Important information about Syndicate Reports and Accounts

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SYNDICATE 1414

ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

CONTENTS

MANAGING AGENT – CORPORATE INFORMATION

Managing Agent	Ascot Underwriting Limited	
Directors	Sir Richard B Dearlove	Non-executive Chairman
	Andrew L Brooks	Chief Executive Officer
	Charles P T Cantlay	
	Katherine H.E. Chung	Non-executive
	Yvonne M B Costello	
	Helen R Jones-Bak	
	Thomas A Kalvik	Non-executive
	Edward J Lloyd	Non-executive
	Homi P R Mullan	Non-executive
	Parth Patel	
	Mark L Pepper	
	Mark C Smith	
	Paul T Taylor	Non-executive
Company Secretary	Elizabeth H Guyatt	
Registered Office	20 Fenchurch Street London EC3M 3BY	
Active Underwriter	Andrew L Brooks	
Investment Managers	Conning Asset Management Limited	
Independent Auditor	Deloitte LLP Statutory Auditor Hill House 1 Little New Street London EC4A 3TR	

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors of the managing agent, Ascot Underwriting Limited, present their strategic report for the year ended 31 December 2018.

Principal activity and review of the business

The principal activity of Syndicate 1414 ("the Syndicate") remains the transaction of general insurance and reinsurance business in the United Kingdom.

For the 2013 to 2016 years of account the Syndicate had two corporate members, Ascot Corporate Name Limited ("ACNL") and Ascot Employees Corporate Member Limited ("AECM"); ACNL was the sole corporate member for 2012 and prior underwriting years and was the sole corporate member for 2017 and subsequent years. The final allocated premium income capacity for each underwriting year and the corporate members providing the capacity are shown below:

Year	Syndicate Capacity £m	ACNL £m	AECM £m
2011	650 (originally £600m)	650	-
2012	650	650	-
2013	650	641	9
2014	650	636	14
2015	650	631	19
2016	600	591	9
2017	600	600	-
2018	600	600	-
2019	600	600	-

The managing agent of Syndicate 1414 is Ascot Underwriting Limited ("AUL"). AUL is a wholly owned subsidiary of Ascot Underwriting Holdings Limited ("AUHL").

AUL owned three subsidiaries during the year, Ascot Insurance Services Limited ("AIS"), whose main activity is the provision of underwriting business and services to Syndicate 1414; Ascot Underwriting Asia (Private Limited) ("AUA"), a company registered in Singapore, which manages business on behalf of Syndicate 1414 through the Lloyd's Asia Scheme and Ascot Underwriting Inc. ("AUI"), which is a service company operating in New York, Houston, Chicago and Dallas and registered in Delaware, USA.

Key performance indicators

The key performance indicator for the Syndicate is considered to be profitability. The profitability on a GAAP basis is measured by the combined ratio. The combined ratio for the last two years is set out in the table below:

	Year ended 31 December 2018	Year ended 31 December 2017
Net loss ratio	**47.0%**	65.0%
Net expense ratio	**44.4%**	41.7%
Combined ratio	**91.3%**	106.8%

There were two major catastrophe losses in 2018 – Hurricane Michael (gross loss £39.0m, net £7.5m) and California Wildfires (gross loss £128.2m, net £9.5m). The major catastrophe losses reported at the 2017 year end were Hurricane Harvey (gross loss £77.9m, net £14.2m), Hurricane Irma (gross loss £131.9m, net £21.6m), Hurricane Maria (gross loss £65.4m, net £21.9m) and California Wildfires (gross loss £85.6m, net £13.0m). 2018 also suffered from a number of large losses, Columbian Dam (gross loss £15.8m, net £8.0m), Hurricane Florence (gross loss £10.9m, net £9.9m) and Typhoon Jebi (gross loss £8.7m, net £7.0m). Syndicate 1414 incurred an overall profit for the financial year of £43.9m and a combined ratio of 91.3% (2017: £28.9m loss with a combined ratio of 106.8%).

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Results and performance

The result for the 2018 financial year, as set out on pages 9 and 10, is a profit of £43.9m (2017: loss of £28.9m) and a combined ratio of 91.3% (2017: 106.8%).

Profits will continue to be distributed by reference to the results of individual underwriting years. Under Lloyd's rules the 2016 year of account was closed at 31 December 2018 with a loss of £4.7m or 0.78% of stamp capacity of £600m.

Gross written premium decreased from £680.7m in 2017 to £679.7m in 2018, although once the effects of foreign exchange are taken into account, gross written premium actually increased by £21.3m in 2018. For the 2018 underwriting year, the Syndicate entered into a 20% whole account quota-share reinsurance agreement with Ascot Reinsurance Company Limited ("ARC"), a reinsurance company based in Bermuda. Market conditions remained challenging in 2018 and despite a year of significant catastrophe activity, Ascot's focus on underwriting discipline and reducing volatility within its portfolio has resulted in a satisfactory profit for the year.

Future outlook

A record year of catastrophe losses in 2017 has improved the rating environment, however it has not been to the extent hoped for, generating a 5% rate rise across the portfolio vs a planned rise of 12%. As a result, 2018 has continued to be a challenging trading environment for all classes. The prediction 12 months ago of, 'more positive underwriting conditions to continue and accelerate through 2018' did not materialise (the hardest part of the market was at 1/1/2018). A meaningful rate rise is now expected to happen in 2019 as a consequence of on-going loss activity in Q3 & Q4, the impact of the Lloyd's Business Planning process and the work around 'Decile 10'; a rapidly dislocated retro-market is also fuelling the fire.

The expected recurrence of a harder market in multiple product lines, particularly Cargo, Hull & Casualty, will allow Ascot to play to its core strengths of underwriting leadership, technical expertise supported by a global brand, and strong broker & client relationships. Despite these strengths allowing Ascot to position itself well in the market in 2019, it will not be without its challenges, as underwriting teams no longer have the top line headroom with Lloyd's as the corporation looks to create a smaller more profitable market.

Ownership by Canada Pension Plan Investment Board ("CPPIB"), with its exceptional capital strength and long-term investment strategy, continues to reinforce Ascot's ability to take advantage of opportunities that present themselves in 2019 across the whole Group.

Syndicate 1414 will use Lloyd's Brussels (Lloyd's Insurance Company S.A) to underwrite European Union (EU) and European Economic Area (EEA) business after the UK's exit from the EU.

For the 2019 underwriting year, the Syndicate will continue with the 20% quota-share reinsurance agreement with Ascot Reinsurance Company Limited ("ARC").

Principal risks and uncertainties

The following are considered to be the principal risks for the Syndicate along with a brief overview of how these risks are managed. Risks are managed through the Risk Management Framework.

The Board of Directors is ultimately responsible for Risk Management. All aspects of the Risk Management Framework have been approved by the Board of Directors. Responsibility for the oversight of risk lies with the Risk Committee. There are several sub-committees that are responsible for the identification and management of certain risks (for example, the Underwriting Management Committee (UMC) is responsible for many of the risks that are classified as Insurance risk).

The Risk Committee members are represented on all governance committees. This allows key issues requiring the oversight and consideration of the Risk Committee from a strategic perspective to be reported by members and discussed. The Risk Committee thus forms a quasi-independent body that can monitor the workings of the other committees and ensure consistency in the approach to risk across Ascot.

The comments below represent only an overview of the key risks and some of the controls to mitigate these risks.

Insurance risk – this includes Underwriting and Reserving risk. It is the risk arising from uncertainty in the likelihood, magnitude and timing of insured losses, the risk of inadequate pricing and the risk of insufficient claims provisions. This risk is effectively the business of the Syndicate. Management of insurance risk includes a comprehensive

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

underwriting peer review process, management information that includes aggregation management and profitability measures, and independent external reserve reviews.

Credit risk – this is the risk of loss arising from the inability of reinsurers or intermediaries to meet their financial obligations to Ascot. The largest risk is the non-performance of the Syndicate's reinsurers. This is managed by monitoring the concentration to and security rating of each of our reinsurance partners.

Market risk – this represents the potential loss of value or earnings arising from changes in the market price of assets as a result of external market and economic factors. The risk is managed through conservative asset allocation and concentration limits. Liquidity risk and Currency risk are part of market risk but discussed separately below.
Operational risk – the risk is that the Syndicate's operations are adversely impacted from inadequate or failed internal processes, people or systems or from external events. Key risks considered here include Business Continuity, Culture, Outsourcing, Legal and Regulatory risk and Information Security risk. The Risk Management Framework and Risk Register and Controls are key to managing these risks as well as Business Continuity plans e.g. disaster recovery sites.

