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Lancashire
Syndicate 2010

SYNDICATE 2010
MMX

Annual Report and Accounts
31 December 2019

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CHAIRMAN'S STATEMENT

These accounts have been prepared on both an annual accounting basis for the 2019 calendar year and on the traditional three year basis, in relation to the closure of the 2017 Year of Account.

On the traditional basis of reporting, Syndicate 2010 has closed the 2017 Year of Account with a loss of -19.97% for a participant paying Standard Managing Agency Fee and Profit Commission. The 2017 Year of Account experienced an unusually high frequency of severe catastrophes, making it one of the most expensive loss years ever. However, in common with prior years, the loss development activity in the past twelve months for the account has been relatively benign and the result is slightly better than the "Best Case Expectation" of the previously indicated range.

The 2018 year started to see the demand and supply balance shift in our favour, albeit slowly. It was the first year since 2012 that we saw positive rate movements across many areas of the portfolio. The 2019 year has seen a continuation of that trend with further improvement in rating conditions and an average rate increase of circa 6%. The premium increases attained in 2018 were maintained in 2019 and the top line remained relatively flat at $285.4m. There were three major catastrophe losses during the year; hurricane Dorian and typhoons Faxai and Hagibis. Despite these losses the Syndicate was able to record an underwriting profit of $3.9m and, helped by a strong investment performance, produced a final calendar year result of $7.8 million.

The three 2019 natural catastrophes have largely fallen on the 2019 year of account although a portion has also impacted the 2018 year of account.

The 2018 year of account was also impacted by a number of catastrophe losses. At present the forecast loss for 2018 remains within the published –7.5% to -12.5% range.

It is pleasing to see the Syndicate return to profitability after two challenging years of high catastrophe losses. A combined ratio of 97.9% in a year where there were three major catastrophe losses represents a positive result especially when combined with a 3.4% return on our investment portfolio.

On 23rd December 2019 our managing agent, Cathedral Underwriting Limited, changed its name to Lancashire Syndicates Limited. This helps to align the Syndicate with the Lancashire brand and marks the start of a new chapter within the Lancashire Group of companies.

Although the underwriting environment continues to prove challenging, the market is seeing positive signs in most classes. We continue to be a lean organisation, responsive to market changes whilst providing dependable value, strength, longevity and expertise to our clients and brokers. We maintain our disciplined approach to underwriting, balancing the risk and reward and focusing on profitability not just top line growth.

I would like to thank all of the Lancashire Syndicates team for their hard work and continued commitment during 2019.

N P Davenport
Chairman

6 March 2020

Managing Agent:

Lancashire Syndicates Limited
(formerly Cathedral Underwriting Limited)
29th Floor
20 Fenchurch Street
London EC3M 3BY

Managing Agent's Registered Number

00292093

Directors

N P Davenport	non-executive chairman
E L Woolley	
C J Whittle	
S W Fraser	non-executive
L J Gibbins	non-executive
P Martin	non-executive
A C Beardon	
J M Barnes	
J D Spence	
P T Dawe	
R D Milner	

Company Secretary

M E Lynn

Syndicate:

Active Underwriter

J M Barnes

Bankers

Barclays Bank Plc
Citibank N.A.
Royal Bank of Canada

Investment Manager

Conning Asset Management Limited
24 Monument Street
London EC3R 8AJ

Lloyd's Treasury Services
One Lime Street
London EC3M 7HA

Registered Auditor

KPMG LLP
15 Canada Square

Canary Wharf
London E14 5GL

Introduction

The Directors of Lancashire Syndicates Limited ("LSL") (formerly Cathedral Underwriting Limited), the managing agent for Syndicate 2010, present their annual report and accounts for the year ended 31 December 2019.

These annual report and accounts have been prepared using the annual basis of accounting as required by Statutory Instrument No. 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and applicable United Kingdom Accounting Standards. The Syndicate continues to adopt the going concern basis in preparing the syndicate annual accounts.

Separate underwriting year accounts for the closed 2017 year of account of Syndicate 2010 are included following these annual accounts.

Cathedral Underwriting Limited changed its name to Lancashire Syndicates Limited on 23 December 2019.

Principal activity

The principal activity of Syndicate 2010 remains the transaction of general insurance and reinsurance business in the United Kingdom at Lloyd's of London. The main lines of business are non-marine and aviation reinsurance and direct and facultative property.

LSL is the managing agent for Syndicate 2010. It also acts as managing agent for Syndicate 3010. LSL is subject to the dual regulation of the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"), as well as Lloyd's.

Cathedral Capital Holdings Limited ("CCHL"), registered in England and Wales, is the immediate parent company of LSL. Lancashire Holdings Limited ("LHL"), incorporated in Bermuda, is the ultimate parent company of LSL.

Calendar year results and business review

The result for the 2019 calendar year is a profit of $7.8m (2018: $29.8m loss) and a combined ratio of 97.9% (2018: 115.0%). An analysis of the contribution to the overall result made by the individual underwriting years is as follows:

	2017 account $'000	2018 account $'000	2019 account $'000	31 December 2019 $'000	31 December 2018 $'000
Gross premiums written	(11,705)	22,774	274,306	285,375	292,401
Gross premiums earned	(7,282)	107,042	178,284	278,044	277,399
Net premiums earned	(4,187)	87,820	104,317	187,950	195,280
Profit/(loss) for the financial year	16,358	22,093	(30,689)	7,762	(29,845)
Loss ratio (%)	441.8	47.8	86.3	60.4	79.1
Expense ratio (%)	-4.7	29.0	43.0	37.5	35.9
Combined ratio (%)	437.1	76.8	129.3	97.9	115.0

* *The combined ratio excludes managing agent's profit commission and is the basis used throughout these accounts.*

Although the catastrophe loss activity in 2019 was more benign than 2017 and 2018, the year did present the market with some challenges in relation to losses. During 2019 the market experienced loss creep from prior year events such as hurricane Irma (2017) and typhoon Jebi (2018). The most material deterioration coming from typhoon Jebi which materially increased during the first half of 2019 from the reserves set at December 2018. At December 2018 the estimated ultimate insured market loss from typhoon Jebi was estimated to be in the region of $8 billion, by June 2019 this had increased to circa $13 billion.

There were some improvements in prior year loss events mainly on the Aviation account which did help to negate some of the increases from Irma and Jebi.

In addition to prior year loss creep, 2019 was also impacted by new loss events. The most notable of these included hurricane Dorian which caused devastation in the Bahamas before skirting the U.S. east coast, and Japan experienced two significant typhoons, Faxai and Hagibis.

Underwriting

A breakdown of divisional performance is shown below:

	31 December 2019		31 December 2018	
	Gross premiums written $'000	Net loss ratio %	Gross premiums written $'000	Net loss ratio %
Non-marine reinsurance	**143,418**	**73.5**	141,504	89.5
Direct and facultative property	**118,954**	**56.4**	127,906	75.3
Aviation reinsurance	**22,151**	**(26.1)**	20,886	43.1
Satellite	**852**	**164.6**	2,105	35.8
Total	**285,375**	**60.4**	292,401	79.1

The gross written premiums for the calendar year have decreased by 2.4% to $285.4m (2018: $292.4m). The Syndicate increased the amount of premium income written on the Non-marine reinsurance and Aviation accounts whilst there was a reduction in the Direct and facultative property account. The decrease in Direct and facultative property income was largely due to underwriting actions taken in order to reduce attritional losses in the portfolio and improve overall profitability.

In 2018, we started to see the demand and supply balance begin to tip in our favour, albeit slowly. It was the first year since 2012 that we saw a positive rate movement across many areas of our portfolio, although the improvements were largely limited to loss affected areas within the portfolio.

