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W/R/B
UNDERWRITING
| a Berkley Company

W. R. Berkley Syndicate 1967 Annual Report and Financial Statements

For the year ended 31 December 2017

W/R/B UNDERWRITING | a Berkley Company

MANAGING AGENT'S CORPORATE INFORMATION

DIRECTORS AND ADMINISTRATION

Managing Agent

W. R. Berkley Syndicate Management Limited

DIRECTORS

Directors	Directors
Eugene Ballard	Jacqui Hedges
William Robert Berkley – Chairman [1]	Robert Hewitt [4]
William Robert Berkley Jr [1]	Ira Lederman
Alastair Blades	Andrew Mitchell
James Bronner [3]	Michael Smith [2]
Robert Chase [2]	Steven Taylor
Edward Creasy [2]	Robert Vetch

[1] *Directors of ultimate parent company W. R. Berkley Corporation*

[2] *Independent non-Executive Director*

[3] *Appointed 2 March 2017*

[4] *Resigned 2 March 2017*

Company Secretary
Clyde & Co Secretaries Limited

Managing Agent's registered office
4th floor, 34 Lime Street
London, EC3M 7AT

Managing Agent's registered number
07712472

Active underwriters
Louise Nevill *(resigned 24 February 2017)*
Miriam Goddard *(appointed 27 April 2017)*
Scott Campbell

Bankers
Citibank NA
RBC Dexia

Investment manager
Berkley Dean & Company, Inc.

Registered auditor
KPMG LLP

Reporting actuary
Ernst & Young LLP

Directors' interests
None of the Directors of the managing agent have any participation in the Syndicate's premium income capacity.

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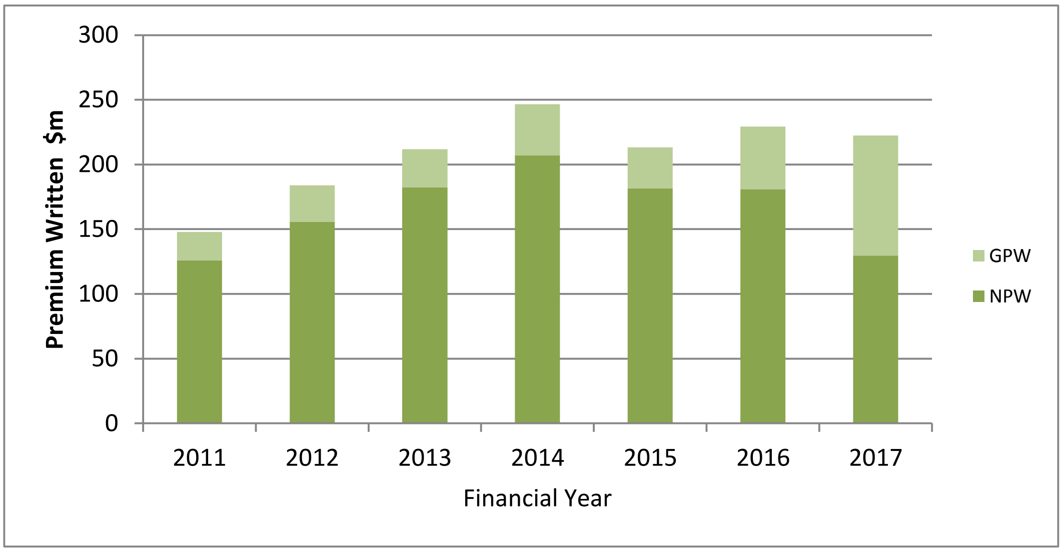
W/R/B UNDERWRITING | a Berkley Company

HIGHLIGHTS

Financial year	2017	2016	2015	2014	2013	2012	2011
Gross premium written ($m)	222.4	229.4	213.2	246.7	211.8	183.9	148.0
Net premium written ($m)	129.6	180.9	181.4	207.9	182.4	155.8	125.9
Net premium earned ($m)	138.1	175.5	192.1	188.8	171.9	141.5	102.0
Net claims ratio (%)	98.0	71.9	56.0	53.4	54.8	60.6	52.8
Acquisition expense ratio (%)	29.7	28.2	25.6	27.1	24.5	28.0	29.0
Net expense ratio (%)	23.2	17.5	14.2	13.3	14.1	14.8	16.2
Net combined ratio (%)	**150.9**	**117.6**	**95.8**	**93.8**	**93.4**	**103.4**	**98.0**
Cash and investments ($m)	105.6	132.1	141.6	144.1	105.9	90.0	46.2
(Loss)/ profit for financial year ($m)	**(69.8)**	**(26.6)**	**8.9**	**10.9**	**10.6**	**(2.8)**	**1.9**

Net expense ratio and net combined ratio excludes profit / (loss) on foreign exchange.

Pure underwriting year	2017 F'cast	2016 F'cast	2015 Actual	2014 Actual	2013 Actual	2012 Actual	2011 Actual
Lloyd's stamp capacity ($m)	304.4	278.0	277.0	304.6	234.5	190.2	160.4
Stamp gross premium written ($m)	229.9	267.7	200.2	211.4	163.5	173.5	116.3
(Loss)/ profit for underwriting year ($m)	(24.4)	(29.2)	1.9	(2.6)	2.2	17.0	(14.0)
Return on capacity (%)	**(8.0)**	**(10.5)**	**0.7**	**(0.9)**	**0.9**	**8.9**	**(8.7)**



ACTIVE UNDERWRITERS REPORT

W. R. Berkley Syndicate 1967 ("the syndicate") underwrites a diversified portfolio of risks. During 2017 the business was realigned under the two Active Underwriters, being Scott Campbell (Short Tail) and Miriam Goddard (Long Tail). The Short Tail business includes Property, Crisis Management, Engineering and Construction, Asset Protection and Aviation. The Long Tail business includes the Specialty Casualty classes of Professional Indemnity, Directors and Officers and Medical Malpractice. The Long Tail business also oversees the affiliate Berkley lines of business and the Lloyd's China business.

Business is mainly written direct to the Lloyd's platform through London market intermediaries. However, the syndicate also makes use of its service company, W. R. Berkley UK Limited, to underwrite certain UK, European and non-Lloyd's business and to facilitate its network of affiliated Berkley businesses acting as approved coverholders.

In February 2017 the syndicate ceased underwriting the Marine class of business. At the same time the syndicate purchased a reinsurance contract to protect against all marine losses with a date of loss on or after 1 April 2017. This class is being orderly administered and run-off.

The Lloyd's stamp capacity for 2017 was U$304m (£225m), 2016 U$278m (£225m). A capacity of US$304m (£225m) has been approved for the 2018 underwriting year.

UNDERWRITING RESULTS

The 2017 calendar financial year has produced a very disappointing result, being a loss of US$69.8m (2016: US$26.6m) and a combined ratio of 150.9% (2016: 117.6%). The major contributor to this loss was the unprecedented multiple natural catastrophe events in the third quarter of 2017. This resulted in losses of US$46.3m to the syndicate, 33.5% on the combined ratio.

The first three quarters of 2017 saw a continued trend, from the previous years, of further softening of rates and conditions across almost all classes of business. The syndicate responded, as in previous periods, with its defensive strategy to focus on core profitable business and retract appetite or non-renew business that did not meet its profitability requirements. As a result its top-line premium was 22% below plan.

The syndicate has continued to invest in people, with some significant hires in 2017, and in systems and technology, which will deliver long term operational efficiency and simplification. However, the increased short term expense versus a reduced premium income has adversely impacted its margin and the expense ratio of 23.2% (2016: 17.5%).

ACTIVE UNDERWRITERS REPORT (CONT.)

OUTLOOK

Following the events of the third quarter of 2017 the syndicate has seen some positive signs of a return of market discipline and rate improvement across many lines of business. The syndicate expects the 2017 financial results to be a further "wake-up" call for many market practitioners.

The syndicate believes that by being a part of W. R. Berkley Corporation ("WRBC") it has the ability to attract top-quartile talent and the investments made to date puts the syndicate in a premium position to benefit from the future market improvement.

Already in 2018 the syndicate has recorded rate increases across some lines of business, and is able to write and renew business that was previously considered marginal and has pushed through operational changes that will deliver year on year expense savings. The syndicate is acutely focussed on the delivery of a strong performance in 2018.

