balance Sheet – Assets

As at 31 December 2017

		2017		2016	
	Note	£000	£000	£000	£000
Investments	*10*				
Other financial investments			**54,396**		33,115
Reinsurers' share of technical provisions	*16*				
Provision for unearned premiums		**2,334**		3,835	
Claims outstanding		**15,833**		4,571	
			18,167		8,406
Debtors					
Debtors arising out of direct insurance operations	*11*	**25,547**		17,428	
Debtors arising out of reinsurance operations	*12*	**22,598**		28,972	
Other debtors		**10,032**		5,897	
			58,177		52,297
Other assets					
Cash at bank and in hand		**12,118**		6,615	
Overseas deposits		**18,354**		14,948	
			30,472		21,563
Prepayments and accrued income					
Deferred acquisition costs	*13*	**15,332**		15,283	
Other prepayments and accrued income		-		30	
			15,332		15,313
Total assets			**176,544**		130,694

Balance Sheet – Liabilities

As at 31 December 2017

	Note	2017 £000	£000	2016 £000	£000
Capital and reserves					
Members' balances			**(35,450)**		(25,316)
Technical provisions	*16*				
Provision for unearned premiums		**49,335**		55,586	
Claims outstanding		**116,486**		77,173	
			165,821		132,759
Creditors	*17*				
Creditors arising out of direct insurance operations		**7,540**		2,194	
Creditors arising out reinsurance operations		**12,237**		7,125	
Other creditors		**6,677**		3,476	
			26,454		12,795
Accruals and deferred income			**19,719**		10,456
Total liabilities and equity			**176,544**		130,694

The notes on pages 19 to 39 form an integral part of these annual accounts.

The Syndicate financial statements on pages 13 to 39 were approved by the Board of SIMA on 16 March 2018 and were signed on its behalf by

R Harman

Director

16 March 2018

Statement of Changes in Member's Balance

For the year ended 31 December 2017

	2017 £000	2016 £000
Balance at 1 January	**(25,316)**	(9,805)
Loss for the financial year	**(48,736)**	(9,915)
Other comprehensive income	**3,569**	(1,172)
Payment of 2013 closed year of account profit	**-**	(4,433)
Payment of 2014 closed year of account profit	**(8,834)**	-
Amount owed to Syndicate in respect of expenses	**-**	9
Cash calls in respect of open years	**43,867**	-
Balance at 31 December	**(35,450)**	(25,316)

Members participate on Syndicates by reference to years of account (YOA) and their 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

For the year ended 31 December 2017

	Note	2017 £000	£000	2016 £000	£000
Cash flows from operating activities					
Loss for the financial year		(48,736)		(9,915)	
Adjustments					
Net gains on other financial instruments		(60)		(4,516)	
Net unrealised foreign exchange losses		4,502		3,357	
Net interest receivable		(662)		(449)	
Interest paid		656		444	
Movements in operating assets and liabilities:					
Increase in reinsurers' share of technical provisions		(9,761)		(3,418)	
Increase in prepayments and accrued income		(19)		(4,784)	
Increase in debtors		(5,881)		(21,961)	
Increase in technical provisions		33,062		47,567	
Increase in creditors		13,660		1,179	
Increase in accruals and deferred income		9,263		701	
Net cash flow from operating activities			(3,976)		8,205
Net cash flow from investing activities					
Acquisitions of other financial instruments		(23,666)		(22,647)	
Proceeds from sale of other financial instruments		15,155		16,623	
			(8,511)		(6,024)
Net cash flow from financing activities:					
Transfer from members in respect of underwriting participations		43,867		-	
Transfer to members in respect of underwriting participations		(8,834)		(4,433)	
Net cash outflow from financing activities			35,033		(4,433)
Net (decrease)/increase in cash and cash equivalents			22,546		(2,252)
Cash and cash equivalents at 1 January			20,429		27,210
Effect of exchange rate changes on cash and cash equivalents			872		(4,529)
Cash and cash equivalents at 31 December	*18*		43,847		20,429

Notes to the Accounts for the year ended 31 December 2017

1. Basis of preparation

Syndicate 1945 ('The Syndicate') comprises a member of the Society of Lloyd's that underwrites insurance business in the London Market. The address of the Syndicate's managing agent is The St Botolph Building, 138 Houndsditch, London, EC3A 7AR.

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014, and Financial Reporting Standard 103 Insurance Contracts ("FRS 103") as issued in March 2014. These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value through profit or loss.

The financial statements are presented in Pound Sterling (GBP), consistent with the presentational currency for reporting to Lloyd's following the introduction of FRS 102, with effect from 1 January 2015. The functional currency of the Syndicate is US Dollars (USD) which is the major currency in which business is written and costs incurred. Amounts are presented rounded to the nearest thousands, except where stated.

2. Use of judgements and estimates

In preparing these financial statements, the directors of the Managing Agent have made judgements, estimates and assumptions that affect the application of the Syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Claims provisions

The measurement of the provision for claims outstanding involves judgements and assumptions about the future that have the most significant effect on the amounts recognised in the financial statements.

The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgement is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported (IBNR) to the Syndicate.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate Managing Agent's in house actuaries. These techniques generally involve projecting from past experience the development of claims over time in view of the likely ultimate claims to be experienced and for more recent underwriting, having regard to variations in 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 business accepted and assessments of underwriting conditions.

In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate so no adverse run-off deviation is envisaged.

Further information about the risk that the provision for claims outstanding could be materially different from the ultimate cost of claims settlement is included in note 4 and further information about the amounts of claims outstanding and IBNR is included in note 16.

Pipeline premium

The Syndicate makes an estimate of premiums written during the year that have not yet been notified by the end of the financial year ("pipeline premiums") based on business written but not yet signed and previous experience. The pipeline premium included in gross written premium is £33.7 million (2016: £37.7 million).

3. 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 financial statements.

