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Sirius International Managing Agency Ltd – Syndicate 1945 Report and Accounts

31 December 2018

Sirius
International

SIMA Syndicate 1945 Report and Accounts 31 December 2018

Contents

Directors and Administration

MANAGING AGENT:

Sirius International Managing Agency Limited - (SIMA).

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

The Directors of SIMA:

S Acland (Chief Underwriting Officer and Active Underwriter)
C Cooper (Finance Director)
M Cramér Manhem (Group Non-Executive) *
M Dashfield (Chairman and Group Non-Executive) (Resigned 12 November 2018) *
L Ek (Group Non-Executive) *
H Franks (Independent Non-Executive and Chair of the Strategic Underwriting Committee) *
R Harman (Chief Executive Officer)
M Hudson (Chairman, and Independent Non–Executive Director) (Appointed to the Board on 27 September 2018 and as the Chairman with effect from 12 November 2018) *
W Hook (Compliance & Regulatory Director)
J Mantz (Independent Non-Executive and Chair of the Audit Committee and Remuneration and Nomination Committee) *
A Smith (Chief Risk Officer)
H Westcott (Senior Independent Non-Executive and Chair of the Risk and Capital Committee) *

*Non-Executive Directors

None of the Directors have any participation on the Syndicate.

Company Secretary

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

Managing Agent's registered office

The St Botolph Building
138 Houndsditch
London EC3A 7AR

Managing Agent's registered number 08536887

SYNDICATE:

Active Underwriter

S Acland

Bankers

Citibank NA
RBC Dexia

Investment Manager

Amundi (UK) Ltd

Independent Auditor

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London E14 5EY

Chief Executive Officer's Report

2018 has proved to be a year of transition for the Syndicate, which was perhaps inevitable given the challenges faced in 2017. Syndicate 1945 has proactively adapted to address these challenges and made a number of changes to position the Syndicate for a sustainable future. Following on from the decisions to withdraw from some of the Marine classes at the end of 2017, Syndicate 1945 has reduced the Property Direct and Facultative income and withdrawn from the Contingency class of business, as the drive for appropriate levels of profitability continues. As a result, the original planned income could not be delivered, but this has been a conscious and understood consequence of the need to address the prior year performance and move the Syndicate back to profit. The result being that gross written premium has fallen to £100.1m in 2018 (2017: £110.8m), and consequentially, there has been a decrease in net premium earned to £87.4m in 2018 (2017: £96.8m).

Whilst some of the changes will take time to materialise through the calendar year results, the improvement is already being seen on an underwriting year basis, particularly in 2018. Overall, claims incurred (net of reinsurance) have reduced to £64.3m (2017: £109.1m), as expected since 2017 was severely impacted by the September 2017 storms in the South-eastern USA and Caribbean and the two earthquakes occurring in Mexico, collectively referred to as the "HIMM" losses.

2018 also saw a reduction in operating expenses to £32.2m for the year (2017: £39.5m), due largely to a reduction in business acquisition costs resulting from both lower levels of premium written and changes in the mix of business. Foreign exchange rate movements and currency translation differences have together contributed a deficit of £6.6m to total comprehensive income (2017: profit of £5.9m).

The Syndicate continues to write Accident & Health, Upstream Energy, Property Direct and Facultative business, and as noted last year it has commenced writing a Casualty account, initially focussing on US Casualty Treaty. As a result of these changes, the balance within the portfolio will change, continuing to reduce the Syndicate's initial reliance on the Accident and Health class.

I would like to take this opportunity to welcome Martin Hudson, our new independent Chair, who joins at this exciting time as the Syndicate starts to build on the core, profitable and sustainable business.

Signed for and on behalf of

R Harman
Chief Executive Officer

S Acland

Chief Underwriting Officer and Active Underwriter
22 March 2019

Report of the Directors of the Managing Agent

The directors of the Managing Agent present their managing agent's report for the year ended 31 December 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.

Results

The result for the year ended 31 December 2018 is a loss of £11.0m (2017: loss of £48.7m); and the total comprehensive income is a loss of £14.4m (2017: loss of £45.2m). The total recognised result on open years is a loss of £83.9m (2017: loss of £79.3m). As a result of claims arising from natural catastrophes in September 2017, the Managing Agent decided to make a cash call on the Corporate Member in respect of certain open years' losses. The total amount called was £43.9m, and this accordingly reduced the deficit of the member's balance at 31 December 2018 to £50.9m. No cash calls were made in 2018.

Principal Activities

The principal activity of Syndicate 1945 is the transaction of general insurance and reinsurance business in the United Kingdom at Lloyd's. During 2018, the Syndicate had underwritten a range of direct and reinsurance business including Accident & Health, Casualty, Contingency, Property, and Energy business. The Casualty account was new in 2018 and it withdrew from the Contingency class and reduced the scale of its property portfolio.

Business Review

The Syndicate underwrote the following classes of business in 2018: Accident and Health, Casualty, Contingency, Property, Marine and Energy, and participated in consortia underwriting Bloodstock.

Key Performance Indicators

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

Gross written premium by class of business	2018 £000	2017 £000
Accident and health	**35,998**	38,939
Contingency	**7,656**	7,850
Property	**37,681**	34,849
Marine	**5,545**	23,237
Energy	**2,708**	5,966
Casualty	**10,476**	-
Total	**100,064**	110,841

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

Key performance indicators	2018 £000	2017 £000
Gross written premium	**100,064**	110,841
Claims ratio	**73.6%**	112.6%
Expense ratio	**40.6%**	38.4%
Combined ratio	**114.2%**	151.0%

The decrease in the net loss ratio in 2018 to 73.6% (2017: 112.6%) is largely due to the adverse impact in 2017 of the storm and earthquake losses experienced in the third quarter, as noted in the Chief Executive Officer's report.

