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Dale Underwriting Partners Syndicate 1729

Syndicate Annual Report and Accounts

31 December 2018

Contents

Directors and Administration

Managing Agent

Asta Managing Agency Ltd

Directors

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

Non Executive Directors*

Company Secretary

N J Burdett

Managing Agent's Registered Office

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

Managing Agent's Registered Number

1918744

Active Underwriter

D H Dale

Bankers

Barclays Plc
Citibank NA
RBC Dexia

Investment Manager

Conning Asset Management Ltd

Registered Auditors

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Active underwriter’s report

Market conditions in our core lines of business are continuing to improve, albeit from the depths of a protracted soft market. We are working hard to develop new business, innovate products and hone the existing portfolio to the best opportunities for acceptable returns. Our written premium in 2018 is up 16% compared to 2017 with rates up 5.3% across the Syndicate.

We are very fortunate, and it is critically important to our long-term success, that our capital providers share our preference for bottom line profit over top line premium volume. Our returns have been impacted by our lack of volume of premium as we have been cautious in difficult market conditions.

Natural catastrophe losses continued at an above average level, with some commentators claiming that 2017 and 2018 are the mostly costly back to back years on record. Our portfolio was affected by the volcanic eruption on Hawaii, Hurricanes Florence and Michael and the wildfires in California. As currently reserved, the net aggregate exposure of the syndicate to natural catastrophe losses is slightly above the planned level, but we do attempt to reserve conservatively. Our net exposure to the 2017 calendar year catastrophe losses has reduced materially over the past year and I commend our underwriting and claims teams for their diligence in this regard.

Our reinsurance programme continues to be effective.

On the Casualty side we are seeing rates on a continued upward trajectory. There is some retrenchment in reinsurance and dislocation in programme markets. We are well positioned to build this book as available margins improve.

Across the Syndicate we have a solid base of just over 1,000 clients and now have an established presence in the Lloyd’s market. We need to continue to focus on those areas we know best and ensure we are working hard to deliver beyond what is expected in terms of service, expertise, product design, operational capabilities and smart use of information to deliver valued products to our customers.

2018 also saw the launch of SPA 6131, which is our hub for entrepreneurial underwriters, looking to align themselves with supporting capital. We welcomed Martin Lawson and Richard Appleton from Swiss Re, to specialise in Contingency, Prize Indemnity and Sports PA business. We are proud of this innovation and are looking to build out the breadth of classes underwritten therein.

Some key figures;

At the end of December 2018, we currently have 41 employees: 19 in Underwriting, 4 in Exposure Management, 4 in Claims and 14 in Operations and other support roles.

In 2018, we wrote contracts for over 1,000 clients, generating circa £95m of gross net written premium. We are the lead underwriter on 33% of that premium.

Our reserving philosophy is consistent with previous years. Total gross IBNR reserves (on an underwriting year, to ultimate basis) stand at £108m at the end of 2018, split £60m casualty (long tail) and £48m property (short tail).

Approximately 28% of the business written since the inception of our Syndicate has been new business to Lloyd’s.

Closed Years (2014 and 2015)

There have been no material developments in the past year. Both years are running off as expected.

2016 Year of Account

We closed our 2016 year of account at the end of this year with a loss of 10.5% of Stamp. Naturally, we are incredibly disappointed, but as signalled, the market conditions continued to deteriorate in this year and we therefore deployed a very cautious approach to writing business. The gross and net underwriting results were worse than planned due to adverse loss experience in the Property Insurance business. We took specific corrective action on that portfolio and continued to buy reinsurance that we intended to protect the Syndicate to an acceptable level of risk. Our underwriting results, both gross and net of reinsurance are positive, but our lack of scale meant that our underwriting profits could not outweigh our expense base.

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

2017 Year of Account

We anticipated further rate erosion in 2017 and achieved better than plan in that regard, with terms and conditions on the renewal portfolio essentially flat. We maintained our discipline and wrote a similar volume of business to the 2016 year.
The year is adversely affected by natural catastrophe losses emanating from the 2017 and 2018 calendar years, which are now designated the worst back to back years on record for natural catastrophe insurance losses.
As previously reported, we experienced material losses from Hurricanes Harvey and Irma and more modest losses from Hurricane Maria. In the aggregate, at year end 2017, our estimated net exposure to these events (referred to as HIM) was £8m (8% of Stamp). Our teams have worked diligently to identify exposures and proactively manage claims. The estimated aggregate net exposure at year end 2018 from these same events has reduced to £6.5m (6.5% of Stamp). The 2017 calendar year wildfires in Northern and Southern California, the mudslides in Southern California and the earthquakes in Mexico have not generated material claims to the Syndicate. The 2018 calendar year events, particularly the volcanic eruption on Hawaii, hurricanes Florence and Michael and the California wildfires are expected to impact 2017 and 2018 years of account. Our estimated net exposure to the 2018 calendar year events is £17m, split £4m/£13m to the 2017 and 2018 years of account respectively.