Premiums written

Gross premiums written reflect direct and inwards reinsurance business written during the period, gross of commission payable to intermediaries, and exclude any taxes or duties based on premiums. Premiums written include estimates for 'pipeline' premiums representing amounts due to the Syndicate not yet notified and adjustments to estimates of premiums written in previous periods. The earned proportion of premiums is recognised as income. Premiums are earned from the date of attachment of risk over the indemnity period based on the pattern of the risks underwritten. Outwards reinsurance premiums on quota share policies are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured. Excess of loss reinsurance policies are accounted for over their term.

Insurance contracts are those contracts that transfer significant risk.

Unearned premiums

The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent financial periods, computed separately for each insurance contract using the daily pro rata method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

Acquisition costs

Costs incurred in acquiring general insurance contracts are deferred to the extent that they are attributable to premiums unearned at the balance sheet date. Acquisition costs include direct costs such as brokerage and commission, and indirect costs such as administrative expenses connected with the processing of proposals and the issuing of policies.

Claims provisions

Claims incurred comprise claims and claims handling expenses (both internal and external) paid in the year and the movement in provision for outstanding claims and settlement expenses.

Outstanding claims include an allowance for the cost of claims incurred by the balance sheet date but not reported until after the year end (IBNR). Anticipated salvage and subrogation and other recoveries are recognised as other assets.

IBNR amounts are based on statistical techniques of estimation, generally involving projecting from past experience of the development of claims over time.

Claims recoveries

The reinsurers' share of provisions for claims is calculated based on the reinsurance programmes in place and outstanding claims advised plus projections for IBNR. Where applicable, irrecoverable amounts are estimated having regard to the reinsurance programmes in place for the class of business, and the current security rating of the reinsurance companies involved. A number of statistical techniques are used to assist in making these estimates.

Reinsurance assets are assessed for impairment at each balance sheet date and appropriate provisions are calculated as deemed necessary.

Unexpired risks provision

Provision is made for unexpired risks arising from general insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date exceeds the unearned premiums provision in relation to such policies (after the deduction of any deferred acquisition costs). A review is performed by Lloyd's reporting class of business and underwriting year and a provision for unexpired risks is calculated taking into account the expected loss ratio on unexpired premium.

Foreign currencies

Transactions in foreign currencies are translated to the functional currency using the exchange rates at the date of the transactions. The Syndicate's monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historic cost are translated to the functional currency using the exchange rate at the date of the transaction. For the purposes of foreign currency translation, unearned premiums and deferred acquisition costs are treated as if they are monetary items.

Differences arising on translation of foreign currency amounts relating to the insurance operations of the Syndicate are included in the non-technical account.

Transactions in functional currency are translated to the presentational currency using average exchange rates for the period. Assets and liabilities are translated from functional currency to presentational currency at the rates of exchange at the balance sheet date.

Financial assets and liabilities

In applying FRS 102, the Syndicate has chosen to apply the recognition and measurement provisions of FRS 102 chapters 11 and 12.

Recognition

The Syndicate does not hold financial assets or financial liabilities for trading purposes. Financial instruments are recognised when the Syndicate becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at transaction price.

Financial assets are derecognised if the Syndicate's contractual rights to the cash flows from the financial assets expire or if the Syndicate transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. A financial liability is derecognised when its contractual obligations are discharged, cancelled, or expire.

Regular purchases and sales of financial assets are recognised and derecognised, as applicable, on the trade date, i.e. the date that the Syndicate commits itself to purchase or sell the asset.

Classification and measurement

Investments in debt and other fixed income securities are subsequently carried at fair value through profit or loss. Fair value changes are recognised immediately in profit or loss. Net gains or net losses on financial assets measured at fair value through profit or loss includes foreign exchange gains/losses arising on their translation to the functional currency, but excludes interest and dividend income.

Debtors including debtors arising out of direct insurance and reinsurance operations, cash at bank and in hand, and creditors including creditors arising out of direct insurance and reinsurance operations are subsequently carried at amortised cost.

Identification and measurement of impairment

At each reporting date the Syndicate assesses whether there is objective evidence that financial assets not at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of an asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Syndicate about any significant financial difficulty of the issuer, or significant changes in the technological, market, economic or legal environment in which the issuer operates.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss recognised reduces directly the carrying amount of the impaired asset. All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

Off-setting

Financial assets and financial liabilities are set off and the net amount presented in the balance sheet when, and only when, the Syndicate currently has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Investment return

Our financial investments comprise of US Government Treasury Bills and funds held in money market funds. Investment income in respect of financial investments consists of interest income and realised investment gains. Investment return comprises of investment income and movements in unrealised gains and losses on financial instruments at fair value through profit or loss, less investment management expenses, interest payable, realised losses and impairment losses.

For investments at fair value through profit or loss, realised gains and losses represent the difference between the net proceeds on disposal and the purchase price.

Unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price. Movements in unrealised investment gains and losses comprise changes during the reporting period in the value of the investments held.

Investment return is initially recorded in the non-technical account. The return is transferred in full to the general business technical account to reflect the investment return on funds supporting underwriting business.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances at bank, LOC collateralisation accounts and funds held in overnight "sweep" accounts with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in fair value, and are used by the Syndicate in the management of its short term commitments.

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 United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year have been included in the balance sheet under the heading 'other debtors'.

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

Pension costs

SIMA does not employ any staff directly and does not operate a pension scheme. No pension contributions are charged directly to the Syndicate.

Profit commission

There is no provision in SIMA's managing agency agreement for profit commission.

Related party transactions

The Syndicate discloses transactions with related parties including parties not wholly owned within the Group.

4. Risk and capital management

Introduction and overview

This note presents information about the nature and extent of insurance and financial risks to which the Syndicate is exposed, the Managing Agent's objectives, policies and processes for measuring and managing insurance and financial risks, and for managing the Syndicate's capital.

Risk management framework

The Board of Directors of the Managing Agent has overall responsibility for the establishment and oversight of the Syndicate's risk management framework. The Board has established a Risk and Capital Committee to oversee the operation of the Syndicate's risk management framework and to review and monitor the management of the risks to which the Syndicate is exposed. Additionally, the Board of SIMA has delegated oversight aspects of insurance risks to the Strategic Underwriting and Reserving Committees, which are responsible for monitoring insurance and reserving risk management policies, and the management of aspects of financial risks to the Investment Committee, which is responsible for developing and monitoring financial risk management policies.