The claims ratio is claims incurred as a percentage of the net premium earned. The expense ratio is the net operational expense (including foreign exchange losses/profits) as a percentage of net premium earned. The combined ratio is the combination of the two.

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

Investment Policy

The investment objective is to continue to invest the Premium Trust Funds within the risk appetite whilst ensuring the liquidity needs of the Syndicate can be met. The current risk appetite of the Syndicate is one of preserving capital and reducing counterparty exposure. To avoid undue concentration with Citibank, the Syndicate purchases US Treasury notes. These holdings at year end had a market value of £23.3m (2017: £11.4m). The rest of the investment portfolio comprises Money Market Mutual Fund holdings with short term maturities.

Principal Risks and Uncertainties

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

Insurance Risk

Insurance risk includes the risks that a policy will be written for too low a premium or provide inappropriate cover (underwriting risk), that the frequency or severity of insured events will be higher than expected (claims risk), or that estimates of claims subsequently prove to be insufficient (reserving risk). The Board manages insurance risk by agreeing its appetite for these risks annually through the business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. The Underwriting Committee then monitors performance against the business plan regularly through the year. Reserve adequacy is monitored through quarterly review by the Reserving Committee. It is also reviewed annually by an independent firm of actuaries, which is part of the SAO process.

Credit Risk

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

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

Market Risk

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

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

Liquidity and Cash Flow Risk

This is the risk that the Syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash. To mitigate this risk, the Investment Committee reviews cash flow projections regularly and the investment portfolio is held in cash and readily realisable securities. In addition, the Syndicate has a credit facility with SINT as disclosed in Note 19. Where appropriate, the Investment Committee escalates liquidity risk issues to the Board.

Operational Risk

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

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

Regulatory Risk

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. SIMA is required to comply with the requirements of the Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA) and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US Situs business. SIMA monitors regulatory developments and assesses the impact on agency policy.

Future Developments

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

Whilst the Syndicate has not written to planned levels, the income to date has been in line with revised expectations. The current rating environment still provides opportunities for growth over the planning cycle, either organically or by adding new strategies. Due to the restructuring changes, the capacity for the 2019 year of account is £ 81.0m.

Directors Serving in the Year

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

S Acland (Chief Underwriting Officer and Active Underwriter)
C Cooper (Finance Director)
M Cramér Manhem (Group Non-Executive) *
M Dashfield (Chairman and Group Non-Executive) (Resigned 12 November2018) *
L Ek (Group Non-Executive) *
H Franks (Independent Non-Executive and chair of the Strategic Underwriting Committee) *
R Harman (Chief Executive Officer)
M Hudson (Chairman, and Independent Non–Executive Director) (Appointed to the Board on 27 September 2018 and as the Chairman with effect from 12 November 2018) *
W Hook (Compliance & Regulatory Director)
J Mantz (Independent Non-Executive and chair of the Audit Committee and Remuneration and Nomination Committee) *
A Smith (Chief Risk Officer)
H Westcott (Senior Independent Non- Executive and chair of the Risk and Capital Committee) *

*Non-Executive Directors

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

Statement of disclosure of information to auditors

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

- So far as each of them is aware, there is no information relevant to the audit of the Syndicate's annual accounts for the year ended 31 December 2018 of which the auditors are unaware; and
- The director has taken all steps that he/she ought to have taken in his/her duty as a director in order to make him/herself aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

Independent Auditors

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

In accordance with section 14(2) of Schedule 1 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (IAD), the auditors, Ernst & Young LLP will be deemed reappointed by the managing agent on behalf of the member of the Syndicate and Ernst & Young LLP will therefore continue in office.

On behalf of the Board,

C Cooper

Finance Director

22 March 2019

Statement of Managing Agent's Responsibilities

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the Managing Agent to prepare syndicate annual accounts as at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland ("FRS 102"), and Financial Reporting Standard 103 Insurance Contracts ("FRS 103"). The annual accounts are required by law to give a true and fair view of the state of affairs of the Syndicate as at that date and of its profit or loss for that year.

In preparing the Syndicate annual accounts, the Managing Agent is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRSs 102 and 103 have been followed, subject to any material departures disclosed and explained in the annual accounts;
- notify the members in writing about the use of disclosure exemptions, if any, of FRS 102 and FRS 103 used in preparation of the annual accounts; and
- prepare the annual accounts on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume that the syndicate will do so.

The Managing Agent is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the syndicate annual accounts comply with the 2008 Regulations. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Managing Agent is also 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.

On behalf of the Board,

C Cooper

Finance Director

22 March 2019

Independent Auditor's Report to the Member of Syndicate 1945

Report on the syndicate annual accounts

Opinion

We have audited the syndicate annual accounts of Syndicate 1945 ('the Syndicate') for the year ended 31 December 2018 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Members' Balances, 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.

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 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.

Responsibilities of the Managing Agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 9, the Managing Agent is responsible for the preparation of the syndicate annual accounts 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.

