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SYNDICATE 3334 UNDERWRITING YEAR REPORT AND ACCOUNTS

2013 YOA

Closed as at 31st December 2017

HAMILTON UNDERWRITING LIMITED

MANAGING AGENT

Hamilton Underwriting Limited
Registered office at:
St Helen's, 1 Undershaft
London EC3P 3DQ
Registered in England number 06684157

Directors
Dermot O'Donohoe
Simon Barrett
Dominic Ford (Company Secretary)
Belinda Taylor
Peter Haynes
Malcolm Beane
Jonathan Reiss
Peter Skerjl
Adrian Walker

SYNDICATE

Syndicate auditors
Ernst & Young LLP, London, UK

Syndicate bankers
Barclays Bank PLC, London, UK
Citibank N.A., London, UK
Royal Trust Corporation of Canada, Ontario, Canada

Syndicate external actuaries
Willis Towers Watson Limited, Surrey, UK

HAMILTON UNDERWRITING LIMITED

Contents

REPORT OF THE MANAGING AGENT ON THE 2013 UNDERWRITING YEAR OF ACCOUNT

REPORT OF THE MANAGING AGENT

The managing agent, Hamilton Underwriting Limited ('HUL' or 'the company'), presents its report on the 2013 year of account of Syndicate 3334 as closed on 31 December 2017 having previously been placed in to run-off as at 31 December 2015. Accordingly these report and accounts represent the closing balance sheet position and the cumulative results for the 60 months ended 31 December 2017.

Change of Control in 2015

On 1 January 2013 when the 2013 year of account commenced the managing agency was owned by Wild Goose Holdings Pty Ltd (WGH), a company registered in Australia. On 1 April 2015 the shareholding of the managing agency was sold by WGH to Hamilton UK Holdings Limited, a company registered in England and Wales. The company was renamed from Sportscover Underwriting Limited to Hamilton Underwriting Limited (HUL) and HUL has managed the 2013 year of account from 1 April 2015 to the date of closure.

Statement of Managing Agent's Responsibilities

The managing agent is responsible for preparing the syndicate underwriting year accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Regulations") require the managing agent to prepare underwriting year accounts for each syndicate in respect of any underwriting year which is being closed by reinsurance to close at 31 December. These syndicate underwriting year accounts must give a true and fair view of the result of the closed year account.

In preparing the underwriting year accounts, the managing agent is required to:

- select suitable accounting policies and then apply them consistently, with the exception of changes arising on the adoption of new accounting standards in the year, and where there are items which affect more than one year of account, ensure a treatment which is equitable as between the members of the syndicate affected. In particular, the amount charged by way of premium in respect of the reinsurance to close shall, where the reinsuring members and reinsured members are members of the same syndicate for different years of accounts, be equitable as between them, having regard to the nature and amount of the liabilities reinsured;
- take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK accounting standards have been followed, subject to any material differences disclosed and explained in the notes to the syndicate underwriting accounts.

REPORT OF THE MANAGING AGENT ON THE 2013 UNDERWRITING YEAR OF ACCOUNT

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the syndicate and enable it to ensure that the syndicate underwriting year accounts comply with the 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.

Status of 2013 year of account

The 2013 year of account was due to close as at 31 December 2015. However, at a board meeting on 4 December 2015 the Board of Directors voted to keep the 2013 year of account open and placed the year of account in to run-off due to uncertainties over the final loss arising from a combination of factors, the main factors being a potential tax rebate of £1.0m, not held on the balance sheet, and a continuing assessment of the reserving position due to volatility experienced in the liability book. During the year ended 31 December 2016 a tax rebate of £1.2m was received which cleared this uncertainty, however at a board meeting in late 2016 the Board of Directors voted to keep the 2013 year of account open as there was still significant volatility being experienced in the liability book. At the same meeting the Board of Directors voted to leave the prior underwriting year, 2012 year of account, in run-off. The 2014 year of account, was also placed in to run-off as at 31 December 2016. Each of these three years has capital provided by the same corporate member, SCI Capital Limited, but with different third party reinsurers backing each year of account. Individual names have also provided capital for the 2012 and 2013 years of account. As the capital providers differ across these years and also going forward in to 2015 it was considered equitable to reduce the uncertainties on each year of account prior to close.

In 2017 the Board of Directors agreed that the risks which led to the years of account being left in run-off were suitably reduced and approved an independently managed competitive tender process be undertaken to facilitate an external reinsurance to close (RITC) of the three years of account as at 31 December 2017. This competitive process conducted on Quarter 3 (30 September 2017) data resulted in two independent quotes being received in early December 2017. On 14 February 2018 HUL entered in to a RITC agreement for each run-off year to transfer the assets and liabilities to Syndicate 3330's 2018 year of account managed by Coverys Managing Agency Limited (formerly R&Q Managing Agents Limited). Each RITC agreement set out a premium to be paid for the individual run-off year of account and accordingly the RITC premium for the 2013 year of account has been accounted for within the closing result and balance sheet.

The 2013 underwriting year of account has not accepted a reinsurance to close from any prior underwriting year of account.

Review of the business

Background

Syndicate 3334 was set up in 2006 as a specialist insurer of sports and leisure risks covering, for the 2013 year of account, personal accident, public liability, property, directors and officers, contingency, bloodstock and travel insurance risks.