S. CAMPBELL

DIRECTOR OF UNDERWRITING / SHORT TAIL RISKS

16 MARCH 2018

M. GODDARD

DIRECTOR OF UNDERWRITING / LONG TAIL RISKS

16 MARCH 2018

W/R/B UNDERWRITING | a Berkley Company

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The directors of the managing agent W. R. Berkley Syndicate Management Limited ("WRBSML" or "the managing agent") present their report in respect of the Syndicate 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 and applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ('FRS102') and Financial Reporting Standard 103: Insurance Contracts ('FRS103').

RESULTS

The result for the year ended 31 December 2017 is a Loss of $69,836,000 (2016: Loss of $26,649,000).

PRINCIPAL ACTIVITIES

The principal activity of the syndicate is the transaction of general insurance and reinsurance business in the Lloyd's market, in accordance with the risk appetite agreed by the Board of Directors of the managing agent (the "Board").

The syndicate specialises in its chosen classes of Property, Crisis Management (which comprises of: Political Risk, Political Violence, Accident and Health and Contingency), Engineering and Construction, Asset Protection Aviation and Specialty Casualty (which comprises of: Professional Indemnity, Directors and Officers and Medical Malpractice). The syndicate also provides an international underwriting platform for member companies of WRBC and writes a limited level of treaty and facultative reinsurance through Lloyd's China.

W/R/B UNDERWRITING | a Berkley Company

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (CONT.)

BUSINESS REVIEW AND KEY PERFORMANCE INDICATORS

The table below sets out our key performance indicators. Gross premium written reduced by 3%. Increases in Berkley affiliated businesses Aviation and Engineering and Construction were offset by the cancellation of the Marine class and where the syndicate retracted its appetite in certain sub-classes which did not provide acceptable returns. The claims ratio was significantly impacted by the cat losses of Q3 2017, although there were limited losses from the California wildfires.

	2017 $'000	2016 $'000	2015 $'000
Gross premium written	222,360	229,447	213,209
(Loss) /Profit for the financial year	(69,836)	(26,649)	8,948
Claims ratio	98.0%	71.9%	56.0%
Expense ratio	52.9%	45.7%	39.8%
Combined ratio	**150.9%**	**117.6%**	**95.8%**

The following table further details the gross premium written by class of business.

Gross premium written	2017 $'000	2016 $'000	2015 $'000
Property	56,227	56,634	73,380
Crisis management	26,851	23,345	26,254
Consortia	666	1,050	5,420
Engineering + Construction	20,524	17,161	-
Accident + Health	16,939	16,778	19,797
Aviation	20,993	15,023	21,919
Asset Protection	11,855	15,262	12,697
Short Tail	**154,055**	**145,253**	**159,467**
Specialty Casualty	25,144	26,039	-
Reinsurance China	2,942	4,394	-
W. R. Berkley Business	28,229	18,728	10,308
Long Tail	**56,315**	**49,161**	**10,308**
Marine	11,990	35,033	43,434
	222,360	**229,447**	**213,209**

The Active Underwriter's report, on page 2 also provides a review of business for the year.

Total investment return after expenses and unrealised gains / losses was $1,167,000 (2016: $1,264,000).

Return is also monitored against industry 1 – 3 year benchmarks and the portfolios have performed in line with these benchmarks.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (CONT.)

PRINCIPAL RISKS AND UNCERTAINTIES

The Board sets risk appetite annually as part of the syndicate's business planning and capital planning processes. The Board has established a Risk & Capital Committee (RCC) and a Risk Management function to oversee the continuous monitoring against risk appetite using a variety of measures, models and risk indicators. Note 4 to the Financial Statements – Risk and Capital Management provides a further explanation of how these risks are addressed.

The principal risks and uncertainties facing the syndicate are as follows:

Insurance risk

Insurance risk includes the risk that policies underwritten by the syndicate are systemically written for too little premium or provide inappropriate cover (premium risk), that the frequency or severity of insured events will be higher than modelled and anticipated (catastrophe & claims risk) or that estimates of claims subsequently prove to be insufficient (reserving risk); and/or that reinsurance purchased to provide protection against unexpected and severe losses fails to operate in the manner assumed. The Board manages insurance risk by agreeing its risk appetite annually through the business planning exercise which involves setting out target volumes of premium income, pricing, line sizes, aggregate exposures and retentions by class of business. The Board is provided with data from the syndicate's internal model to anticipate potential results at different return periods and uses a catastrophe modelling system to separately model potential losses from catastrophe-exposed business. Performance against business plan is measured and monitored monthly through the year using established metrics and management information. Reserve adequacy is monitored through quarterly review by the Actuarial Reserve Committee. Reserves are also reviewed by an external actuary, who is responsible for provision of the Statement of Actuarial opinion.

Credit risk

The syndicate is exposed to a variety of types of credit risk, the most material of which is the risk of default by one or more of the syndicate's reinsurers. The Board's policy is in line with WRBC corporate policy; to purchase reinsurance only from highly rated counterparties and this is overseen directly by the Board. The syndicate uses its capital model to estimate the likely impact of any default by its reinsurers and overall exposures to individual reinsurers are monitored quarterly through the year.

The Board monitors adherence to the Investment Policy and any credit risk associated with it. In line with the investment philosophy of WRBC, the syndicate has a relatively low appetite for investment risk and invests mostly in high quality investment instruments with sound credit ratings.

The syndicate is also exposed to intermediary counterparty risk, whereby such counterparties fail to pass on premiums or claims collected or paid on behalf of the syndicate. An approval system for the acceptance of new counterparties includes a credit reference and compliance check, with final approval, where required, at the Executive Management Committee (EMC). The EMC and Underwriting Committee (UC) also review aged debtor reports on a monthly basis.

Market risk

The syndicate is exposed to market risk within its investment portfolio. The syndicate is also exposed to foreign exchange movements which affect the matching of its assets and liabilities. To mitigate this risk the main assets are maintained in the core currencies in which the syndicate transacts and settles business.

W/R/B UNDERWRITING | a Berkley Company

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (CONT.)

Liquidity risk

This is the risk that the syndicate fails to have sufficient liquid financial resources to meet its liabilities as they fall due. To mitigate this risk the EMC monitors cashflow regularly. Furthermore investments are of a relatively short duration and the syndicate has a liquidity facility in place with WRBC in the event of a shock loss. As such the syndicate does not consider there to be a material liquidity risk.

Operational risk

This is the risk that errors caused by people, processes, systems, data and outsourcing and the risk that regulatory and compliance matters, result in loss to the syndicate. The syndicate records all operational risks and their associated controls within a risk register and these risks are assessed regularly by the Risk Management function. In addition the syndicate maintains documented processes and controls within business functions which ensure risks are appropriately managed. The syndicate has established and tested disaster recovery procedures and an overall Business Continuity Plan for all its operations. Operational risk does not have a direct impact on the financial statement risk.

Group Risk

This is the risk derived from being part of the wider WRBC Group in addition to being part of the Lloyd’s market. WRBC Group provides asset management, systems support and maintenance and capital support amongst other items.

The syndicate derives significant benefits from being part of the WRBC Group and the Lloyd’s Market. Group risk is managed at the executive level through building strong relationships, reputation and mutually aligned strategic, social, ethical and regulatory objectives.

Regulatory risk

This is the risk associated with the failure to comply with current and future requirements of the Financial Conduct Authority, the Prudential Regulation Authority, the Council of Lloyd’s and various overseas authorities. The Assurance function of the managing agent ensures policies, controls and objectives are kept consistent with current and developing requirements.

There is heightened risk due to the changing Regulatory and Legislative Landscape – the changes being driven by the introduction of the General Data Protection Regulation (“GDPR”) in terms of how insurers store, manage and process personal data; and the continuing uncertainty on Brexit including maintaining insurance market access represent material transformative forces for the Lloyd' s/London Market to contend with. WRBMSL has projects/initatives in progress at the time of preparing this Report. In terms of Brexit specifically WRBSML is actively engaging with Lloyd's and the London Market Association.

FUTURE DEVELOPMENTS

The capacity for the 2018 year of account has been maintained at $304m (£225m), compared with the 2017 year of account of $304m (£225m).