2019 saw a continuation of this trend across most of our lines, as the demand and supply shift continued to move in our favour. Supply across the market was restricted by various factors including: large carriers reducing risk appetite in underperforming classes; the ILS sector of the property retrocession reinsurance market wrestling with consecutive years of natural catastrophe losses and significant loss creep on certain catastrophe events; a number of large risk losses; and the Lloyd's performance review starting to take effect. Running adjacent to this, throughout 2019, was the developing story of a creaking casualty market, with several carriers having to bolster reserves on historic underwriting years. As the Syndicate is predominantly a short-tail underwriter this casualty development does not directly impact us but could help further improve broader market conditions should it continue, as it may require additional insurance risk capital, which will further restrict supply. As a result of these market dynamics it is pleasing to report that during 2019 we experienced rate increases of varying degrees across our classes. The most material improvements were in the Direct and facultative property and Aviation Reinsurance classes. Although we did experience rate increase in the Non Marine reinsurance account these were once again largely limited to loss impacted areas such as Japan and Florida.

2019 again experienced several mid-sized natural catastrophe losses which impacted both the Non-marine reinsurance and Property direct and facultative property accounts, namely Hurricane Dorian and Typhoon Faxai and Hagibis. The Aviation reinsurance account was also impacted by the Ethiopian Airlines loss involving the Boeing 737 max aircraft, this followed the Lion Air disaster in 2018 involving the same aircraft type. Our products help support economies and communities to rebuild after natural catastrophe events, and companies to continue to operate safely and profitably after major loss incidents. Insurance is an often-underestimated product in the global economy and its value is rarely appreciated until such time as there are losses.

For all our natural catastrophe lines of business we are acutely aware of the impact of climate change. The vendor models we use to both assess and price risk are regularly reviewed and challenged. We use this information alongside our own view of risk to measure the frequency and severity of natural catastrophe events across the world. Clearly over the past three years we have seen an increase in frequency as compared to the previous five years. Our role is to assess how the risks we underwrite are changing over time and if we are getting sufficient pricing for those risks.

LSL maintains a strong underwriting discipline across all lines with the primary focus on profitability rather than top line premium growth.

The Syndicate purchases outwards reinsurance cover principally to limit the impact of catastrophes or multiple large losses. Reinsurance is purchased on both an excess of loss and proportional basis. Ceded reinsurance premiums in 2019 increased by 6.2% to $90.1m (2018: $84.9m). The increased spend was due to market conditions and an increase in reinstatement premiums on the major losses.

The net loss ratio for the 2019 calendar year was 60.4% (2018: 79.1%).

Net operating expenses including business acquisition costs and administrative expenses were $70.5m (2018: $76.0m). The expense ratio excluding managing agent's profit commission was 37.5% (2018: 35.9%). The breakdown of these costs is summarised in Note 6 of the accounts.

Non marine reinsurance

This class, which accounts for 50% of the overall calendar year income comprises of catastrophe reinsurance, retrocession, risk excess and pro-rata reinsurance.

The property reinsurance market has experienced the same natural catastrophe losses as the retrocession market. However, the demand and supply dynamics of this market have not shifted to the same extent. As a result, the pricing environment, whilst still positive, has not moved as much as the retrocession market. Prior to the start of 2019 our expectation was that, outside of loss impacted territories such as Japan and Florida, rates would be broadly static with only those loss-impacted territories seeing positive rate movement. The reason for this is that supply of capacity into this sector of the reinsurance market remained relatively stable, so the only drivers of rate movement were the increased cost of retrocession and market sentiment. The market reacted in line with our expectations. Moving into 2020 we expect positive pricing in the property catastrophe market, but once again it is unlikely to be to the same extent as we expect to see in the retrocession market. Albeit the more dislocated the retrocession market becomes, the more impact there will be on the property catastrophe market.

Direct and facultative property ("D&F")

This class comprises property binding authorities principally focused on the US, insuring small property risks and open market business which encompasses a range of risks from large complex property schedules down to small single locations. The class contributed 42% of the 2019 written income.

The property D&F insurance market developed as the year progressed. Similarly impacted by the natural catastrophe events of recent years, the market had seen several capacity withdrawals through the course of the year. The Lloyd's Decile 10 performance review included D&F and as such some markets withdrew from the class and others cut back on their exposure. Just as significantly, some of the larger carriers in this market made substantial reductions to the capacity they offered in the product line. As the effect of this was felt, the pricing began to increase as the year progressed. Property D&F remains the Syndicate's Decile 10 class and as a result we are under increased scrutiny from Lloyd's, however the improvements in this class continue to have a positive impact on estimated returns.

As a result of the improving market conditions the Lancashire Group decided to re-enter this class of business in the latter part of 2019 through Lancashire UK Limited ("LUK"). LUK's risk appetite is slightly different to the Syndicate's portfolio and the Syndicate will benefit from the leverage that can be gained from any combined group offering. In accordance with Lloyd's Minimum Standards, LSL has a documented policy for the allocation of business between the Syndicate and LUK. The criteria for the allocation of business takes into account a variety of factors including client choice, risk appetite, licencing and line size. Although in certain instances the group will market a combined offering there are two distinctly separate underwriting teams who operate autonomously. The Lancashire Group continues to write the vast majority of D&F via the Syndicate.

Aviation reinsurance and satellite

This class consists of a number of subclasses of the Aviation business. The core portfolio is airline excess of loss which is complemented by aviation war and general aviation business. The class contributed 8% of the 2019 written income.

Following a number of years of benign major loss activity, the market has been impacted by the combined Lion Air (2018) and Ethiopian Airlines (2019) tragedies involving the Boeing 737 Max aircraft. There is still uncertainty around the quantum of these events, but they will have a material financial impact on both the insurance and reinsurance markets.

As a result the aviation reinsurance market improved during 2019, albeit to a lesser extent than the insurance market. The simple reason for this is that less capacity exited this sector. Our portfolio shrunk during the soft cycle to a core portfolio of risk and 2019 was the first year where we have been able to cautiously grow as rates started to improve. The class has increased its income through a strategy of broadening its client base through relationship and leadership and has been successful in securing new business to maintain spread and balance within the portfolio.

The Satellite market continues to suffer from overcapacity and volatility. The Syndicate's involvement continues to be restrained in this area as a result of the poor rating environment. There have been a number of losses recently which should lead to an improvement in rating levels going forward although due to the nature of the placements this will take some time to manifest itself.

Our general outlook for 2020 is for continued pricing momentum in both aviation and satellite allowing us the opportunity to continue to increase our footprint.

Outlook and business environment

Following three challenging years (2017-2019), as outlined earlier in these accounts it is pleasing to report that terms and conditions in the Syndicate's core classes continue to improve.

Although we expect this trend to continue during 2020 we are not in a "hard" market. As things stand, we believe the positive pricing trend is likely to continue in our core lines in a move towards better pricing. So, in what remains a competitively priced market, there will be some opportunities for growth. It is central to our strategy to develop and retain underwriters and other experts in risk management with the expertise to appraise and price risk properly and to ensure that we use our capital to support our business whilst delivering sustainable returns.

For 2020 the agency and Syndicate has adopted the "Lancashire" brand to bring it in line with its parent company. This gives the Syndicate the benefit of the larger brand whilst still retaining its core values and product offering. As a result the Syndicate is well positioned to maximise any opportunity that arises.

Our strategy is to continue to focus on our core lines of business and to optimise results by taking prudent underwriting decisions. When the time is right the Syndicate will grow in the areas that offer the best returns but if necessary, reduce in any underperforming areas. We will also continue to look at the viability of adding new diversifying classes providing they complement the existing lines of business. An example of this being the addition of a modest level of Cargo income that was added for the 2020 year of account. We will continue to maintain an effective infrastructure in order to provide an efficient and effective platform from which our underwriting teams can trade.