REPORT OF THE MANAGING AGENT ON THE 2013 UNDERWRITING YEAR OF ACCOUNT

Capacity/utilisation

The capacity for the 2013 year of account was £42.7m. All but 0.03% of this capital was provided by SCI Capital Limited. For the 2013 year of account £4.6m of losses had been called and collected as at 31 December 2017 and £3.8m of losses remained uncalled at the date of closure, to be collected via the Lloyd's distribution process in June 2018.

Review of the underwriting year of account closed as at 60 months

Overview

Results for the underwriting year of account are set out on pages 10 and 11. At 60 months the total closing loss is £8.4m. This is made up of a loss on the technical account of £6.9m, stated net of an investment return of £0.4m, and exchange loss of £1.5m in the non-technical account (see further details on exchange below).

The key performance indicators for the underwriting year are set out below. Comparisons to the lodged Syndicate Business Forecast ('SBF') are shown against actual ratios quoted, these ratios being based on period end rate translations to eliminate foreign exchange distortions:

- Gross written premiums £78.3m (SBF: £79.2m)
- Acquisition cost ratio 41.8% as % of gross written premiums (SBF: 46.1%)
- Reinsurance spend as % of gross written premium 6.5% (SBF 5.5%)
- Gross claims ratio: 64% as % of gross written premiums (SBF: 39%)
- Net claims ratio: 58% as above, net of reinsurance premiums (SBF: 39%)
- Administrative expense ratio as % of gross written premiums 7.5% (SBF: 8.6%)
- Cumulative loss on closure £8.4m
- Combined ratio: 112% (SBF: 96%)

Of the total gross written premium 76% was generated from Australasia, of which Australia is the predominant country of business. This has led primarily to the exchange loss of £1.5m shown in the accounts with the Australian dollar rate averaging A$1.83:£1 over the 36 month period in which the premiums and acquisition costs earned out. This is almost exclusively an unrealised exchange loss arising from 60 months funded adjustments imposed in the retranslation of the technical results from average to period end rates. Prior to these adjustments the exchange loss was £0.1m, which related to retranslation of underlying assets and liabilities to the period end rate.

The core coverholder business arose from the Sportscover companies in Australia and Europe. Steps were taken to help improve the profitability of the underwriting year of account following losses incurred in earlier closed years by reducing coverholder and associated commissions, particularly on the main binders commencing mid-2013. This helped reduce the cost profile of the year of account and along with administrative expenses and foreign exchange losses referred to above the overall costs were £41.2m compared to plan of £43.3m, a reduction of £2.1m. This positive result helped offset a net written premium deficit of £1.8m against plan.

Investment generating opportunities were restricted in the low interest environment to Australian dollar deposits. The investment income return of £0.4m was £0.8m less than plan.

The total of all the components detailed above give a negative variance of £0.5m against plan. The plan profit of £4.1m has therefore been adversely impacted by the claims development which is explored in more detail below.

Claims performance

Since the production of the 2013 underwriting year plan Lloyd's has moved to reporting loss ratios based on gross written premiums. The table below shows the gross loss ratio by class of business as a percentage of gross written premiums and the net loss ratio as a percentage of gross written premiums less reinsurance costs against plan. This is measured using consistent period end rates applied to claims and to gross premiums written. The statistics below are presented with the closing provision for unallocated loss and adjustment expenses (ULAE) allocated to the public liability class of business which represents 99% of the outstanding reserves on closure of the year:

Class of business	Actual	Plan	Change	Net loss ratio %	Gross written premiums £m at period end rates
PL	117%	32%	(85)%	91%	13.7
Property	51%	50%	(1)%	62%	6.7
PA	60%	49%	(11)%	60%	4.2
D&O	39%	32%	(7)%	59%	0.2
Contingency	57%	62%	5%	61%	5.3
Travel	49%	34%	(15)%	48%	44.9
Bloodstock	130%	62%	(68)%	79%	1.5
Total	64%	39%	(25)%	58%	76.5

Further information on the performance of each class of business is set out below.

Due to the late writing and earning patterns of the book of business the development of the public liability class has largely been emergent over the last two calendar years of the underwriting year of account. The closing incurred loss ratio is in excess of plan and it is this unfavourable actual versus expected experience, predominantly in the European book, which has led to the development pattern and prior loss assumptions being revised during the run-off period and additional IBNR being booked.

A large reserve has been attributed to one UK claim reported in May 2015, for which injuries have transpired to be of a severity that if our insured was found liable then a payout of up to the policy limit could transpire. The net retention value is £1.1m. A second UK claim exceeding reinsurance retention was adjusted for in the year ended 31 December 2017 which has a lower net retention value of £0.5m.

As detailed earlier steps were taken to reduce coverholder costs which has helped in particular to negate some of the effect of the claims inflation experienced in the last couple of years in the Australian liability book. The core Sportscover coverholders also actively managed the non-renewal of business in to the 2013 year of account where they have been unable to secure remedial rate increases, and some credit has been granted to this within reserve estimates. These two factors together with the absence of claims arising from severe injuries in Australia during this underwriting year has resulted in an Australian liability claims ratio of 44% which is broadly consistent to plan.