POLITICAL AND CHARITABLE DONATIONS

The Syndicate made no charitable donations during the year (2016: £nil). There were no political donations made this year nor in the previous year.

W/R/B UNDERWRITING | a Berkley Company

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (CONT.)

DIRECTORS SERVING IN THE YEAR

The directors of the managing agent, who served during the year, were as follows:

Directors	Directors
Eugene Ballard	Jacqui Hedges
William Robert Berkley – Chairman [1]	Robert Hewitt [4]
William Robert Berkley Jr [1]	Ira Lederman
Alastair Blades	Andrew Mitchell
James Bronner [3]	Michael Smith [2]
Robert Chase [2]	Steven Taylor
Edward Creasy [2]	Robert Vetch

[1] Director of ultimate parent company, W. R. Berkley Corporation

[2] Independent non-executive director

[3] Appointed 2 March 2017

[4] Resigned 2 March 2017

DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors of the managing agent who held office at the date of approval of this managing agent's report confirm that, so far as they are each aware, there is no relevant audit information of which the syndicate's auditors are unaware and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the syndicate's auditors are aware of that information.

AUDITOR

Pursuant to Section 14 (2) of Schedule 1 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the Board

A. BLADES
DIRECTOR

16 MARCH 2018

W/R/B UNDERWRITING | a Berkley Company

STATEMENT OF MANAGING AGENT'S DIRECTORS' RESPONSIBILITIES

The directors of the managing agent are responsible for preparing the Syndicate financial statements in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 requires the directors of the managing agent to prepare their Syndicates financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 the directors of the managing agent must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Syndicate and of the profit or loss of the Syndicate for that period. In preparing these financial statements, the directors of the managing agent are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Assess the syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so.

The directors of the managing agent are responsible for keeping adequate accounting records that are sufficient to show and explain the Syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the Syndicate and enable them to ensure that the financial statements comply with the Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors of the managing agent are responsible for the maintenance and integrity of the Syndicate and financial information included on the Syndicate's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the board

A. BLADES
DIRECTOR

16 MARCH 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF W. R. BERKLEY SYNDICATE 1967

OPINION

We have audited the financial statements of Syndicate 1967 for the year ended 31 December 2017 which comprise the Statement of Profit or Loss: Technical account – General business, Statement of Profit or Loss: non-technical account, Balance Sheet, Statement of Changes in Members' Balances, Statement of Cash Flows, and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state 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 UK accounting standards, including 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.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the syndicate in accordance with, UK ethical requirements including the Financial Reporting Council ("FRC") Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

GOING CONCERN

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the annual accounts. We have nothing to report in these respects.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The directors are responsible for the Report of the directors of the Managing Agent. Our opinion on the financial statements does not cover that report and we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the Report of the directors of the Managing Agent and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in that report.

In our opinion the information given in the Report of the Directors of the Managing Agent is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

RESPONSIBILITIES OF THE DIRECTORS OF THE MANAGING AGENT

As explained more fully in their statement set out on page 9, the directors of the Managing Agent are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to cease trading, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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 company and the syndicate's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Karen Orr (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square London,
E14 5GL

16 March 2018

STATEMENT OF PROFIT AND LOSS ACCOUNT: TECHNICAL ACCOUNT - GENERAL BUSINESS FOR THE YEAR ENDED 31 DECEMBER 2017

		2017		2016	
	Notes	$'000	$'000	$'000	$'000
Earned premiums, net of reinsurance					
Gross premium written	5	222,360		229,447	
Outwards reinsurance premium		(92,732)		(48,590)	
Net premium written			129,628		180,857
Change in the provision for unearned premiums					
Gross amount	17	(4,227)		(14,222)	
Reinsurers' share	17	12,738		8,853	
Change in the net provision for unearned premiums			8,511		(5,369)
Earned premiums, net of reinsurance			**138,139**		**175,489**
Allocated investment return transferred from the non-technical account			1,167		1,264
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(127,902)		(107,234)	
Reinsurers' share		17,327		5,217	
Net claims paid			(110,575)		(102,017)
Change in the provision for claims					
Gross amount	17	(75,418)		(35,657)	
Reinsurers' share	17	50,638		11,485	
Change in the net provision for claims			(24,780)		(24,172)
Claims incurred, net of reinsurance	6		(135,355)		(126,189)
Net operating expenses	7		(73,112)		(80,160)
Total technical charges			(208,467)		(206,349)
Balance on the technical account – general business			**(69,161)**		**(29,596)**

All the amounts above are in respect of continuing operations.
The notes on pages 18 to 44 form part of these financial statements.

STATEMENT OF PROFIT AND LOSS ACCOUNT: NON-TECHNICAL ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	**2017** **$'000**	**2016** **$'000**
Balance on the technical account – general business		(69,161)	(29,596)
Investment income	*10,11*	2,221	2,377
Realised gains and losses on investments	*10*	(1,155)	(770)
Unrealised gains and losses on investments	*10*	209	(213)
Investment expenses and charges	*10*	(108)	(130)
Allocated investment return transferred to technical account - general business		(1,167)	(1,264)
(Loss)/ Gain on foreign exchange		(675)	2,947
(Loss) /Profit for the financial year		**(69,836)**	**(26,649)**

All the amounts above are in respect of continuing operations.

There are no recognised gains and losses for the current period other than those included in the profit and loss account above and therefore no statement of other comprehensive income has been presented.

The notes on pages 18 to 44 form part of these financial statements.

W/R/B UNDERWRITING | a Berkley Company

BALANCE SHEET AS AT 31 DECEMBER 2017

		2017		2016	
Assets	*Notes*	$'000	$'000	$'000	$'000
Investments					
Financial investments	*12,13*		84,719		114,028
Reinsurers' share of technical provisions					
Provision for unearned premiums	*17*	35,239		21,043	
Claims outstanding	*17*	70,125		18,763	
			105,364		39,806
Debtors					
Debtors arising out of direct insurance operations	*14*	71,099		82,296	
Debtors arising out of reinsurance operations	*15*	17,014		7,857	
Other debtors		10,385		11,750	
			98,498		101,903
Other assets					
Cash at bank and in hand		6,205		7,188	
Overseas deposits	*13*	14,648		10,890	
			20,853		18,078
Prepayments and accrued income					
Deferred acquisition costs		22,953		24,326	
Other prepayments and accrued income		3,448		1,325	
			26,401		25,651
Total assets			**335,835**		**299,466**

The notes on pages 18 to 44 form part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2017 (CONT.)

		2017		2016	
Liabilities	***Notes***	**$'000**	**$'000**	**$'000**	**$'000**
Capital and reserves					
Member's balances			(80,972)		(13,691)
Technical provisions					
Provision for unearned premiums	*17*	120,530		112,297	
Claims outstanding	*17*	246,086		165,248	
			366,616		277,545
Creditors					
Creditors arising out of direct insurance operations	*20*	1,408		1,291	
Creditors arising out of reinsurance operations – due within one year	*21*	39,233		27,272	
Other creditors		9,222		6,285	
			49,863		34,848
Accruals and deferred income			328		764
Total liabilities			**335,835**		**299,466**

The syndicate financial statements on pages 12 to 44 were approved on 16 March 2018 and were signed on behalf of the Board of W. R. Berkley Syndicate Management Limited by:

A. BLADES
DIRECTOR

R. S. VETCH
DIRECTOR

The notes on pages 18 to 44 form part of these financial statements.

W/R/B UNDERWRITING | a Berkley Company

STATEMENT OF CHANGES IN MEMBER'S BALANCES FOR YEAR ENDED 31 DECEMBER 2017

	2017 $'000	2016 $'000
Member's balances brought forward	(13,691)	15,147
(Loss) for the financial year	(69,836)	(26,649)
Cash call / (Distribution)	2,555	(2,189)
Member's balances carried forward at 31 December	**(80,972)**	**(13,691)**

Members participate in the syndicate by reference to years of account and their ultimate results. Assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a particular year.

The notes on pages 18 to 44 form part of these financial statements.