The Syndicate capacity for the 2020 year of account remained at £306m.

Underwriting year of account summary

The table below shows Syndicate 2010's actual results for the closed 2017 year of account and the forecast results for the 2018 and 2019 open years of account:

Year of account	2019 forecast £'000	2018 forecast £'000	2017 actual £'000
Stamp capacity	306,264	305,954	304,584
Loss	*	n/a	60,837
Profit/(loss) on stamp	*	-7.5% to -12.5%	-19.97%

* A formal forecast range for the 2019 year of account will be released at the time of publishing the Q1 2020 QMA.

Cathedral Capital (1998) Limited, an incorporated member of Lloyd's and a Lancashire Group Company, provided £177.0 million for the 2017, 2018 and 2019 years of account through Hampden Agencies Limited.

2017 underwriting year result

The 2017 year of account closed on 31 December 2019 with a loss of $79.7m, inclusive of currency translation gains but before standard personal expenses. This includes movement on the closed years of account. For a Name with standard personal expenses, this equates to a loss of 19.97% of capacity, before members' agency fees. The gross signed premium income, net of brokerage, was circa 73% of capacity at year-end rates of exchange.

The 2017 underwriting accounts are set out on pages 37 to 54.

2018 account forecast

Last year's report summarised the underwriting conditions and loss activity associated with the 2018 year of account.

Our current forecast for the 2018 year of account result is in the range -7.5% to -12.5% of capacity. As with all years, due to the nature of the business written, any fluctuation in USD to GBP rate of exchange will influence the final result. The result is potentially more volatile than recent years given the high level of major loss activity.

2019 account forecast

For 2019, the Syndicate's capacity was maintained at £306m. Although it is still too early to produce a 2019 forecast range, we currently anticipate a small profit. The commentary outlining the 2019 experience is contained within the Calendar Year Results and Business Review section of this report.

Principal risks and uncertainties

The Syndicate is exposed to a variety of risks when undertaking its activities, all of which are taken into account when setting its Ultimate Solvency Capital Requirement ("uSCR"). The key risks to the Syndicate are: insurance risk, strategic risk, credit risk, liquidity risk, market risk and operational risk, details of which are disclosed in Note 4. All areas of risk are subject to the managing agency's risk management framework and enterprise wide risk management practices and controls.

Syndicate investments

Investment policy

The investment objective for the Syndicate's investment manager is to invest the Premium Trust Funds to preserve capital and maintain liquidity to support underwriting operations in line with policies approved by the Board of LSL. The investment mandate is to invest the Premiums Trust Funds in a manner calculated to maximise returns within agreed restraints. Portfolios are invested predominantly in short-term, high quality fixed income securities. The Syndicate investment manager has been instructed to maintain adequate liquidity and security and has discretion to invest in private sector securities for a limited proportion of the portfolio and within diversity limits for individual credits. Limiting the target duration of the overall portfolio controls the exposure of the investments to adverse price movements.

Portfolio management is delegated to Conning Asset Management Limited. An Investment Committee and formal procedures for monitoring investments exist in line with the guidance from Lloyd's.

Investment performance

Syndicate 2010's investment portfolio achieved a return of $6.1m in 2019 (2018: $3.0m). The Syndicate's invested assets totalled $175.0m at 31 December 2019 (2018: $149.2m).

In 2019 the US combined Syndicate portfolio returned 3.94% compared to the composite swaps benchmark return of 3.71%. The out-performance of was driven by narrowing credit spreads and falling US interest rates.

The Canadian regulated Syndicate portfolio returned 2.34% compared to the composite swaps benchmark return of 1.17%. The relative out-performance was driven by narrowing credit spreads.

Investment strategy

The investment strategy places an emphasis on the preservation of invested assets and provision of sufficient liquidity for the prompt payment of claims, in conjunction with providing a reasonably stable income stream. These objectives are reflected in the Syndicate's investment guidelines and its relatively conservative asset allocation. Management reviews the composition, duration and asset allocation of the investment portfolio on a regular basis in order to respond to changes in interest rates and other market conditions.

Foreign exchange hedging

The managing agent, in so far as possible, matches assets and liabilities by currency within the Syndicate. To date, the managing agency has not entered into any transaction to hedge the foreign exchange exposure to the non-US Dollars (Sterling, Canadian Dollars or Euro) currencies held within the Syndicate's premium trust funds. The managing agent will continue to keep this possibility under review and may at some future date enter into such transactions.

Bank borrowing facilities

Details of bank borrowing facilities are set out in Note 22.

Risks relating to Coronavirus

The Board of LSL notes that there are potential risks associated with the coronavirus. At the time of signing these Syndicate annual report and accounts, it is too early to quantify the effects, however the LSL Board and the Executive Committee will closely monitor developments over the coming months.

Risks relating to Brexit

The European risk landscape is changing as a result of the departure of the United Kingdom from the European Union ("Brexit") on 31 January 2020. In order to maintain access to this business, a new Lloyd's subsidiary, Lloyd's Insurance Company S.A. ("Lloyd's Brussels") has been established and commenced underwriting on 1 January 2019.

Lloyd's Brussels benefits from the market's financial strength through the Central Fund and has the same financial ratings as Lloyd's, AM Best (A "excellent"), Standard & Poor's (A+ "strong") and Fitch (AA- "very strong"). The company is authorised and regulated by the National Bank of Belgium and capitalised under Solvency II rules.

With the uncertainties surrounding Brexit the success of Lloyd's Brussels has been positive and it has proved to be a useful platform allowing Lloyd's to defend its position on European business. In addition to the Lloyd's Brussels solution Syndicate 2010 was also able to avail of Lancashire Insurance Company Limited ("LICL") based in Bermuda, although the vast majority of clients were willing to use either Syndicate or Lloyd's Brussels paper. Any business written by LICL via this arrangement has then been reinsured back into the Syndicate allowing it to retain the business.

Syndicate annual general meeting

In accordance with the Syndicate Meetings (Amendment No. 1) Byelaw (No. 18 of 2000), notice is hereby given that the managing agent does not propose to hold an annual general meeting of the members of the Syndicate.

Directors

The Directors of the managing agent who served during the year ended 31 December 2019, as well as any subsequent changes are listed under the section 'Directors and Administration' on page 1.

Disclosure of information to auditors

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

Auditors

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

On behalf of the Board

C J Whittle
Chief Financial Officer

6 March 2020

STATEMENT OF MANAGING AGENT'S DIRECTORS RESPONSIBILITIES
31 DECEMBER 2019

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

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

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

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

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

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

On behalf of the board

C J Whittle
Chief Financial Officer

6 March 2020

SYNDICATE ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Opinion

We have audited the financial statements of Syndicate 2010 for the year ended 31 December 2019 which comprise the Statement of Profit or Loss: Technical Account - General Business, Statement of Profit or Loss: Non-Technical Account, Balance Sheet, Statement of Changes in Members' Balances, Statement of Cash Flows, and related notes, including the accounting policies in Note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Basis for opinion

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

Going concern

The directors of the Managing Agent have prepared the Annual Return on the going concern basis as they do not intend to liquidate the Syndicate or to cease its operations, and as they have concluded that the Syndicate's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Syndicate's business model, including the impact of Brexit, and analysed how those risks might affect the Syndicate's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Syndicate will continue in operation.