We have commuted the last year of a material US Casualty contract at a profit, removing a significant amount of reserve risk from this year. This contract was not renewed in 2018.

2018 Year of Account

We started to see some improvements in the market conditions in 2018. Across the Syndicate, terms and conditions improved 5.3%.

We formed a Special Purpose Arrangement (SPA) 6131, which writes a 60% share of the contingency, sports personal accident and niche non-catastrophe property business underwritten by the team we attracted in late 2017. The remaining 40% is retained by Syndicate 1729. This team has a successful track record and the senior members of the team have their own personal funds at risk behind the SPA. We feel that there is a strong alignment of interest to generate positive underwriting returns for Syndicate 1729 and 6131. Syndicate 1729 also benefits from a management fee charged to the SPA. The non-catastrophe property business within the SPA has not been generated as planned. We saw a number of opportunities, but ultimately declined all of them. However, the other areas of account are reasonably on track and we are still reviewing a good number of potential opportunities.

In anticipation of potential improvement in the market environment, we sought and obtained Lloyd's approval and capital support for a 32% growth in the Stamp Capacity of Syndicate 1729 in addition to the £8m initial Stamp Capacity for SPA 6131, bringing our total up from £100m to £140m. We wanted to position the business to grow if market conditions improved dramatically. The market started to correct, but by a relatively modest amount. As a consequence, we wrote significantly less than planned, particularly in the property lines, which had suffered losses but not seen sufficient improvement in terms, in our view. We believe this demonstrates that we remain focussed on bottom line profit, not top line growth of premium.

The 2018 experience shows an improvement in the attritional loss ratio in line with our expectations following changes made to the account in 2016 and 2017, but, as mentioned above, is impacted by the US natural catastrophe losses; Hawaii volcano, Hurricanes Florence and Michael and California Wildfires. We take a conservative approach to reserving and currently anticipate an underwriting margin, net of reinsurance for the 2018 year of account.

We are enormously grateful for our capital support and remain determined to reward their commitment to our business.

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

I would like to record my thanks to all who have supported and helped to develop our business. I am convinced our patience will be rewarded and am pleased we have created a solid platform, from which to grow. Whilst patient, we are diligent, creative and industrious.

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

Finally, I would like to thank the Dale team for their hard work, innovation and passion in developing our company. The softening market environment of the past several years has started to lead to retrenchment and we believe we are well placed to grow our business in improving conditions.

D H Dale
22 March 2019

Managing Agent's report

The Syndicate's Managing Agent is a company registered in England and Wales. The directors of the Managing Agent present their report for the year ended 31 December 2018.

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

Results

The result for the calendar year 2018 is a loss of £11,480,604 (2017: loss £19,605,596).

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

Principal activity and review of the business

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

The Syndicate writes predominately casualty and property insurance primarily in the United Kingdom. The 2018 year saw the introduction of the Specialty Insurance class of business. This class is subject to a 60% quota share reinsurance with the Syndicate’s Special Purpose Arrangement 6131 (“SPA6131”).

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

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

	2018 £’000	2017 £’000
Casualty	43,134	38,430
Property Insurance	52,571	39,956
Property Reinsurance	27,084	19,290
Specialty Insurance	4,779	-
	127,568	97,676

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

	2018 £’000	2017 £’000	Change %
Gross written premiums	127,568	97,676	30.6%
Loss for the financial year	(3,489)	(22,560)	84.5%
Total comprehensive income	(11,481)	(19,606)	41.4%
Combined ratio	125.3%	136.8%	11.5%

The combined ratio is the ratio of net claims incurred and net operating expenses to net premiums earned. Lower ratios represent better performance.

Managing Agent's report continued

The return on capacity for the 2016 closed year of account at 31 December 2018 is shown below together with forecasts for the two open years of account.