Liquidity risk - the risk is that sufficient cash may not be available to settle obligations when due at a reasonable cost. The primary liquidity risk of Syndicate 1414 is the obligation to pay claims to policyholders following catastrophe events. The projected settlements of these liabilities are modelled on a regular basis using actuarial techniques. To manage this the duration of the Syndicate's investments are shorter than the liabilities.

Currency risk - the risk is that the fair value or future cash flows of a financial instrument will fluctuate owing to changes in foreign exchange rates. The Syndicate maintains four separate currency funds: Sterling, Euros, United States dollars and Canadian dollars. The Syndicate seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency, subject to regulatory funding requirements.

Group risk – the risk that the activities of companies within Ascot Group have an adverse impact on each other. The key risks considered are sharing of resources (including financial, labour and infrastructure) and brand damage from negative publicity. These are mitigated through clear governance structures, financial monitoring (where applicable), communication between entities across the group as well as a coordinated marketing and communications strategy.

The principles of identifying and the policies in place for mitigating risk within Ascot are discussed further within note 4.

By order of the board

Andrew L Brooks
Chief Executive Officer
Ascot Underwriting Limited
8 March 2019

MANAGING AGENT'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors of the managing agency, Ascot Underwriting Limited, present their report and audited annual financial statements for the year ended 31 December 2018.

This annual report is prepared using the annual basis of accounting as required by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Lloyd's Regulations").

As a result of the 2008 Lloyd's Regulations, managing agents are required to prepare annual financial statements which comply with the provisions of the Companies Act 2006, subject to certain modifications as specified in the regulations, for each syndicate that they manage.

Results and performance

This has been discussed in the strategic report.

Future outlook

This has been discussed in the strategic report.

Directors

The directors and officers of Ascot Underwriting Limited who held office during the year are listed below:

Sir Richard B Dearlove	Non-executive Chairman	
Andrew L Brooks	Chief Executive Officer	
Charles P T Cantlay		
Katherine H E Chung	Non-executive	
Yvonne M B Costello		
Robert W E Dimsey		Resigned 30 April 2018
Helen R Jones-Bak		Appointed 01 March 2018
Thomas A Kalvik	Non-executive	
Edward J Lloyd	Non-executive	
Homi P R Mullan	Non-executive	
Parth Patel		Appointed 01 March 2018
Mark L Pepper		
Mark C Smith		
Paul T Taylor	Non-executive	

Company Secretary
Elizabeth Helen Guyatt

Active Underwriter

Mr. Brooks was active underwriter of Syndicate 1414 throughout 2018. Mr. Brooks commenced his underwriting career at Lloyd's in 1983 and has served on many Lloyd's and industry committees.

Risk management

This has been discussed in the strategic report within *Principal risks and uncertainties.*

Statement of Managing Agent's responsibilities

The directors of the Managing Agent are responsible for preparing the strategic report and the managing agent's report and the annual financial statements in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (IAD) requires the Managing Agent to prepare annual financial statements for each financial year. Under that law the directors have prepared the Syndicate annual financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102) and Financial Reporting Standard 103 Insurance Contracts (FRS 103).

MANAGING AGENT'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Statement of Managing Agent's responsibilities (continued)

The IAD requires that the directors must not approve the annual 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 Syndicate annual financial statements, 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;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 & 103 have been followed, subject to any material departures disclosed and explained in the syndicate annual financial statements; and
- prepare the annual financial statements on the basis that the Syndicate will continue to write business unless it is inappropriate to presume that the Syndicate will do so.

The directors of the Managing Agent confirm that they have complied with the above requirements in preparing the Syndicate annual financial statements.

The directors of the Managing Agent are responsible for keeping proper 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 annual financial statements comply with the IAD. They are also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors of the managing agent are responsible for the maintenance and integrity of the Ascot website, on which these financial statements may be published. Legislation in the UK concerning the preparation and dissemination of annual financial statements may differ from legislation in other jurisdictions.

Charitable Donations

During the year the Syndicate made donations for charitable purposes of £nil (2017: £nil).

Disclosure of information to auditors

Each of the persons who are directors of the Managing Agent at the time this report is approved confirms that:

- as far as each of them is aware, there is no information relevant to the audit of the Syndicate's annual financial statements for the year ended 31 December 2018 of which the auditors are unaware; and
- the directors have taken all steps that they ought to have taken in their duty as directors in order to make themselves aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

Independent auditors

Deloitte LLP have expressed their willingness to continue in office as auditors.

By order of the board

Helen R Jones-Bak
Chief Financial Officer
Ascot Underwriting Limited

8 March 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 1414

Report on the audit of the syndicate annual financial statements

Opinion

In our opinion the syndicate annual financial statements of Syndicate 1414 (the 'syndicate'):

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have audited the syndicate annual financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in members' balances;
- the statement of cash flows; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the syndicate annual financial statements section of our report.

We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual financial statements in the UK, including the Financial Reporting Council's (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.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

The managing agent is responsible for the other information. The other information comprises the information included in the annual report, other than the syndicate annual financial statements and our auditor's report thereon. Our opinion on the syndicate annual financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 1414

Responsibilities of managing agent
As explained more fully in the managing agent's responsibilities statement, the managing agent is responsible for the preparation of the syndicate annual financial statements 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 syndicate annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate annual financial statements, the managing agent is responsible for assessing the syndicate's ability to continue in operation, disclosing, as applicable, matters related to the syndicate's ability to continue in operation and to use the going concern basis of accounting unless the managing agent intends to cease the syndicate's operations, or has no realistic alternative but to do so.

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the managing agent's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the managing agent's report have been prepared in accordance with applicable legal requirements.

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

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 in respect of the following matters if, in our opinion:

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report
This report is made solely to the syndicate's members, as a body, in accordance with regulation 10 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Adam Ely ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

8 March 2019

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

TECHNICAL ACCOUNT – GENERAL BUSINESS	*Note*	**2018 £'000**	2017 £'000
Earned premiums, net of reinsurance			
Gross premiums written	3	679,717	680,663
Outward reinsurance premiums		(288,887)	(232,424)
Net premiums written		**390,830**	448,239
Change in the provision for unearned premiums			
Gross amount		(6,522)	(14,139)
Reinsurers' share		29,395	20,126
		22,873	5,987
Earned premiums, net of reinsurance		**413,703**	454,226
Allocated investment return transferred from the non-technical account		2,994	7,077
Total technical income		**416,697**	461,303
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		450,953	329,832
Reinsurers' share		(182,111)	(193,407)
Net claims paid		**268,842**	136,425
Change in the provision for claims			
Gross amount		40,713	308,124
Reinsurers' share		(115,317)	(149,128)
		(74,604)	158,996
Claims incurred, net of reinsurance		**194,238**	295,421
Net operating expenses	6	183,593	189,517
Total technical charges		**377,831**	484,938
Balance on the Technical Account for General Business	10	**38,866**	(23,635)

STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
for the year ended 31 December 2018

NON-TECHNICAL ACCOUNT	*Note*	**2018 £'000**	2017 £'000
Balance on the General Business Technical Account		**38,866**	(23,635)
Investment income	7	9,814	7,607
Investment expenses and charges		(1,397)	(1,724)
Unrealised gains on investments		1,214	2,075
Unrealised (losses) on investments		(5,527)	(510)
Total investment return		**4,104**	7,448
Allocated investment return transferred to the general business technical account		(2,994)	(7,077)
Non-technical account - investment return		**1,110**	371
Non-technical account - profit/(loss) on exchange		3,893	(5,671)
Profit/(loss) for the period		**43,869**	(28,935)
Other comprehensive income – currency translation		(5,219)	3,888
Total comprehensive income		**38,650**	(25,047)

STATEMENT OF CHANGES IN MEMBERS' BALANCES

	2018 £'000	2017 £'000
Members' balances at the beginning of the reporting period	**(60,301)**	228
Profit/(loss) for the financial year	43,869	(28,935)
Other comprehensive income – currency translation	(5,219)	3,888
Total comprehensive income for the year	**38,650**	(25,047)
Distribution of profit on closed year of account	(42,825)	(85,506)
Cash call made	61,126	-
Funds in Syndicate retained	44,339	46,756
Other – retranslation of distribution/cash call	6,285	3,268
Members' balances at the end of the reporting period	**47,274**	(60,301)

All items shown above derive from continuing operations. No operations were acquired or discontinued during the period.