The Risk and Capital Committee, reports regularly to the Board of Directors on its activities. Similarly the Strategic Underwriting, Reserving and Investment Committees report regularly to the Board on their areas of responsibility.

The risk management policies are established to identify and analyse the risks faced by the Syndicate, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Insurance Risk

Management of insurance risk

A key component of the management of underwriting risk for the Syndicate is a disciplined underwriting strategy that is focused on writing quality business and not writing for volume. Product pricing is designed to incorporate appropriate premiums for each type of assumed risk. The underwriting strategy includes underwriting limits on the Syndicate's total exposure to specific risks together with limits on geographical and industry exposures. The aim is to ensure a well-diversified book is maintained with no over exposure in any one geographical region.

Contracts can contain a number of features which help to manage the underwriting risk such as the use of deductibles, or capping the maximum permitted loss, or number of claims (subject to local regulatory and legislative requirements).

The Syndicate makes use of reinsurance to mitigate the risk of incurring significant losses linked to one event, including excess of loss, stop loss and catastrophe reinsurance. Where an individual exposure is deemed surplus to the Syndicate's appetite additional facultative reinsurance is also purchased.

The Reserving Committee oversees the management of reserving risk. The use of proprietary and standardised modelling techniques, internal and external benchmarking, and the review of claims development are all instrumental in mitigating reserving risk.

The Syndicate Managing Agent's in house actuaries perform a reserving analysis on a quarterly basis, liaising closely with underwriters and claims staff. The aim of this exercise is to produce a probability-weighted average of the expected future cash outflows arising from the settlement of incurred claims. These projections include an analysis of claims development compared to the previous 'best estimate' projections. The output of the reserving analysis is reviewed annually by external consulting actuaries.

The Reserving Committee performs a comprehensive review of the projections, both gross and net of reinsurance. Following this review the Reserving Committee makes recommendations to the Managing Agent's Board of Directors of the claims provisions to be established.

In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate so no adverse run-off deviation is envisaged.

Concentration of insurance risk

The Syndicate's exposure to insurance risk is well diversified. The following table provides an analysis of the geographical breakdown of its written premiums by class of business, which the directors consider to be the major types of insurance exposures.

Year 2017	Accident & Health	Marine, aviation and transport	Fire and other damage to property	Pecuniary loss	Reinsurance	Total £000
UK	7,026	4,783	9,120	2,039	14,613	37,581
EU	508	346	660	147	1,057	2,718
US	7,469	5,085	9,694	2,169	15,535	39,952
Canada	1,477	1,005	1,917	429	3,072	7,900
Other	4,242	2,888	5,506	1,231	8,823	22,690
Total	**20,722**	**14,107**	**26,897**	**6,015**	**43,100**	**110,841**

Year 2016	Accident & Health	Marine, aviation and transport	Fire and other damage to property	Pecuniary loss	Reinsurance	Total £000
UK	6,792	4,202	8,209	3,085	22,893	45,181
EU	1,385	857	1,674	629	4,669	9,214
US	6,164	3,815	7,453	2,800	20,781	41,013
Canada	805	498	973	366	2,713	5,355
Other	2,167	1,341	2,620	985	7,306	14,419
Total	17,313	10,713	20,929	7,865	58,362	115,182

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 can be applied in the future. The assumptions used to determine the sensitivity have not changed from the prior year.

Sensitivity to insurance risk

The liabilities established could be significantly lower or higher than the ultimate cost of settling the claims arising. This level of uncertainty varies between the classes of business and the nature of the risk being underwritten and can arise from developments in case reserving for large losses and catastrophes, or from changes in estimates of claims incurred but not reported (IBNR).

The provision for claims outstanding is the key insurance risk faced by the Syndicate. The directors consider that a 5% variation in the value of claims outstanding is a realistic spread of the uncertainty, and the effect this would have on profit and member's balance is illustrated in the tables below:

	2017 Gross		2017 Net	
	5% increase	5% decrease	5% increase	5% decrease
Accident & Health	**(282)**	**282**	**(282)**	**282**
Marine, aviation and transport	**(677)**	**677**	**(443)**	**443**
Fire and other damage to property	**(1,605)**	**1,605**	**(1,089)**	**1,089**
Pecuniary loss	**(241)**	**241**	**(173)**	**173**
Reinsurance	**(2,823)**	**2,823**	**(2,555)**	**2,555**
Total	**(5,628)**	**5,628**	**(4,542)**	**4,542**

	2016 Gross		2016 Net	
	5% increase	5% decrease	5% increase	5% decrease
Accident & Health	(346)	346	(315)	315
Marine, aviation and transport	(346)	346	(167)	167
Fire and other damage to property	(563)	563	(563)	563
Pecuniary loss	(195)	195	(138)	138
Reinsurance	(2,299)	2,299	(2,258)	2,258
Total	(3,749)	3,749	(3,441)	3,441

The assumptions used to determine the sensitivity have not changed from the prior year.

Financial risk

The focus of financial risk management for the Syndicate is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance contracts. The goal of the investment management process is to optimise the risk-adjusted investment income and risk-adjusted total return by investing in a diversified portfolio of securities, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

Credit risk

Credit risk is the risk of financial loss to the Syndicate if a counterparty fails to discharge a contractual obligation.

The Syndicate is exposed to credit risk in respect of the following:

- Reinsurers' share of insurance liabilities
- Amounts due from reinsurers in respect of settled claims
- Debt securities
- Amounts due from intermediaries
- Cash and cash equivalents
- Other debtors and accrued interest

The nature of the Syndicate's exposures to credit risk and its objectives, policies and processes for managing credit risk have not changed significantly from the prior year.

The key aspect of credit risk is the risk of default by one or more of the Syndicate's reinsurers.