	2016 YOA Closed	2017 YOA Open	2018 YOA Open
Capacity (£'000)	90,000	100,000	140,000
Result/Forecast (£'000)	(9,428)	(18,589)	(8,292)
Return on capacity (%)	(10.5%)	(18.6%)	(5.9%)

Principal risks and uncertainties

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

Insurance risk

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

Credit risk

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

Market risk

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

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

In addition, an Investment Committee which reports to the Syndicate Board ensures that the Syndicate's investment portfolio is managed by the external investment manager in accordance with the Syndicate's risk appetite and to guidelines as approved by the Syndicate Board.

Liquidity risk

This is the risk that the Syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash or can only meet obligations at excessive cost. To mitigate this risk the Syndicate Board and Investment Committee reviews cash flow projections regularly and ensures that, where needed, the Syndicate has liquidity facilities in place or has utilised the option of a cash call from Capital providers.

The Syndicate has in place an overdraft facility with its largest capital provider and has called on capital providers of the 2017 year of account.

Operational risk

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

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

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

Group / strategic risk

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

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

Future developments

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

The capacity for the 2019 year of account is £140m (2018 year of account £140m).

Significant uncertainty remains associated with the UK's planned exit from the European Union. The risks to UK economic growth remain significant as the terms of the UK's exit from the EU remain unclear.

To mitigate the risk of losing access to EEA business and mitigate the impact of the Lloyd's syndicates losing EEA passporting rights, Lloyd's have set up an EU regulated insurance company (LIC) in Brussels to underwrite EEA-exposed business from 1 January 2019. This is a fully operational, capitalised insurance company under Solvency II. It is authorised and regulated by the National Bank of Belgium and regulated by the Financial Services and Markets Authority and licensed to write non-life risks across the EEA and the UK.

Writing business via Lloyd’s Brussels has necessitated a number of operational changes that syndicates have had to make to enable them to be able to write EEA business via a reinsurance arrangement with LIC. The Managing Agency has been working with the Syndicate to implement these changes to ensure that the Syndicate was set up to write business via Lloyd’s Brussels from 1 January 2019.

Directors

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

R P Barke	Appointed 1 January 2018
P A Jardine	Appointed 1 November 2018
R A Stevenson	Appointed 1 November 2018
C Chow*	Resigned 28 February 2019
N J Burdett*	Appointed 1 March 2019

Company Secretary*

Disclosure of information to the auditors

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

Auditors

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

Syndicate Annual General Meeting

In accordance with the Syndicate Meetings (Amendment No 1) Byelaw (No 18 of 2000) the Managing Agent does not propose holding an annual meeting this year; objections to this proposal or the intention to reappoint the auditors for a further 12 months can be made by Syndicate members before 26 April 2019.

On behalf of the Board

N J Burdett
Company Secretary
22 March 2019

Statement of Managing Agent's responsibilities

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

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

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

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

- make judgements and estimates that are reasonable and prudent;

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

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

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

The managing agent is responsible for the maintenance and integrity of the corporate and financial information included on the business' website. Legislation in the United Kingdom governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

Independent auditor’s report

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

Opinion

We have audited the syndicate annual accounts of syndicate 1729 (‘the syndicate’) for the year ended 31 December 2018 which comprise the Income Statement, the Statement of Other Comprehensive Income, the Statement of Changes In Members’ Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ and FRS 103 ‘Insurance Contracts’ (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

- give a true and fair view of the syndicate’s affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

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

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

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

We have nothing to report in this regard.

Opinion on other matter prescribed by The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008

In our opinion, based on the work undertaken in the course of the audit

- the information given in the managing agent’s report for the financial year in which the syndicate annual accounts are prepared is consistent with the syndicate annual accounts, and
- the managing agent’s report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 requires us to report to you, if in our opinion:

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

Independent auditor's report continued

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities on page 9, the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Use of our report

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

Jonathan Bell (Senior statutory auditor)

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

London

22nd March 2019

Income statement

Technical account - General business

For the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Gross premiums written	3	127,568	97,676
Outward reinsurance premiums		(27,529)	(19,537)
Net written premiums		100,039	78,139
Change in the provision for unearned premiums			
Gross amount		(8,151)	(3,774)
Reinsurers' share		6,815	(925)
Change in the net provision for unearned premiums	4	(1,336)	(4,699)
Earned premiums, net of reinsurance		98,703	73,440
Allocated investment return transferred from the non-technical account		1,175	403
Claims paid			
Gross amount		(68,991)	(55,146)
Reinsurers' share		22,475	9,962
		(46,516)	(45,184)
Changes in claims outstanding			
Gross amount		(20,913)	(40,896)
Reinsurers' share		3,653	24,282
Change in the net provision for claims	4	(17,260)	(16,614)
Claims incurred, net of reinsurance		(63,776)	(61,798)
Net operating expenses	5	(38,771)	(34,757)
Balance on technical account – general business		(2,669)	(22,712)

Income statement continued

Non-technical account - General business

For the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Balance on technical account – general business		(2,669)	(22,712)
Investment income	9	1,175	403
Allocated investment return transferred to the general business technical account		(1,175)	(403)
Exchange (losses)/gains		(820)	152
Loss for the financial year		(3,489)	(22,560)

All the amounts above are in respect of continuing operations.