Michael Purrington (Senior Statutory Auditor)

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

London

22 March 2019

Income Statement: Technical Account – General Business

For the year ended 31 December 2018

	Note	2018 £000	£000	2017 £000	£000
Earned premiums, net of reinsurance					
Gross premiums written	5	**100,064**		110,841	
Outwards reinsurance premiums		**(10,902)**		(14,985)	
			89,162		95,856
Change in the provision for unearned premiums	16				
Gross amount		**(1,276)**		2,220	
Reinsurers share		**(498)**		(1,248)	
			(1,774)		972
			87,388		96,828
Allocated investment return transferred from the non-technical account	9		**1,378**		662
Claims incurred, net of reinsurance	6				
Claims paid					
Gross amount		**(85,912)**		(79,035)	
Reinsurers' share		**9,261**		4,737	
			(76,651)		(74,298)
Change in the provision for claims	6, 16				
Gross amount		**20,663**		(46,958)	
Reinsurers' share		**(8,307)**		12,180	
			12,356		(34,778)
Claims incurred, net of reinsurance			**(64,295)**		(109,076)
Net operating expenses	7		**(32,208)**		(39,457)
Balance on the technical account – general business			**(7,737)**		(51,043)

Income Statement: Technical Account: Non-Technical Account

For the year ended 31 December 2018

	2018 £000	2017 £000
Balance on the technical account – general business	**(7,737)**	(51,043)
Investment income	**1,282**	663
Unrealised gains on investments	**103**	9
Investment expenses and charges	**(7)**	(7)
Unrealised losses on investments	**-**	(3)
Allocated investment return transferred to technical account	**(1,378)**	(662)
Profit/(loss) on foreign exchange	**(3,287)**	2,307
Loss for the financial year	**(11,024)**	(48,736)

All operations relate to continuing activities.

Statement of Comprehensive Income

For the year ended 31 December 2018

	2018 £000	2017 £000
Loss for the financial year	**(11,024)**	(48,736)
Currency translation differences	**(3,349)**	3,569
Total comprehensive income/(loss)	**(14,373)**	(45,167)

Statement of Financial Position – Assets

As at 31 December 2018

	Note	2018 £000	£000	2017 £000	£000
Investments	*10*				
Other financial investments			**45,669**		54,396
Reinsurers' share of technical provisions	*16*				
Provision for unearned premiums		**1,965**		2,334	
Claims outstanding		**8,123**		15,833	
			10,088		18,167
Debtors					
Within one year					
Debtors arising out of direct insurance operations	*11*	**18,787**		25,547	
Debtors arising out of reinsurance operations	*12*	**30,211**		22,598	
Other debtors	20	**12,371**		10,032	
			61,369		58,177
After one year					
Debtors arising out of direct insurance operations		**-**		-	
Debtors arising out of reinsurance operations	*12*	**85**		-	
Other debtors		**-**		-	
			85		-
Other assets					
Cash at bank and in hand		**15,469**		12,118	
Overseas deposits		**16,257**		18,354	
			31,726		30,472
Prepayments and accrued income					
Deferred acquisition costs	*13*	**15,465**		15,332	
Other prepayments and accrued income		**-**		-	
			15,465		15,332
Total assets			**164,402**		176,544

Statement of Financial Position – Liabilities

As at 31 December 2018

	Note	2018 £000	2018 £000	2017 £000	2017 £000
Capital and reserves					
Members' balances			**(50,970)**		(35,450)
Technical provisions	16				
Provision for unearned premiums		**53,880**		49,335	
Claims outstanding		**101,997**		116,486	
			155,877		165,821
Creditors	17				
Within one year					
Creditors arising out of direct insurance operations		**5,705**		7,540	
Creditors arising out reinsurance operations		**10,636**		12,237	
Other creditors		**15,572**		6,677	
			31,913		26,454
After one year					
Creditors arising out of direct insurance operations		**27**		-	
Creditors arising out reinsurance operations		**-**		-	
Other creditors		**-**		-	
			27		-
Accruals and deferred income			**27,555**		19,719
Total liabilities and equity			**164,402**		176,544

The notes on pages 19 to 41 form an integral part of these annual accounts.

The Syndicate financial statements on pages 13 to 41 were approved by the Board of SIMA on 20 March 2019 and were signed on its behalf by

C Cooper

Finance Director

22 March 2019

Statement of Changes in Member's Balance

For the year ended 31 December 2018

	2018 £000	2017 £000
Balance at 1 January	**(35,450)**	(25,316)
Loss for the financial year	**(11,024)**	(48,736)
Other comprehensive income/(expense)	**(3,349)**	3,569
Payment of 2015 closed year of account result after cash call	**(3,047)**	-
Payment of 2014 closed year of account profit	**-**	(8,834)
Exchange rate movement on cash calls on open years	**1,900**	
Cash calls in respect of open years	**-**	43,867
Balance at 31 December	**(50,970)**	(35,450)

Members participate on Syndicates by reference to years of account (YOA) and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a particular year.

Statement of Cash Flows

For the year ended 31 December 2018

	Note	2018 £000	£000	2017 £000	£000
Cash flows from operating activities					
Loss for the financial year		**(11,024)**		(48,736)	
Adjustments					
Net gains on other financial instruments		**(766)**		(60)	
Net unrealised foreign exchange losses		**(1,957)**		4,502	
Net interest receivable		**(1,378)**		(662)	
Interest received		**1,275**		656	
Movements in operating assets and liabilities:					
Increase/(decrease) in reinsurers' share of technical provisions		**8,079**		(9,761)	
Increase/(decrease) in prepayments and accrued income		**(134)**		(19)	
Increase/(decrease)in debtors		**(3,279)**		(5,881)	
Increase/(decrease) in technical provisions		**(9,944)**		33,062	
Increase/(decrease) in creditors		**5,487**		13,660	
Increase/(decrease) in accruals and deferred income		**7,836**		9,263	
Net cash flow from operating activities			**(5,805)**		(3,976)
Net cash flow from investing activities					
Acquisitions of other financial instruments		**(50,086)**		(23,666)	
Proceeds from sale of other financial instruments		**51,041**		15,155	
			955		(8,511)
Net cash flow from financing activities					
Transfer from members in respect of underwriting participations		**-**		43,867	
Transfer to members in respect of underwriting participations		**(3,047)**		(8,834)	
Net cash outflow from financing activities			**(3,047)**		35,033
Net (decrease)/increase in cash and cash equivalents			**(7,897)**		22,546
Cash and cash equivalents at 1 January			**43,847**		20,429
Effect of exchange rate changes on cash and cash equivalents			**510**		872
Cash and cash equivalents at 31 December	*18*		**36,460**		43,847

Notes to the Accounts for the year ended 31 December 2018

1. Basis of preparation

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

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

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

2. Use of judgements and estimates

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

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

Claims provisions

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

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

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

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

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

Pipeline premium

The Syndicate makes an estimate of premiums written during the year that have not yet been notified by the end of the financial year ("pipeline premiums") based on business written but not yet signed and previous experience. For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates are judgemental and could result in misstatements of revenue recorded in the financial statements. The main assumption underlying these estimates is that past premium development can be used to project future premium development. The pipeline premium included in gross written premium is £32.2 million (2017: £33.7 million).