Whilst there have been a number of weather related issues, mainly arising in 2014, these were somewhat limited in severity compared to prior calendar years and therefore the Australian property book avoided any large scale hits from catastrophe events. The UK property book has been subject to a loss event arising from UK storms in February 2014, impacting on a number of properties. Overall the class of business was on plan.

The Personal Accident book contains a number of large schemes with high volume, low value claims mainly arising in Australia. The performance of the book in Australia was on plan; the deviation from plan largely arose in the European book of business written which gave rise to a number of larger claims. A significant European high volume, low value claims scheme had been non-renewed due to poor performance arising in the prior underwriting years and as a consequence the PA class of business wrote only 67% of planned gross written premiums.

The performance of the travel book has been adversely impacted by a number of large claims including claims for disruption arising from Central European floods in 2013.

Bloodstock had a poor underwriting year with three loss events taking place relating to mortality of horses. Due to the soft market premiums written were only 48% of planned premium write, with the shortfall being taken up in classes with a similar or lower expected loss profile, mainly Contingency and Property. As a consequence of soft market conditions and loss performance this class of business was put in to run-off after the 2013 underwriting year.

Post balance sheet events

Post balance sheet events are discussed in Note 13 to the accounts.

REPORT OF THE MANAGING AGENT ON THE 2013 UNDERWRITING YEAR OF ACCOUNT

Historical summary of results

Syndicate 3334 commenced operations in August 2006. The results for the 2013 year of account closed at 60 months is compared to the results for the prior six years comprising the closed 2007 to 2011 years account and the 2012 run-off year of account closed as at 31 December 2017 as set out below:

Year of account, including run-off years from 2007	2007	2008	2009	2010	2011	2012	2013
Syndicate Allocated Capacity	15,000,000	15,000,000	20,000,000	25,000,000	35,000,000	44,929,003	42,738,388
Number of Underwriting Members	71	193	196	200	154	103	5
Aggregate Net Premiums	14,517,547	27,555,885	35,370,227	45,291,276	59,605,042	74,295,027	73,273,679
Results for an illustrative share of £10,000							
Gross premiums	10,451	19,589	18,675	19,063	18,254	17,514	18,321
Net premiums	9,678	18,371	17,685	18,117	17,030	16,536	17,145
Reinsurance to close from an earlier account							
Net claims paid	-3,362	-6,388	-7,624	-8,935	-8,457	-9,747	-7,863
Reinsurance to close*	-1,726	-3,236	-3,487	-5,194	-3,865	-2,503	-1,753
* Amount retained to meet net outstanding liabilities							
Net operating expenses (excluding personal expenses)	-5,093	-11,128	-9,814	-10,917	-9,629	-9,230	-9,409
Balance on technical account before investment return and illustrative personal expenses	725	-655	-814	-4,140	-1,211	-4,943	-1,880
Net investment return	79	164	264	191	154	289	92
Profit before illustrative personal expenses	804	-491	-549	-3,949	-1,057	-4,654	-1,788
Illustrative personal expenses							
Managing agent's fee	150	150	150	75	75	75	75
Profit commission	0	0	0	0	0	0	0
Other personal expenses	285	180	130	130	99	75	106
	435	330	280	205	174	150	181
Profit/loss after illustrative managing agent's fee and proft commission and illustrative personal expenses	369	-822	-829	-4,154	-1,231	-4,805	-1,969
Capacity utilised	63.05%	100.98%	99.46%	98.58%	100.15%	100.73%	106.12%
Net capacity utilised	55.32%	88.79%	89.57%	89.12%	87.92%	90.94%	94.35%
Balance on technical account as % of gross premiums	6.94%	-3.34%	-4.36%	-21.72%	-6.63%	-28.22%	-10.26%

Dominic Ford
Director & Company Secretary
Approved by the board of Hamilton Underwriting Limited on 19th March 2018

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF SYNDICATE 3334

Opinion

We have audited the syndicate underwriting year accounts for the 2013 year of account of syndicate 3334 ('the syndicate') for the five years ended 31 December 2017 which comprise the Income Statement, the Statement of Members' Balances, the Statement of Financial Position, the Statement of Cash Flows, the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate underwriting year accounts:

- give a true and fair view of the loss for the 2013 closed year of account;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and have been properly prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

Basis for opinion

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

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

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005). 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern basis of accounting

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

- the managing agent's use of the going concern basis of accounting in the preparation of the syndicate underwriting accounts on the basis that the recorded assets and liabilities will be realised and discharged in the normal course of business is not appropriate; or
- the managing agent has not disclosed in the syndicate underwriting accounts any identified material uncertainties that may cast significant doubt on the ability of the syndicate to realise its assets and discharge its liabilities in the normal course of business.

Other information

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

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) requires us to report to you, if in our opinion:

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate underwriting year accounts are not in agreement with the accounting records.

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 1, the managing agent is responsible for the preparation of the syndicate underwriting year accounts in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and The Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate underwriting accounts, the managing agent is responsible for assessing the syndicate's ability to realise its assets and discharge its liabilities in the normal course of business, disclosing, as applicable, any matters that impact its ability to do so.