Report of the directors of the Managing Agent

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Responsibilities of the directors of the Managing Agent

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

Auditor's responsibilities

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

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

The purpose of our audit work and to whom we owe our responsibilities

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

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

6 March 2020

STATEMENT OF PROFIT OR LOSS
TECHNICAL ACCOUNT – GENERAL BUSINESS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 $'000	2018 $'000
Earned premiums, net of reinsurance			
Gross premiums written	5	**285,375**	292,401
Outward reinsurance premiums		**(90,146)**	(84,860)
Net premiums written		**195,229**	207,541
Change in the provision for unearned premiums:			
Gross amount		**(7,331)**	(15,002)
Reinsurers' share		**52**	2,741
Earned premiums, net of reinsurance		**187,950**	195,280
Allocated investment return transferred from the non-technical account		**6,062**	2,969
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount	5	**(198,731)**	(227,491)
Reinsurers' share		**66,269**	79,102
Net claims paid		**(132,462)**	(148,389)
Change in the provision for claims:			
Gross amount	5	**23,670**	(2,840)
Reinsurers' share		**(4,735)**	(3,164)
Net change in the provision for claims		**18,935**	(6,004)
Claims incurred, net of reinsurance		**(113,527)**	(154,393)
Net operating expenses	5, 6	**(70,516)**	(75,982)
Balance on the technical account for general business		**9,969**	(32,126)

All operations relate to continuing activities.

The notes on pages 18 to 36 form part of these annual accounts.

STATEMENT OF PROFIT OR LOSS
NON-TECHNICAL ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 $'000	2018 $'000
Balance on technical account for general business		**9,969**	(32,126)
Investment income	10	**6,771**	3,898
Unrealised gains on investments	10	**—**	396
Investment expenses and charges	10	**(510)**	(954)
Unrealised losses on investments	10	**(199)**	(371)
Allocated investment return transferred to the general business technical account		**(6,062)**	(2,969)
Foreign exchange (losses)/gains		**(1,173)**	2,281
Other charges		**(1,034)**	—
Profit/(loss) for the financial year		**7,762**	(29,845)

All operations relate to continuing activities.

There are no other comprehensive gains or losses in the year.

The notes on pages 18 to 36 form part of these annual accounts.

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Notes	2019 $'000	2018 $'000
Investments:			
Financial investments	11	**174,997**	149,150
		174,997	149,150
Reinsurers' share of technical provisions:			
Provision for unearned premiums	18	**8,383**	7,931
Claims outstanding	18	**204,853**	206,791
		213,236	214,722
Debtors:			
Debtors arising out of direct insurance operations	12	**22,654**	26,100
Debtors arising out of reinsurance operations	13	**90,312**	84,680
Other debtors	14	**3,564**	3,978
		116,530	114,758
Other assets:			
Cash and cash equivalents	15	**9,598**	23,987
Other – overseas deposits		**18,148**	16,176
		27,746	40,163
Prepayments and accrued income:			
Deferred acquisition costs	16	**19,271**	17,804
Other prepayments and accrued income		**2,287**	792
		21,558	18,596
Total Assets		**554,067**	537,389
Capital and reserves:			
Members' balances		**(148,057)**	(129,359)
		(148,057)	(129,359)
Technical provisions:			
Provision for unearned premiums	18	**100,673**	92,904
Claims outstanding	18	**466,959**	485,327
		567,632	578,231
Creditors:			
Creditors arising out of direct insurance operations	19	**13,715**	4,604
Creditors arising out of reinsurance operations	19	**50,620**	45,976
Other creditors including taxation and social security	19	**68,249**	37,259
		132,584	87,839
Accruals and deferred income		**1,908**	678
Total Liabilities		**554,067**	537,389

The notes on pages 18 to 36 form part of these annual accounts.

The Syndicate annual accounts on pages 13 to 36 were approved by the Board of Lancashire Syndicates Limited on 4 March 2020 and were signed on 6 March 2020 on its behalf by:

C J Whittle
Chief Financial Officer

6 March 2020

STATEMENT OF CHANGES IN MEMBERS' BALANCES
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 $'000	2018 $'000
Members' balances as at 1 January	**(129,359)**	(42,859)
Profit/(loss) for the financial year	**7,762**	(29,845)
Members' agent fee	**(1,413)**	(1,506)
Transfer to members' personal reserve fund	**(25,047)**	(55,149)
Members' balances as at 31 December	**(148,057)**	(129,359)

The notes on pages 18 to 36 form part of these annual accounts.

Members participate on Syndicates by reference to years of account 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 that particular year.

Transfers to members' personal funds comprise the 2016 (2015) closed year of account profit.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Profit/(loss) for the financial year		**7,762**	(29,845)
Realised and unrealised investments (gains)/losses on cash and investments, including currency movements	10	**142**	483
Income from investments	10	**(6,407)**	(3,585)
Exchange gain/(loss)		**1,173**	(778)
Increase in debtors, prepayments and accrued income		**(6,772)**	(14,257)
(Decrease)/increase in net technical provisions		**(12,389)**	18,265
Increase in creditors, accruals and deferred income		**16,361**	27,448
Net cash inflow from operating activities		**(130)**	(2,269)
Cash flows from investing activities			
Interest received		**6,407**	3,585
Purchase of debt securities and other fixed income securities		**(167,152)**	(105,717)
Purchase of equity securities relating to central fund loan		**(925)**	—
Sale of debt securities and other fixed income securities		**155,833**	160,361
Movement of shares and other variable yield securities		**(11,009)**	(11,945)
Movement of overseas deposits		**(1,163)**	4,884
Net cash inflow from investing activities		**(18,009)**	51,168
Cash flows from financing activities			
Proceeds from intercompany loan		**30,000**	20,000
Payment of intercompany loan		**—**	(10,000)
Transfer (to) members in respect of underwriting participations		**(25,047)**	(55,149)
Members' agents' fees paid on behalf of members		**(1,413)**	(1,506)
Net cash flow from financing activities		**3,540**	(46,655)
Decrease in cash and cash equivalents in the year		**(14,599)**	2,244
Cash and cash equivalents at 1 January		**23,987**	22,090
Effect of exchange rates and change in market value on cash and cash equivalents		**210**	(347)
Cash and cash equivalents at 31 December	15	**9,598**	23,987

The notes on pages 18 to 36 form part of these annual accounts.

The comparatives were amended to be in line with the presentation of cash flows for the year ended 31 December 2019.

1 Basis of Preparation

Syndicate 2010 ("The Syndicate") comprises a group of members of the Society of Lloyd's that underwrites insurance business in the London Market. The address of the Syndicate's Managing Agent, LSL, is 29th Floor, 20 Fenchurch Street, London, EC3M 3BY.

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and applicable Accounting Standards in the United Kingdom and the Republic of Ireland, including Financial Reporting Standard 102 ("FRS 102") and Financial Reporting Standard 103 Insurance Contracts ("FRS 103"). In accordance with FRS 103 "Insurance Contracts", the Syndicate continues to apply existing accounting policies to its insurance contracts but has the option to make improvements to its policies if the changes make the financial statements more relevant to the decision-making needs of the user.

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

The financial statements are prepared in US Dollars ("USD") which is the presentational and functional currency of the Syndicate. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2 Use of Judgements and Estimates

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

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

Estimation of premiums

The measurement of premiums written in the year involves judgements on the amounts of premiums written but not signed to the Syndicate until after the balance sheet date.

In our estimation of unearned premium, we have made estimates on the allocation of premiums between accounting premiums based on judgements on the profile of the underlying risks associated with the written, and accordingly how the premium is recognised as earned.

Estimation of claims

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

In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate so as to minimise any adverse run-off deviation.

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.