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

Statement of other comprehensive income

For the year ended 31 December 2018

	2018 £'000	2017 £'000
Loss for the financial year	(3,489)	(22,560)
OCI – Currency translation differences	(7,992)	2,954
Total comprehensive loss for the year	(11,481)	(19,606)

Statement of changes in Members' balances

For the year ended 31 December 2018

	2018 £'000	2017 £'000
At 1 January	(36,854)	(16,831)
Total comprehensive loss for the financial year	(11,481)	(19,606)
Members' agent's fees	(202)	(238)
Collection from members/(Payments) of profit to members' personal reserve funds	6,137	(179)
At 31 December	(42,400)	(36,854)

Statement of financial position

As at 31 December 2018

	Notes	2018 £'000	2017 £'000
Assets			
Investments			
Financial investments	10	64,748	52,957
Reinsurers' share of technical provisions			
Provision for unearned premiums	4	11,816	4,523
Claims outstanding	4	34,304	29,064
		46,120	33,587
Debtors			
Debtors arising out of direct insurance operations	11	19,767	11,071
Debtors arising out of reinsurance operations	12	16,493	10,156
Other debtors		816	783
		37,076	22,010
Cash and other assets			
Cash at bank and in hand		587	645
Other assets	15	6,751	4,365
		7,338	5,010
Prepayments and accrued income			
Deferred acquisition costs	4	16,385	13,462
Other prepayments and accrued income		915	1,085
		17,300	14,547
Total assets		172,582	128,111

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

Statement of financial position continued

As at 31 December 2018

	Notes	2018 £'000	2017 £'000
Members' balance and liabilities			
Capital and reserves			
Members' balances		(42,400)	(36,854)
Liabilities			
Technical provisions			
Provision for unearned premiums	4	54,938	42,772
Claims outstanding	4	114,024	88,097
		168,962	130,869
Creditors			
Creditors arising out of direct insurance operations	13	840	593
Creditors arising out of reinsurance operations	14	20,910	18,766
Other creditors	17	23,400	14,196
		45,150	33,555
Accruals and deferred income		870	541
Total liabilities		214,982	164,965
Total members' balances and liabilities		172,582	128,111

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

The financial statements on pages 13 to 42 were approved by board of directors on 19 March 2019 and were signed on its behalf by:

D J G Hunt
Director
22 March 2019

Statement of cash flows

For the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities			
Loss on ordinary activities		(3,489)	(22,560)
Increase in gross technical provisions		38,093	28,961
(Increase) in reinsurers' share of gross technical provisions		(12,533)	(20,024)
(Increase)/decrease in debtors		(15,066)	5,083
Increase in creditors		11,595	6,714
Movement in other assets/liabilities		(4,810)	(1,370)
Foreign exchange		(10,620)	6,944
Investment Return		(1,175)	(403)
Net cash inflows from operating activities		1,995	3,345
Cash flows from investing activities			
Purchase of financial investments		(70,817)	(44,510)
Sale of financial instruments		59,160	32,499
Investment income received		1,175	403
Net cash (outflows) from investing activities		(10,482)	(11,608)
Cash flows from financing activities			
Collection from members/payments of profit to members' personal reserve funds		6,137	(179)
Members' agents fee advances		(202)	(238)
Net cash inflows/(outflows) from financing activities		5,935	(417)
Net (decrease) in cash and cash equivalents		(2,552)	(8,680)
Cash and cash equivalents at beginning of year		9,092	18,880
Exchange differences on opening cash		(87)	(1,108)
Cash and cash equivalents at end of year	16	6,453	9,092

Notes to the financial statements

For the year ended 31 December 2018

1. Basis of preparation

Statement of compliance

The financial statements have been prepared in compliance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and FRS 102 and FRS 103, being applicable UK GAAP accounting standards, and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

The financial statements are prepared under the historical cost convention except for certain financial instruments which are measured at fair value. The financial statements are prepared in GBP which is the reporting and presentational currency of the Syndicate and rounded to the nearest £'000. The functional currency of the Syndicate is US Dollars.