Auditor's responsibilities for the audit of the syndicate underwriting year accounts

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

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

Angus Millar

(Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor
London

21st March 2018

INCOME STATEMENT – 2013 UNDERWRITING YEAR OF ACCOUNT

TECHNICAL ACCOUNT – GENERAL BUSINESS

FOR THE 60 MONTHS ENDED 31ST DECEMBER 2017

Technical Account – General business

2013 UNDERWRITING YEAR OF ACCOUNT

	NOTES	£'000 Cumulative results
Syndicate allocated capacity		42,738
Earned premiums, net of reinsurance		
Gross premiums written and earned	2	78,301
Outward reinsurance premiums		(5,027)
		73,274
Allocated investment return, transferred from the non-technical account	5	394
Claims incurred, net of reinsurance		
Claims paid – gross amount		(35,275)
Claims paid – reinsurers' share		1,969
		(33,306)
Reinsurance to close premium payable, net of reinsurance	3	(7,493)
Claims incurred, net of reinsurance		(40,799)
Net operating expenses	4	(39,742)
Balance on the technical account for general business		**(6,873)**

INCOME STATEMENT – 2013 UNDERWRITING YEAR OF ACCOUNT

NON TECHNICAL ACCOUNT – GENERAL BUSINESS

FOR THE 60 MONTHS ENDED 31ST DECEMBER 2017

Non-Technical Account – General business

2013 UNDERWRITING YEAR OF ACCOUNT

	NOTES	£'000 Cumulative results
Balance on technical account – general business		(6,873)
Investment income	5	394
Allocated investment return, transferred to the general business technical account	5	(394)
Exchange gains and losses		(1,542)
Loss for the 2013 closed year of account		**(8,415)**

There is no other comprehensive income in the 60 month period other than dealt with in the technical and non-technical account.

STATEMENT OF CHANGES IN MEMBERS' BALANCES

FOR THE 60 MONTHS ENDED 31ST DECEMBER 2017

AS AT 31 DECEMBER 2017

	£'000
Loss for the underwriting year	(8,415)
Members' agents' fees	(21)
Cash calls made in advance	4,600
Members' balances carried forward at 31 December 2017	**(3,836)**

STATEMENT OF FINANCIAL POSITION – 2013 UNDERWRITING YEAR OF ACCOUNT

CLOSED AS AT 31ST DECEMBER 2017

ASSETS

	NOTES	£'000	£'000
Financial investments			
Other financial investments	6		**331**
Reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account	3		**5,266**
Debtors	7		
Debtors arising out of direct insurance operations		**1**	
Debtors arising out of reinsurance operations		**65**	
Other debtors		**2,272**	
			2,338
Other assets			
Cash at bank and in hand	9	**2,032**	
Overseas deposits	10	**552**	
			2,584
Prepayments and accrued income			**3**
Total assets			**10,522**

STATEMENT OF FINANCIAL POSITION – 2013 UNDERWRITING YEAR OF ACCOUNT

CLOSED AS AT 31ST DECEMBER 2017

MEMBERS' BALANCES AND LIABILITIES

	NOTES	£'000	£'000
Members' balances			
Members' balances			(3,836)
Liabilities			
Reinsurance to close premiums payable to close the account – gross amount	3		12,759
Creditors	8		
Creditors arising out of reinsurance operations		660	
Other creditors including taxation and social security		891	
			1,551
Accruals and deferred income			48
Total liabilities			14,358
Total members' balances and liabilities			10,522

The underwriting year accounts on pages 10 to 31 were approved by the Board of Directors on 19 March 2018 and signed on its behalf by:

Belinda Taylor
Finance Director

STATEMENT OF CASH FLOWS – 2013 UNDERWRITING YEAR OF ACCOUNT

2013 UNDERWRITING YEAR OF ACCOUNT
CLOSED AS AT 31 DECEMBER 2017

	NOTES	£'000
Loss for the closed 2013 year of account		**(8,415)**
Reinsurance to close premiums payable, net of reinsurance	3	**7,493**
Investment return	5	**(394)**
Increase in other assets, net of liabilities		**(742)**
Net cash outflow from operating activities		**(2,058)**
Investing activities:		
Investment income received	5	**394**
Purchase of financial investments		**(331)**
Net cash inflow from financing activities		**63**
Financing activities:		
Members' agents' fees		**(21)**
Cash calls		**4,600**
Net cash inflow from financing activities		**4,579**
Cash and cash equivalents at 31 December 2017 transferred to RITC provider	9/10	**2,584**

NOTES TO THE ACCOUNTS

FOR THE 2013 UNDERWRITING YEAR OF ACCOUNT

1. ACCOUNTING POLICIES

Statement of compliance

These underwriting year accounts have been prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and Financial Reporting Standard 103 'Insurance Contracts', and in accordance with Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

The financial statements are prepared under the historical cost convention.

Basis of preparation

These underwriting year accounts were approved for issue by the Board of Directors on 19th March 2018. The financial statements are prepared in sterling which is the functional and presentational currency of the 2013 underwriting year of account and rounded to the nearest £'000.

Members participate on a syndicate by reference to a year of account, and each syndicate year of account is a separate annual venture. These underwriting year accounts relate to the 2013 underwriting year of account. Consequently the statement of financial position represents the assets and liabilities of the 2013 year of account as at 31st December 2017 and the income statement and statement of cash flows reflect the transactions for that year of account for the 60 month period from date of inception to date of closure. Accordingly, this is the only reporting period and corresponding amounts as required by FRS 102 and FRS 103 are not shown.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the underwriting period. However, the nature of estimation means that actual outcomes could differ from those estimates. The key uncertainty relates to claims provisions, the policy for which is set out on page 17.