3. Significant accounting policies

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Syndicate's financial statements.

Premiums written

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

Insurance contracts are those contracts that transfer significant risk.

Unearned premiums

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

Acquisition costs

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

Claims provisions

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

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

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

Claims recoveries

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

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

Unexpired risks provision

Provision is made for unexpired risks arising from general insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date exceeds the unearned premiums provision in relation to such policies (after the deduction of any deferred acquisition costs). A review is performed by Lloyd's reporting class of business and underwriting year and a provision for unexpired risks is calculated taking into account the expected loss ratio on unexpired premium. The unexpired risk provision as of 31 December 2018 was £883k (2017: £562k)

Foreign currencies

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

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

Transactions in functional currency are translated to the presentational currency using average exchange rates for the period. Assets and liabilities are translated from functional currency to presentational currency at the rates of exchange at the balance sheet date. The currency translation differences are found in the statement of comprehensive income, for 2018 £(3,349k) (2017: £3,569k).

Financial assets and liabilities

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

Recognition

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

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

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

Classification and measurement

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

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

Identification and measurement of impairment

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

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

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

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

Off-setting

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

Investment return

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

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

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

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

Cash and cash equivalents

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

Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax, currently at 20% (2017:20%) deducted from Syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

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

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

Pension costs

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

Profit commission

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

Related party transactions

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

4. Risk and capital management

Introduction and overview

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

Risk management framework

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

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

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

Insurance Risk

Management of insurance risk

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

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

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

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

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

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

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

Concentration of insurance risk

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

Premium by class of business and geographic analysis is shown below: -

Year 2018	Accident & Health	Marine, aviation and transport	Fire and other damage to property	Pecuniary loss	Reinsurance	Total £000
UK	**6,871**	**3,535**	**11,289**	**1,143**	**15,967**	**38,805**
EU	**556**	**286**	**913**	**92**	**1,291**	**3,138**
US	**3,093**	**1,591**	**5,082**	**515**	**7,188**	**17,469**
Canada	**1,474**	**758**	**2,421**	**245**	**3,425**	**8,323**
Other	**5,723**	**2,946**	**9,404**	**954**	**13,302**	**32,329**
Total	**17,717**	**9,116**	**29,109**	**2,949**	**41,173**	**100,064**

Year 2017	Accident & Health	Marine, aviation and transport	Fire and other damage to property	Pecuniary loss	Reinsurance	Total £000
UK	7,026	4,783	9,120	2,039	14,613	37,581
EU	508	346	660	147	1,057	2,718
US	7,469	5,085	9,694	2,169	15,535	39,952
Canada	1,477	1,005	1,917	429	3,072	7,900
Other	4,242	2,888	5,507	1,230	8,823	22,690
Total	20,722	14,107	26,898	6,014	43,100	110,841

Claims liabilities by class of business is shown below: -

	2018 Gross liabilities £000	2018 Reinsurance of liabilities £000	2018 Net liabilities £000	2017 Gross liabilities £000	2017 Reinsurance of liabilities £000	2017 Net liabilities £000
Accident and health	**7,518**	**(168)**	**7,350**	5,843	(95)	5,748
Marine, aviation and transport	**13,996**	**(1,613)**	**12,383**	14,017	(4,795)	9,222
Fire and other damage to property	**27,562**	**(1,883)**	**25,679**	33,220	(6,513)	26,707
Pecuniary loss	**4,296**	**(1,771)**	**2,525**	4,983	(1,364)	3,619
Reinsurance	**48,625**	**(2,688)**	**45,937**	58,423	(3,066)	55,357
Total	**101,997**	**(8,123)**	**93,874**	116,486	(15,833)	100,653

The geographical concentration of the outstanding claims liabilities is noted below. This is based the countries where business is written: -

	2018 Gross liabilities £000	2018 Reinsurance of liabilities £000	2018 Net liabilities £000	2017 Gross liabilities £000	2017 Reinsurance of liabilities £000	2017 Net liabilities £000
UK	**10,054**	**(126)**	**9,928**	14,302	(118)	14,184
EU	**4,502**	**(185)**	**4,317**	5,791	(119)	5,672
US	**73,882**	**(7,629)**	**66,253**	84,770	(15,184)	69,586
Canada	**4,557**	**(183)**	**4,374**	3,788	(412)	3,376
Other	**9,002**	**-**	**9,002**	7,835	-	7,835
Total	**101,997**	**(8,123)**	**93,874**	116,486	(15,833)	100,653

The Syndicate's Realistic Disaster Scenarios (RDS) provides an estimate of the effect on the Syndicate's results on an aggregation of the claims arising from a large range of disasters. This includes those specified by Lloyd's. The table below was taken from July 2018 submission to Lloyd's. It also illustrates the effect of the RDS on the underwriting result.