W/R/B UNDERWRITING | a Berkley Company

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2017

	2017		2016	
	$'000	$'000	$'000	$'000
(Loss) for the financial year	(69,836)		(26,649)	
Increase in technical provisions	89,070		41,477	
Increase in reinsurers' share of technical provisions	(65,558)		(19,352)	
Increase in debtors	(2,654)		(24,414)	
Increase in creditors	14,577		21,599	
Investment return	(1,167)		(1,264)	
Realised / unrealised foreign exchange (losses) / gains	(2,544)		5,523	
Net cash flow from operating activities		**(38,112)**		**(3,080)**
Cash flows from investing activities				
Purchase of equity and debt instruments	(67,025)		(84,532)	
Sale of equity and debt instruments	91,273		94,316	
Purchase of shares and other variable yield securities			-	
Investment income received	957		1,477	
Realised / unrealised foreign exchange gains / (losses)	9,160		(5,281)	
Unrealised gains / (losses)	209		(313)	
Cash flows from financing activities		**34,574**		**5,667**
Cash Call / (Distribution)		2,555		(2,189)
Net (decrease)/ increase in cash and cash equivalents		**(983)**		**398**
Cash and cash equivalents at the beginning of the year		7,188		6,790
Cash at bank and in hand	6,205		7,188	
Cash and cash equivalents at 31 December		**6,205**		**7,188**

The notes on pages 18 to 44 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

Syndicate 1967 ('The Syndicate') comprises a group of members of the Society of Lloyds that underwrites insurance business in the London Market. The address of the syndicate's managing agent is 4th floor, 34 Lime Street, London, EC3M 7AT.

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and applicable Accounting Standards in the United Kingdom and the Republic of Ireland, including Financial Reporting Standard 102 (FRS 102). FRS 102 requires the application of Financial Reporting Standard 103 (FRS 103) in relation to insurance contracts.

The financial statements have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss that are measured at fair value.

The financial statements are presented in US Dollar ('USD'), which is the syndicate's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

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.

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 managing agent's in house actuaries and reviewed by external consulting 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 the sensitivity analysis note 4.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

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 annual accounts.

Premium written

Gross premium written comprises premiums on contracts incepted during the year. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Premiums include estimates for pipeline premiums, representing amounts due to the syndicate but not yet received or notified.

Outwards reinsurance premiums are accounted for in the period in which they incept.

Unearned Premium

The earned portion of premiums is recognised as income. Premiums are earned from the date of attachment of risk and over the indemnity period on a pattern of the risk underwritten that reflects the underlying exposure.

The provision for unearned premiums comprises the proportion of premiums written which is estimated to be earned in the following or subsequent financial period. It is computed separately for each insurance contract using a daily pro rata method or an adjusted pattern to reflect the incidence of the risk during the period covered by the contract.

Acquisition costs

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. Costs incurred in acquiring general insurance contracts are deferred, whereby the deferred acquisition cost asset represents the proportion of acquisition cost which corresponds to the proportion of gross premiums written that is unearned at the balance sheet date.

Claims provisions and related recoveries

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

The provision for claims outstanding is an aggregate of estimates made on an individual case basis and the estimated ultimate cost of these case reserves not settled as at the balance sheet date, together with a provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported (IBNR) at the balance sheet date. This is calculated through statistical methods. These methods generally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be experienced.

For the most recent periods, where a high degree of volatility arises from projections, estimates may be based in part on output from rating models and assessments of underwriting conditions.

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

The two most critical assumptions 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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

Unexpired risks provision

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

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

Foreign currencies

The functional and presentational currency of the syndicate is US Dollars. Income and expenditure in foreign currencies are translated at the average rates of exchange for the period. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date or if appropriate at the forward contract rate. Non-monetary assets and liabilities are translated at the rate of exchange ruling at the date of transaction. All differences arising on translation of foreign currency amounts are included in the profit and loss account.

Financial assets and liabilities

In applying FRS 102, the syndicate has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU).

Financial assets and liabilities are recognised when the syndicate becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. The syndicate considers financial assets and liabilities to include debtors and creditors and are stated at cost which is deemed to be fair value.

Classification

The accounting classification of financial assets and liabilities determines the way in which they are measured and changes in those values are presented in the statement of profit or loss account and other comprehensive income. Financial assets and liabilities are classified on their initial recognition. Subsequent reclassifications are permitted only in restricted circumstances.

Financial assets and financial liabilities at fair value through profit and loss comprise financial assets and financial liabilities held for trading and those designated as such on initial recognition. Investments in shares and other variable yield securities, units in collective investment schemes, and debt and other fixed income securities are designated as at fair value through profit or loss on initial recognition, as they are managed on a fair value basis in accordance with the syndicate's investment strategy.

Deposits with credit institutions are classified as financial investments and debtors and accrued interest are classified as receivables, and are held at amortised cost. For this purpose investments are stated at market value (bid value) and deposits with credit institutions are stated at amortised cost.

W/R/B UNDERWRITING | a Berkley Company

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Recognition

Financial instruments are recognised when the syndicate becomes a party to the contractual provisions of the instrument. 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 way 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.

Measurement

A financial asset or financial liability is measured initially at fair value plus, for a financial asset or financial liability not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue.

Financial assets at fair value through profit or loss are measured at fair value with fair value changes 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 income. The investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business account to reflect the investment return on funds supporting underwriting business.

Debtors, cash and cash equivalents and non-derivative financial liabilities are measured at amortised cost using the effective interest method.

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. Individually 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Fair Value Hierarchy

The syndicate utilises a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for similar assets in active markets. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs may only be used to measure fair value to the extent that observable inputs are not available. The fair value of the majority of the syndicate's portfolio is based on observable data (other than quoted prices) and, accordingly, is classified as Level 2.

In classifying particular financial securities in the fair value hierarchy, the syndicate uses its judgement to determine whether the market for a security is active and whether significant pricing inputs are observable. The syndicate determines the existence of an active market by assessing whether transactions occur with sufficient frequency and volume to provide reliable pricing information. The syndicate determines whether inputs are observable based on the use of such information by pricing services and external investment managers, the uninterrupted availability of such inputs, the need to make significant adjustments to such inputs and the volatility of such inputs over time. If the market for a security is determined to be inactive or if significant inputs used to price a security are determined to be unobservable, the security is categorised in Level 3 of the fair value hierarchy.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits 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.

Cash and cash equivalents are carried at amortised cost in the balance sheet.

Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic-rate income tax from trading income. In addition, all UK basic-rate income tax deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings.

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

Pension costs

W. R. Berkley Syndicate Limited ("WRBSL") and W. R. Berkley London Staff, Limited ("WRBLSL") operate defined contribution schemes. No pension contributions, relating to staff employed by WRBSL or WRBLSL, were paid directly by the syndicate.

Profit commission

A profit commission is not charged by the managing agent.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

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 W. R. Berkley Syndicate Management Limited ("WRBSML") Board is ultimately responsible for managing all risks and reviews and approves all risk policies. The WRBSML Board has established a Risk and Capital Committee who monitor and report on risk and escalate issues to the Board as required.

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

Insurance risk is defined as the risk of any deviation from anticipated risk adjusted returns due from underwriting, claims, reserving or reinsurance activities. WRBSML is focused on generating superior risk-adjusted returns over the insurance cycle based on a real understanding of the amount of risk being assumed and the proactive management of risk exposures

WRBSML manages Insurance risks on an ongoing basis in keeping with WRBSML's Risk Appetite and its system of internal controls. For any circumstances where the risk exposure is identified to be outside of approved risk appetite limits and tolerances, action is to be taken to bring the risk exposure back within appetite.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

4. RISK AND CAPITAL MANAGEMENT (CONT.)

Oversight and Assurance

The Risk and Capital Committee:

- monitors, measures and reports on Insurance risk against stated Risk Appetite including agreed measures; and provide a forum for challenge and to escalate as required to the WRBSML Board.

The Underwriting Committee:

- oversees the management and day-to-day control and activity of the underwriting function with the objective that underwriting business plans are delivering in terms of risk selection, pricing approaches, loss ratios and to demonstrate effective systems and controls in the management of underwriting;
- is responsible for reviewing the performance of the UK's underwriting activities against respective plans, Risk Appetite, ensuring adherence with guidelines, pricing methodologies, agreed authority limits and Lloyd's/regulatory minimum standards;
- ensures business is written within guidelines, authorities, limits and agreed plans;
- ensures business is priced transparently and consistently in accordance with agreed methodologies;
- demonstrates control and performance of delegated underwriting in line with the agreed policy;
- ensures compliance with regulatory underwriting minimum standards and report any performance gaps to the Compliance Officer and Executive Management Committee; and
- reviews exception reporting of risks written against guidelines, limits and standards and escalate any issues to the Executive Management Committee and Risk Management function.