Management of credit risk

The Board's policy in respect of credit risk exposure to reinsurers is that the Syndicate will normally only reinsure with businesses rated in the A range or higher. SIMA participates in the Sirius Group Security Committee which assesses and is required to approve all new reinsurers before business is placed with them.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Syndicate's liability as primary insurer. If a reinsurer fails to pay a claim, the Syndicate remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy. Where ratings are lower than A range (S & P or AM Best) and in certain other circumstances, deposits from reinsurers may be held as collateral.

Other elements of credit risk are managed by monitoring exposure to individual counterparties and participation in money market funds and collective investment schemes.

Exposure to credit risk

The carrying amount of financial assets and reinsurance assets represents the maximum credit risk exposure. The Syndicate does not purchase any credit enhancements (such as guarantees, credit derivatives and netting arrangements that do not qualify for offset).

The following table analyses the credit rating by investment grade of financial investments of financial assets that are neither past due, nor impaired.

Year 2017	AAA £000	AAA £000	A £000	BBB £000	BBB or less £000	Not rated £000	Total £000
Financial investments							
Debt securities and other fixed income securities	**18,924**	**3,316**	**15,778**	**-**		**15,493**	**53,511**
Deposits with credit institutions	**-**	**-**	**-**	**-**		**885**	**885**
Other assets							
Overseas deposits	**11,592**	**3,212**	**1,741**	**804**	**317**	**689**	**18,354**
Reinsurers' share of claims outstanding	**-**	**-**	**15,705**	**-**		**128**	**15,833**
Debtors arising out of reinsurance operations	**-**	**-**	**27**	**-**		**128**	**155**
Cash at bank and in hand	**-**	**-**	**-**	**-**		**12,118**	**12,118**
Total	**30,516**	**6,528**	**33,251**	**804**	**317**	**29,757**	**100,856**

Year 2016	AAA £000	AAA £000	A £000	BBB £000	BBB or less £000	Not rated £000	Total £000
Financial investments							
Debt securities and other fixed income securities	16,084	783	7,255	-	-	7,847	31,969
Deposits with credit institutions	-	-	-	-	-	1,146	1,146
Other assets							
Overseas deposits	9,483	3,231	1,488	421	-	325	14,948
Reinsurers' share of claims outstanding	-	-	3,848	-	-	723	4,571
Debtors arising out of reinsurance operations	-	-	845	-	-	508	1,353
Cash at bank and in hand	-	-	6,615	-	-	-	6,615
Total	25,567	4,014	20,051	421	-	10,549	60,602

At 31 December 2017, the largest concentration of credit risk to the Syndicate was to Citibank 2017: £13.0m (2016: United States government: £12.7m). In 2016 the Syndicate's exposure to Citibank was £7.7m, and at the end of 2017 the exposure to United States government was £11.4m.

The following table shows a disaggregation of the assets and liabilities reported on the balance sheet.

	2017		2016	
	£000	£000	£000	£000
Assets				
Financial investments				
Debt securities	**53,511**		31,969	
Deposits with credit institutions	**885**		1,146	
Overseas deposits	**18,354**		14,948	
Reinsurers' share of claims outstanding	**15,833**		4,571	
Reinsurers' share of unearned premium	**2,334**		3,835	
Debtors arising from direct insurance operations	**25,547**		17,428	
Debtors arising from ceding insurers	**22,598**		27,619	
Debtors arising from contracts ceded	**-**		1,353	
Cash at bank	**12,118**		6,615	
Other debtors	**10,032**		5,897	
Deferred acquisition costs	**15,332**		15,283	
Accrued income	**-**		30	
Total Assets		**176,544**		130,694
Liabilities				
Claims outstanding	**116,486**		77,173	
Unearned premiums	**49,335**		55,586	
Creditors arising from direct insurance operations	**7,540**		2,194	
Creditors arising from reinsurance business accepted	**6,707**		3,287	
Creditors arising from reinsurance business ceded	**5,530**		3,838	
Other creditors	**6,677**		3,476	
Accruals and deferred income	**19,719**		10,456	
Total Liabilities		**211,994**		156,010
Members balances at 31 December		**(35,450)**		(25,316)

Financial assets that are past due or impaired

The Syndicate has some debtors arising from direct insurance and reinsurance operations that are past due but not impaired at the reporting date. The Syndicate does not consider these debtors to be impaired on the basis of stage of collection of amounts owed to the Syndicate. The Syndicate has no debtors arising from direct insurance operations that are impaired at the reporting date.

In preparation of this analysis debtors have been individually assessed for impairment by considering information such as the occurrence of significant changes in the counterparty's financial position, patterns of historical payment information and disputes with counterparties. An analysis of the carrying amounts of past due or impaired debtors is presented in the table below.

Year 2017	Neither past due nor impaired £000	Past due £000	Impaired £000	Total £000
Debt securities	**53,511**	**-**	**-**	**53,511**
Deposits with credit institutions	**885**	**-**	**-**	**885**
Overseas deposits	**18,354**	**-**	**-**	**18,354**
Reinsurers' share of claims outstanding	**15,833**	**-**	**-**	**15,833**
Debtors arising out of reinsurance operations	**156**	**34**	**-**	**190**
Cash at bank and in hand	**12,118**	**-**	**-**	**12,118**
Insurance debtors	**25,547**	**-**	**-**	**25,547**
Other debtors	**50,106**	**-**	**-**	**50,106**
Total credit risk	**176,510**	**34**	**-**	**176,544**

Year 2016	Neither past due nor impaired £000	Past due £000	Impaired £000	Total £000
Debt securities	31,969	-	-	31,969
Deposits with credit institutions	1,146	-	-	1,146
Overseas deposits	14,948	-	-	14,948
Reinsurers' share of claims outstanding	4,571	-	-	4,571
Debtors arising out of reinsurance operations	1,111	242	-	1,353
Cash at bank and in hand	6,615	-	-	6,615
Insurance debtors	17,428	-	-	17,428
Other debtors	52,664	-	-	52,664
Total credit risk	130,452	242	-	130,694

Liquidity risk

Liquidity risk is the risk that the Syndicate will encounter difficulty in meeting obligations arising from its insurance contracts and financial liabilities. The Syndicate is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts.