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

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

2. Accounting policies

Use of estimates

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

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

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

Significant accounting policies

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

Gross premiums

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

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

Accounting policies continued

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

Reinsurance premiums

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

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

Claims incurred

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

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

The amount included in respect of IBNR is based on statistical techniques of estimation applied by actuaries. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business and the claims experience for the year. The Syndicate uses a number of statistical techniques to assist in making these estimates.

Accordingly, the two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided.

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

Provisions for unearned premiums

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

Accounting policies continued

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

Unexpired risks

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

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

At 31 December 2018 and 31 December 2017 the Syndicate did not have an unexpired risk provision.

Deferred acquisition costs

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

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

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

Reinsurance assets

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

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

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. There were no such gains recognised in 2018 or 2017.

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

Insurance receivables

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

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

Insurance payables

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

Foreign currencies

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

Transactions denominated in currencies other than the functional currency are initially recorded in the functional currency at the exchange rate ruling at the date of the transactions. Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisition costs) denominated in foreign currencies are retranslated into the functional currency at the exchange rate ruling on the reporting date.

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

Exchange differences are recorded in the non-technical account.

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

	2018	**2017**
	Year End	**Year End**
USD	1.27	1.35
CAD	1.74	1.70
EUR	1.11	1.13

Financial liabilities

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

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

Financial investments

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

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

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date the Syndicate commits to purchase or sell the asset. Regular way purchases or sales of financial assets

Accounting policies continued

require delivery of assets within the time frame generally established by regulation or convention in the market place.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value at each reporting date. Fair value adjustments and realised gains and losses are recognised in the income statement.

The Syndicate uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

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

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

Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax (currently at 20%) deducted from Syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any other overseas tax payable by members on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year have been included in the balance sheet under the heading 'other debtors'.

Profit commission

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

Pension costs

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

Accounting policies continued

Syndicate operating expenses

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

3. Segmental analysis

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

2018	Gross written premiums	Gross premium earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Direct insurance:						
Accident & Health	2,709	1,021	(909)	(393)	(38)	(319)
Motor (third-party liability)	531	529	(165)	(179)	(75)	110
Motor (other classes)	716	2,395	97	(675)	(264)	1,553
Marine aviation and transport	1,591	2,127	(1,346)	(674)	(126)	(19)
Fire and other damage to property	48,944	40,262	(42,102)	(13,556)	(1,394)	(16,790)
Third-party liability	31,481	29,306	(10,864)	(9,578)	(4,348)	4,516
Miscellaneous	10,077	7,920	(5,266)	(2,806)	(297)	(449)
	96,049	83,560	(60,555)	(27,861)	(6,542)	(11,398)
Reinsurance	31,519	35,857	(29,349)	(11,239)	12,285	7,554
Total	127,568	119,417	(89,904)	(39,100)	5,743	(3,844)

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

Segmental analysis continued

Commissions on direct insurance gross premiums earned during 2018 were £19.3m (2017: £14.7m).

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

All premiums were concluded in the UK.

Gross operating expenses are different to net operating expenses shown in the income statement by £0.3m as commissions in respect of outward reinsurance were received and set off in arriving at the net operating expenses for 2018.

4. Technical provisions

	2018 Gross provisions £'000	2018 Reinsurance assets £'000	2018 Net £'000	2017 Gross provisions £'000	2017 Reinsurance assets £'000	2017 Net £'000
Claims outstanding						
Balance at 1 January	88,097	(29,064)	59,033	54,925	(7,265)	47,660
Change in claims outstanding	20,913	(3,653)	17,260	40,896	(24,282)	16,614
Effect of FX and other movements	5,014	(1,587)	3,427	(7,724)	2,483	(5,241)
Balance at 31 December	**114,024**	**(34,304)**	**79,720**	**88,097**	**(29,064)**	**59,033**
Claims notified	44,770	(20,137)	24,633	34,023	(18,407)	15,616
Claims incurred but not reported	69,254	(14,167)	55,087	54,074	(10,657)	43,417
Balance at 31 December	**114,024**	**(34,304)**	**79,720**	**88,097**	**(29,064)**	**59,033**
Unearned premiums						
Balance at 1 January	42,772	(4,523)	38,249	46,983	(6,298)	40,685
Change in unearned premiums	8,151	(6,815)	1,336	3,774	925	4,699
Effect of movements in exchange rates	4,015	(478)	3,537	(7,985)	850	(7,135)
Balance at 31 December	**54,938**	**(11,816)**	**43,122**	**42,772**	**(4,523)**	**38,249**
Deferred acquisition costs						
Balance at 1 January	13,462	-	13,462	13,571	-	13,571
Change in deferred acquisition costs	2,270	-	2,270	1,853	-	1,853
Effect of movements in exchange rates	653	-	653	(1,962)	-	(1,962)
Balance at 31 December	**16,385**	**-**	**16,385**	**13,462**	**-**	**13,462**