There are no material differences between the profit for the financial year and the total comprehensive income stated above and their historical cost equivalents.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

ASSETS	Note	**2018 £'000**	2017 £'000
Investments			
Other financial investments	11	**450,266**	383,843
Reinsurers' share of technical provisions			
Provision for unearned premiums		77,486	39,801
Claims outstanding		432,071	299,313
		509,557	339,114
Debtors			
Debtors arising out of direct insurance operations		51,378	41,137
Debtors arising out of reinsurance operations		190,870	174,422
Amount due from related companies		123	780
Other debtors		20,577	16,039
	12	**262,948**	232,378
Other Assets			
Cash at bank and in hand	13	31,814	14,848
Lloyd's overseas deposits		34,300	34,184
		66,114	49,032
Prepayments and accrued income			
Accrued interest and rent		2,229	1,765
Deferred acquisition costs		61,758	53,822
Other prepayments and accrued income		441	456
		64,428	56,043
TOTAL ASSETS		**1,353,313**	1,060,410
LIABILITIES			
Capital and reserves			
Members' balance		**47,274**	(60,301)
Technical provisions			
Provision for unearned premiums		263,894	241,094
Claims outstanding		902,565	822,275
		1,166,459	1,063,369
Creditors	14	**122,534**	54,796
Accruals and deferred income		**17,046**	2,546
TOTAL LIABILITIES		**1,353,313**	1,060,410

The annual financial statements on pages 9 to 34 were approved at a meeting of the Board of Directors and signed on its behalf by:

Andrew L Brooks
Chief Executive Officer
8 March 2019

Helen R Jones-Bak
Chief Financial Officer

STATEMENT OF CASH FLOWS
for the year ended 31 December 2018

	Note	**2018 £'000**	2017 £'000
Net cash flows from operating activities	15	**(12,315)**	51,032
Cash flows from investing activities			
Purchase of equity and debt instruments		(187,685)	(109,091)
Sale of equity and debt instruments		78,421	107,427
Investment income received		4,799	9,203
Net cash generated from investing activities		**(104,465)**	7,539
Cash flows from financing activities			
Distribution profit		(42,825)	(85,506)
Cash call made		61,126	-
Profit retained as Funds in Syndicate		44,339	46,756
Other – retranslation of distribution/cash call		6,285	3,268
Net cash used in financing activities		**68,925**	(35,482)
Net increase/(decrease) in cash and cash equivalents		**(47,855)**	23,089
Cash and cash equivalents at the beginning of the year		112,360	97,832
Foreign exchange on cash and cash equivalents		7,384	(8,561)
Cash and cash equivalents at the end of the year		**71,889**	112,360
Cash and cash equivalents consists of:			
Cash at bank and in hand		31,814	14,848
Short term deposits with credit institutions		40,075	97,512
Cash and cash equivalents at end of year		**71,889**	112,360

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2018

1 Statement of compliance

The individual annual financial statements of Syndicate 1414 have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, ‘‘The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland’’ (‘‘FRS 102’’), Financial Reporting Standard 103, “Insurance Contracts” (“FRS 103”) and the Companies Act 2006 under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

2 Summary of significant accounting policies

Ascot Underwriting Limited is the managing agent for Syndicate 1414 at The Corporation of Lloyd’s. The company is a private company limited by shares and is incorporated in England. The address of its registered office is 20 Fenchurch Street, London EC3M 3BY.

The principal accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The syndicate has adopted FRS 102 and FRS 103 in these annual financial statements.

a. Basis of preparation

These annual financial statements are prepared on the basis that the Syndicate will continue to write future business, under the historical cost convention, as modified by certain financial assets and liabilities measured at fair value through profit or loss.

The Syndicate annual financial statements have been prepared under regulation 5 of the Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 (IAD) and reflect the provisions of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (‘SI2008/410’) as modified by the IAD.

The Syndicate annual financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year.

b. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements in applying the accounting policies

i Significant insurance risk

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. The key components of insurance risk faced by Ascot and the policies in place for identifying and mitigating these risks are discussed in more detail in note 4.

ii Allowance for risk and uncertainty within claims outstanding

In setting the provision for insurance liabilities, a best estimate is determined on an undiscounted basis and an allowance for risk and uncertainty is added. The method and considerations made in setting the claims provisions are discussed in more detail in note 2 (part g) of these Financial Statements.

Sources of estimation uncertainty

The Syndicate makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

i The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Syndicate’s most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Syndicate will ultimately pay for such claims. The most significant assumptions made relate to the level of future claims, the level of future claims settlements and the legal interpretation of insurance policies. Whilst the directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated on the basis of

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the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amount provided. Adjustments to the amounts of provision are reflected in the Financial Statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

ii Fair value of financial instruments
The fair value of financial instruments that are not traded in an active market is measured at amortised cost. The carrying value of these instruments is £nil (2017: £nil). The Syndicate uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. See Note 4 for discussion of the related risks.

iii Pipeline premium
The Syndicate makes an estimate of premiums written during the year that have not yet been notified by the financial year ('pipeline premiums') end based on prior year experience and current year business volumes. The pipeline premium is booked as written and an assessment is made of the related unearned premium provision and an estimate of claims incurred but not reported in respect of the earned element.

c. Basis of accounting for underwriting activities
The technical results of Syndicate 1414 are presented on an annual accounting basis in accordance with FRS 103, under which insurance profits and losses are recognised as they are earned.

d. Premiums written
Under the annual basis of accounting, written premiums comprise both inward and outward premiums on contracts incepting in the financial year. Estimates are comprised of pipeline premiums due but not yet notified. Written premiums are stated gross of commission payable to intermediaries and exclusive of taxes and duties levied on premiums.

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

e. Unearned premiums
For business accounted on an annual basis, a provision for unearned premiums is made which represents that part of gross premiums written, and the reinsurers' share of premiums written, that is estimated to be earned in the following or subsequent financial years. The provision for unearned premiums is calculated on a daily pro-rata basis.

f. Deferred acquisition costs
Acquisition costs represent the expenses, both direct and indirect, of acquiring insurance policies written during the financial year. Acquisition costs are accrued over an equivalent period to that over which the underlying business is written and are charged to the accounting periods in which the related premiums are earned. Deferred acquisition costs represent the proportion of acquisition costs incurred in respect of unearned premiums at the balance sheet date.

g. Claims incurred
Claims incurred comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

Outwards reinsurance recoveries are accounted for in the same accounting period as the claims for the related direct or inwards reinsurance business being reinsured.

h. Claims provisions and related reinsurance recoveries
The provision for claims outstanding is based on information available at the balance sheet date. Subsequent information and events may result in the ultimate liability being less or greater than the amount provided. Any differences between provisions and subsequent settlements are dealt with in the general business technical account of later periods.

The Directors consider that the provision for gross claims and related reinsurance recoveries are fairly stated on the basis of information currently available to them.

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Syndicate. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. The Syndicate takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported ('IBNR') is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Syndicate, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insured until many years after the event giving rise to the claims has happened. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the Syndicate uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in Syndicate processes which might accelerate or slow down the development and/or recording of paid or incurred claims compare with the statistics from previous periods;
- changes in the legal environment;
- the effects of inflation;
- changes in the mix of business;
- the impact of large losses; and
- movements in industry benchmarks.

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these the Syndicate has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods.

Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

Where possible the Managing Agent adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

i. Unexpired risk provision

Provision has been made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risks provision. The expected claims are calculated having regard to events that have occurred prior to the balance sheet date.

Unexpired risk surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises.

j. Expense allocation and pensions

All expenses of the Syndicate are recognised in the technical account. Pension contributions to employees' money purchase schemes are charged to the profit and loss account when they fall due.

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k. Foreign currency

i. Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the entity operates. The Syndicate's functional currency is the United States dollar. The Syndicate's presentation currency is the pound sterling consistent with that of the Managing Agent.

ii. Transactions and balances

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the monthly average exchange rate prevailing at the time of the transaction and non-monetary items measured at fair value are measured using the monthly average exchange rate when fair value was determined.

Foreign exchange gains and losses, resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the non-technical profit and loss account.

In accordance with FRS 103, all assets and liabilities arising from insurance contracts are treated as monetary items.

The results and financial position of the syndicate are translated into the presentation currency as follows:

a) assets and liabilities are translated at the closing rate at the balance sheet date;
b) income and expenses are translated at the monthly average rates of exchange; and
c) all resulting exchange differences are recognised in OCI.

l. Financial instruments

The Syndicate has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets, including cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Other financial assets, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Overseas deposits are stated at market value based on quarterly statements from Lloyd's.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

m. 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 fair value through profit and loss are calculated as the difference between net sales proceeds and purchase price. In the case of investments included at amortised cost, realised gains and losses are calculated as the difference between sale proceeds and

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their latest carrying value. Movements in unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price or their fair value 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.