The Delegated AuthorityWorking Group:

- ensures proactive management of delegated underwriting contracts once incepted to ensure compliance with contract conditions; and
- reviews and analyse reports issued to it by the Claims Committee, drawing attention to any notable claims, systemic issues or claims trends under delegated authorities.

The Exposure Management Group:

- agrees the methodologies utilised for each line of business in the monitoring of aggregate exposures and for the analysis of Realistic Disaster Scenarios; and
- agrees the levels of exposed limit guides as defined in the Exposure Management Principles document, and other gross aggregate caps as deemed necessary.

4. RISK AND CAPITAL MANAGEMENT (CONT.)

The Claims Committee:

- oversees the management and day-to-day control of the claims function with the objective that the claims business plan is delivered and demonstrates effective systems and controls in the claims function;
- is responsible for reviewing the performance of the claims management activity against plan and market performance benchmarks, ensuring adherence with guidelines, agreed authority limits and setting minimum Lloyd's/regulatory minimum standards for good practice and governance;
- ensures compliance with claims minimum standards and report any gaps to the Executive Management Committee; and
- reviews exception reporting on claims against guidelines, limits and standards and escalate any issues to the Executive Management Committee and Risk Management function.

The Actuarial Reserving Committee:

- oversees the process for the determination of the syndicate's reserves, ensuring appropriateness of methodologies, reserving models, expert judgement, assumptions and to approve the appropriate levels of ultimate and earned reserves to be held by the syndicate in conjunction with external actuarial and audit sign-off where appropriate; and
- is responsible for recommending appropriate reserving policies, procedures, methodologies and assumptions to the WRBSML Board for determining the level of reserves that should be set for the purposes of calculating the syndicate's ultimate and earned underwriting results.

The Product Oversight Group:

- ensures regulatory/supervisory minimum standards are adhered to in relation to Conduct risk;
- on behalf of the Executive Management Committee makes decisions as to whether or not specific products with high product risk should be sold and, if so, what product controls should be in place throughout the products lifecycle;
- liaises with the Delegated Authority Working Group, Underwriting Committee and Claims Committee where necessary to ensure consistency in the approach to high product risk products and to Conduct risk general; and
- for delegated underwriting authority business, in conjunction with the Delegated Authority Working Group, ensures upcoming lead renewals are considered in good time and that any outstanding Conduct risk related audit actions have been adequately addressed prior to renewal.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

4. RISK AND CAPITAL MANAGEMENT (CONT.)

Concentration of insurance risk

The following table provides an analysis of the geographical breakdown of gross written premiums by class of business.

Year 2017	Property	Crisis Managment	Consortia	Engineering + Construction	Marine	Accident + Health	Aviation	Asset Protection	Reinsurance China	W.R. Berkley Business	Casualty	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
UK	213	4,226	657	4,118	4,283	9,960	4,440	4,820	-	3,593	21,185	57,495
Europe	1,143	7,437	-	428	2,742	799	3,262	1,886	-	3,089	3,746	24,532
North America	45,334	9,017	9	1,039	3,484	5,509	3,028	3,514	-	19,547	13	90,494
Central America	2,996	955	-	66	780	5	277	97	-	557	5	5,738
South America	3,197	119	-	2,569	30	138	1,719	42	-	8	-	7,822
Australasia	1,838	403	-	8,470	85	191	2,592	569	-	921	25	15,094
Asia	956	2,245	-	1,938	369	328	2,460	409	2,942	309	143	12,099
Middle East	490	1,123	-	1,875	189	-	2,330	491	-	31	16	6,545
Africa	60	1,326	-	21	28	9	885	27	-	174	11	2,541
Total	**56,227**	**26,851**	**666**	**20,524**	**11,990**	**16,939**	**20,993**	**11,855**	**2,942**	**28,229**	**25,144**	**222,360**

W/R/B UNDERWRITING | a Berkley Company

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

4. RISK AND CAPITAL MANAGEMENT (CONT.)

Concentration of insurance risk (cont.)

The following table provides an analysis of the geographical breakdown of gross written premiums by class of business.

Year 2016	Property	Crisis Managment	Consortia	Engineering + Construciton	Marine	Accident + Health	Aviation	Asset Protection	Reinsurance China	W.R. Berkley Business	Casualty	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
UK	97	5,509	941	3,368	8,674	6,160	4,037	6,599	-	3,368	18,799	57,552
Europe	1,043	4,276	-	306	9,986	2,526	2,127	2,015	-	2,502	5,192	29,973
North America	47,006	10,016	10	542	12,014	6,814	2,052	5,273	-	11,185	49	94,961
Central America	1,999	793	-	370	616	14	151	104	-	426	4	4,477
South America	2,653	279	-	2,541	330	201	1,490	73	-	22	-	7,589
Australasia	1,269	578	-	5,649	725	222	2,170	432	-	477	1,828	13,350
Asia	1,943	982	-	2,088	1,787	529	718	236	4,394	251	152	13,080
Middle East	624	452	99	2,162	579	273	1,895	446	-	397	-	6,927
Africa	-	460	-	135	322	39	383	84	-	100	15	1,538
Total	**56,634**	**23,345**	**1,050**	**17,161**	**35,033**	**16,778**	**15,023**	**15,262**	**4,394**	**18,728**	**26,039**	**229,447**

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

4. RISK AND CAPITAL MANAGEMENT (CONT.)

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 in claims incurred but not reported (IBNR). A five per cent increase or decrease in ultimate cost of settling claims arising is considered to be reasonably possible at the reporting date.

A five percent increase or decrease in total claims liabilities would have the following effect on profit or loss and equity:

	2017		2016	
	5 per cent increase	5 per cent decrease	5 per cent increase	5 per cent decrease
	$'000	$'000	$'000	$'000
Property	(3,871)	3,871	(2,219)	2,219
Crisis Management	(836)	836	(489)	489
Consortia	(221)	221	(200)	200
Engineering + Construction	(414)	414	(252)	252
Marine	(2,558)	2,558	(2,449)	2,449
Accident + Health	(798)	798	(877)	877
Aviation	(656)	656	(512)	512
Reinsurance	(73)	73	(65)	65
Asset Protection	(461)	461	(218)	218
W. R. Berkley Business	(1,149)	1,149	(646)	646
Casualty	(919)	919	(334)	334
Total	(11,956)	11,956	(8,261)	8,261

Credit Risk

Credit risk is the risk of loss to the syndicate as a result of the failure by another party to meet its contractual obligations to WRBSML or its failure to perform them in a timely manner.

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

- debt securities
- amounts due from reinsurers
- amounts due from intermediaries including brokers, coverholders and third party administrators.
- cash and cash equivalents

Management of credit risk

Credit risk in respect of the investment portfolio is managed by placing limits on exposures to single counterparties, asset types and ratings of securities. This is monitored quarterly by the Board.

The syndicate manages reinsurance credit risk by having a panel of reinsurers and reviewing their credit ratings.