3 Accounting Policies

a) Premiums written

Premiums written comprise premiums on contracts incepted during the financial year, together with adjustments made in the year to premiums written in prior accounting periods. They also include estimates for pipeline premiums, representing amounts due to the Syndicate not yet notified. Premiums are shown gross of commission payable and exclude taxes and duties levied on them.

b) Reinsurance premium ceded

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

c) Unearned premiums

The provision for unearned premiums comprises the proportion of 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.

d) Claims provisions and related recoveries

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 including an allowance for the cost of claims incurred by the balance sheet date but not reported until after the year end ("IBNR"). Claims outstanding are reduced by anticipated salvage and other recoveries.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. A number of statistical techniques are used to assist in making these estimates. The most critical assumption in regards to claims provisions is that the past is a reasonable predictor of the likely level of claims development. In addition, a management prudence margin is added to the actuarial best estimate.

Reinsurance assets are assessed for impairment at each balance sheet date. A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Syndicate may not recover all amounts due, and that event has a reliably measureable impact on the amount that the Syndicate will receive from the reinsurer. Impairment losses are recognised immediately in the profit or loss account.

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

e) Unexpired risks provision

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

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

f) Acquisition costs

Acquisition costs, comprising commission and other internal and external costs related to the acquisition of new insurance contracts are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

g) Foreign currencies

The presentational and functional currency of the Syndicate is US Dollars. Transactions denominated in currencies other the functional currency are translated into the functional currency at the rate of exchange ruling at the date of the transaction or at an appropriate average rate. The Syndicate's monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate ruling on the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency using the exchange rates at the date when the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to the functional currency using the exchange rate at the date of transaction. For the purposes of foreign currency translation, unearned premiums and deferred acquisitions costs are treated as if they are monetary items.

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

h) Financial assets and liabilities

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

(i) Classification

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

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

(ii) Recognition

Financial instruments are recognised when the Syndicate becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Syndicate's contractual rights to the cash flows from the financial assets expire or if the Syndicate transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. A financial liability is derecognised when its contractual obligations are discharged, cancelled, or expire. Regular way purchases and sales of financial assets are recognised and derecognised, as applicable, on the trade date, i.e. the date that the Syndicate commits itself to purchase or sell the asset.

(iii) Measurement

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

Financial assets at fair value through profit or loss are measured at fair value with fair value changes recognised immediately in profit or loss. Net gains or net losses on financial assets measured at fair value through profit or loss includes foreign exchange gains/losses arising on their translation to the functional currency, but excludes interest and dividend income.

Loans and receivables and non-derivative financial liabilities are measured at amortised cost using the effective interest method.

(iv) Identification and measurement of impairment

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

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

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

(v) Offsetting

Financial assets and financial liabilities are set off and the net amount presented in the Statement of Financial Position 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.

3 Accounting Policies continued

i) Investment return

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

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. For investments measured at amortised cost, realised gains and losses represents the difference between the net proceeds on disposal and the latest carrying value (or if acquired after the last reporting date, 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 the increase/decrease in the reporting period in the value of the investments held at the reporting date and the reversal of unrealised investment gains and losses recognised in earlier reporting periods in respect of investment disposals of the current period, or the valuation at the beginning of the year; as well as the reversal of previously recognised unrealised gains and losses in respect of investment disposed of in the current period.

Investment return is initially recorded in the Non-Technical Account. The return is transferred in full to the Technical Account – General Business to reflect the investment return on funds supporting underwriting business.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in fair value, and are used by the Syndicate in the management of its short-term commitments.

k) 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 19%) 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 Statement of Financial Position under the heading 'other debtors'. No provision has been made for any other overseas tax payable by members on underwriting results.

l) Pension costs

Lancashire Insurance Services Limited operates a defined contribution pension scheme. Pension contributions relating to staff are recharged to the Syndicate via LSL as incurred and are included within net operating expenses.

m) Profit commission

Profit commission is charged by the managing agent at a rate of 20% of the profit on a year of account basis subject to the operation of a 2-year deficit clause. This is charged to the Syndicate as incurred but does not become payable until after the appropriate year of account closes, normally at 36 months.

4 Risk and Capital Management

The Syndicate is exposed to a variety of insurance and financial risks when undertaking its activities. The Board of Directors of LSL, the Syndicate's managing agent, has policies in place for measuring and managing insurance and financial risks, and for managing the Syndicate's capital. These risks can be split into the following categories:

- Insurance risk;
- Credit risk;
- Liquidity risk;
- Market risk; and
- Operational risk.

Risk management framework

The Board of Directors of LSL has overall responsibility for the establishment and oversight of the Syndicate's risk management framework. The Board has established a Risk and Compliance 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. The Risk and Compliance Committee has delegated oversight of the management of aspects of insurance risks to the Underwriting and Reserving Committees, which are responsible for developing and monitoring insurance risk management policies, and the management of aspects of financial risk to the Investment Committee, which is responsible for developing and monitoring financial risk management policies. 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.

The Risk, Underwriting, Reserving and Investment Committees report regularly to the Board of Directors on their activities.

The sections below set out the Syndicate's risk appetite and explain how it defines each category of risk.

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 monitoring 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 excessive 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 and catastrophe reinsurance. Where an individual exposure is deemed surplus to the Syndicate's appetite, additional facultative reinsurance is also purchased. The Syndicate also purchases quota share reinsurance at selected sub account levels.

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 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 Risk and Compliance Committee and the Managing Agent's Board of Directors of the claims provisions to be established.

The Managing Agent's in-house actuaries perform a reserving analysis on a quarterly basis liaising closely with underwriters, claims and reinsurance technicians. 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 compared annually to the independent analysis performed by the external consulting actuaries.

In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate so as to minimise any adverse run-off deviation.

Concentration of insurance risk

The Syndicate's underwriting covers various classes of business which, to some extent, have different exposure profiles and therefore provides an element of diversification. The managing agency monitors the type of business underwritten by the Syndicate at a whole account level and, where appropriate, adjusts either the business mix or the level of reinsurance protection in place to try to reduce the extent of overly concentrated exposures.

4 Risk and Capital Management continued

Sensitivity of insurance risk

The frequency and severity of claims in respect of the Syndicate can be affected by several factors. The Syndicate specialises in non-marine reinsurance, aviation reinsurance, and direct and facultative property insurance. These accounts are predominantly short-tail in nature, and some of them have a high degree of catastrophe exposure (for example the property accounts could be affected by hurricane or earthquake losses).

The catastrophe nature of these accounts is managed through the Syndicate's underwriting strategy, aggregate management and reinsurance arrangements.

Underwriting limits are in place to support appropriate risk selection criteria and loss aggregates are reviewed and managed by the Syndicate.

The reinsurance arrangements include excess and catastrophe coverage. These arrangements are designed to mitigate the impact of any significant losses to a more manageable level. The Syndicate models various loss scenarios and also runs specific realistic disaster scenarios ("RDS") in accordance with Lloyd's franchise guidelines to enable it to monitor the exposure at a gross and net level.

Based on the July 2019 Lloyd's RDS submission using version 17 of RMS, the largest RDS on both a gross and net basis was $287.0m gross / $84.6m net of reinsurance recoveries and reinstatement costs. This was for a North-East USA windstorm event. [note that these numbers are not audited]

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:

- Debt securities
- Reinsurers' share of insurance liabilities;
- Amounts due from intermediaries;
- Amounts due from reinsurers in respect of settled claims;
- Cash and cash equivalents; and
- 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 Syndicate's managing agency's reinsurance and broker security committee has established guidelines on its exposure to a single counterparty. These guidelines are regularly reviewed by this committee and adjusted as appropriate by the managing agency's board.