Significant accounting policies

The underwriting year accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of the three-year period, outstanding liabilities can normally be determined with sufficient accuracy to permit the year of account to be closed by payment of a reinsurance to close premium to the successor year of account. Where it is not deemed to be possible to determine the outstanding liabilities with sufficient accuracy, the year of account will not be closed by way of reinsurance to close. The year of account was put in to run-off as at 31 December 2015 due to uncertainty surrounding the treatment of tax rebates and the determination of outstanding liabilities, and closed as at 31 December 2017.

Significant accounting policies *continued*

Premiums written

Gross premiums are allocated to years of account on the basis of the inception date of the policy. Premiums in respect of insurance contracts underwritten under a binding authority or line slip are allocated to the year of account corresponding to the calendar year of inception of the arrangement. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them.

Premiums written are fully earned.

Reinsurance premium ceded

Outwards reinsurance premiums are attributed to the same year as the original risk being protected and are fully earned.

Claims paid and related recoveries

Gross claims paid comprise settlement expenses (both internal and external) paid in the year, together with reinsurance recoveries less amounts provided for in respect of doubtful reinsurers, are attributed to the same year of account as the original premium for the underlying policy. Reinstatement premiums payable in the event of a claim being made are charged to the same year of account as that to which the recovery is credited.

Reinsurance to close premium payable

The net reinsurance to close premium is determined on the basis of estimated outstanding liabilities and related claims settlement costs (including claims incurred but not reported), net of estimated collectible reinsurance recoveries and net of future net premiums relating to the closed year of account and all previous years of account reinsured therein.

The estimate of gross claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date. It also includes the estimated cost of claims incurred but not reported (IBNR) at the balance sheet date based on statistical techniques of estimation applied by the syndicate's staff and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience for the relevant classes of business the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

The provision for claims includes amounts in respect of internal and external claims handling costs.

Reinsurers' share is based on calculated amounts of gross outstanding claims and projections for gross IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business and the claims experience for the year and the current security rating of the reinsurance companies involved. The syndicate uses a number of statistical techniques to assist in making these estimates.

Significant accounting policies *continued*

Reinsurance to close premium payable continued

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.

Insurance contracts – Product classification

Insurance contracts are those contracts when the syndicate has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the re/insured event) adversely affects the policyholders. As a general guideline, the syndicate determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Foreign currencies

The functional currency and presentational currency of the 2013 underwriting year of account is Sterling.

Transactions denominated in currencies other than the functional currency are recorded at the average rates of exchange for the period. Amounts retained to meet all known and unknown liabilities are included at the rate ruling on the date the amounts are first reflected in the accounts.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the balance sheet dates unless contracts to sell currency for Sterling have been entered into prior to the balance sheet date, in which case the contracted rates have been used.

Differences arising on the translation of foreign currency amounts are included in the non-technical account.

Amounts transferred to members are translated at the rate of exchange ruling at the date of payment except for the payment of closed year profits which will be translated at the rate of exchange ruling at the previous balance sheet date.

Significant accounting policies *continued*

Operating expenses

Where expenses are incurred by or on behalf of the managing agent on the administration of managed syndicates, these expenses are apportioned using varying methods depending on the type of expense. Expenses which are incurred jointly for the agency company and managed syndicates are apportioned between the agency company and the syndicates on bases depending on the amount of work performed, resources used and the volume of business transacted. Syndicate operating expenses are allocated to the year of account for which they are incurred. There has been no change in the basis of allocation during the life of this year of account.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash at banks and in hand, net of outstanding bank overdrafts. Short term deposits which are held in collective investment schemes are recognised as Financial Investments in the Statement of Financial Position. The fair value of these short term deposits are valued using FRS 102 Level 2 hierarchy, being quoted (unadjusted) prices in active markets for identical assets or liabilities.

Derecognition of financial assets

A financial asset or, when applicable, a part of a financial asset is derecognised when:

- the rights to the cash flows from the asset have expired; or
- the syndicate retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass through’ arrangement and either (a) the syndicate has transferred substantially all the risks and rewards of the asset; or (b) the Syndicate has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the syndicate has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards nor transferred control of the asset, the asset is recognised to the extent of the syndicate’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the syndicate could be required to repay. In that case, the syndicate also recognises an associated liability.

Financial liabilities

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

Significant accounting policies *continued*

Financial liabilities continued

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in investment return in the profit or loss.

A financial liability is derecognised when the obligation under the liability is discharged or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if:

- there is a currently enforceable legal right to offset the recognised amounts; and
- there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Reinsurance assets

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

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

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. There were no such gains recognised in the 60 month period ended 31 December 2017.

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

Insurance payables

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

Significant accounting policies *continued*

Investments

Investments are stated at current value at the balance sheet date. For this purpose listed investments and overseas deposits are stated at mid-market value and deposits with credit institutions are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they were traded on the balance sheet date or the last trading day before that date.

Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest. Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between their valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

The returns on investment assets arising in a calendar year are apportioned to years of account open during the calendar year in proportion to the average funds available for investment on each year.

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

Taxation

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

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the syndicate are included in the Statement of Financial Position under the heading 'other debtors'.