Dividends are recorded on the date on which the shares are quoted ex-dividend and include the imputed tax credits. Interest and expenses are accounted for on an accruals basis.

Investment return is initially recorded in the non-technical account. Other than investment return on Funds in Syndicate which is shown as non-technical account income, a transfer is made from the non-technical account to the technical account to reflect the investment return on funds supporting underwriting business.

n. Taxation

No amount has been provided in these Financial Statements for UK taxation on trading income. 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 basic rate UK income tax deducted from Syndicate investment income is recoverable by managing agents.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment income. Any payments on account made by the Syndicate are recharged to the corporate members.

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

o. Profit commission

Under the current agency agreement, Ascot Underwriting Limited (“AUL”) charges profit commission to Ascot Corporate Name Limited based on the performance of the Syndicate and no profit commission is charged to the Syndicate or to Ascot Employees Corporate Member Limited.

3 Segmental information

All premiums are underwritten in the United Kingdom by Syndicate 1414 at Lloyd's.

Analysis of gross premium written, gross premium earned, gross claims incurred, gross operating expenses and the reinsurance balance are shown below.

Year ended 31 December 2018

	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Net technical result
			£’000s			
Direct						
Fire & Other Damage to Property	176,493	186,959	(89,252)	(63,247)	(19,407)	15,053
Marine, Aviation & Transport	140,633	139,689	(76,916)	(49,183)	(4,599)	8,991
Third-Party Liability	53,980	52,501	(33,573)	(17,660)	(3,899)	(2,631)
Accident & Health	32,117	26,722	(15,449)	(15,592)	936	(3,383)
Energy	27,349	26,827	(2,396)	(10,258)	(13,574)	599
Pecuniary loss	21,886	15,020	517	(6,697)	(3,027)	5,813
Motor (other)	-	-	1,975	-	659	2,634
Other	1,222	1,083	(44)	(254)	(170)	615
Total Direct	**453,680**	**448,801**	**(215,138)**	**(162,891)**	**(43,080)**	**27,691**
Reinsurance Acceptances	226,037	224,394	(276,528)	(52,056)	112,371	8,181
Total	**679,717**	**673,195**	**(491,666)**	**(214,947)**	**69,291**	**35,872**

Year ended 31 December 2017

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	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Net technical result
			£'000s			
Direct						
Fire & Other Damage to Property	195,538	207,174	(230,200)	(65,529)	56,018	(32,537)
Marine, Aviation Transport	132,578	128,794	(77,118)	(43,762)	(4,356)	3,558
Third-Party Liability	46,144	29,392	(17,042)	(11,276)	(3,025)	(1,951)
Accident & Health	18,555	16,302	(7,794)	(8,471)	(949)	(912)
Energy	29,661	30,350	(2,159)	(10,824)	(10,907)	6,460
Pecuniary loss	15,926	15,024	(2,059)	(4,310)	(2,518)	6,137
Motor (other)	-	-	2,713	-	162	2,875
Other	1,042	1,443	126	(295)	(378)	896
Total Direct	439,444	428,479	(333,533)	(144,467)	34,047	(15,474)
Reinsurance Acceptances	241,219	238,045	(304,423)	(50,649)	101,789	(15,238)
Total	680,663	666,524	(637,956)	(195,116)	135,836	(30,712)

(a) Gross operating expenses have been allocated to class groups in proportion to their respective gross premium income. The difference between the gross operating expenses in note 4 and that on the Statement of Comprehensive Income relates to reinsurance commissions and profit participations, as detailed in note 6.

(b) The reinsurance balance comprises outward reinsurance premiums payable less reinsurance recoveries receivable less ceded commissions receivable.

(c) Brokerage and commission is deducted from gross premiums received by the Syndicate on normal commercial terms.

(d) The above segmental analysis is based on a mapping from Syndicate 1414's own business classes to the required Prudential Regulatory Authority classes.

Geographical analysis by origin

For the purposes of segmental reporting under FRS 102 and FRS 103, the Lloyd's insurance market has been treated as one geographical segment. All premium business is concluded in the United Kingdom. For the purposes of the table below, premium income has been categorised by the office location of where the associated negotiations took place.

Geographical analysis by underwriting location

	2018 £'000	2017 £'000
United Kingdom	582,384	590,208
United States of America	45,086	45,066
Bermuda	24,276	17,933
China	12,126	9,594
Singapore	15,845	17,862
Total gross written premium	**679,717**	680,663

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4 Risk management

a. Overview

The Ascot risk management programme is made up of three key elements which all contribute to managing the risks faced:

i. *Risk governance – the control and management of risk and capital management*
ii. *Risk appetite – the measurement of risk taken*
iii. *Risk register – details of the risks, controls, responsibilities and reporting*

Syndicate 1414 is managed by Ascot Underwriting Limited (AUL) and considers the business plan proposed and the risk and control environment as managed by AUL.

The ultimate governance of risk management and capital management for Syndicate 1414 is with the AUL Board of Directors. All aspects of the risk management framework have been approved by the Board of Directors. Details of the governance of risk management are described more fully below but the key committee in the daily management of risk is the Risk Committee, which reports to the AUL Board of Ascot and whose terms of reference include both risk management and capital modelling.

Our approach is that every member of staff contributes to the overall risk management of the company; this is stressed to new joiners during their induction program. The business is controlled by the diligence of staff in their day to day activities, with the overlay of monitoring reports and committees contributing to the management of risk at Ascot. The risk management function is responsible for sitting above these business processes and ensuring that there are no gaps between the level of control expected by the Board (as defined in the risk appetite) and the actual controls in place. We have created a positive risk management culture at Ascot, whereby all staff members understand their roles and the importance to the success of the business in carrying out those roles; furthermore, this culture allows individuals to raise issues or areas where they believe improvements could be made with more senior members of staff and thus all areas of the business are constantly looking at ways to self-improve and better align actual practices with risk appetite.

The following areas of risk focus on those that have an impact on or a potential impact on the financial assets and liabilities of the Company. Areas such as operational and group risk are not discussed further under this section.

b. Insurance risk

Insurance risk for general insurance refers to the risk arising from uncertainty in the likelihood, magnitude and timing of insured losses, the risk of inadequate pricing and the risk of insufficient claims provisions. Some specific examples of insurance risk include the unexpected occurrence of multiple claims arising from a single cause (such as the “9-11” terrorism attack, and the global financial/economic crisis of 2008), the potential for expense overruns relative to pricing or the nature of the underlying exposure giving rise to claims not foreseen at point of underwriting.

The key components of Insurance risk for Ascot are:

- Underwriting risk (including underwriting cycle, gross losses, pricing)
  The risk arising from uncertainties about the ultimate amount of net cash flows from premiums, commissions, claims and claims settlement expenses paid under a contract (prospective in nature).

- Claims management
  The risk arising from the uncertainties associated with the quantum and timing of claims that will be paid out on policies underwritten.

- Catastrophes & aggregation and reinsurance risk
  The risk arising from concentration of exposures by industry, geography, line of business, a single insured or single insured event, and, in particular:
  - Risk arising from concentration of exposures exposed to catastrophe perils;
  - Clash risk, or risks arising from exposures in which multiple insureds suffer losses from the same occurrence, or the same cause of loss, such as a wild fire, a train crash, or a batch of component parts.

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c. Reserving risk

The risk that the estimation of future claims payments in respect of earned premium is insufficient.

Ascot has a number of policies in place for identifying the various elements of insurance risk and mitigating the potential downside from these risks. These include:

- The classes and characteristics of insurance business that Ascot is prepared to accept;
- The underwriting (including catastrophe underwriting) criteria that Ascot applies, including how these can influence its rating and pricing decisions;
- Ascot's approach to limiting significant aggregations of Insurance risk, including aggregation from concentration of catastrophe perils, for example, by setting aggregate limits and/or loss assessment that can be underwritten firm-wide, in each region, in each country, by line of business, or for one insured for Ascot's in-force portfolio;
- Ascot's approach to monitor overall aggregate risk profile at the firm-wide level, by region, by country, by profit centre, and by entity on a regular basis; and its procedures of reporting material changes in current or prospective aggregate risk to Executive committee and Board;
- Ascot's approach to managing its expense levels, including acquisition costs, recurring costs, and one-off costs, taking account of the margins available in both the prices for products and in the technical provisions in the balance sheet;
- Ascot's approach to assess the effectiveness of its risk transfer arrangements and manage the residual or transformed risks. For example, how it intends to handle disputes over contract wordings, and potential pay-out delays;
- A summary of the data and information to be collected and reported on underwriting, claims, and risk control (including internal accounting records), management reporting requirements, and external data for risk assessment purposes;
- The risk measurement and analysis techniques to be used for setting underwriting premiums, technical provisions in the balance sheet, and assessing capital requirements; and
- Ascot's approach to stress testing and scenario analysis of its exposures.