Management of credit risk

The Syndicate's credit risk in respect of debt securities is managed by placing limits on its exposure to a single counterparty, by reference to the credit rating of the counterparty. Financial assets are graded according to current credit ratings issued by rating agencies such as Standard and Poor's. The Syndicate has a policy of investing mainly in government issued and government backed debts. The Syndicate does not currently invest new monies in speculative grade assets (i.e. those rated below BBB).

The Syndicate limits the amount of cash and cash equivalents that can be deposited with a single counterparty, and maintains an authorised list of acceptable cash counterparties.

The Syndicate's exposure to intermediaries and reinsurance counterparties is monitored as part of its credit control processes.

All intermediaries must meet minimum requirements established by the Syndicate. The credit ratings and payment histories of intermediaries are monitored on a regular basis.

The Managing Agent's Reinsurance and Broker Security Committee assesses the creditworthiness of all reinsurers by reviewing public rating information and by internal investigations. The impact of reinsurer default is regularly assessed and managed accordingly.

Exposure to credit risk

The carrying amount of financial assets and reinsurance assets represents the maximum credit risk exposure. The Syndicate does not hold any collateral as security or 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, reinsurers' share of claims outstanding, debtors arising out of reinsurance operations, cash at bank and in hand, and other assets that are neither past due, nor impaired.

As at 31 December 2019	A++ $'000	B++ to B- $'000	Unrated $'000	Total $'000
Financial investments	**150,844**	**—**	**24,153**	**174,997**
Cash and cash equivalents	**9,598**	**—**	**—**	**9,598**
Other assets	**15,090**	**2,643**	**415**	**18,148**
Reinsurance assets	**172,179**	**—**	**43,291**	**215,470**

As at 31 December 2018	A++ $'000	B++ to B- $'000	Unrated $'000	Total $'000
Financial investments	148,299	851	—	149,150
Cash and cash equivalents	23,927	—	60	23,987
Other assets	13,619	1,943	614	16,176
Reinsurance assets	144,728	—	72,338	217,066

Of the $43.3m (2018: $72.3m) unrated reinsurance assets, $29.6m (2018: $45.1m) are fully collateralised in trust funds; $5.2m (2018: $15.3m) is in respect of attritional IBNR that has yet to be allocated to any specific loss; $2.1m (2018: $7.9m) relates to a handful of specific unsettled recoveries from reinsurers that have subsequently merged or been taken over by another reinsurer and therefore the original counterparty is no longer rated. However, no recovery issues are currently anticipated with respect to these specific counterparties. The remaining $6.4m (2018: $4.0m) relates to reinsurance debtors.

The total unrated financial investments represent cash held in trust funds.

Financial assets that are past due or impaired

The Syndicate has 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.

An analysis of the carrying amounts of past due but not impaired debtors is presented in the table below.

	2019 $'000	2018 $'000
3 to 6 months past due	**92**	1,962
6 to 9 months post due	**—**	892
Greater than 9 months past due	**6**	2,607
Total	**98**	5,461

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.

4 Risk and Capital Management continued

Management of liquidity risk

The Syndicate's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Syndicate's reputation.

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 significant committed borrowing facilities to enable cash to be raised in a relatively short time-span, details of which are set out in Note 22; and
- The Syndicate regularly updates 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 following table shows the financial liabilities (gross provision for outstanding claims and creditors) grouped into maturity dates.

As at 31 December 2019	< 1 year $'000	1-3 years $'000	4-5 years $'000	> 5 years $'000	Total $'000
Gross provision for claims outstanding	**290,233**	**133,713**	**35,491**	**7,522**	**466,959**
Creditors	**132,584**	**—**	**—**	**—**	**132,584**
Total	**422,817**	**133,713**	**35,491**	**7,522**	**599,543**

As at 31 December 2018	< 1 year $'000	1-3 years $'000	4-5 years $'000	> 5 years $'000	Total $'000
Gross provision for claims outstanding	233,580	199,141	45,977	6,629	485,327
Creditors	87,839	—	—	—	87,839
Total	321,419	199,141	45,977	6,629	573,166

Operational Risk

Operational risk is the risk of loss from people, processes, systems or external events with origins outside the scope of other risk categories. The Managing Agent actively monitors and controls its operational risks. LSL recognises that the ability to continue operations in the event of a business interruption, whether from a major disaster or minor incident, is a fundamental factor in meeting the expectations of our customers and internal and external stakeholders. Both the Syndicate and Lloyd's have a formal disaster recovery plan which, in the event of an incident, will support alternative accommodation strategies.

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 risks

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 market risk and the exposure of the Syndicate at the reporting date to each major risk is addressed as follows:

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 US dollars, Canadian dollars, Sterling and Euros and is therefore exposed to currency risk arising from fluctuations in the exchange rates of US Dollars 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.

As at 31 December 2019 $'000	GBP	USD	EUR	CAD	Total
Total assets	**108,318**	**379,069**	**16,191**	**50,489**	**554,066**
Total liabilities	**(165,451)**	**(483,479)**	**(24,549)**	**(28,652)**	**(702,123)**
Members' balance	**(57,133)**	**(104,403)**	**(8,358)**	**21,837**	**(148,057)**

As at 31 December 2018 $'000	GBP	USD	EUR	CAD	Total
Total assets	51,112	427,225	16,063	42,990	537,390
Total liabilities	(106,261)	(513,171)	(21,352)	(25,965)	(666,749)
Members' balance	(55,149)	(85,946)	(5,289)	17,025	(129,359)

The Syndicate participates in the currency conversion scheme at Lloyd's so only hold assets and liabilities in the four currencies disclosed above. Any other currencies are converted to sterling and disclosed under the GBP caption above.

Sensitivity analysis to market risks for financial instruments

An analysis of the Syndicate's sensitivity to interest rate and currency 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 period and had been applied to the risk exposures at that date.

	2019 $'000	2018 $'000
Interest rate risk		
+50 basis points increase	**(1,644)**	(1,039)
- 50 basis points decrease	**1,644**	1,050

Capital Management Risk

Capital framework at Lloyd's

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

Within this supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's would comply with the Solvency II requirements, and beyond that to meet its own financial strength, licence and ratings objectives. Although, as described below, Lloyd's capital setting processes use a capital requirement set at Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply overall and member level only respectively, not at Syndicate level. Accordingly, the capital requirement in respect of Syndicate 2010 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 comprises 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 operate on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate's 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 and not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2019 was maintained at 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 members' balances reported on the Balance Sheet on page 15, represent resources available to meet members' and Lloyd's capital requirements.

5 Analysis of Underwriting Result

An analysis of the underwriting result before investment return for the year and the net technical provisions for the year end are presented in the table below:

31 December 2019

Type of business	Gross premiums written $'000	Gross premiums earned $'000	Gross claims incurred $'000	Net operating expenses $'000	Reinsurance balance $'000	Total excluding investment return $'000	Net technical provisions $'000
Direct insurance							
Motor (other classes)	**860**	**838**	**(465)**	**(398)**	**(86)**	**(111)**	**1,443**
Marine, aviation and transport	**6,365**	**6,201**	**(4,130)**	**1,585**	**(637)**	**3,019**	**1,207**
Fire and other damage to property	**99,191**	**96,643**	**(54,694)**	**(24,002)**	**(9,927)**	**8,020**	**77,342**
Third party liability	**602**	**586**	**(682)**	**11**	**(60)**	**(145)**	**—**
Credit and suretyship	**88**	**86**	**3**	**(264)**	**(9)**	**(184)**	**1,637**
	107,106	**104,354**	**(59,968)**	**(23,068)**	**(10,719)**	**10,599**	**81,629**
Reinsurance acceptances	**178,269**	**173,690**	**(115,093)**	**(47,448)**	**(17,841)**	**(6,692)**	**253,496**
Total	**285,375**	**278,044**	**(175,061)**	**(70,516)**	**(28,560)**	**3,907**	**335,125**