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

Pension costs

HUL operates a defined contribution pension scheme and its recharges to the syndicate in respect of staff costs include an element for pension costs. These costs are expensed in full in the period to which the charge relates and are included within net operating expenses.

Profit commission

Profit commission is charged by the managing agent at a rate of 15% of profit subject to the operation of a deficit clause.

2. PARTICULARS OF BUSINESS WRITTEN

Segmental analysis: type of business

An analysis of the cumulative technical account balance before investment return is set out below:

	GROSS PREMIUMS WRITTEN	GROSS CLAIMS INCURRED	GROSS OPERATING EXPENSES	REINSURANCE BALANCE	TOTAL
	£'000	£'000	£'000	£'000	£'000
Direct Insurance:					
Accident & Health	51,557	(24,125)	(28,015)	(124)	(707)
Fire and other damage to property	8,054	(5,297)	(3,400)	(571)	(1,214)
Third party liability	13,813	(15,691)	(6,362)	3,133	(5,107)
Pecuniary loss	4,877	(2,808)	(1,965)	(343)	(239)
	78,301	**(47,921)**	**(39,742)**	**2,095**	**(7,267)**

Note 1: All gross premiums are 100% earned; the foreign exchange difference arising between gross premiums written and gross premiums earned has been taken to the non-technical account as part of exchange gains/losses.

Note 2: Gross claims incurred comprises gross claims paid and gross amounts retained to meet all known and unknown liabilities.

Note 3: The reinsurance balance comprises reinsurance premiums ceded less reinsurance recoveries paid and reinsurance recoveries anticipated to meet all known and unknown liabilities.

Note 4: All premiums are concluded in the UK.

Geographical analysis: premiums by destination

	£'000 CUMULATIVE
UK	9,861
EU	3,464
Other European	907
Australasia	59,802
North America	3,671
Other	596
	78,301

3. REINSURANCE TO CLOSE PREMIUM PAYABLE, NET OF REINSURANCE

AS AT 31 DECEMBER 2017

	OUTSTANDING CLAIMS £'000	IBNR & ULAE £'000	TOTAL £'000
Gross claims provisions	3,391	9,368	12,759
Reinsurance recoveries anticipated on gross claims provisions	-	(5,266)	(5,266)
Net amount payable	3,391	4,102	**7,493**

4. NET OPERATING EXPENSES

CUMULATIVE TO 31 DECEMBER 2017

	£'000 CUMULATIVE
Acquisition costs:	
Brokerage and commissions	32,834
Other	929
Administrative expenses	5,979
	39,742

The loss is stated after charging:

	£'000
Auditor's remuneration:	
Audit of syndicate accounts	211
Other services pursuant to Regulations & Lloyd's Bye-Laws	4
Standard personal expenses	772

5. INVESTMENT RETURN

CUMULATIVE TO 31 DECEMBER 2017

	£'000 CUMULATIVE
Income from investments	459
Losses on the realisation of investments	(65)
	394
Average amount of syndicate funds available for investment during the period ("average funds")	**£5.30 million**
Split:	
Sterling /Euro	1.94 million
Dollars (Primarily Australian dollars)	3.36 million
Investment return yield	%
Sterling /Euro	0.4
Dollars	3.8

6. FINANCIAL INVESTMENTS

AS AT 31ST DECEMBER 2017

	MARKET VALUE £'000	COST £'000
Holdings in collective investment schemes	**331**	**331**

Under the fair value hierarchy the above investments are all included in the level 2 category. The cost, fair value and market value of these investment schemes are the same and as at 31 December 2017 related to Canadian Dollar investment schemes (CAD 562,000) and United States Dollar schemes (USD 1,000)

NOTES TO THE ACCOUNTS

FOR THE 2013 UNDERWRITING YEAR OF ACCOUNT

7. DEBTORS

AS AT 31ST DECEMBER 2017

AMOUNTS FALLING DUE WITHIN ONE YEAR:	£'000
Arising out of insurance operations – due from policy holders and intermediaries	1
Arising out of reinsurance operations	65
Other debtors	2,272
	2,338

8. CREDITORS

AS AT 31ST DECEMBER 2017

	£'000
Arising out of reinsurance operations	660
Other creditors:	
Arising out of direct insurance operations – due to policy holders and intermediaries	172
Other creditors	719
	891
	1,551

9. CASH AND CASH EQUIVALENTS

AS AT 31ST DECEMBER 2017

	£'000
Cash at bank and in hand	2,032
	2,032

10. OTHER ASSETS – OTHER

This comprises overseas deposits of £552,000 which are split between a fair value hierarchy level of 2 (£551,000) and fair value hierarchy level of 1 (£1,000). These are lodged as a condition of conducting underwriting business in certain countries.

11. BORROWINGS

During the period to 31st December 2017, the syndicate renewed unsecured overdraft facilities with Barclays Bank plc, as a buffer against any timing differences between premium receipts and claims and other expense payments being made. This facility was available for use against the Sterling, Euro, US and Australian dollar accounts. Balances overdrawn for the 2013 underwriting year as at 31st December 2017 were £nil.

12. RELATED PARTIES

On 1st January 2013 when the 2013 year of account commenced the managing agency was owned by Wild Goose Holdings Pty Ltd (WGH), a company registered in Australia. WGH also owned Kinetic Insurance Brokers Limited (KIBL), a Lloyd's placing broker, which handles the placing of most of the syndicate's binder business through Xchanging. On 1st April 2015 the shareholding of the managing agency and of KIBL was sold by WGH, to Hamilton UK Holdings Limited, a company owned by Hamilton Insurance Group, Ltd, being the ultimate parent company.