Ascot will identify, assess/measure, control, mitigate and monitor Insurance risk in line with the strategy and risk appetite set by the Board (and its relevant sub-committees).

During the business planning process, the Ascot Board of Directors agrees the Annual Business Plan or Syndicate Business Forecast (SBF) submission to Lloyd's. This plan will consider the performance of the portfolio, the external environment, proposed line sizes and reinsurance structure, the rating environment, and other factors.

On an ongoing basis, there are:

- Processes for identifying the underwriting risks associated with a particular policyholder or a group of policyholders. For example, processes for collecting information on the claims histories of insureds, including whether they have made any potentially false or inaccurate claims, to identify possible adverse selection or moral hazard problems;
- Processes for establishing underwriting and distribution procedures that must be followed by all classes of business and all types of distribution channels; these procedures should include details in respect of the information that must be gathered in order to assess the level of Insurance Risk that a particular contract brings to Ascot;
- Processes for identifying aggregations of risk that may give rise to a large catastrophic loss. Specific information can include, for example, risk address, locations value, construction, year built, occupancy, and number of stories. Policy information and reinsurance information must be gathered in order to assess the level of additional aggregate exposure and enable the calculation of marginal contribution to modelled loss assessment risk that a particular account or contract brings to Ascot.

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In addition, there are special committees/groups that are charged with responsibilities to identify special, catastrophe and emerging risks:

- The Ascot Exposure Management Committee (EMC) is responsible for identifying catastrophe risks, and developing methods for monitoring overall and class exposures to those risks and recommending appropriate limits to the Board.
- Ascot Underwriting Management Committee (UMC) is responsible for identifying new types of risk that may alter the claims pattern for the Syndicate in the future.

The Syndicate’s sensitivity to insurance risk can be demonstrated by analysing the impact of a swing in the gross and net loss ratios on the income statement: A 10% swing in the gross loss ratio would change the 2018 result by £67.3m (2017: £66.7m). A 10% swing in the net loss ratio would change the result by £41.4m (2017: £45.4m).

d. Credit risk

Credit risk is the risk of default of a counterparty or obligor including the risk of default under mitigating contracts like reinsurance, financial instruments, guarantees and premium payments from policyholders. It also includes the assessment and management of the aggregation or concentration of credit risk, whether by counterparty, industry or rating. Two major risks associated with credit risk relate to 1) the inability or 2) unwillingness of a counterparty to perform its contractual obligations in a timely manner.

Credit risk: ability to pay

The syndicate mitigates credit risk through the application of detailed counterparty credit assessments. The syndicate’s maximum exposure to counterparty credit risk analysed by credit quality is detailed below:

As at 31 December 2018	AAA	AA	A	BBB	BB & Below	Unrated	Total
				£’000s			
Shares and other variable yield securities and unit trusts	4,542	7,927	12,506	-	-	6,468	**31,443**
Debt securities	186,413	62,523	160,791	8,133	-	-	**417,860**
Participation in investment pools	-	671	292	-	-	-	**963**
Overseas deposits	17,131	3,416	2,887	2,102	897	7,867	**34,300**
Reinsurers' share of technical provisions - claims outstanding	-	43,001	171,082	-	-	217,988	**432,071**
Reinsurance debtors	-	2,255	19,261	-	-	15,310	**36,826**
Cash at bank and in hand	-	1,161	30,653	-	-	-	**31,814**
Insurance debtors	-	-	-	-	-	51,378	**51,378**
Other debtors *	-	-	-	-	-	316,658	**316,658**
Total credit risk	**208,086**	**120,954**	**397,472**	**10,235**	**897**	**615,669**	**1,353,313**

Within the unrated reinsurers’ share of outstanding claims of £218.0m (2017: £122.5m), £213.2m relates to collateralised reinsurers (2017: £122.5m). Within the unrated reinsurance debtors of £15.3m (2017: £14.4m), £15.3m (2017: £14.4m) relates to collateralised reinsurers.

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As at 31 December 2017	AAA	AA	A	BBB	BB & Below	Unrated	Total
				£'000s			
Shares and other variable yield securities and unit trusts	1,252	56,685	28,945	-	-	1,422	88,304
Debt securities	63,786	65,133	133,528	4,469	-	-	266,916
Participation in investment pools	-	810	874	-	-	-	1,684
Other investments	26,939	-	-	-	-	-	26,939
Overseas deposits	16,688	3,945	3,468	1,603	1,260	7,220	34,184
Reinsurers' share of technical provisions - claims outstanding	-	64,764	112,045	-	-	122,504	299,313
Reinsurance debtors	-	12,965	8,845	-	-	14,406	36,216
Cash at bank and in hand	-	1,971	12,877	-	-	-	14,848
Insurance debtors	-	-	-	-	-	41,137	41,137
Other debtors *	-	-	-	-	-	250,869	250,869
Total credit risk	108,665	206,273	300,582	6,072	1,260	437,558	1,060,410

Credit risk: willingness to pay

Unwillingness to perform contractual requirements also gives rise to credit risk. The company seeks to mitigate risk from this source by:

- Working to ensure that contractual terms are fit for purpose and that full disclosure of relevant information is made, and
- Exerting significant contractual and other credit control measures in pursuit of premium and reinsurance recoveries due. Overdue insurance receivables (i.e. those greater than 60 days) were as follows:

At 31 December 2018	**Not yet due**	**0-90 Days**	**91-180 Days**	**181-365 Days**	**366+ Days**	**Total**
			£'000s			
Shares and other variable yield securities and unit trusts	31,443	-	-	-	-	31,443
Debt securities	417,860	-	-	-	-	417,860
Participation in investment pools	963	-	-	-	-	963
Other investments	-	-	-	-	-	-
Overseas deposits	34,300	-	-	-	-	34,300
Reinsurer' share of claims outstanding	432,071	-	-	-	-	432,071
Reinsurance debtors	36,826	-	-	-	-	36,826
Cash at bank and in hand	31,814	-	-	-	-	31,814
Insurance debtors	48,596	1,759	213	459	351	51,378
Other debtors *	308,747	5,001	605	1,305	1,000	316,658
Total credit risk	**1,342,620**	**6,760**	**818**	**1,764**	**1,351**	**1,353,313**

At 31 December 2017	Not yet due	0-90 Days	91-180 Days	181-365 Days	366+ Days	Total

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	£'000s					
Shares and other variable yield securities and unit trusts	88,304	-	-	-	-	88,304
Debt securities	266,916	-	-	-	-	266,916
Participation in investment pools	1,684	-	-	-	-	1,684
Other investments	26,939	-	-	-	-	26,939
Overseas deposits	34,184	-	-	-	-	34,184
Reinsurer' share of claims outstanding	299,313	-	-	-	-	299,313
Reinsurance debtors	36,216	-	-	-	-	36,216
Cash at bank and in hand	14,848	-	-	-	-	14,848
Insurance debtors	38,870	1,691	170	300	106	41,137
Other debtors *	243,259	5,677	571	1,006	356	250,869
Total credit risk	1,050,533	7,368	741	1,306	462	1,060,410

*Other debtors comprise: Premiums due on inwards reinsurance; Reinsurers' share of provision for unearned premiums; Other debtors; Accrued interest and rent; Deferred acquisition costs; Other prepayments and accrued income.

e. Market Risk

Market risk is defined as the potential loss of value or earnings arising from changes in the market price of assets as a result of external market and economic factors including:

i. *Changes in the overall level of interest rates;*
ii. *Change in the shape of yield curve;*
iii. *Changes in the overall level of credit spreads;*
iv. *Changes in the shape of the credit spread curve; and*
v. *Exchange rate movements;*

Market risk: interest rate risk

The majority of the Investment portfolio is made up of debt securities and other fixed income securities. An increase of 100 basis points in interest yields, with all other variables constant, would decrease the valuation of the Syndicate's investments by an estimated £9.6m (2017: £5.4m decrease) and the impact on the result would be a decrease of £9.6m (2017: £5.4m decrease). A comparable decrease in interest rates would increase the valuation and increase the result by the same amount.