5. Net operating expenses

	2018	2017
	£'000	£'000
Acquisition costs	(34,918)	(29,321)
Change in deferred acquisition costs	2,270	1,853
Administration expenses	(6,452)	(7,289)
RI Commissions	329	-
Net operating expenses	(38,771)	(34,757)

Members' standard personal expenses amounting to £2.2m (2017: £2.0m) are included in administrative expenses. Members' standard personal expenses include Lloyd's subscriptions, New Central Fund contributions, Managing Agency fees and profit commission.

6. Staff costs

	2018	2017
	£'000	£'000
Wages and salaries	(5,590)	(4,455)
Social security costs	(729)	(579)
Other pension costs	(441)	(411)
	(6,760)	(5,445)

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

	2018	2017
Administration and finance	15	13
Underwriting	20	18
Claims	3	2
	38	33

7. Auditor’s remuneration

	2018	2017
	£’000	£’000
Audit of the Syndicate annual accounts	(26)	(25)
Audit of the prior year Syndicate annual accounts	(22)	-
Other services pursuant to Regulations and Lloyd’s Byelaws	(98)	(87)
Other non-audit services	(37)	(33)
	(183)	(145)

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

8. Emoluments of the directors of Asta Managing Agency Ltd

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

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

No other compensation was payable to key management personnel.

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

	2018	2017
	£’000	£’000
Active Underwriter’s emoluments	435	435

9. Investment return

	2018	2017
	£'000	£'000
Income from other financial investments	1,434	372
Net losses/gains on realisation of investments		
- Fair value through profit or loss designated upon initial recognition	(162)	95
Total investment income	1,272	467
Net unrealised losses on investments		
- Fair value through profit or loss designated upon initial recognition	(53)	(64)
Investment expenses and charges	(44)	-
Total investment return	1,175	403

10. Financial investments

	2018		
	Carrying value	Purchase price	Listed
	£'000	£'000	£'000
Shares and other variable yield securities and units in unit trusts			
- Designated at fair value through profit or loss	5,866	5,866	5,866
Debt securities and other fixed income securities			
- Designated at fair value through profit or loss	58,882	58,960	59,321
	64,748	64,826	65,187

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

Financial investments continued

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

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

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

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
31 December 2018				
Shares and other variable yield securities and units in unit trusts	-	5,866	-	5,866
Debt securities and other fixed income securities	-	58,882	-	58,882
Overseas deposits	6,740	11	-	6,751
Total	6,740	64,759	-	71,499

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

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

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

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

Financial investments continued

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

11. Debtors arising out of direct insurance operations

	2018	2017
	£'000	£'000
Due from intermediaries (within one year)	19,767	11,071
	19,767	11,071

12. Debtors arising out of reinsurance operations

	2018	2017
	£'000	£'000
Due from intermediaries (within one year)	14,676	10,156
Due from intermediaries (after one year)	1,817	-
	16,493	10,156

13. Creditors arising out of direct insurance operations

	2018	2017
	£'000	£'000
Due to intermediaries (within one year)	840	593
	840	593

14. Creditors arising out of reinsurance operations

	2018	2017
	£'000	£'000
Due to intermediaries:		
Reinsurance accepted (within one year)	10,148	14,918
Reinsurance ceded (within one year)	8,636	3,848
Reinsurance ceded (after one year)	2,126	-
	20,910	18,766

15. Other assets

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

16. Cash and cash equivalents

	2018	2017
	£'000	£'000
Cash at bank and in hand	587	645
Shares and other variable yield securities and units in unit trusts	5,866	8,447
	6,453	9,092

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

17. Related parties

Asta provides service and support to Syndicate 1729 in its capacity as Managing Agent. Managing Agency fees of £1.1m (2017: £1.1m) and service charges of £2.1m (2017: £2.5m) were recharged by Asta to the Syndicate during 2018. As at 31 December 2018 an amount of £0.7m (2017: £0.4m) was owed to Asta in respect of services provided.