Other than directorship fees, salaries and other related remuneration and any potential future investment earnings or growth in capital value arising from shareholdings in these or related companies, no personal benefit is derived by any of the directors from the related party arrangements that exist. All arrangements have been conducted at an arms-length basis.

Transactions between the managing agent and the syndicate

Total fees paid to the managing agency in respect of services provided to the syndicate for the 2013 underwriting year of account amounted to £320,000.

There is no profit commission payable to the managing agency on the 2013 underwriting year of account due to losses arising.

As at 31 December 2017 the managing agent had recharged £1,090,000 of administrative expenses to the syndicate, which comprised salary costs of £914,000 and office and other expenses incurred on behalf of the syndicate of £176,000. These were recharged over the 60 month period ended 31 December 2017 and thus were charged from both Sportscover Underwriting and Hamilton Underwriting. From the date of change of control in 2015, the costs included charges for functions which previously had been recharged from Sportscover's service companies (see page 27).

As at 31 December 2017 HUL was owed £39,000 for expenses charged to the 2013 underwriting year of account but not yet reimbursed from the syndicate bank account.

Business transactions

Within the WGH group were three service companies which contributed 25% of the gross premiums, net of acquisition costs written in the 2013 year of account. The total acquisition costs charged by the WGH owned service companies and by KIBL to the 2013 underwriting year of account amounted to £6,053,000 (18% of total brokerage and commission charges as disclosed in Note 4), of which £5,926,000 had been charged in the period before change of control.

12. RELATED PARTIES CONTINUED

Additionally, recharges to the 2013 underwriting year of account of salary and administrative expenses incurred by WGH's service companies on behalf of Syndicate 3334 amounted to £1,317,000. Their expenses plus other recharges directly relating to underwriting operations, which are treated as other acquisition costs in the syndicate's technical account results, account for £669,000 of these recharges, and were expensed in the 36 month period ended 31 December 2015.

In addition the WGH group owns a risk management company in Australia which charged £215,000 for risk surveys undertaken on instruction from the Australian service company. These costs are also included in other acquisition costs in the syndicate's technical account and were also expensed in the 36 month period ended 31 December 2015.

Capital support for Syndicate 3334

Of the £42,738,000 of capacity for the 2013 underwriting year of account, SCI Capital Limited, which is a corporate member company within the WGH group, has provided 99.7% of the capital support. The Hamilton group had no participation in the 2013 underwriting year of account.

There are no other transactions or arrangements to be disclosed.

13. POST BALANCE SHEET EVENTS

The contract of reinsurance to close was signed on 14 February 2018 between Hamilton Underwriting Limited for and on behalf of the reinsured members and Coverys Managing Agency Limited for and on behalf of the reinsuring members.

Losses for the 2013 year of account will be collected from the members' personal reserves funds on 15th June 2018.

14. RISK MANAGEMENT

Governance framework

HUL's Risk Governance framework follows a three lines of defence approach with the Internal Model and risk management at the centre of its business as usual activity. HUL's governance structure was designed to provide robust assurance to the Board and to support effective risk based capital management and decision making.

HUL's Board retains ownership of risk management policies, the ORSA process, the Internal Model and business planning processes and delegates operational responsibility for using the Internal Model to monitor the evolution of Syndicate 3334's risk profile to the first line committees. First line committees compare Key Risk Indicators against Board approved risk appetites and management tolerances, which enables the senior management to make effective decisions to ensure Syndicate 3334's strategic goals are achieved.

Deviations from risk appetites and management tolerances are escalated to the Board. The Risk Management Function challenges HUL's first line of defence and provides assurance to the Board with regards the integrity of Internal Model and proportionality of control environment.

Risk profile monitoring informs the ORSA process, which in turn feeds the business planning and the strategy setting process.

The key risk factors affecting the 2013 underwriting year of account are set out below:

Regulatory risk

The agency is required to comply with the requirements of the PRA and FCA and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change.

The agency has a compliance officer who monitors regulatory developments and assesses the impact on agency policy. He is supported by two assistants who carry out a compliance monitoring programme, the progress against which is reported to the Board on a quarterly basis.

Insurance risk

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

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 syndicate purchases reinsurance as part of its risks mitigation programme and the agency uses catastrophe modelling software to model maximum probable losses from catastrophe-exposed business.

The Board monitors performance and exposures against the business plan on a rolling monthly basis. Reserve adequacy is monitored through quarterly review by the syndicate actuary and the reserving committee. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Syndicate. The Syndicate further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities. However, in general, the uncertainty associated with the ultimate claims experience in an underwriting year is greatest when the underwriting year is at an early stage of development. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin should decrease.