Market risk: currency risk

Foreign exchange risk is the risk that the value of future cash flows in the business will fluctuate due to changes in foreign exchange rates.

The Syndicate maintains four separate currency funds: Sterling, Euros, United States dollars and Canadian dollars. The Syndicate seeks to ensure an approximate currency match of assets and liabilities, subject to regulatory funding requirements.

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The carrying value of total assets and total liabilities categorised by currency is as follows.

At 31 December 2018	**GBP**	**USD**	**EUR**	**CAD**	**AUD**	**OTH**	**Total**
				£'000s			
Financial investments	2,999	397,187	9,027	41,053	-	-	450,266
Overseas deposits	4,071	7,227	-	9,498	9,268	4,236	34,300
Reinsurers' share of technical provisions	31,342	430,103	39,510	8,602	-	-	509,557
Insurance and reinsurance receivables	21,767	206,430	11,709	2,342	-	-	242,248
Cash and cash equivalents	7,038	5,582	18,616	5	-	573	31,814
Other assets	15,438	58,980	4,660	5,988	-	62	85,128
Total assets	**82,655**	**1,105,509**	**83,522**	**67,488**	**9,268**	**4,871**	**1,353,313**
Technical provisions	(111,933)	(925,734)	(90,994)	(37,798)	-	-	(1,166,459)
Insurance and reinsurance payables	(9,200)	(98,607)	(8,229)	(3,154)	-	(184)	(119,374)
Other creditors **	(3,416)	(14,643)	(1,591)	(556)	-	-	(20,206)
Total liabilities	**(124,549)**	**(1,038,984)**	**(100,814)**	**(41,508)**	**-**	**(184)**	**(1,306,039)**
Net assets/(liabilities)	**(41,894)**	**66,525**	**(17,292)**	**25,980**	**9,268**	**4,687**	**47,274**

At 31 December 2017	GBP	USD	EUR	CAD	AUD	OTH	Total
				£'000s			
Financial investments	3,331	332,088	18,486	29,938	-	-	383,843
Overseas deposits	4,568	6,320	-	6,684	13,143	3,469	34,184
Reinsurers' share of technical provisions	19,264	298,207	16,018	5,625	-	-	339,114
Insurance and reinsurance receivables	19,954	180,776	12,716	2,113	-	-	215,559
Cash at bank and in hand	5,384	3,728	5,575	4	-	157	14,848
Other assets	16,821	47,453	3,150	5,401	-	37	72,862
Total assets	69,322	868,572	55,945	49,765	13,143	3,663	1,060,410
Technical provisions	(111,722)	(854,436)	(60,022)	(37,189)	-	-	(1,063,369)
Insurance and reinsurance payables	(1,968)	(48,110)	(3,568)	(987)	-	(163)	(54,796)
Other creditors **	(233)	(2,193)	(96)	(24)	-	-	(2,546)
Total liabilities	(113,923)	(904,739)	(63,686)	(38,200)	-	(163)	(1,120,711)
Net assets/(liabilities)	(44,601)	(36,167)	(7,741)	11,565	13,143	3,500	(60,301)

If the Canadian dollar, Euro, US dollar, Australian dollar, South African rand and Singapore dollar were to weaken against sterling by 10%, with all other variables remaining constant, profit would be lower by an estimated £7.8m (2017: higher by £1.5m). Net assets would be reduced by £8.1m (2017: increased by £1.4m).

**Other creditors comprise: Amounts owed to related companies and Accruals and deferred income.

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f. Liquidity Risk

Liquidity risk is the risk that Ascot is forced to sell assets at a potentially disadvantageous price in order to meet outgoing cash flow and collateral requirements. To manage this risk, the Company's and the Syndicate's investments are fairly short-term to match the tail of the claims. The following tables show the undiscounted expected timing of future cash flows in the company.

At 31 December 2018	**< 1 Year**	**1 – 2 Years**	**2 – 5 Years**	**> 5 Years**	**Total**
			£'000s		
Other financial investments	102,293	92,585	235,813	19,575	450,266
Reinsurers' share of technical provisions - claims outstanding	165,211	109,204	139,970	17,686	432,071
Debtors arising out of direct insurance operations	51,378	-	-	-	51,378
Debtors arising out of reinsurance operations	177,771	13,099	-	-	190,870
Cash at bank and in hand	31,814	-	-	-	31,814
Overseas deposits	34,300	-	-	-	34,300
Assets analysed	**562,767**	**214,888**	**375,783**	**37,261**	**1,190,699**
Claims outstanding	379,540	220,731	231,403	70,891	**902,565**
Creditors arising out of direct insurance operations	16,440	-	-	-	**16,440**
Creditors arising out of reinsurance operations	102,934	-	-	-	**102,934**
Liabilities analysed	**498,914**	**220,731**	**231,403**	**70,891**	**1,021,939**
Net assets analysed	**63,853**	**(5,843)**	**144,380**	**(33,630)**	**168,760**

At 31 December 2017	< 1 Year	1 – 2 Years	2 – 5 Years	> 5 Years	Total
			£'000s		
Other financial investments	120,325	82,967	154,868	25,683	383,843
Reinsurers' share of technical provisions - claims outstanding	97,196	97,373	88,537	16,207	299,313
Debtors arising out of direct insurance operations	41,137	-	-	-	41,137
Debtors arising out of reinsurance operations	160,041	14,381	-	-	174,422
Cash at bank and in hand	14,848	-	-	-	14,848
Overseas deposits	34,184	-	-	-	34,184
Assets analysed	467,731	194,721	243,405	41,890	947,747
Claims outstanding	377,448	189,363	197,916	57,548	822,275
Creditors arising out of direct insurance operations	12,586	-	-	-	12,586
Creditors arising out of reinsurance operations	42,210	-	-	-	42,210
Liabilities analysed	432,244	189,363	197,916	57,548	877,071
Net assets analysed	35,487	5,358	45,489	(15,658)	70,676

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5 Claims development tables

The development of insurance liabilities provides a measure of the Syndicate's ability to estimate the earned value of claims. The tables below illustrate how the Syndicate's estimate of earned gross and net claims for each underwriting year has changed at successive year-ends. The tables reconcile the cumulative gross and net claims to the amounts appearing in the balance sheet.

Pure underwriting year	2011	2012	2013	2014	2015	2016	2017	2018	Total
Estimate of gross claims					**£'000s**				
At end of reporting year	228,551	279,566	124,501	146,412	130,437	148,686	490,375	308,551	1,857,079
One year later	368,279	325,025	228,587	286,205	258,670	312,771	670,731	-	2,450,268
Two years later	397,100	341,631	240,194	301,240	282,261	324,732	-	-	1,887,158
Three years later	415,203	336,932	227,701	294,606	274,078	-	-	-	1,548,520
Four years later	392,773	334,295	222,240	322,114	-	-	-	-	1,271,422
Five years later	392,923	332,517	220,658	-	-	-	-	-	946,098
Six years later	392,760	329,972	-	-	-	-	-	-	722,732
Seven years later	390,399	-	-	-	-	-	-	-	390,399
At 31 December 2018	390,399	329,972	220,658	322,114	274,078	324,732	670,731	308,551	2,841,235
Less: Gross claims paid	(381,426)	(310,475)	(200,315)	(255,167)	(207,371)	(206,184)	(323,756)	(70,894)	(1,955,588)
Gross claims reserves	**8,973**	**19,497**	**20,343**	**66,947**	**66,707**	**118,548**	**346,975**	**237,657**	**885,647**
Gross reserves 2010 & prior									16,918
Gross reserves in balance sheet									**902,565**

Pure underwriting year	2011	2012	2013	2014	2015	2016	2017	2018	Total
Estimate of net claims					**£'000s**				
At end of reporting year	188,938	136,213	122,540	121,713	105,206	119,725	190,401	111,286	1,096,022
One year later	272,881	203,427	214,981	233,971	201,704	231,661	282,766	-	1,641,391
Two years later	266,798	198,608	221,396	236,258	213,758	240,489	-	-	1,377,307
Three years later	267,729	194,185	209,623	232,987	208,498	-	-	-	1,113,022
Four years later	256,784	189,956	204,395	238,740	-	-	-	-	889,875
Five years later	255,243	188,745	200,960	-	-	-	-	-	644,948
Six years later	255,990	187,668	-	-	-	-	-	-	443,658
Seven years later	253,323	-	-	-	-	-	-	-	253,323
At 31 December 2018	253,323	187,668	200,960	238,740	208,498	240,489	282,766	111,286	1,723,730
Less: Net claims paid	(246,923)	(178,032)	(185,403)	(201,098)	(165,303)	(153,412)	(93,660)	(40,770)	(1,264,601)
Net claims reserves	**6,400**	**9,636**	**15,557**	**37,642**	**43,195**	**87,077**	**189,106**	**70,516**	**459,129**
Net reserves 2010 & prior									11,365
Net reserves in balance sheet									**470,494**

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6 Net operating expenses

	2018 £'000	2017 £'000
Technical account:		
Acquisition costs	148,466	140,300
Change in deferred acquisition costs	8,708	(2,913)
	157,174	137,387
Administrative expenses	27,191	26,674
Reinsurance commissions and profit participations	(31,354)	(5,599)
Other acquisition costs	18,416	19,812
Other Lloyd's personal expenses	12,166	11,243
Total net operating expenses	**183,593**	189,517

Administration expenses include:	**2018 £**	2017 £
Auditor's remuneration		
- fees payable to the Syndicate's auditors for the audit of the Syndicate annual Financial Statements	283,251	163,636
- other services pursuant to such legislation	124,630	70,558
	407,881	234,194

Of the total acquisition costs of £148.5m (2017: £140.3m) shown above, £116.2m relates to direct business (2017: £109.8m).