The nature of the Syndicate's exposures to liquidity risk and its objectives, policies and processes for managing liquidity risk have not changed significantly from the prior year.

Management of liquidity risk

The Syndicate's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions.

The Syndicate's approach to managing its liquidity risk is as follows:

- Forecasts are prepared and revised on a regular basis to predict cash outflows from insurance contracts over the short, medium and long term
- The Syndicate purchases assets with durations not greater than its estimated insurance contract outflows
- Assets purchased by the Syndicate are required to satisfy specified marketability requirements
- The Syndicate maintains cash and liquid assets to meet daily calls on its insurance contracts
- The Syndicate holds a working capital borrowing facility from Sirius International Insurance Corporation (publ) to enable cash to be raised in a relatively short time-span
- The Syndicate regularly reviews its contingency funding plans to ensure that adequate liquid financial resources are in place to meet obligations as they fall due in the event of reasonably foreseeable abnormal circumstances.

The maturity analysis presented in the table below shows the remaining contractual maturities for the Syndicate's insurance contracts. For insurance contracts, the contractual maturity is the estimated date when the gross undiscounted contractually required cash flows will occur. Financial assets have a maturity profile of less than one year.

Year 2017	Carrying amount £000	Undiscounted net cash flows Less than 1 Year £000	1-2 years £000	2-5 years £000	5-10 years £000	More than 10 years £000	Total £000
Outstanding claim liabilities	**116,486**	**64,916**	**43,847**	**7,518**	**205**	**-**	**116,486**
Other creditors	**26,454**	**26,434**	**20**	**-**	**-**	**-**	**26,454**
Total	**142,940**	**91,350**	**43,867**	**7,518**	**205**	**-**	**142,940**

Year 2016	Carrying amount £000	Undiscounted net cash flows Less than 1 year £000	1-2 years £000	2-5 years £000	5-10 years £000	More than 10 years £000	Total £000
Outstanding claim liabilities	77,173	42,372	19,145	12,065	3,591	-	77,173
Other creditors	12,795	12,228	567	-	-	-	12,795
Total	89,968	54,600	19,712	12,065	3,591	-	89,968

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The nature of the Syndicate exposures to market risk and its objectives, policies and processes for managing market risk have not changed significantly from the prior year.

Management of market risk

For each of the major components of market risk the Syndicate has policies and procedures in place which detail how each risk should be managed and monitored. The management of each of these major components of major risk and the exposure of the Syndicate at the reporting date to each major risk are addressed below.

Interest rate risk

Interest rate risk arises primarily from the Syndicate's financial investments, cash and overseas deposits. The risk of changes in the fair value of these assets is managed by primarily investing in short-duration financial investments and cash and cash equivalents. The Investment Committee monitors the duration of these assets on a regular basis.

Currency risk

The Syndicate writes business primarily in Sterling, US dollar, Australian dollar and Euro, and is therefore exposed to currency risk arising from fluctuations in the exchange rates of Sterling against these currencies.

The foreign exchange policy is to maintain assets in the currency in which the cash flows from liabilities are to be settled in order to hedge the currency risk inherent in these contracts.

The table below summarises the carrying value of the Syndicate's assets and liabilities, at the reporting date:

Year 2017	UK £ £000	US $ £000	CAD $ £000	Euro £000	AUD $ £000	Other £000	Total £000
Total assets	**(1,656)**	**142,062**	**10,851**	**3,078**	**20,324**	**1,885**	**176,544**
Total liabilities	**(40,243)**	**(136,146)**	**(9,049)**	**(10,815)**	**(15,169)**	**(572)**	**(211,994)**
Net assets/(liabilities)	**(41,899)**	**5,916**	**1,802**	**(7,737)**	**5,155**	**1,313**	**(35,450)**

Year 2016	UK £ £000	US $ £000	CAD $ £000	Euro £000	AUD $ £000	Other £000	Total £000
Total assets	(11,267)	112,629	7,233	2,818	16,896	2,385	130,694
Total liabilities	(21,826)	(103,705)	(5,526)	(7,154)	(16,222)	(1,577)	(156,010)
Net assets/(liabilities)	(33,093)	8,924	1,707	(4,336)	674	808	(25,316)

The Sterling net assets are negative partly as a result of the need to fund expenses in sterling. The Syndicate has surplus US dollars which it uses to fund Sterling expenses and there are further parent loan funds which, as mentioned in note 19, may be called upon if necessary. This facility is available to be drawn in any settlement currency as required.

Sensitivity analysis to market risks for financial instruments

An analysis of the Syndicate's sensitivity to interest rate, currency and other price risk is presented in the table below. The table shows the effect on profit or loss of reasonably possible changes in the relevant risk variable, assuming that all other variables remain constant, if that change had occurred at the end of the reporting year and had been applied to the risk exposures at that date.

	2017 Impact on net assets £000	2016 Impact on net assets £000
Interest rate risk		
+ 50 basis points shift in interest rates	**(188)**	(135)
- 50 basis points shift in interest rates	**188**	135
Currency risk		
10 percent increase in USD/GBP exchange rate	**(508)**	(682)
10 percent decrease in USD/GBP exchange rate	**508**	682
10 percent increase in USD/Euro exchange rate	**(774)**	(434)
10 percent decrease in USD/Euro exchange rate	**774**	434

The impact of the reasonably possible changes in the risk variables on Members' balances would be the same, since the Syndicate recognises all changes in recognised assets and liabilities in profit or loss.

A 10% increase (or decrease) in exchange rates, a 50 basis point increase in yield curves and an 50 basis point decrease in yield curves have been selected on the basis that these are considered to be reasonably possible changes in these risk variables over the following year.

The sensitivity analysis demonstrates the effect of a change in a key variable while other assumptions remain unchanged. However, the occurrence of a change in a single market factor may lead to changes in other market factors as a result of correlations.