However, due to the uncertainty inherent in the estimation process, the overall claim provision may not always be in surplus. The table below summarises the development pattern of the 2013 underwriting of account at a gross and net level:

Gross and Net Claims Development								
£000	Underlying Pure Year	At end of underwriting year	One year later	Two years later	Three years later	Four years and later	Cumulative payments	Outstanding Reserves
Gross	2013	18,265	35,835	39,668	47,161	48,952	(36,193)	12,759
Net	2013	16,970	33,929	37,742	40,372	41,723	(34,230)	7,493

Credit risk

The key aspect of credit risk is the risk of default by one or more of the syndicate's reinsurers or other counterparties. Compliance with the policy is monitored and exposures and breaches are reported to the syndicate risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

HUL aims to mitigate credit risk in the following ways:

- A credit risk policy exists that sets out the approach to managing credit risk. Compliance with the policy is monitored via defined management tolerances. Any deviations are highlighted to the Finance and Operations Committee.
- The policy is reviewed regularly as part of the overall documentation review process and for changes to the risk profile.
- Dealing with counterparties with strong credit ratings along with appropriate due diligence as per HUL's compliance procedures.

The following tables provide information relating to the credit risk exposure of the 2013 underwriting year of account as at 31 December 2017. The assets are classified according to Standard & Poor's credit ratings of counterparties. Amounts are stated in £'000.

Credit Risk Ratings - As at December 2017	AAA	AA	A	BBB	BBB or less	Not rated	Total
Shares and other variable yield securities and unit trusts		331					331
Overseas deposits as investments	372	106	51	23			552
Reinsurer' share of claims outstanding			5,266				5,266
Reinsurer debtors			65				65
Cash at bank and in hand			2,032				2,032
Other debtors						2,297	2,297
Total credit risk	**372**	**437**	**7,414**	**23**	-	**2,297**	**10,543**

The following table show the maximum exposure to credit risk (including an analysis of the financial assets exposed to credit risk) for the components of the statement of financial position. Amounts are stated in £'000.

GBP - as at December 2017	Neither due nor impaired	Up to three months	Three to six months	Six months to one year	Greater than one year	Financial assets that have been impaired	Total
Shares and other variable yield securities and unit trusts	331						331
Overseas deposits as investments	552						552
Reinsurer' share of claims outstanding	5,266						5,266
Reinsurer debtors	65						65
Cash at bank and in hand	2,032						2,032
Other debtors	2,297						2,297
Total credit risk	**10,543**	-	-	-	-	-	**10,543**

Liquidity risk

Liquidity risk is the risk that the syndicate will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected reinsurance recoveries.

A number of policies are implemented by the agency to mitigate against the risk of the syndicate being unable to settle its obligations as they fall due. HUL aims to mitigate liquidity risk in the following ways:

- A liquidity risk policy exists that sets out the approach to managing liquidity risk. Compliance with the policy is monitored via defined management tolerances. Any deviations are highlighted to the Finance and Operations Committee. The policy is reviewed regularly as part of the overall documentation review process and for changes to the risk profile.
- An overdraft facility has been set-up and is utilised to close any short-term funding gaps.

Due to all funds under the control of the managing agency being held in instant access cash and cash equivalent accounts there are no stated maturity profiles.

Market risk

The key aspect of market risk is that the syndicate incurs losses on foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. The agency's finance committee reviews currency matching quarterly. Where there is a significant mismatch, the agency seeks to mitigate the risk through forward foreign currency contracts, where this is appropriate. However where significant liabilities exist as is the case with a loss-making syndicate, the ability to take corrective action is restricted; many members seek to match their capital disposition by currency against their main currency exposure, and in the case of the 2013 year of account the capital is placed in Sterling and the peak currency exposure is in Australian dollars.

Market risk is made up of three types of risk:

a) Currency risk;

b) Interest rate risk; and

c) Equity price risk

HUL does not hold any investment assets that would be subject to interest rate or equity price risk.

HUL aims to mitigate liquidity risk in the following ways:

A market risk policy exists that sets out the approach to managing market risk. Compliance with the policy is monitored via defined management tolerances. Any deviations are highlighted to the Finance and Operations Committee. The policy is reviewed regularly as part of the overall documentation review process and for changes to the risk profile.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The functional currency for the underwriting year is Sterling and its exposure to foreign exchange risk arises from transactions and assets held in non-sterling currencies. Primarily these are the US, Canadian and Australian Dollars, Euro and Japanese Yen. The following table shows the exposure of the financial assets and liabilities to foreign exchange risk for the 2013 underwriting year. Amounts are stated in £'000 with currencies being converted to Sterling in each column of the table.

At December 2017 - Currency Code	GBP	USD	EUR	CAD	AUD	Total
Financial investments	-	-	-	331	-	331
Overseas deposits	-	-	-	32	521	553
Reinsurer's share of technical provisions	5,019	-	137	-	110	5,266
Insurance and reinsurance receivables	67	-	-	-	-	67
Cash and cash equivalents	2,028	2	-	1	-	2,031
Other assets	1	-	-	5	3	9
Total Assets	**7,115**	**2**	**137**	**369**	**634**	**8,257**
Technical Provisions	(8,638)	0	(3,256)	(2)	(863)	(12,759)
Insurance and reinsurance payables	(773)	(59)	0	0	0	(832)
Other creditors	(115)	0	(78)	0	(53)	(246)
Total Liabilities	**(9,526)**	**(59)**	**(3,334)**	**(2)**	**(916)**	**(13,837)**

Operational risk

This is the risk that errors caused by people, processes or systems lead to losses to the syndicate. The agency seeks to manage this risk through the use of detailed procedures manuals and a structured programme of testing of processes and systems by internal audit.