All intermediaries including brokers, coverholders and third party administrators are reviewed and approved to ensure they meet minimum standards and are regularly reviewed. Aged debt is monitored on a regular basis.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

4. RISK AND CAPITAL MANAGEMENT (CONT.)

Exposure to credit risk

The table below analyses the credit rating of the assets held at the reporting date:

2017	AAA	AA	A	BBB	<BBB	Not Rated	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Shares and other variable yield securities	-	-	9,764	-	-	-	9,764
Debt securities	41,748	33,207	-	-	-	-	74,955
Overseas deposits as investments	7,044	1,772	1,354	747	53	3,678	14,648
Reinsurer's share of claims outstanding	-	2,985	53,391	-	-	13,749	70,125
Reinsurers' debtors	-	2,013	14,674	-	-	327	17,014
Cash at bank and in hand	-	-	6,205	-	-	-	6,205
Total credit risk	**48,792**	**39,977**	**85,388**	**747**	**53**	**17,754**	**192,711**

2016	**AAA**	**AA**	**A**	**BBB**	**Not Rated**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Shares and other variable yield securities	-	-	12,543	-	-	12,543
Debt securities	53,026	48,460	-	-	-	101,486
Overseas deposits as investments	5,665	1,489	1,202	356	2,178	10,890
Reinsurer's share of claims outstanding	-	1,298	17,241	-	224	18,763
Reinsurers' debtors	-	5	3,008	-	104	3,117
Cash at bank and in hand	-	-	7,188	-	-	7,188
Total credit risk	**58,691**	**51,252**	**41,182**	**356**	**2,506**	**153,987**

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

4. RISK AND CAPITAL MANAGEMENT (CONT.)

Financial assets

An analysis of the carrying amounts of debtors and cash in bank is presented in the table below:

		Financial assets that are past due but not impaired					
2017	**Neither past due nor impaired $'000**	**up to 3 months $'000**	**3 to 6 months $'000**	**6 to 12 months $'000**	**greater than 1 year $'000**	**Financial assets that have been impaired $'000**	**Total $'000**
Shares and other variable yield securities and unit trusts	9,764	-	-	-	-	-	9,764
Debt securities	74,955	-	-	-	-	-	74,955
Overseas deposits as investments	14,648	-	-	-	-	-	14,648
Reinsurers' share of claims outstanding	70,125	-	-	-	-	-	70,125
Reinsurance debtors	17,014	-	-	-	-	-	17,014
Insurance debtors	53,428	9,955	2,731	2,518	2,467	-	71,099
Other debtors	72,025	-	-	-	-	-	72,025
Cash at bank and in hand	6,205	-	-	-	-	-	6,205
Total credit risk	**318,164**	**9,955**	**2,731**	**2,518**	**2,467**	**-**	**335,835**

There have been no impairments or write off of financial assets in the year (2016: Nil).

		Financial assets that are past due but not impaired					
2016	**Neither past due nor impaired $'000**	**up to 3 months $'000**	**3 to 6 months $'000**	**6 to 12 months $'000**	**greater than 1 year $'000**	**Financial assets that have been impaired $'000**	**Total $'000**
Shares and other variable yield securities and unit trusts	12,543	-	-	-	-	-	12,543
Debt securities	101,486	-	-	-	-	-	101,486
Overseas deposits as investments	10,890	-	-	-	-	-	10,890
Reinsurers' share of claims outstanding	18,763	-	-	-	-	-	18,763
Reinsurance debtors	110	-	-	-	-	-	110
Insurance debtors	69,594	8,557	1,687	1,090	1,368	-	82,296
Other debtors	63,190	-	-	-	-	-	63,190
Cash at bank and in hand	7,188	-	-	-	-	-	7,188
Total credit risk	**283,764**	**8,557**	**1,687**	**1,090**	**1,368**	**-**	**296,466**

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

4. RISK AND CAPITAL MANAGEMENT (CONT.)

Liquidity risk

Liquidity risk is the risk that the syndicate, although solvent, does not have sufficient readily realisable financial resources available (including liquid assets in the correct currency) to enable it to meet its obligations as they fall due, or can only secure them at excessive cost.

Management of liquidity risk

The following sets out the key controls in place for Liquidity risks:

- credit control monitoring and reporting to help identify potential future liquidity risks;
- regular cash flow reporting and monitoring reducing the risk of short term liquidity issues;
- relatively conservative investment strategy and guidelines provided to the investment manager containing an agreed spread and maturity;
- the investment manager provides regular reports on investments held including value, currency and maturity which are overseen by the Board; and
- maintaining a level of "free fund" investment in near liquid and/or cash equivalents (generally this is two or three months of average gross claims payments).

The maturity of liabilities held at the reporting date is shown in the table below:

2017	Not stated maturity $'000	0-1 year $'000	1-3 years $'000	3-5 years $'000	Greater than 5 years $'000	Total $'000
Claims Outstanding	-	124,873	86,373	24,470	10,370	246,086
Creditors	-	49,862	-	-	-	49,862
Total	**-**	**174,735**	**86,373**	**24,470**	**10,370**	**295,948**

2016	Not stated maturity $'000	0-1 year $'000	1-3 years $'000	3-5 years $'000	Greater than 5 years $'000	Total $'000
Claims Outstanding	-	89,401	59,091	13,166	3,590	165,248
Creditors	-	34,848	-	-	-	34,848
Total	**-**	**124,249**	**59,091**	**13,166**	**3,590**	**200,096**

The maturity of the assets held by the syndicate match the liabilities held as they fall due.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

4. RISK AND CAPITAL MANAGEMENT (CONT.)

Market risk

Market risk is the risk of fluctuations in the value of the syndicate's assets, the amount of its liabilities, or the income from its assets, as a result of market movements.

Management of market risks

Interest rate risk is managed by the Board. This risk arises from the syndicate's financial investments, cash and overseas deposits.

Currency risk arises from business being transacted and settled in other currencies to the functional currency of US Dollars. The syndicate primarily writes business in US Dollars, Sterling, Euro, Australian Dollars, and Canadian Dollars.

Insurance receivables in certain currencies are shown as negatives where funds received for a given settlement currency differ from settlement currency of premiums written.

The table below summarises the assets and liabilities at the reporting date split by currency:

2017	USD $'000	GBP $'000	EUR $'000	CAD $'000	AUD $'000	Total $'000
Financial investments	64,793	-	7,818	6,751	5,357	84,719
Overseas deposits	2,726	3,693	-	1,793	6,436	14,648
Reinsurer's share of technical provisions	85,163	10,767	5,180	2,126	2,128	105,364
Insurance and reinsurance receivables	62,385	30,605	(6,157)	(235)	1,515	88,113
Cash and cash equivalents	9	2,099	2,204	847	1,046	6,205
Other assets	16,695	13,170	3,175	1,682	2,064	36,786
Total assets	**231,771**	**60,334**	**12,220**	**12,964**	**18,546**	**335,835**
Technical provisions	(253,204)	(70,402)	(23,366)	(6,192)	(13,452)	(366,616)
Insurance and reinsurance payables	(26,257)	(9,189)	(1,769)	(1,504)	(1,922)	(40,641)
Other creditors	(2,425)	(6,663)	(77)	(394)	9	(9,550)
Total liabilities	**(281,886)**	**(86,254)**	**(25,212)**	**(8,090)**	**(15,365)**	**(416,807)**

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

4. RISK AND CAPITAL MANAGEMENT (CONT.)

2016	USD $'000	GBP $'000	EUR $'000	CAD $'000	AUD $'000	Total $'000
Financial investments	97,822	-	4,144	6,131	5,931	114,028
Overseas deposits	2,552	2,170	-	1,152	5,016	10,890
Reinsurer's share of technical provisions	27,838	8,095	2,431	318	1,124	39,806
Insurance and reinsurance receivables	59,338	34,613	(3,253)	(1,358)	813	90,153
Cash and cash equivalents	456	4,387	1,001	292	1,052	7,188
Other assets	17,541	12,886	3,921	918	2,135	37,401
Total assets	**205,547**	**62,151**	**8,244**	**7,453**	**16,071**	**299,466**
Technical provisions	(193,816)	(49,066)	(16,228)	(5,016)	(13,419)	(277,545)
Insurance and reinsurance payables	(14,169)	(12,011)	(1,208)	(325)	(850)	(28,563)
Other creditors	(669)	(6,380)	-	-	-	(7,049)
Total liabilities	**(208,654)**	**(67,457)**	**(17,436)**	**(5,341)**	**(14,269)**	**(313,157)**

Sensitivity analysis to market risks for financial instruments

An analysis of the syndicate's sensitivity to interest rate is presented in the table below:

Interest rate risk	2017 $'000	2016 $'000
Impact of 100 basis point increase on the net assets	(1,310)	(1,820)
Impact of 50 basis point increase on the net assets	(655)	(917)
Impact of 100 basis point decrease on the net assets	1,332	1,877
Impact of 50 basis point decrease on the net assets	666	931

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

4. RISK AND CAPITAL MANAGEMENT (CONT.)

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 Regulatory 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 the syndicate 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 (CPG).

A syndicate may be supported by one or more underwriting members of Lloyd's. Each member is liable only for its own share of underwriting liabilities on the syndicates on which it is participates. 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 maybe 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 2016 and 2017 was 35% of the member's SCR 'to ultimate'.