The sensitivity analysis is based on the Syndicate's financial position at the reporting date and may vary at the time that any actual market movement occurs.

Capital management

Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to supervision by the Prudential Regulation Authority (PRA) under the Financial Services and Markets Act 2000, and in accordance with the Solvency II Framework.

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

Although, as described below, 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 Syndicate 1945 is not disclosed in these financial statements.

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 syndicates on which it is participating but not other members' shares. Accordingly, the capital requirements 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 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), assets held 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.

5. Analysis of underwriting result

Year 2017	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000
Direct insurance						
Accident and health	**20,722**	**20,244**	**(11,817)**	**(7,499)**	**(2,028)**	**(1,100)**
Marine, aviation and transport	**14,107**	**12,128**	**(17,587)**	**(5,898)**	**3,487**	**(7,870)**
Fire and other damage to property	**26,898**	**22,556**	**(44,024)**	**(9,263)**	**4,522**	**(26,209)**
Pecuniary loss	**6,014**	**6,443**	**(5,438)**	**(1,219)**	**(874)**	**(1,088)**
Reinsurance	**43,100**	**51,690**	**(47,127)**	**(13,591)**	**(6,410)**	**(15,438)**
Total	**110,841**	**113,061**	**(125,993)**	**(37,470)**	**(1,303)**	**(51,705)**

Year 2016	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000
Direct insurance						
Accident and health	17,313	16,704	(13,483)	(3,742)	(1,355)	(1,876)
Marine, aviation and transport	10,714	9,057	(6,086)	(4,015)	940	(104)
Fire and other damage to property	20,929	18,559	(14,336)	(6,380)	238	(1,919)
Pecuniary loss	7,865	7,810	(9,285)	(966)	(1,341)	(3,782)
Reinsurance	58,361	52,367	(31,107)	(17,106)	(4,968)	(814)
Total	115,182	104,497	(74,297)	(32,209)	(6,486)	(8,495)

The Syndicate recognised a profit of £ 3,064k in the year on buying reinsurance (2016: loss of £2,436k).

The gross premiums written for direct insurance by business origin is presented in the table below:

	2017 £000	2016 £000
United Kingdom	**37,581**	45,181
Other European Union Member States	**2,718**	9,214
US	**39,952**	41,013
Other countries	**30,590**	19,774
Total gross premiums written	**110,841**	115,182

6. Claims outstanding

The tables below show the movements on claims reserves brought forward.

2017	Gross £000	Reinsurers' share £000	Net £000
At 1 January 2017	**77,173**	**(4,571)**	**72,602**
Claims incurred in current underwriting year	**113,412**	**(19,382)**	**94,030**
Claims incurred in prior underwriting years	**12,581**	**2,465**	**15,046**
Claims paid during the year	**(79,035)**	**4,737**	**(74,298)**
Foreign exchange	**(7,645)**	**918**	**(6,727)**
At 31 December 2017	**116,486**	**(15,833)**	**100,653**

2016	Gross £000	Reinsurers' share £000	Net £000
At 1 January 2016	48,510	(2,168)	46,342
Claims incurred in current Underwriting year	87,188	(5,333)	81,855
Claims incurred in prior underwriting years	(12,891)	(1,144)	(14,035)
Claims paid during the year	(56,518)	4,670	(51,848)
Foreign exchange	10,884	(596)	10,288
At 31 December 2016	77,173	(4,571)	72,602

The syndicate has experienced a positive run off deviation of £3,714k in the year, predominately in respect of Accident and Health business (2016: £3,031k, predominately in respect of Property and Accident and Health businesses).

7. Net operating expenses

The Syndicate is charged a managing agency fee at a rate of 0.5% of stamp capacity. In addition, all necessary expenses incurred in the administration of the Syndicate were charged to the Syndicate.

	2017 £000	2016 £000
Acquisition costs:		
Brokerage and commissions	**29,205**	28,002
Other acquisitions costs	**3,566**	3,363
	32,771	31,365
Change in deferred acquisition costs	**(1,114)**	(2,676)
Administrative expenses	**8,752**	6,039
Members' standard personal expenses	**1,428**	1,531
Reinsurance commissions and profit participation	**(2,380)**	(1,884)
Net operating expenses	**39,457**	34,375

Total commissions for direct insurance business for the year amounted to £20.8 million (2016: £17.4 million).

During the year the Syndicate obtained the following services from the auditors:

	2017 £000	2016 £000
Auditors' remuneration:		
Fees payable to the Syndicate's auditor for the audit of these financial statements	**198**	131
Fees payable to the Syndicate's auditor in respect of other audit related assurance services	**55**	40
Fees payable to the Syndicate's auditor in respect of non-audit services	**94**	75
Total	**347**	246

The fees payable to the Syndicate's auditor for the audit of these financial statements for 2017 includes an amount of £35k relating to audit work performed on the 2016 year-end where these fees were agreed and finalised after the date of signing the 31 December 2016 Syndicate accounts.

8. Directors and management personnel compensation

The emoluments of the active underwriter and the other directors of Sirius International Managing Agency Limited are borne by Sirius International Insurance Corporation (PUBL) or other members of the group and are not separately identifiable from the fee charged by Sirius to the Syndicate. Fees of the independent non-executive directors are borne by SIMA, and no emoluments were directly charged to the Syndicate in 2017. No other compensation was payable to any directors. The Board considers that the directors are the only key management personnel.

9. Investment return

The investment return transferred from the technical account to the non-technical account comprises the following:

	2017 £000	2016 £000
Investment income		
Interest	838	627
Realised gains	80	55
Unrealised gains	9	13
Investment expenses and charges:		
Investment management expenses, including interest	(7)	(4)
Losses on the realisation of investments	(255)	(234)
Unrealised losses on investments	(3)	(8)
Total investment return	662	449

The total income, expenses, net gains or losses, including changes in fair value, recognised on all financial assets and financial liabilities comprises the following:

	2017 £000	2016 £000
Financial assets at fair value through profit or loss	482	310
Interest income	190	151
Interest expense	(3)	(8)
Investment management expenses, excluding interest	(7)	(4)
Total investment return	662	449

The table below presents the average amounts of funds in the year per currency and analyses by major currency the average investment yields in the year.