Event	Industry Loss £Bn	Gross Loss £m	Net loss £m
Florida Windstorm – Miami Dade	**103.3**	**20.8**	**11.9**
Florida Windstorm – Pinellas	**104.7**	**27.1**	**16.0**
Gulf of Mexico Windstorm	**92.4**	**33.5**	**20.8**
Two Events – Event 1 – North East Windstorm	**63.7**	**10.8**	**9.5**
Two Events – Event 1 – Carolinas Windstorm	**30.6**	**16.1**	**10.7**
California Earthquake – Los Angeles	**67.5**	**10.9**	**10.3**
California Earthquake – San Francisco	**69.0**	**20.5**	**15.9**
New Madrid Earthquake	**37.7**	**4.7**	**4.5**

Key assumptions

The principal assumption underlying the liability estimates is that the future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each underwriting year. Additional qualitative judgements are used to assess the extent to which past trends can be applied in the future. The assumptions used to determine the sensitivity have not changed from the prior year.

Sensitivity to insurance risk

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

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

	2018 Gross		2018 Net	
	5% increase	5% decrease	5% increase	5% decrease
Accident & Health	(366)	366	(366)	366
Marine, aviation and transport	(646)	646	(556)	556
Fire and other damage to property	(1,332)	1,332	(1,225)	1,225
Direct Contingency	(209)	209	(120)	120
Reinsurance	(2,366)	2,366	(2,225)	2,225
Total	**(4,919)**	**4,919**	**(4,492)**	**4,492**

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

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

Financial risk

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

Credit risk

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

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

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

The nature of the Syndicate's exposures to credit risk and its objectives, policies and processes for managing credit risk have not changed significantly from the prior year. The key aspect of credit risk is the risk of default by one or more of the Syndicate's reinsurers.

Management of credit risk

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

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

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

Exposure to credit risk

The carrying amount of financial assets and reinsurance assets represents the maximum credit risk exposure. The Syndicate does not purchase any credit enhancements (such as guarantees, credit derivatives and netting arrangements that do not qualify for offset). The following table analyses the credit rating by investment grade of financial investments of financial assets that are neither past due, nor impaired.

Year 2018	AAA £000	AA £000	A £000	BBB £000	BBB or less £000	Not rated £000	Total £000
Financial investments							
Shares & other variable yield securities & Unit trusts	**581**	**1,286**	**6,878**	**-**	**-**	**13,258**	**22,003**
Debt securities	**23,254**	**-**	**-**	**-**	**-**	**-**	**23,254**
Deposits with credit institutions	**-**	**-**	**-**	**-**	**-**	**412**	**412**
Other assets							
Overseas deposits	**10,234**	**2,742**	**1,200**	**916**	**350**	**815**	**16,257**
Reinsurers' share of claims outstanding	**-**	**-**	**7,937**	**-**	**-**	**186**	**8,123**
Debtors arising out of reinsurance operations	**-**	**-**	**2,218**	**-**	**-**	**312**	**2,530**
Cash at bank and in hand	**-**	**-**	**15,469**	**-**	**-**	**-**	**15,469**
Total	**34,069**	**4,028**	**33,702**	**916**	**350**	**14,983**	**88,048**

Year 2017	AAA £000	AA £000	A £000	BBB £000	BBB or less £000	Not rated £000	Total £000
Financial investments							
Shares & other variable yield securities & Unit trusts	7,533	3,316	15,778	-	-	15,493	42,120
Debt securities	11,391	-	-	-	-	-	11,391
Deposits with credit institutions	-	-	-	-	-	885	885
Other assets							
Overseas deposits	11,592	3,212	1,741	804	317	688	18,354
Reinsurers' share of claims outstanding	-	-	15,705	-	-	128	15,833
Debtors arising out of reinsurance operations	-	-	27	-	-	128	155
Cash at bank and in hand	-	-	12,118	-	-	-	12,118
Total	30,516	6,528	45,369	804	317	17,322	100,856

At 31 December 2018, the largest concentration of credit risk to the Syndicate was to Citibank 2018: £15.9m (2017: £13.0m) and United States government: £23.3m (2017: £11.4m).

Cash held at Citibank at 31 December 2017 is classified as A-rated, in line with the treatment at 2018.

Financial assets that are past due or impaired

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

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

Year 2018	Neither past due nor impaired £000	Past due £000	Impaired £000	Total £000
Debt securities	45,257	-	-	45,257
Deposits with credit institutions	412	-	-	412
Overseas deposits	16,257	-	-	16,257
Reinsurers' share of claims outstanding	8,123	-	-	8,123
Debtors arising out of reinsurance operations	-	2,543	-	2,543
Cash at bank and in hand	15,469	-	-	15,469
Insurance debtors	18,787	-	-	18,787
Other debtors	57,554	-	-	57,554
Total credit risk	**161,859**	**2,543**	**-**	**164,402**

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

Liquidity risk

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

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

Management of liquidity risk

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

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

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

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

		Undiscounted net cash flows					
Year 2018	**Carrying amount £000**	**Less than 1 Year £000**	**1-2 years £000**	**2-5 years £000**	**5-10 years £000**	**More than 10 years £000**	**Total £000**
Outstanding claim liabilities	**101,997**	**64,629**	**32,587**	**3,444**	**1,337**	**-**	**101,997**
Other creditors	**31,940**	**31,913**	**27**	**-**	**-**	**-**	**31,940**
Total	**133,937**	**96,542**	**32,614**	**3,444**	**1,337**	**-**	**133,937**

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

Market risk

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

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

Management of market risk

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

Interest rate risk

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

Currency risk

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

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

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

Year 2018	UK £ £000	US $ £000	CAD $ £000	Euro £000	AUD $ £000	Other £000	Total £000
Total assets	**8,777**	**118,476**	**10,747**	**939**	**22,261**	**3,202**	**164,402**
Total liabilities	**(46,034)**	**(127,339)**	**(10,519)**	**(6,625)**	**(24,125)**	**(730)**	**(215,372)**
Net assets/(liabilities)	**(37,257)**	**(8,863)**	**228**	**(5,686)**	**(1,864)**	**2,472**	**(50,970)**

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

The most significant net liability position arises in sterling, partly due to the need to fund operating expenses in sterling. The deficit in US dollars arises on claims liabilities and, as noted in Note 19, there is a Working Capital Facility in place which may be called upon to manage this deficit position. Deficits on other currencies are due to the operation of currency conversion accounts.