ProAssurance Corporate Capital Limited is a significant but not fully aligned capital provider. ProAssurance Corporate Capital Limited is a subsidiary of ProAssurance Corporation a public company based in Alabama, USA. The syndicate set up a GBP Sterling loan facility with ProAssurance Corporation which was entered into at appropriate commercial rates of interest. The amount of this loan facility at 31 December 2018 was £23.4m (2017: £14.2m) and is showing as a creditor on the balance sheet.

The amount of premium written with Podiatry Insurance Company of America, another subsidiary of ProAssurance in the period was £nil (2017: £6.9m). The amount of reinsurance purchased from ProAssurance was £nil (2017: £nil). At 31 December 2018, the amount receivable was £nil (2017: £1.1m) and would normally be included in the RI debtor balance on the balance sheet.

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

18. Disclosure of interests

Managing Agent's interest

During 2018 Asta was the managing agent for ten Syndicates and three Special Purpose Arrangements. Syndicates 1729, 1897, 1980, 2357, 2525, 2689, 2786, 3268, 4242 and 5886 as well as Special Purpose Arrangements 6123, 6126 and 6131 were managed on behalf of third party capital providers.

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

The Agency provides administrative services to Syndicates and Special Purpose Arrangements, also undertaking a number of ancillary roles for clients

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

19. Funds at Lloyd's

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

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the managing agent, no amount has been shown in these annual accounts by way of such capital resources. However, the managing agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses. Refer to note 21 for further details.

20. Off-balance sheet items

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

21. Risk management

a) Governance framework

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

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

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

b) Capital management objectives, policies and approach

Capital framework at Lloyd's

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

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

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

Risk management continued

Lloyd's capital setting process

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

A Syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the Syndicate on which it participating but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate SCR 'to ultimate'. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2018 was 35% of the member's SCR 'to ultimate'.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (funds at Lloyd's), held within and managed within a Syndicate (funds in Syndicate) or as the member's share of the members' balances on each Syndicate on which it participates. Accordingly, the ending members balances reported on the statement of financial position on page 16, represent resources available to meet members' and Lloyd's capital requirements.

c) Insurance risk

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

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

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

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

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

Risk management continued

As a further guide to the level of catastrophe exposure written by the Syndicate, the following table shows hypothetical claims arising out of the Realistic Disaster Scenario (RDS) on the Syndicates in-force exposure at 31 December 2018.

	Estimated Gross loss	Estimated Net loss
	£'000	£'000
Alternate RDS A – Dual landfall of major hurricanes Betsy and Donna	(194,524)	(29,094)
Aggregate exceedance probability loss 30 year return period – Whole World	(102,773)	(30,751)
Aggregate exceedance probability loss 30 year return period – US WS (Inc GM WS)	(86,714)	(24,271)
Alternate RDS B –British Columbia 1/500 year earthquake	(76,221)	(16,831)
Liability - Internal scenario 1 Medical Malpractice scenario (INT)	(41,538)	(13,346)
Terrorism – Rockefeller Centre	(32,769)	(11,627)

Key assumptions

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

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

Sensitivities

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

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

Risk management continued

	2018 £'000	2017 £'000
Gross		
Five percent increase	5,701	4,405
Five percent decrease	(5,701)	(4,405)
Net		
Five percent increase	3,969	2,937
Five percent decrease	(3,969)	(2,937)

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

Claims development table

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

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

Underwriting year	**2014**	**2015**	**2016**	**2017**	**2018**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Estimate of cumulative gross claims incurred:					
At end of underwriting year	17,732	24,806	33,393	63,104	44,962
One year later	32,495	47,258	65,912	105,493	
Two years later	33,295	48,005	72,549		
Three years later	33,093	46,940			
Four years later	32,964				
Less cumulative gross paid	(28,179)	(37,657)	(48,551)	(60,748)	(13,749)
Liability for gross outstanding claims	4,785	9,283	23,998	44,745	31,213
Total gross outstanding claims all years					114,024

Underwriting year	2014	2015	2016	2017	2018
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Estimate of cumulative net claims incurred:					
At End of underwriting year	16,775	22,285	29,901	30,916	33,013
One year later	31,445	43,549	57,645	61,523	
Two years later	32,659	44,934	61,187		
Three years later	32,450	43,856			
Four years later	32,321				
Less cumulative net paid	(27,536)	(34,845)	(43,387)	(35,167)	(11,245)
Liability for net outstanding claims (2014 to 2018)	4,785	9,011	17,800	26,356	21,768
Total net outstanding claims all years					79,720