	2017 £000	2016 £000
Average amount of Syndicate funds available for investment during the year		
Sterling	5,005	7,996
Euro	2,185	3,591
US dollar	28,362	29,606
Canadian dollar	6,965	4,634
Other	17,091	13,102
Total funds available for investment, in sterling	59,608	58,929
Annual investment yield		
Sterling	0.13 %	0.04 %
Euro	(0.15) %	(0.22) %
US dollar	0.77 %	0.67 %
Canadian dollar	0.66 %	0.58 %
Other	2.30 %	1.75 %
Total annual investment yield, in sterling	1.11 %	0.76 %

10. Financial investments

	Carrying value		Cost	
	2017 £000	2016 £000	2017 £000	2016 £000
Financial assets measured at fair value through profit or loss				
Shares and other variable yield securities and units in unit trusts	**42,120**	19,286	**42,120**	19,286
Debt securities and other fixed income securities				
Government and supranational securities	**11,391**	12,683	**11,366**	12,692
Deposits with credit institutions	**885**	1,146	**885**	1,146
Total financial investments	**54,396**	33,115	**54,371**	33,124

The Syndicate classifies its financial instruments held at fair value in its balance sheet using a fair value hierarchy, as follows:

- Level 1 – The fair value is based on the unadjusted quoted prices in an active market, for identical assets or liabilities that the Syndicate can access at the measurement date.
- Level 2 – Inputs to level 2 fair values are inputs other than quoted prices included in level 1 that are observable for the asset or liabilities, either directly or indirectly.
- Level 3 – Level 3 financial instruments are financial assets and liabilities for which the value are based on prices or valuation techniques that requires inputs that are both unobservable, and significant, to the fair value measurement.

The table below analyses financial instruments held at fair value in the Syndicate's balance sheet at the reporting date by its level in the fair value hierarchy.

2017	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Shares and other variable yield securities and units in unit trusts	**12,581**	**29,539**	**-**	**42,120**
Debt securities and other fixed income securities	**11,391**	**-**	**-**	**11,391**
Loans and deposits with credit institutions	**885**	**-**	**-**	**885**
Total	**24,857**	**29,539**	**-**	**54,396**

2016	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Shares and other variable yield securities and units in unit trusts	5,753	13,533	-	19,286
Debt securities and other fixed income securities	12,683	-	-	12,683
Loans and deposits with credit institutions	1,146	-	-	1,146
Total	19,582	13,533	-	33,115

Information on the methods and assumptions used to determine fair values for each major category of financial instrument measured at fair value is provided below.

Units in unit trusts and other variable yield securities are held in money market funds. These shares and other variable yield securities and units in unit trusts are generally categorised as level 1 in the fair value hierarchy except where they are not actively traded, in which case they are generally measured on prices of recent transactions in the same instrument. The Syndicate has no exposure to hedge funds.

Debt securities comprise of United States Government Treasury Bills. These are actively traded and are valued using quoted prices provided by external pricing vendor.

At the reporting date all debt instruments assets were valued using valuation techniques based on observable market data.

11. Debtors arising out of direct insurance operations

	2017 £000	2016 £000
Amounts due from intermediaries:		
Due within one year	25,547	17,423
Due after one year	-	5
Balance at 31 December	25,547	17,428

12. Debtors arising out of reinsurance operations

	2017 £000	2016 £000
Amounts due within one year	22,598	28,247
Amounts due after one year	-	725
Balance at 31 December	22,598	28,972

13. Deferred acquisition costs

The table below shows changes in deferred acquisition costs assets during the year.

	2017 £000	2016 £000
Balance at 1 January	15,283	10,514
Incurred costs deferred	32,772	31,365
Amortisation	(31,658)	(28,689)
Effect of movements in exchange rates	(1,065)	2,093
Balance at 31 December	15,332	15,283

14. Year of account development

Year of account	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000	Total £000
2011	(2,278)	(230)	164	-	-	-	-	(2,344)
2012	-	(5,037)	270	6,564	-	-	-	1,797
2013	-	-	(4,514)	4,545	4,402	-	-	4,433
2014	-	-	-	(5,886)	419	14,301	-	8,834
2015	-	-	-	-	(8,762)	(4,181)	3,191	(9,752)
2016	-	-	-	-	-	(21,207)	(4,784)	(25,991)
2017	-	-	-	-	-	-	(43,574)	(43,574)
Calendar year result	(2,278)	(5,267)	(4,080)	5,223	(3,941)	(11,087)	(45,167)	(66,597)

A distribution of £3.0 million to members will be paid in respect of 2015 year of account being the result for the year less the amount collected from members in respect of the 2015 year of account during 2017 calendar year (2016: £8.8 million in relation to the 2014 year of account).

15. Claims development

Claims development is shown in the tables below, both gross and net of reinsurance ceded, on an underwriting year basis. Balances have been translated at exchange rates prevailing at 31 December 2017 in all cases.

Pure underwriting year - gross	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000	Total £000
Estimate of incurred gross claims								
At end of underwriting year	907	18,720	26,435	27,028	31,746	52,006	70,127	226,969
One year later	4,811	31,587	40,773	51,808	69,351	100,218	-	298,548
Two years later	4,130	25,548	37,198	45,047	73,068	-	-	184,991
Three years later	3,489	25,261	34,061	41,866	-	-	-	104,677
Four years later	3,242	25,035	45,440	-	-	-	-	73,717
Five years later	3,190	24,984	-	-	-	-	-	28,174
Six years later	3,015	-	-	-	-	-	-	3,015
Less gross claims paid	2,994	24,929	44,165	39,709	61,017	56,296	13,122	242,232
Gross claims reserves	21	55	1,275	2,157	12,051	43,922	57,005	116,486

Pure underwriting year - net	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000	Total £000
Estimate of incurred net claims								
At end of underwriting year	907	18,720	25,946	25,934	30,395	48,663	60,553	211,118
One year later	4,811	31,587	40,275	48,621	63,686	89,589	-	278,569
Two years later	4,130	25,548	36,882	42,676	67,968	-	-	177,204
Three years later	3,489	25,261	33,694	39,907	-	-	-	102,351
Four years later	3,242	25,035	45,087	-	-	-	-	73,364
Five years later	3,190	24,984	-	-	-	-	-	28,174
Six years later	3,015	-	-	-	-	-	-	3,015
Less net claims paid	2,994	24,929	43,813	37,852	57,315	50,720	12,827	230,450
Net claims reserves	21	55	1,274	2,055	10,653	38,869	47,726	100,653

16. Technical Provisions

The table below shows changes in the insurance contract liabilities and assets from the beginning of the year to the end of the year.