Under the current agency agreement, Ascot Underwriting Limited ("AUL") charges profit commission to Ascot Corporate Name Limited based on the performance of the Syndicate. Syndicate 1414 and Ascot Employees Corporate Member Limited do not pay any profit commission to AUL.

Group administrative expenses are initially incurred and paid by Ascot Underwriting Holdings Limited which then recharges the Syndicate its share of group expenses.

7 Investment Income

	2018 £'000	2017 £'000
Income from financial instruments designated as at fair value through Statement of Comprehensive Income	8,950	6,655
Interest on cash at bank	725	551
Income from assets held at amortised cost	-	3
Gains on the realisation of investments	139	398
Net investment income	**9,814**	7,607

Investment income of £1.7m (2017: £0.4m) arising from Funds in Syndicate has been included in the above amounts. The investment income arising from Funds in Syndicate have not been transferred to the technical account.

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8 Staff costs

All staff are employed and paid by Ascot Underwriting Holdings Limited. The following amounts were recharged to the Syndicate in respect of salary costs:

	2018 £'000	2017 £'000
Salaries and related costs	16,218	15,180
Social security costs	1,736	1,476
Other pension costs	1,044	1,007
	18,998	17,663

The average number of employees of the Managing Agent who work for the Syndicate (including executive directors of the Managing Agent) during the year was as follows:

	2018 No.	2017 No.
Underwriting	65	59
Operations, Administration and IT	41	47
Claims	9	7
Executive management	7	6
Finance	12	13
Corporate	5	4
Risk management	19	10
Compliance	18	15
	176	161

9 Emoluments of the directors of Ascot Underwriting Limited

The directors of Ascot Underwriting Limited, including the active underwriter, received the following aggregate remuneration, of which £2.8m (2017: £2.2m) was charged to the Syndicate.

	2018 £'000	2017 £'000
Directors' remuneration	**3,870**	3,091

The active underwriter, who was also the highest paid director, received the following remuneration:

	2018 £'000	2017 £'000
Remuneration of active underwriter (highest paid director)	**722**	569

10 Movement in prior year's provision for claims outstanding

The profit on the technical account of £38.9m (2017: loss £23.6m) includes a run-off surplus of £44.0m for prior accident years (2017: £8.0m deficit). This included a surplus of £17.3m for reinsurance acceptance business and a surplus of £26.7m on direct business (2017: deficit of £8.8m for reinsurance acceptance business and a surplus of £0.8m on direct business).

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11 Other financial investments

Total investments of the Syndicate, amounting to £450.3m (2017: £383.8m), are held under the terms of Lloyd's Premium Trust Deeds. Under the terms of the deeds these assets are held as security for obligations to policyholders and amounts may only be released under certain limited circumstances. £95.7m (2017: £47.1m) of the market value of the investments relates to Funds in Syndicate used by Ascot Corporate Name Limited to meet its Funds at Lloyd's requirements (see Note 19). Other investments comprise asset-backed securities.

Investments, all of which are listed apart from US Treasuries with market value £90.4m (2017: £28.5m) and included within Debt securities and other fixed income securities are analysed below:

	2018	2017
	£'000	£'000
Market value		
Shares and other variable-yield securities and units in unit trusts	31,443	88,304
Debt securities and other fixed-income securities:		
Held at fair value through profit or loss	417,860	266,916
Participation in investment pools	963	1,684
Other investments	-	26,939
	450,266	383,843
Cost		
Shares and other variable-yield securities and units in unit trusts	31,443	88,304
Debt securities and other fixed-income securities		
Held at fair value through profit or loss	422,713	267,085
Participation in investment pools	963	1,684
Other investments	-	26,629
	455,119	383,702

For financial instruments held at fair value in the balance sheet, an analysis for each class of financial instrument is shown in the table below of the level in the fair value hierarchy into which the fair value measurements are categorised. The levels are defined as follows:

Level 1
The fair value based on the unadjusted quoted price in an active market for an identical asset.

Level 2
The fair value based on inputs other than quoted prices included within Level 1 that are developed using market data for the asset, either directly or indirectly.

Level 3
The fair value based on a valuation technique when market data is unavailable for the asset.

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As at 31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Sub-total fair value**	**Assets held at amortised cost**	**Total**
				£'000s		
Shares and other variable yield securities and units in unit trusts	31,443		-	31,443	-	**31,443**
Debt securities and other fixed income securities	90,442	327,418	-	417,860	-	**417,860**
Participation in investment pools	963	-	-	963	-	**963**
Other investments	-	-	-	-	-	**-**
Overseas deposits	12,121	22,179	-	34,300	-	**34,300**
Total	**134,969**	**349,597**	**-**	**484,566**	**-**	**484,566**

As at 31 December 2017	Level 1	Level 2	Level 3	Sub-total fair value	Assets held at amortised cost	Total
				£'000s		
Shares and other variable yield securities and units in unit trusts	88,304		-	88,304	-	88,304
Debt securities and other fixed income securities	-	266,916	-	266,916	-	266,916
Participation in investment pools	1,684	-	-	1,684	-	1,684
Other investments	-	26,939	-	26,939	-	26,939
Overseas deposits	10,551	23,632	-	34,183	-	34,183
Total	100,539	317,487	-	418,026	-	418,026

12 Debtors

The debtors arising out of direct insurance operations are all due from insurance intermediaries.

The debtors due after more than one year all relate to reinstatement premiums due on gross outstanding claims on the treaty class of business.

	2018 £'000	2017 £'000
Amounts due within one year:		
Debtors arising out of direct insurance operations	51,378	41,137
Debtors arising out of reinsurance operations	177,771	160,041
Amount due from related companies	123	780
Other debtors	20,577	16,039
Amounts due after more than one year:		
Debtors arising out of reinsurance operations	13,099	14,381
Total debtors due	**262,948**	232,378

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13 Cash at bank and in hand

	2018 £'000	2017 £'000
Syndicate funds		
Syndicate premium trust funds	**31,814**	14,848

The above amounts relate to the underwriting activities of Syndicate 1414 and are held under the terms of Lloyd's Premium Trust Deeds in Premium Trust Funds (see note 11).