Sensitivity analysis to market risks for financial instruments

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

	2018 Impact on net assets £000	2017 Impact on net assets £000
Interest rate risk		
+ 50 basis points shift in interest rates	**(206)**	(188)
- 50 basis points shift in interest rates	**206**	188
Currency risk		
10 percent increase in USD/GBP exchange rate	**1,333**	(508)
10 percent decrease in USD/GBP exchange rate	**(1,333)**	508
10 percent increase in USD/Euro exchange rate	**(569)**	(774)
10 percent decrease in USD/Euro exchange rate	**569**	774

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

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

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

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

Capital management

Capital framework at Lloyd's

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

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

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at syndicate level, Accordingly, the capital requirement in respect of Syndicate 1945 is not disclosed in these financial statements.

Lloyd's capital setting process

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

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

Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 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), assets held and managed within a syndicate (funds in syndicate), or as the member's share of the members' balances on each syndicate on which it participates.

Accordingly, all of the assets less liabilities of the Syndicate, as represented in the member's balances reported on the statement of the financial position on page 17 represent resources available to meet member's and Lloyd's capital requirements.

5. Analysis of underwriting result

Year 2018	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000
Direct insurance						
Accident and health	**17,717**	**18,626**	**(14,080)**	**(7,657)**	**(77)**	**(3,188)**
Marine, aviation and transport	**9,116**	**10,310**	**(5,121)**	**(3,924)**	**(2,370)**	**(1,105)**
Fire and other damage to property	**29,109**	**28,363**	**(26,278)**	**(9,501)**	**(2,181)**	**(9,597)**
Pecuniary loss	**2,949**	**4,818**	**(1,719)**	**(1,444)**	**-**	**1,655**
Reinsurance	**41,173**	**36,671**	**(18,051)**	**(11,196)**	**(4,304)**	**3,120**
Total	**100,064**	**98,788**	**(65,249)**	**(33,722)**	**(8,932)**	**(9,115)**

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

The Syndicate recognised a loss of £(8,932k) in the year on buying reinsurance (2017: profit of £3,064k).

The gross premiums written for inward business by geographic origin is presented in the table below:

	2018 £000	2017 £000
United Kingdom	**38,805**	37,581
Other European Union Member States	**3,138**	2,718
US	**17,469**	39,952
Other countries	**40,652**	30,590
Total gross premiums written	**100,064**	110,841

6. Claims outstanding

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

2018	Gross £000	Reinsurers' share £000	Net £000
At 1 January 2018	**116,486**	**(15,833)**	**100,653**
Claims incurred in current underwriting year	**33,883**	**(1,562)**	**32,321**
Claims incurred in prior underwriting years	**31,366**	**608**	**31,974**
Claims paid during the year	**(85,912)**	**9,261**	**(76,651)**
Foreign exchange	**6,174**	**(597)**	**5,577**
At 31 December 2018	**101,997**	**(8,123)**	**93,874**

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

7. Net operating expenses

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

	2018 £000	2017 £000
Acquisition costs:		
Brokerage and commissions	**24,030**	29,205
Other acquisitions costs	**2,406**	3,566
	26,436	32,771
Change in deferred acquisition costs	**723**	(1,114)
Administrative expenses	**5,241**	8,752
Members' standard personal expenses	**1,322**	1,428
Reinsurance commissions and profit participation	**(1,514)**	(2,380)
Net operating expenses	**32,208**	39,457

Total commissions for direct insurance business for the year amounted to £16.5m (2017: £20.8m).

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

	2018 £000	2017 £000
Auditors' remuneration:		
Fees payable to the Syndicate's auditor for the audit of these financial statements	**209**	198
Fees payable to the Syndicate's auditor in respect of other audit related assurance services	**57**	55
Fees payable to the Syndicate's auditor in respect of non-audit services	**-**	94
Total	**266**	347

8. Directors and management personnel compensation

The emoluments of the active underwriter and the other directors of Sirius International Managing Agency Limited are borne by Sirius International Insurance Corporation (PUBL) or other members of the group and are not separately identifiable from the fee charged by Sirius to the Syndicate. Fees of the independent non-executive directors are borne by SIMA, and no emoluments were directly charged to the Syndicate in 2018 (2017: £nil). No other compensation was payable to any directors. The Board considers that the directors are the only key management personnel.

9. Investment return

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

	2018 £000	2017 £000
Investment income		
Interest	**1,308**	838
Realised gains	**93**	80
Unrealised gains	**103**	9
Investment expenses and charges:		
Investment management expenses, including interest	**(7)**	(7)
Losses on the realisation of investments	**(119)**	(255)
Unrealised losses on investments	**-**	(3)
Total investment return	**1,378**	662

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

	2018 £000	2017 £000
Financial assets at fair value through profit or loss	**825**	482
Interest income	**560**	190
Interest expense	**-**	(3)
Investment management expenses, excluding interest	**(7)**	(7)
Total investment return	**1,378**	662

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

	2018 £000	2017 £000
Average amount of Syndicate funds available for investment during the year		
Sterling	**7,497**	5,005
Euro	**1,990**	2,185
US dollar	**42,984**	28,362
Canadian dollar	**9,302**	6,965
Other	**20,154**	17,091
Total funds available for investment, in sterling	**81,927**	59,608
Annual investment yield		
Sterling	**0.11 %**	0.13 %
Euro	**0.68 %**	(0.15) %
US dollar	**1.86 %**	0.77 %
Canadian dollar	**1.46 %**	0.66 %
Other	**2.09 %**	2.30 %
Total annual investment yield, in sterling	**1.68 %**	1.11 %