	2017 Gross provisions £000	2017 Reinsurance assets £000	2017 Net £000	2016 Gross provisions £000	2016 Reinsurance assets £000	2016 Net £000
Incurred claims outstanding:						
Claims notified	**43,392**	**(3,143)**	**40,249**	22,959	(1,010)	21,949
Claims incurred but not reported	**33,781**	**(1,428)**	**32,353**	25,551	(1,158)	24,393
Balance at 1 January	**77,173**	**(4,571)**	**72,602**	48,510	(2,168)	46,342
Change in prior year provisions	**12,581**	**2,465**	**15,046**	(12,891)	(1,144)	(14,035)
Expected cost of current year claims	**113,412**	**(19,382)**	**94,030**	87,188	(5,333)	81,855
Claims paid during the year	**(79,035)**	**4,737**	**(74,298)**	(56,518)	4,670	(51,848)
Effect of movements in exchange rates	**(7,645)**	**918**	**(6,727)**	10,884	(596)	10,288
Balance at 31 December	**116,486**	**(15,833)**	**100,653**	77,173	(4,571)	72,602
Claims notified	**66,203**	**(3,615)**	**62,588**	43,392	(3,143)	40,249
Claims incurred but not reported	**50,283**	**(12,218)**	**38,065**	33,781	(1,428)	32,353
Balance at 31 December	**116,486**	**(15,833)**	**100,653**	77,173	(4,571)	72,602
Unearned premiums						
Balance at 1 January	**55,586**	**(3,835)**	**51,751**	36,682	(2,820)	33,862
Premiums written during the year	**110,841**	**(14,985)**	**95,856**	115,182	(11,220)	103,962
Premiums earned during the year	**(113,061)**	**16,233**	**(96,828)**	(104,497)	10,798	(93,699)
Effect of movements in exchange rate	**(4,031)**	**253**	**(3,778)**	8,219	(593)	7,626
Balance at 31 December	**49,335**	**(2,334)**	**47,001**	55,586	(3,835)	51,751

17. Financial liabilities

	2017 £000	2016 £000
Creditors arising out of direct insurance	**7,540**	2,194
Creditors arising out of reinsurance operations	**12,237**	7,125
Other creditors	**6,677**	3,476
Total financial liabilities at amortised cost	**26,454**	12,795

Other creditors include £6.6 million (2016: £2.7 million) due to related undertakings.

18. Cash and cash equivalents

	2017 £000	2016 £000
Cash at bank and in hand	**12,118**	6,615
Deposits with credit institutions	**31,729**	13,814
Total cash and cash equivalents	**43,847**	20,429

Only deposits with credit institutions with maturities of three months or less that are used by the Syndicate in the management of its short-term commitments are included in cash and cash equivalents.

19. Related parties

For the year to 31 December 2017 managing agent fees of £546k were paid to SIMA (2016: £459k). No service charges were paid to SIMA in the year.

Sirius International Insurance Corporation (SINT), the parent company of both SIMA and Sirius International Corporate Member Limited, provided management services to the Syndicate in 2017, the amount recharged was £10,834k (2016: £8,348k) of the amounts recharged to the Syndicate in 2017 and prior years, a balance of £19,067k was outstanding at the end of the year (2016: £9,373k). In addition, expenses of £116k were paid by SINT on behalf of the Syndicate and recovered (2016: £223k). Syndicate 1945 is also accounted for through the Sirius VAT group, and VAT of £66k was recovered on behalf of the Syndicate during the year (2016: £66k).

The drawdown facility provided to the Syndicate by SINT remains in place, and has been amended to permit drawdowns in any settlement currency. The Syndicate made further drawdowns of £16,772k and repaid £16,419k during the year so that at the end of the year the amount owed was £353k (2016: £ nil). Interest on the drawn balance in 2017 amounted to £116k (2016: £64k).

The sole capital provider for the Syndicate is Sirius International Corporate Member Limited, a wholly owned subsidiary of SINT.

Sirius America, a wholly-owned subsidiary of SINT, cedes business to Syndicate 1945. During 2017, premium ceded amounted to £11,677k with related brokerage and commissions of £3,747k and claims incurred of £9,649k (2016 premium £10,854k, brokerage and commissions £3,547k and claims £8,716k).

Sirius International Insurance Corporation reinsures Syndicate 1945. During 2017, premiums ceded under these reinsurance contracts amounted to £259k and claims recoverable were £ nil (2016 premiums £1,018k and recoveries £83k).

During 2017 the Liege branch of SINT ceded business to Syndicate 1945. During 2017 premiums ceded amounted to £439k and claims incurred to £176k (2016 premiums £331k and claims £408k).

The Syndicate ceded business to Alstead Reinsurance Limited, a fellow subsidiary of Sirius International Insurance Group Ltd. Ceded premiums amounted to £711k (2016: £500k) with related brokerage and commissions of £184k (2016: £233k) and claims of £113k (2016: £23k).

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. Post balance sheet events

The Syndicate has submitted a revised Syndicate Business Forecast to Lloyd's in respect of 2018 year of account, and formal approval is waiting. Figures in this report are taken from the approved Syndicate Business Forecast submitted in September 2017.