14 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Creditors arising out of direct insurance operations	16,440	12,586
Creditors arising out of reinsurance operations	102,934	42,210
Amounts owed to related companies	3,160	-
	122,534	54,796

15 Reconciliation of profit to net cash inflow from operating activities

	2018 £'000	2017 £'000
Profit/(loss) for the period	43,869	(28,935)
Increase in gross technical provisions	33,193	331,847
(Increase) in reinsurers' share of gross technical provisions	(148,152)	(165,775)
(Increase) in debtors	(19,997)	(62,167)
Increase/(decrease) in creditors	78,469	(4,517)
Movement in other assets/liabilities	2,097	(9,783)
Removal of investment return	(4,104)	(7,448)
Other – OCI & FX on opening balances	2,310	(2,190)
Net cash generated from operating activities	**(12,315)**	51,032

16 Movement in opening and closing portfolio investments net of financing

	2018 £'000	2017 £'000
Net cash inflow/(outflow) for the year	15,990	(11,127)
Cash flow arising from movement in:		
Overseas deposits	(2,131)	11,555
Portfolio investments	41,191	38,451
Movement arising from cash flows	**55,050**	38,879
Changes in market value and exchange rates	28,455	(37,782)
Total movement in portfolio investments	**83,505**	1,097
Total portfolio at 1 January	**432,875**	431,778
Total portfolio at 31 December	**516,380**	432,875

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17 Movements in cash, portfolio investments and financing

	At 1 January 2018	Cash Flow	Changes to market value & currencies	At 31 December 2018
		£'000s		
Cash at bank	14,848	15,990	976	31,814
Overseas deposits	34,184	(2,131)	2,247	34,300
Portfolio investments:				
Shares and other variable-yield securities and units in unit trusts	88,304	(62,665)	5,804	31,443
Debt securities and other fixed-income securities	266,916	133,398	17,546	417,860
Participation in investment pools	1,684	(832)	111	963
Other investments	26,939	(28,710)	1,771	-
Total portfolio investments	**383,843**	**41,191**	**25,232**	**450,266**
Total cash, portfolio investments and financing	**432,875**	**55,050**	**28,455**	**516,380**

18 Net cash inflow/(outflow) on portfolio investments

	2018 £'000	2017 £'000
Sale of shares and other variable yield securities	65,665	5,016
Purchase of shares and other variable yield securities	(3,000)	(49,083)
Sale of debt securities and other fixed income securities	82,997	103,084
Purchase of debt securities and other fixed income securities	(216,395)	(82,448)
Sale of participation in investment pools	832	13,603
Purchase of participation in investment pools	-	(1,684)
Deposits with credit institutions	-	-
Purchase of other investments	28,710	(26,939)
Net cash (outflow) on portfolio investments	**(41,191)**	(38,451)

19 Funds at Lloyd's

The Syndicate's corporate members, ACNL and AECM, are 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 and can therefore be considered as the capital supporting the operations of the syndicate. The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on Prudential Regulatory Authority 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 assessment of the reserving risk in respect of business that has been underwritten.

At the balance sheet date, ACNL has met its Funds at Lloyd's requirement to support its underwriting capacity by way of cash and securities to the value of $337.5m (£265.9m), Funds in Syndicate (FIS) to the value of $121.5m (£95.7m) and a Letter of Credit to the value of US$250.0m (£197.0m) (2017: Cash and securities to the value of $434.7m (£321.4m), Funds in Syndicate (FIS) to the value of $63.7m (£47.1m) and a Letter of Credit to the value of US$275.0m (£203.3m)). At the balance sheet date, AECM has met its Funds at Lloyd's requirement to support its underwriting capacity by way of cash deposits to the value of £1.2m (2017: £3.7m).

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The managing agent is able to make a call on the member's FAL to meet liquidity requirements or to settle losses. The managing agent believes that in the light of these capital arrangements it is appropriate to prepare the financial statements on a going concern basis.

20 Movements in insurance liabilities and reinsurance assets

	2018			2017		
	Gross £'000	**RI £'000**	**Net £'000**	Gross £'000	RI £'000	Net £'000
At 1 January						
Unearned premium net of deferred acquisition costs	187,272	(39,801)	147,471	194,365	(27,938)	166,427
Notified claims	453,820	(153,973)	299,847	358,551	(122,088)	236,463
Incurred but not reported	368,455	(145,340)	223,115	194,532	(39,935)	154,597
Total at 1 January	**1,009,547**	**(339,114)**	**670,433**	747,448	(189,961)	557,487
Cash paid for claims settled in year	(450,953)	182,110	(268,843)	(329,832)	193,407	(136,425)
Movement in provisions in year	491,666	(297,428)	194,238	637,956	(342,535)	295,421
Unearned premium net of deferred acquisition costs	14,864	(37,685)	(22,821)	(7,093)	(11,863)	(18,956)
Net exchange differences	39,577	(17,440)	22,137	(38,932)	11,838	(27,094)
Total at 31 December	**1,104,701**	**(509,557)**	**595,144**	1,009,547	(339,114)	670,433
Unearned premium net of deferred acquisition costs	202,136	(77,486)	124,650	187,272	(39,801)	147,471
Notified claims	501,719	(227,619)	274,100	453,820	(153,973)	299,847
Incurred but not reported	400,846	(204,452)	196,394	368,455	(145,340)	223,115
Total at 31 December	**1,104,701**	**(509,557)**	**595,144**	1,009,547	(339,114)	670,433

21 Related parties

The only related parties that have transacted with Syndicate 1414 are companies within the Ascot group of companies. All transactions were undertaken at arm's length under standard commercial terms that would be applied to any third party.

Ascot Underwriting Limited charged a managing agency fee of £6,659,300 to the Syndicate for 2018 (2017: £6,771,500). The agency fee charged to the Syndicate is calculated at the beginning of the year and is based on budgeted expenditure for the year plus 5% (2017: budgeted expenditure for the year plus 5%).At 31 December 2018 the amount due to Ascot Underwriting Limited was £nil (2017: £nil).

Ascot Insurance Services Limited charged a service fee of £23,379 to the Syndicate for 2018 (2017: £17,088); the fee is equal to the budgeted expenses relating to the introduction of business to Syndicate 1414, plus a mark-up of 5%. At 31 December 2018 the insurance balance owed by Ascot Insurance Services Limited to Syndicate 1414 was £5,186,686 (2017: £2,730,745).

Expenses totalling £31,653,874 (2017: £27,870,490) were recharged from Ascot Underwriting Holdings Limited ("AUH") to the Syndicate. At 31 December 2018 the amount due to AUH was £1,653,638 (2017: £802,212). There were no bad debt provisions included within these balances.

Ascot Underwriting Asia (Private Limited) ("AUA") and Ascot Underwriting Inc. ("AUI") each charge an agency fee to Syndicate 1414 for managing its affairs in Singapore and USA respectively; this fee is equal to the company's total budgeted costs plus a mark-up of 5% and amounted to S$3,044,295 (2017: S$4,925,635) for AUA and US$8,314,479 (2017: US$8,907,850) for AUI. At 31 December 2018 the amount due from AUA was S$46,726 (2017: S$nil) and the amount due from AUI was US$nil (2017: US$2,078,620).

Ascot Underwriting (Bermuda) Limited ("AUB") charged a managing agency fee of US$3,170,259 to the Syndicate for 2018 (2017: US$2,441,041); the fee is equal to actual expenses incurred by the Healthcare

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for the year ended 31 December 2018

business, plus a mark-up of 5%. At 31 December 2018 the amount due to AUB was US$1,911,144 (2017: US$126,640).

For the 2018 underwriting year, a 20% quota-share reinsurance agreement is in place with Ascot Reinsurance Company Limited ("ARC"), a reinsurance company based in Bermuda. The amount ceded to ARC in 2018 was $3,905,501 (2017: $nil). ARC is a related party within the wider Ascot Group of companies, and has provided the cash and securities element of ACNL's Funds at Lloyd's for 2018 of US$3,840,807 and US$333,622,260 respectively (2017: US$nil and US$nil).

22 Ultimate parent undertaking of Managing Agent and Corporate Members

The immediate parent undertaking of the Corporate Members is Ascot Underwriting Group Limited. Copies of the Ascot Underwriting Group Limited consolidated financial statements can be obtained from 20 Fenchurch Street, London, EC3M 3BY.

The immediate parent undertaking of the Managing Agent is Ascot Underwriting Holdings Limited. Copies of Ascot Underwriting Holdings Limited financial statements can be obtained from Ascot Underwriting Holdings Limited, 20 Fenchurch Street, London, EC3M 3BY.

The intermediate parent undertaking and smallest group to consolidate these financial statements is Ascot Group Limited. Copies of the Ascot Group Limited consolidated financial statements can be obtained from Canon's Court, 22 Victoria Street, Hamilton, HM12, Bermuda.

The ultimate parent undertaking and controlling party is Canada Pension Plan Investment Board, incorporated in Canada with a registered address of: 1 Queen Street East, Suite 2500, Toronto ON M5C 2W5, Canada.

23 Post balance sheet events

On 25 January, 2019, Ascot Reinsurance Company Limited ("ARC") amalgamated with Ascot Holdings Limited, with ARC continuing as the surviving entity. As a result of this amalgamation, ARC is the direct holding company of Ascot Underwriting Group Limited.

On 31 January, 2019, ARC completed the acquisition of Ascot Underwriting (Bermuda) Limited from Ascot Underwriting Holdings Limited for cash consideration of $2,176,392.

On 31 January, 2019 Ascot US Holding Corporation completed the acquisition of Ascot Underwriting Inc from Ascot Underwriting Limited for a cash consideration of $4,126,162.