10. Financial investments

	Carrying value 2018 £000	Cost 2018 £000	Listed 2018 £000
Financial assets measured at fair value through profit or loss			
Shares and other variable yield securities and units in unit trusts	**22,003**	**22,003**	**22,003**
Debt securities and other fixed income securities:			
Government and supranational securities	**23,254**	**23,094**	**23,254**
Deposits with credit institutions	**412**	**412**	**412**
Total financial investments	**45,669**	**45,509**	**45,669**

	Carrying value 2017 £000	Cost 2017 £000	Listed 2017 £000
Financial assets measured at fair value through profit or loss			
Shares and other variable yield securities and units in unit trusts	42,120	42,120	42,120
Debt securities and other fixed income securities:			
Government and supranational securities	11,391	11,366	11,391
Deposits with credit institutions	885	885	885
Total financial investments	54,396	54,371	54,396

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

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

- Level 3 – Level 3 financial instruments are financial assets and liabilities for which the values are based on prices or valuation techniques that requires inputs that are both unobservable, and significant, to the fair value measurement.

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

2018	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Shares and other variable yield securities and units in unit trusts	**12,828**	**9,175**	**-**	**22,003**
Debt securities and other fixed income securities	**23,254**	**-**	**-**	**23,254**
Loans and deposits with credit institutions	**412**	**-**	**-**	**412**
Total	**36,494**	**9,175**	**-**	**45,669**

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

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

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

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

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

11. Debtors arising out of direct insurance operations

	2018 £000	2017 £000
Amounts due from intermediaries:		
Due within one year	**18,787**	25,547
Due after one year	**-**	-
Balance at 31 December	**18,787**	25,547

12. Debtors arising out of reinsurance operations

	2018 £000	2017 £000
Amounts due within one year	**30,211**	22,598
Amounts due after one year	**85**	-
Balance at 31 December	**30,296**	22,598

13. Deferred acquisition costs

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

	2018 £000	2017 £000
Balance at 1 January	**15,332**	15,283
Incurred costs deferred	**26,436**	32,772
Amortisation	**(27,159)**	(31,658)
Effect of movements in exchange rates	**856**	(1,065)
Balance at 31 December	**15,465**	15,332

14. Year of account development

Year of account	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	Total £000
2011	**(2,278)**	**(230)**	**164**	**-**	**-**	**-**	**-**	**-**	**(2,344)**
2012	**-**	**(5,037)**	**270**	**6,564**	**-**	**-**	**-**	**-**	**1,797**
2013	**-**	**-**	**(4,514)**	**4,545**	**4,402**	**-**	**-**	**-**	**4,433**
2014	**-**	**-**	**-**	**(5,886)**	**419**	**14,301**	**-**	**-**	**8,834**
2015	**-**	**-**	**-**	**-**	**(8,762)**	**(4,181)**	**3,191**	**-**	**(9,752)**
2016	**-**	**-**	**-**	**-**	**-**	**(21,207)**	**(4,784)**	**(3,217)**	**(29,208)**
2017	**-**	**-**	**-**	**-**	**-**	**-**	**(43,574)**	**1,109**	**(42,465)**
2018	-	-	-	-	-	-	-	**(12,265)**	**(12,265)**
Calendar year's result	**(2,278)**	**(5,267)**	**(4,080)**	**5,223**	**(3,941)**	**(11,087)**	**(45,167)**	**(14,373)**	**(80,970)**

15. Claims development

Claims development is shown in the tables below, both gross and net of reinsurance ceded, on an underwriting year basis. Balances have been translated at exchange rates prevailing at 31 December 2018 in all cases.

Pure underwriting year - gross	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	Total £000
Estimate of incurred gross claims									
At end of underwriting year	937	19,146	27,227	27,948	32,681	53,615	73,451	35,361	270,366
One year later	4,988	32,625	42,125	53,378	71,791	103,296	102,777	-	410,980
Two years later	4,292	26,324	38,368	46,302	75,690	112,857	-	-	303,833
Three years later	3,627	26,025	35,127	43,057	73,770	-	-	-	181,606
Four years later	3,366	25,792	34,327	43,276	-	-	-	-	106,761
Five years later	3,311	25,738	34,536	-	-	-	-	-	63,585
Six years later	3,138	25,737	-	-	-	-	-	-	28,875
Seven years later	3,137	-	-	-	-	-	-	-	3,137
Less gross claims paid	3,117	25,716	33,349	42,164	68,587	88,744	61,074	6,703	329,454
Gross claims reserves	20	21	1,187	1,112	5,183	24,113	41,703	28,658	101,997

Pure underwriting year - net	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	Total £000
Estimate of incurred net claims									
At end of underwriting year	937	19,146	26,726	26,794	31,254	50,190	63,303	33,727	252,077
One year later	4,988	32,625	41,611	50,049	65,826	92,177	94,026	-	381,302
Two years later	4,292	26,324	38,042	43,816	70,326	101,353	-	-	284,153
Three years later	3,627	26,025	34,750	41,007	67,926	-	-	-	173,335
Four years later	3,366	25,792	33,965	41,085	-	-	-	-	104,208
Five years later	3,311	25,738	34,174	-	-	-	-	-	63,223
Six years later	3,138	25,737	-	-	-	-	-	-	28,875
Seven years later	3,137	-	-	-	-	-	-	-	3,137
Less net claims paid	3,117	25,716	32,987	40,075	63,736	80,391	54,716	6,553	307,291
Net claims reserves	20	21	1,187	1,010	4,190	20,962	39,310	27,174	93,874