31 December 2018

Type of business	Gross premiums written $'000	Gross premiums earned $'000	Gross claims incurred $'000	Net operating expenses $'000	Reinsurance balance $'000	Total excluding investment return $'000	Net technical provisions $'000
Direct insurance							
Motor (third party liability)	—	—	1	—	—	1	5
Motor (other classes)	927	718	(380)	(108)	(159)	71	481
Marine, aviation and transport	6,090	5,021	(1,357)	(335)	(2,095)	1,234	2,377
Fire and other damage to property	95,333	86,574	(70,224)	(40,882)	6,091	(18,441)	95,207
Third party liability	1,404	1,296	(649)	(845)	(174)	(372)	2,280
Credit and suretyship	(223)	(221)	141	(42)	88	(34)	12
	103,531	93,388	(72,468)	(42,212)	3,751	(17,541)	100,362
Reinsurance acceptances	188,870	184,011	(157,863)	(33,770)	(9,932)	(17,554)	245,343
Total	292,401	277,399	(230,331)	(75,982)	(6,181)	(35,095)	345,705

Net technical provisions are net of deferred acquisition costs (See Note 16 and Note 18). No gains or losses were recognised in profit or loss during the year on buying reinsurance (2018: $nil).

The gross premiums written by geographical destination analysis is set out below. All premiums written are for contracts with external customers and are concluded in the UK.

	2019 $'000	2018 $'000
United Kingdom	**41,227**	30,544
US	**137,826**	133,090
Other European Union Member States	**26,924**	22,146
Other countries	**79,398**	106,621
Total	**285,375**	292,401

6 Net Operating Expenses

	2019 $'000	2018 $'000
Brokerage and commissions	**47,205**	48,395
Other acquisition costs	**—**	1,946
Change in deferred acquisition costs	**72**	(3,316)
Administrative expenses	**21,855**	19,164
Reinsurance commission and profit participation	**(2,611)**	(702)
Personal expenses	**3,995**	10,495
Total	**70,516**	75,982

Total commissions for direct insurance business accounted for in the year amounted to $27.0m (2018: $25.3m).

Administrative expenses include:

	2019 $'000	2018 $'000
Auditors' remuneration:		
Audit of the Syndicate annual accounts	**142**	148
Other services pursuant to regulations and Lloyd's Byelaws	**96**	101
Total	**238**	249

7 Staff Number and Costs

In 2018, the Lancashire group have consolidated the employment and payroll services within Lancashire Insurance Services Limited ("LISL"), a fellow group undertaking of the Syndicate's managing agent, LSL. LISL pays all salaries to the employees and recharges a proportion to LSL. All staff are employed by LISL. The following amounts were recharged by LSL to the Syndicate in respect of salary costs:

	2019 $'000	2018 $'000
Wages and salaries	**8,327**	8,143
Social security costs	**1,125**	1,197
Pension costs	**650**	636
Total	**10,102**	9,976

The average number of employees employed by LISL but working for the Syndicate during the year, analysed by category, is as follows:

	2019 Number	2018 Number
Operations, administration and finance	**12**	11
Underwriting and claims	**37**	38
Total	**49**	49

8 Emoluments of the Directors of Lancashire Syndicates Limited

The Syndicate has incurred the following amounts in respect of emoluments paid to its managing agent's Directors, excluding the Active Underwriter of the Syndicate. Fees relates to fees paid to the non-executive directors. Total emoluments include pension costs and comparatives were amended to be in line with the presentation in 2019.

	2019 $'000	2018 $'000
Emoluments	**970**	1,119
Fees	**18**	18
	988	1,137

9 Active Underwriter's Emoluments

The Active Underwriter, the highest paid director, received the following aggregate remuneration charged to the Syndicate:

	2019 $'000	2018 $'000
Emoluments	**412**	415

10 Investment Return

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

	2019 $'000	2018 $'000
Investment income:		
Interest and dividend income	**6,407**	**3,585**
Realised gains on investments	**364**	**313**
Unrealised gains on investments	—	**396**
Investment expenses and charges:		
Investment management expenses, including interest	**(203)**	(133)
Realised losses on investments	**(307)**	(821)
Unrealised losses on investments	**(199)**	(371)
Investment return transferred to the technical account from the non-technical account	**6,062**	2,969

Investment return includes investment income, realised investment gains and losses and movements on unrealised investment gains and losses. There are no impairment losses on debtors recognised in administrative expenses included in technical account (2018: $nil).

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

	2019 $'000	2018 $'000
Financial assets at fair value through profit or loss	**6,265**	3,102
Investment management expenses, excluding interest	**(203)**	(133)
Total investment return	**6,062**	2,969

The average Syndicate funds and investment return in the calendar year by currency is as follows:

	31 December 2019		31 December 2018	
	Average funds $'000	Investment yield %	Average funds $'000	Investment yield %
Sterling	—	—	12,325	0.9
Euro	—	—	12,944	0.4
US Dollars	**131,879**	**3.7**	135,925	1.6
Canadian Dollars	**35,345**	**2.4**	38,907	1.7
All currencies converted to US Dollars	**167,224**	**3.4**	200,101	1.5

11 Financial Investments

As at 31 December	Carrying value 2019 $'000	Carrying value 2018 $'000	Cost 2019 $'000	Cost 2018 $'000
Shares and other variable yield securities and units in unit trusts	**35,162**	**12,648**	**35,107**	**26,032**
Debt securities and other fixed income securities	**139,835**	**136,502**	**138,384**	**135,414**
Total	**174,997**	**149,150**	**173,491**	**161,446**

All financial assets are measured at fair value through profit or loss. The amount ascribable to listed investments is $139.8m (2018: $136.5m). The Syndicate classifies its financial instruments held at fair value in its Statement of Financial Position using a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Prices based on recent transactions in identical assets; and
- Level 3 – Prices determined using a valuation technique. This includes loan to Lloyd's central fund.

The table below analyses financial instruments held at fair value in the Syndicate's Statement of Financial Position at the reporting date by its level in the fair value hierarchy:

As at 31 December 2019 $'000	**Level 1**	**Level 2**	**Level 3**	**Total**
Shares and other variable yield securities and units in unit trusts	**—**	**34,237**	**925**	**35,162**
Debt securities and other fixed income securities	**—**	**139,835**	**—**	**139,835**
Cash and cash equivalents	**9,556**	**42**	**—**	**9,598**
Overseas deposits	**2,114**	**16,034**	**—**	**18,148**
Total	**11,670**	**190,148**	**925**	**202,743**

As at 31 December 2018 $'000	Level 1	Level 2	Level 3	Total
Shares and other variable yield securities and units in unit trusts	—	12,648	—	12,648
Debt securities and other fixed income securities	32,599	103,903	—	136,502
Cash and cash equivalents	23,987	—	—	23,987
Overseas deposits	2,691	13,485	—	16,176
Total	59,277	130,036	—	189,313

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.

Shares and other variable 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 and derivative financial assets are generally valued using prices provided by external pricing vendors. Pricing vendors will often determine prices by consolidating prices of recent trades for identical or similar securities obtained from a panel of market makers into a composite price. The pricing service may make adjustments for the elapsed time from a trade date to the valuation date to take into account available market information. Lacking recently reported trades, pricing vendors will use modelling techniques to determine a security price.

Some government and supranational securities are listed on recognised exchanges and are generally classified as level 1 in the fair value hierarchy. Those that are not listed on a recognised exchange are generally based on composite prices of recent trades in the same instrument and are generally classified as level 2 in the fair value hierarchy.