The uncertainty associated with the ultimate claims experience of an underwriting year is greatest when the underwriting year is at an early stage of development and the margin for future experience potentially being more adverse than assumed is at its highest. As claims develop, and the ultimate cost of the claims becomes more certain, the relative level of margin should decrease. Due, however, to the uncertainty inherent in the claims estimation process, initial reserves may not always be in a surplus. In 2018, there has been an overall deficit of £9.0m on prior year reserves (2017:deficit £1.8m).

d) Financial risk

1) Credit risk

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

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

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

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

Risk management continued

2018	£'000			
	Neither past due or impaired	Past due	Impaired	Total
Shares and other variable yield securities	5,866	-	-	5,866
Debt Securities	58,882	-	-	58,882
Overseas Deposits	6,751	-	-	6,751
Reinsurers share of claims outstanding	34,304	-	-	34,304
Debtors arising out of direct insurance operations	19,767	-	-	19,767
Other debtors	62,918	-	-	62,918
Cash and cash equivalents	587	-	-	587
Total	189,075	-	-	189,075

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

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

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2018 by classifying assets according to independent credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade and have not been rated, Debtors, other than amounts due from reinsurers, have been excluded from the table as these are not rated.

Risk management continued

2018

	£'000						
	AAA	**AA**	**A**	**BBB**	**BBB or less**	**Not Rated**	**Total**
Shares and other variable yield securities	-	-	5,866	-	-	-	5,866
Debt Securities	7,480	25,494	23,149	2,759	-	-	58,882
Overseas Deposits	4,395	927	721	463	3	242	6,751
Reinsurers share of claims outstanding	-	12,214	8,839	-	-	13,251	34,304
Cash and cash equivalents	-	-	587	-	-	-	587
Total	11,875	38,635	39,162	3,222	3	13,493	106,390

2017

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

The Syndicate Board's policy is that the Syndicate will only reinsure with approved reinsurers. The reinsurers' that are shown in the tables above are fully collateralised.

Maximum credit exposure

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

During the year, no credit exposure limits were exceeded.

2) Liquidity risk

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

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

Risk management continued

2018	£'000					
	No stated maturity	0-1 Year	1-3 Years	3-5 Years	More than 5 years	Total
Claims outstanding	-	38,909	37,008	17,186	20,921	114,024
Creditors	-	20,054	25,096	-	-	45,150
Total	-	58,963	62,104	17,186	20,921	159,174

2017	£'000					
	No stated maturity	0-1 Year	1-3 Years	3-5 Years	More than 5 years	Total
Claims outstanding	-	31,841	28,376	12,766	15,114	88,097
Creditors	-	19,555	14,000	-	-	33,555
Total	-	51,396	42,376	12,766	15,114	121,652

3) Market risk

a) Currency risk

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

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

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

2018	£'000				
	GBP	USD	EUR	CAD	Total
Total Assets	16,124	141,511	1,252	13,695	172,582
Total Liabilities	(16,312)	(185,696)	(3,492)	(9,482)	(214,982)
Net Assets	(188)	(44,185)	(2,240)	4,213	(42,400)

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

Risk management continued

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

Sensitivity to changes in foreign exchange rates

The table below gives an indication of the impact on profit of a percentage change in the relative strength of Sterling against the value of the USD, CAD and EUR simultaneously. The analysis is based on the information as at 31st December 2018.

	Impact on profit and member's balance	
	2018	**2017**
	Profit/(Loss)	**Profit/(Loss)**
	£'000	**£'000**
Sterling weakens		
10% against other currencies	(4,221)	(3,116)
20% against other currencies	(8,443)	(6,231)
Sterling strengthens		
10% against other currencies	4,221	3,116
20% against other currencies	8,443	6,231

b) Interest rate risk

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

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

The Syndicate has no significant concentration of interest rate risk.

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

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

	2018	**2017**
	Profit/(Loss)	**Profit/(Loss)**
	£'000	**£'000**
Interest Rate Risk		
Impact of 50 basis point increase on result	(500)	(405)
Impact of 50 basis point decrease on result	500	426
Impact of 50 basis point increase on net assets	(500)	(405)
Impact of 50 basis point decrease on net assets	500	426

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

22. Post balance sheet events

The Syndicate will collect the 2016 year of account losses in US Dollars from members in 2019.

Subsequent to the balance sheet date, the Syndicate has made an open-year cash call on the naturally open 2017 Year of Account for £12.0m (US$ $15.2m). This will be collected in USD during 2019.