Provision of capital by members

Each member may provide capital to meet its ECA 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), and the member's share of the members' balances on a solvency II basis on each syndicate on which it participates.

W/R/B UNDERWRITING | a Berkley Company

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

5. SEGMENTAL ANALYSIS

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

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 & Health	11,010	10,440	(8,396)	(3,768)	964	(760)
Fire and other damage to property	58,479	58,192	(70,163)	(18,635)	(3,294)	(33,900)
Energy – Marine	46	135	6	(16)	(382)	(257)
Energy – Non Marine	1,302	1,373	(2,251)	(183)	(399)	(1,460)
Third Party Liability	49,541	44,988	(9,135)	(14,181)	(5,701)	15,971
Pecuniary loss	22,325	18,584	(13,160)	(6,256)	(3,704)	(4,536)
Transport	2,240	4,568	(5,676)	(2,178)	(2,859)	(6,145)
Marine	6,336	11,940	(19,391)	(4,725)	3,098	(9,078)
Aviation	14,813	12,429	(9,299)	(4,041)	(2,553)	(3,464)
Motor - Other Classes	254	54	(3,177)	(22)	3,174	29
Motor - Third party liability	224	84	(21)	(36)	-	27
	166,570	**162,787**	**(140,663)**	**(54,041)**	**(11,656)**	**(43,573)**
Reinsurance Business	55,790	55,346	(62,657)	(19,071)	(372)	(26,754)
Total	**222,360**	**218,133**	**(203,320)**	**(73,112)**	**(12,028)**	**(70,327)**

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 & Health	10,324	11,470	(7,521)	(7,284)	(1,207)	(4,542)
Fire and other damage to property	58,529	57,321	(36,169)	(19,646)	(12,353)	(10,847)
Energy – Marine	255	382	(175)	(136)	(121)	(50)
Energy – Non Marine	1,371	2,076	(913)	(201)	(545)	417
Third Party Liability	42,353	25,908	(2,456)	(6,119)	(8,973)	8,360
Pecuniary loss	18,180	14,387	(6,384)	(5,865)	(2,482)	(344)
Transport	6,654	6,219	(22,971)	(3,339)	9,166	(10,925)
Marine	17,300	19,225	(18,231)	(8,526)	2,571	(4,961)
Aviation	10,950	13,721	(9,636)	(5,453)	(1,897)	(3,265)
Motor - Other Classes	3	4	(240)	(3)	(1)	(240)
	165,919	**150,713**	**(104,696)**	**(56,572)**	**(15,842)**	**(26,397)**
Reinsurance Business	63,528	64,512	(38,195)	(23,588)	(7,192)	(4,463)
Total	**229,447**	**215,225**	**(142,891)**	**(80,160)**	**(23,034)**	**(30,860)**

The segmental note above is presented by regulatory class of business. The table in the Report of the Directors' of the Managing Agent, on page 5, uses the managed class of business analysis.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

5. SEGMENTAL ANALYSIS (CONT.)

Commissions on direct insurance gross premiums earned during 2017 were $29,296,580 (2016: $34,717,880). Reinsurance balances includes reinsurance commissions receivable.

Gross operating expenses are the same as net operating expenses shown in the profit and loss account, as no commissions in respect of outward reinsurance were received and set off in arriving at the net operating expenses for the year. All premiums were concluded in the UK.

6. CLAIMS

	2017 $'000	2016 $'000
Claims incurred – current accident year	131,163	115,639
Claims incurred – development of prior accident years	4,192	10,550
Claims incurred, net of reinsurance	**135,355**	**126,189**

The syndicate has loss reserves for various events and for losses that are incurred but not reported (IBNR). Losses continue to develop both positively and negatively on these open balances. Whilst the syndicate has a reasonable degree of confidence as to the ultimate adequacy of its recourse for all events, volatility exists around the final settlement value.

7. NET OPERATING EXPENSES

	2017 $'000	2016 $'000
Brokerage & Commissions	32,065	49,678
Other acquisition costs	5,369	4,513
Change in deferred acquisition costs	3,667	(4,790)
Acquisition costs	**41,101**	**49,401**
Administrative expenses	32,011	30,759
Net operating expenses	**73,112**	**80,160**

Administrative expenses include:

	2017 $'000	2016 $'000
Auditor's remuneration		
Fees payable to the syndicate's auditor for the audit of these financial statements	212	212
Fees payable to the syndicate's auditor for other services pursuant to legislation	97	102
	309	**314**

W/R/B UNDERWRITING | a Berkley Company

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

8. REMUNERATION OF KEY MANAGEMENT PERSONNEL OF W. R. BERKLEY SYNDICATE MANAGEMENT LIMITED

The executive directors of WRBSML receive remuneration from an affiliated service company, WRBSL. An allocation of the total remuneration is chargeable to the syndicate under the Managing Agents' Agreement.

The independent non-executive directors are remunerated by way of fees paid by WRBSML. No fees are levied to the syndicate for the services of the shareholder non-executive directors, where the majority of their time and effort is in respect of corporate matters for WRBC.

	2017 $'000	**2016 $'000**
Executive directors total remuneration	1,050	1,330
Independent non-executive directors fees	198	183
	1,248	**1,513**

The highest paid director received a total remuneration of $498,010 (2016: $ 608,516).

The Active Underwriters received the following aggregate remuneration from WRBSL and charged to the syndicate by way of the Secondment and Services Agreement.

	2017 $'000	**2016 $'000**
Total remuneration	**932**	**1,035**

The value above represents the combined total remuneration of the Active Underwriters.

W/R/B UNDERWRITING | a Berkley Company

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

9. STAFF NUMBERS AND COSTS

All staff are employed by affiliated service companies, WRBSL and WRBLSL and are recharged to the syndicate by way of the Secondment and Services Agreements and Managing Agent's Agreement. WRBSL and WRBLSL made total charges (including staff costs amongst other expenses) to WRBSML of $31,759,000 (2016: $27,317,000) in accordance with the Secondment and Services Agreements. WRBSML made a total charge to the syndicate of $32,049,000 (2016: $27,462,000) in accordance with the Managing Agent's Agreement.

The average number of persons employed by WRBSL and WRBLSL and working for the syndicate during the year is as follows:

	2017	**2016**
Underwriting	41	45
Claims	12	14
Administration and finance	54	52
	107	**111**

10. INVESTMENT RETURN

	2017 $'000	**2016 $'000**
Interest income	2,221	2,377
Realised gains and losses on investments	(1,155)	(770)
Unrealised gains and losses on investments	209	(213)
Investment management expenses and charges	(108)	(130)
Investment return	**1,167**	**1,264**

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

11. CALENDAR YEAR INVESTMENT YIELD

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

	2017 $'000	2016 $'000
Average fund	129,469	141,443
Investment return	1,167	1,264
Calendar year investment yield	0.90%	0.89%
Average funds available for investment by fund		
Sterling	5,708	4,622
Euro	8,015	7,887
United States Dollars	95,040	110,660
Canadian Dollars	8,711	7,547
Australian Dollars	11,995	10,727
Analysis of calendar year investment yield by fund		
Sterling	1.28%	0.57%
Euro	(0.03%)	0.51%
United States Dollars	0.90%	0.77%
Canadian Dollars	0.65%	0.74%
Australian Dollars	1.55%	2.70%

"Average fund" is the average of bank balances, overseas deposits and investments held at the end of each month during the calendar year. For this purpose, investments are revalued at month-end market prices. The investment yield is the total investment return, including investment management expenses and charges and unrealised gains and losses, divided by the average investment funds.

12. FINANCIAL INVESTMENTS

	2017		2016	
	Market value $'000	Cost $'000	Market value $'000	Cost $'000
Shares and other variable yield securities	9,764	9,764	12,543	12,543
Debt securities and other fixed income securities	74,955	75,695	101,485	102,557
Total	**84,719**	**85,459**	**114,028**	**115,100**

All "Shares and other variable yield securities" are listed, except for the Lloyd's Canadian Trust Funds short term blended investment accounts of $1,793,000 (2016: $2,321,000).