16. Technical Provisions

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

	2018 Gross provisions £000	2018 Reinsurance assets £000	2018 Net £000	2017 Gross provisions £000	2017 Reinsurance assets £000	2017 Net £000
Incurred claims outstanding:						
Claims notified	**66,203**	**(3,615)**	**62,588**	43,392	(3,143)	40,249
Claims incurred but not reported	**50,283**	**(12,218)**	**38,065**	33,781	(1,428)	32,353
Balance at 1 January	**116,486**	**(15,833)**	**100,653**	77,173	(4,571)	72,602
Change in prior year provisions	**48,098**	**(9,727)**	**38,371**	12,581	2,465	15,046
Expected cost of current year claims	**17,151**	**8,773**	**25,924**	113,412	(19,382)	94,030
Claims paid during the year	**(85,912)**	**9,261**	**(76,651)**	(79,035)	4,737	(74,298)
Effect of movements in exchange rates	**6,174**	**(597)**	**5,577**	(7,645)	918	(6,727)
Balance at 31 December	**101,997**	**(8,123)**	**93,874**	116,486	(15,833)	100,653
Claims notified	**62,318**	**(6,008)**	**56,310**	66,203	(3,615)	62,588
Claims incurred but not reported	**39,679**	**(2,115)**	**37,564**	50,283	(12,218)	38,065
Balance at 31 December	**101,997**	**(8,123)**	**93,874**	116,486	(15,833)	100,653
Unearned premiums						
Balance at 1 January	**49,335**	**(2,334)**	**47,001**	55,586	(3,835)	51,751
Premiums written during the year	**100,064**	**(10,902)**	**89,162**	110,841	(14,985)	95,856
Premiums earned during the year	**(98,788)**	**11,400**	**(87,388)**	(113,061)	16,233	(96,828)
Effect of movements in exchange rate	**3,269**	**(129)**	**3,140**	(4,031)	253	(3,778)
Balance at 31 December	**53,880**	**(1,965)**	**51,915**	49,335	(2,334)	47,001

17. Financial liabilities

Within one year	2018 £000	2017 £000
Creditors arising out of direct insurance	**5,705**	7,540
Creditors arising out of reinsurance operations	**10,636**	12,237
Other creditors	**15,572**	6,677
Total financial liabilities at amortised cost	**31,913**	26,454

After one year	2018 £000	2017 £000
Creditors arising out of direct insurance	**27**	-
Creditors arising out of reinsurance operations	**-**	-
Other creditors	**-**	-
Total financial liabilities at amortised cost	**27**	-

Other creditors include £15.4m (2017: £6.6m) due to Sirius International Insurance Corporation (publ).

18. Cash and cash equivalents

	2018 £000	2017 £000
Cash at bank and in hand	**15,469**	12,118
Deposits with credit institutions	**20,991**	31,729
Total cash and cash equivalents	**36,460**	43,847

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

19. Related parties

For the year to 31 December 2018 managing agent fees of £504k were paid to SIMA (2017: £546k). No service charges were paid to SIMA in the year.

Sirius International Insurance Corporation (SINT), the parent company of both SIMA and Sirius International Corporate Member Limited (SICM), provided management services to the Syndicate in 2018, the amount recharged was £5,850k (2017: £10,834k) of the amounts recharged to the Syndicate in 2018 and prior years, a balance of £26,909k was outstanding at the end of the year (2017: £19,067k). In addition, expenses of £339k were paid by SINT on behalf of the Syndicate and recovered (2017: £116k). Syndicate 1945 is also accounted for through the Sirius VAT group, and VAT of £63k was recovered on behalf of the Syndicate during the year (2017: £66k).

Copies of the audited financial statements of the Managing Agency, the Corporate Member and Sirius International Insurance Corporation (publ) can be obtained by application to the Managing Agent's registered office listed on page 2.

The drawdown facility provided to the Syndicate by SINT remains in place, and has been amended to permit drawdowns in any settlement currency. The Syndicate made further drawdowns of £8,190k, and repaid £nil during the year (2017: drawdowns of £16,772k and repayments of £16,419k) so that at the end of the year the amount owed was £8,433k (2017: £353k). Interest on the drawn balance in 2018 amounted to £158k (2017: £116k).

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

Sirius America, a wholly-owned subsidiary of SINT, cedes business to Syndicate 1945. During 2018, premium ceded amounted to £18,599k with related brokerage and commissions of £4,625k and claims incurred of £10,430k (2017 premium £11,677k, brokerage and commissions £3,747k and claims £9,649k). The outstanding underwriting balance is £1,122k (2017: £256k).

Sirius International Insurance Corporation reinsures Syndicate 1945. During 2018, premiums ceded under these reinsurance contracts amounted to £1,668k, commissions £5K and claims recoverable were £64k (2017 premiums £259k, commission £3k and recoveries £nil). There was no outstanding underwriting balance for 2018 and 2017.

During 2018 the Liege branch of SINT ceded business to Syndicate 1945. During 2018 premiums ceded amounted to £358k, commissions £37k and claims incurred to £115k (2017 premiums £439k, commission £20k and claims £176k). The outstanding underwriting balance is £304k (2017: £nil).

The Syndicate ceded business to Alstead Reinsurance Limited, a fellow subsidiary of Sirius International Insurance Group Ltd. Ceded premiums amounted to £849k (2017: £711k) with related brokerage and commissions of £460k (2017: £184k) and claims of £365k (2017: £113k). The outstanding underwriting balance is £311k (2017: £128k).

20. Other debtors

	2018 £000	2017 £000
Receivable from Sirius International Insurance Corporation	**6,216**	5,584
Claims Floats	**6,093**	4,397
Taxes	**55**	47
Premium Deposit	**7**	4
Total other debtors	**12,371**	10,032

21. 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.

22. Post balance sheet events

There are no material post balance sheet events.