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

13. FAIR VALUE HIERARCHY

2017	Level 1	Level 2	Level 3	Fair value	Balance sheet position
	$'000	$'000	$'000	$'000	$'000
Shares and other variable yield securities and unit trusts	-	9,764	-	9,764	9,764
Debt securities and other fixed income investments	-	74,955	-	74,955	74,955
Overseas deposits	5,131	9,517	-	14,648	14,648
Total	**5,131**	**94,236**	**-**	**99,367**	**99,367**

2016	Level 1	Level 2	Level 3	Fair value	Balance sheet position
	$'000	$'000	$'000	$'000	$'000
Shares and other variable yield securities and unit trusts	-	12,543	-	12,543	12,543
Debt securities and other fixed income investments	-	101,485	-	101,485	101,485
Overseas deposits	3,745	7,145	-	10,890	10,890
Total	**3,745**	**121,173**	**-**	**124,918**	**124,918**

Overseas deposits comprise funds which are lodged as a condition of conducting underwriting business in certain countries or states within countries.

14. DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2017 $'000	2016 $'000
Due within one year	70,706	82,242
Due after one year	393	54
	71,099	**82,296**

15. DEBTORS ARISING OUT OF REINSURANCE OPERATIONS

	2017 $'000	2016 $'000
Due within one year	17,014	7,857
Due after one year	-	-
	17,014	**7,857**

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

16. YEAR OF ACCOUNT DEVELOPMENT

Year of account	2012 $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	Three year funded adjs. $'000	Profit/(Loss) to member at 36 months $000
2012	(4,699)	21,163	1,907	-	-	-	(1,400)	16,971
2013	-	(2,802)	11,876	(6,489)	-	-	(396)	2,189
2014	-	-	(2,850)	13,570	(12,034)	-	(1,241)	(2,555)
2015	-	-	-	1,867	4,623	(3,440)	(1,121)	1,929
2016	-	-	-	-	(19,238)	(12,055)	-	
2017	-	-	-	-	-	(54,341)	-	
Calendar year result	**(2,795)**	**10,612**	**10,933**	**8,948**	**(26,649)**	**(69,836)**	-	**-**

The three year funded adjustments arise from foreign exchange differences.

17. TECHNICAL PROVISIONS SEGMENT

	2017			2016		
	Gross provisions $'000	Reinsurance assets $'000	Net $'000	Gross provisions $'000	Reinsurance assets $'000	Net $'000
Claims outstanding						
As at 1 January	165,248	(18,763)	146,485	133,625	(7,749)	125,876
Change in claims outstanding	75,418	(50,638)	24,780	35,657	(11,485)	24,172
Effect of movements in exchange rates	5,420	(724)	4,696	(4,034)	471	(3,563)
As at 31 December	**246,086**	**(70,125)**	**175,961**	**165,248**	**(18,763)**	**146,485**
Claims notified	136,254	(31,340)	104,914	92,726	(6,938)	85,788
Claims incurred but not reported	106,006	(38,785)	67,221	70,255	(11,825)	58,430
Unallocated Loss Adjustment Expenses	3,826	-	3,826	2,267	-	2,267
As at 31 December	**246,086**	**(70,125)**	**175,961**	**165,248**	**(18,763)**	**146,485**
Unearned premiums						
As at 1 January	112,297	(21,043)	91,254	102,444	(12,705)	89,739
Change in unearned premiums	4,227	(12,738)	(8,511)	14,222	(8,853)	5,369
Effect of movements in exchange rates	4,006	(1,458)	2,548	(4,369)	515	(3,854)
As at 31 December	**120,530**	**(35,239)**	**85,291**	**112,297**	**(21,043)**	**91,254**

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

18. GROSS CLAIMS DEVELOPMENT TRIANGLES

Estimate of cumulative claims	**2011 $'000**	**2012 $'000**	**2013 $'000**	**2014 $'000**	**2015 $'000**	**2016 $'000**	**2017 $'000**
At end of underwriting year	41,477	39,622	78,509	69,371	53,549	66,510	106,494
One year later	82,319	58,667	102,515	110,495	107,045	160,030	-
Two years later	78,237	67,030	113,286	134,300	118,998	-	-
Three years later	84,910	76,219	114,478	132,992	-	-	-
Four years later	87,299	79,259	115,191	-	-	-	-
Five years later	87,809	79,574	-	-	-	-	-
Six years later	87,553	-	-	-	-	-	-
Cumulative payments	85,816	74,484	101,878	110,401	81,556	72,047	28,828
Estimated balance to pay	1,737	5,090	13,313	22,592	37,442	87,983	77,666

Gross estimated balance to pay	
2010 and prior	264
Grand total	**246,086**

19. NET CLAIMS DEVELOPMENT TRIANGLES

Estimate of cumulative claims		**2012 $'000**	**2013 $'000**	**2014 $'000**	**2015 $'000**	**2016 $'000**	**2017 $'000**
At end of underwriting year	41,382	39,561	77,891	68,510	51,407	60,426	67,564
One year later	79,086	56,081	94,180	107,676	101,309	124,476	-
Two years later	74,917	65,151	103,235	124,251	111,550	-	-
Three years later	79,240	75,869	104,630	123,160	-	-	-
Four years later	80,186	78,902	106,099	-	-	-	-
Five years later	80,406	79,190	-	-	-	-	-
Cumulative payments	79,339	74,427	94,132	105,922	78,342	62,389	22,046
Estimated balance to pay	919	4,763	11,966	17,238	33,209	62,087	45,519

Net estimated balance to pay	
2010 and prior	261
Grand total	**175,961**

In the calendar year there was a prior accident year adverse development of claims incurred of $4.2m, (2016: $10.5m adverse).

W/R/B UNDERWRITING | a Berkley Company

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

20. CREDITORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2017 $'000	2016 $'000
Due within one year	1,408	1,291
Due after one year	-	-
	1,408	**1,291**

21. CREDITORS ARISING OUT OF REINSURANCE OPERATIONS

	2017 $'000	2016 $'000
Due within one year	39,232	27,272
Due after one year	-	-
	39,232	**27,272**

22. RELATED PARTIES

The syndicate is managed by the managing agent under the terms of a Lloyd's Managing Agent's Agreement. A managing agent's fee equal to 0.1% of the stamp capacity of the current underwriting year (2016: 0.1%) plus costs under the terms of the Secondment and Services Agreements (see below) is charged in the current calendar year and payable by the syndicate to WRBSML.

Under the terms of the Secondment and Services Agreements the affiliated companies, WRBSL and WRBLSL, provides staff and facilities for the operation of the syndicate and WRBSML. A fee, which equates to costs plus a margin of 6% is charged in the current calendar year and payable by WRBSML to WRBSL and WRBLSL. The fees charged were $31,759,000 (2016: $27,317,000).

Investments are managed by an affiliated company, Berkley Dean & Company, Inc., under the Investment Management Agreement. Fees are charged based on the basis of a percentage of assets under management and are settled by WRBSL on behalf of the syndicate.

The provision of computer and data processing services are provided to the syndicate and WRBSML by an affiliated company, Berkley Technology Services LLC, under the provision of an outsourcing contract and Master Services Agreement. Fees are charged on a time and materials basis and settled by WRBSL and recharged to the syndicate.

Certain centralised services are provided by an affiliated company, WRBC Services, Limited, under the Services Agreement. Fees are chargeable on a time and materials basis and settled by WRBSL on behalf of the syndicate.

All the above charges are considered to have been made on an "arm's length" basis as set out in the contractual terms and are in the course of normal market conditions.

The syndicate writes certain international business, classified as "Berkley" business, written on a coverholder basis or on a referral basis with certain affiliated companies within WRBC. The total amount of gross premium written in the year was $15,426,000 (2016: $18,728,000).

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NOTES TO THE FINANCIAL STATEMENTS (CONT.)

23. 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. FAL is 100% provided by WRBC Corporate Member Limited, an indirect wholly owned subsidiary of WRBC.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's and 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.

24. OFF BALANCE SHEET EVENTS

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

25. FOREIGN EXCHANGE RATES

The following currency exchange rates have been used for principal foreign currency transactions.

	2017 Year end rate	2017 Average rate	2016 Year end rate	2016 Average rate
Euro	1.20	1.18	1.01	1.11
Sterling	1.35	1.28	1.24	1.36
Canadian Dollar	0.80	0.78	0.75	0.76
Australian Dollar	0.78	0.76	0.72	0.74