Corporate bonds, including asset backed securities that are not listed on a recognised exchange or are traded in an established over-the-counter market are also mainly valued using composite prices. Where prices are based on multiple quotes and those quotes are based on actual recent transactions in the same instrument the securities are classified as level 2, otherwise they are classified as level 3 in the fair value hierarchy.

12 Debtors Arising Out of Direct Insurance Operations

	2019 $'000	2018 $'000
Due within one year – amounts due from intermediaries	**22,654**	26,100

13 Debtors Arising Out of Reinsurance Operations

	2019 $'000	2018 $'000
Due within one year	90,312	84,680

14 Other Debtors

As at 31 December	2019 $'000	2018 $'000
Due within one year:		
Amounts due from members	**1,338**	1,612
Others	—	112
Due after one year:		
Amounts due from members	**2,226**	2,254
Total	**3,564**	3,978

15 Cash and Cash Equivalents

As at 31 December	2019 $'000	2018 $'000
Cash at bank and in hand	**9,598**	10,614
Participation in investment pools	—	13,314
Holdings in collective investment schemes	—	59
Total	**9,598**	23,987

Cash and cash equivalents represents cash at bank and in hand, short term bank deposits and other short-term highly liquid investments that are subject to insignificant risk of change in fair value.

16 Deferred Acquisition Costs

	2019 $'000	2018 $'000
As at 1 January	**17,804**	14,906
Acquisition costs incurred in the year	**47,205**	50,341
Amounts used in the year	**(45,827)**	(47,025)
Effect of movement in exchange rates	**89**	(418)
As at 31 December	**19,271**	17,804

17 Claims Development

Claims development is shown in the tables below on an underwriting year basis. Balances have been translated at exchange rates as at 31 December 2018. These balances are reflected on the Balance Sheet.

Underwriting Year – Gross ($'000)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
At end of the year of account	166,501	221,452	148,778	109,103	128,458	73,255	91,876	304,164	180,141	136,599	
One year later	375,083	320,304	187,096	173,967	160,378	119,198	163,631	380,760	261,799		
Two years later	376,763	302,794	171,175	167,680	146,269	113,122	160,117	373,413			
Three years later	369,224	290,038	164,590	159,198	142,426	109,694	152,171				
Four years later	370,437	281,767	164,465	154,174	140,123	107,172					
Five years later	368,623	280,095	164,547	152,217	137,290						
Six years later	369,805	278,961	161,264	146,862							
Seven years later	372,616	278,081	160,626								
Eight years later	373,370	277,841									
Nine years later	381,592										
Gross ultimate claims	381,592	277,841	160,626	146,862	137,290	107,172	152,171	373,413	261,799	136,599	2,135,365
Less: Cumulative gross paid claims	(361,052)	(274,677)	(153,142)	(136,867)	(130,303)	(91,489)	(128,784)	(263,297)	(134,661)	(15,518)	(1,689,790)
Gross claims reserves from 2010 to 2019	**20,540**	**3,164**	**7,484**	**9,995**	**6,987**	**15,683**	**23,387**	**110,116**	**127,138**	**121,081**	**445,575**
Gross claims reserves – 2009 and prior											21,384
Gross claims reserves (see Note 18)											**466,959**

Underwriting Year – Ceded ($'000)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
At end of the year of account	41,179	64,901	37,314	13,464	19,894	6,228	11,328	137,840	49,296	45,303	
One year later	151,782	80,934	35,766	18,604	17,110	15,277	28,661	164,543	88,493		
Two years later	162,052	76,801	36,652	20,626	14,372	14,862	31,494	157,712			
Three years later	162,694	75,144	35,746	19,671	13,308	13,647	32,277				
Four years later	164,048	75,268	35,682	17,598	13,362	13,282					
Five years later	164,019	74,902	35,406	17,488	12,645						
Six years later	167,250	75,550	35,413	14,358							
Seven years later	170,594	75,732	35,607								
Eight years later	171,450	75,691									
Nine years later	178,117										
RI ultimate claims	178,117	75,691	35,607	14,358	12,645	13,282	32,277	157,712	88,493	45,303	653,485
Less: Cumulative RI paid claims	(167,669)	(73,354)	(31,123)	(13,450)	(11,759)	(11,935)	(21,037)	(97,493)	(32,563)	(1,086)	(461,469)
RI claims reserves from 2010 to 2019	**10,448**	**2,337**	**4,484**	**908**	**886**	**1,347**	**11,240**	**60,219**	**55,930**	**44,217**	**192,016**
RI claims reserves from 2009 and prior											12,837
RI claims reserves (see Note 18)											**204,853**

17 Claims Development continued

Underwriting Year – Net ($'m)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
At end of the year of account	125,322	156,551	111,464	95,639	108,564	67,027	80,548	166,324	130,845	91,296	
One year later	223,301	239,370	151,330	155,363	143,268	103,921	134,970	216,217	173,306		
Two years later	214,711	225,993	134,523	147,054	131,897	98,260	128,623	215,701			
Three years later	206,530	214,894	128,844	139,527	129,118	96,047	119,894				
Four years later	206,389	206,499	128,783	136,576	126,761	93,890					
Five years later	204,604	205,193	129,141	134,729	124,645						
Six years later	202,555	203,411	125,851	132,504							
Seven years later	202,022	202,349	125,019								
Eight years later	201,920	202,150									
Nine years later	203,475										
Net ultimate claims	203,475	202,150	125,019	132,504	124,645	93,890	119,894	215,701	173,306	91,296	1,481,880
Less: Cumulative net paid claims	(193,383)	(201,323)	(122,019)	(123,417)	(118,544)	(79,554)	(107,747)	(165,804)	(102,098)	(14,432)	(1,228,321)
Net claims reserves from 2010 to 2019	**10,092**	**827**	**3,000**	**9,087**	**6,101**	**14,336**	**12,147**	**49,897**	**71,208**	**76,864**	**253,559**
Net claims reserves from 2009 and prior											8,547
Net claims reserves (see Note 18)											**262,106**

18 Technical Provisions

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

	Gross provisions $'000	Reinsurance assets $'000	2019 net $'000	Gross provisions $'000	Reinsurance assets $'000	2018 net $'000
Claims outstanding:						
Claims notified	**252,220**	**86,343**	**165,877**	266,708	95,773	170,935
Claims incurred but not reported	**233,107**	**120,448**	**112,659**	221,609	114,861	106,748
As at 1 January	**485,327**	**206,791**	**278,536**	488,317	210,634	277,683
Change in prior year provisions	**132,679**	**43,402**	**89,277**	179,777	49,101	130,676
Expected cost of current year claims	**41,649**	**18,132**	**23,517**	50,554	26,837	23,717
Claims paid during the year	**(198,731)**	**(66,269)**	**(132,462)**	(227,491)	(79,102)	(148,389)
Effects of movements in exchange rates	**6,035**	**2,797**	**3,238**	(5,830)	(679)	(5,151)
As at 31 December	**466,959**	**204,853**	**262,106**	485,327	206,791	278,536
Claims notified	**229,053**	**84,231**	**144,822**	252,220	86,343	165,877
Claims incurred but not reported	**237,906**	**120,622**	**117,284**	233,107	120,448	112,659
As at 31 December	**466,959**	**204,853**	**262,106**	485,327	206,791	278,536
Provision for unearned premiums:						
As at 1 January	**92,904**	**7,931**	**84,973**	79,669	5,245	74,424
Premiums written during the year	**285,375**	**90,146**	**195,229**	292,401	84,860	207,541
Premiums earned during the year	**(278,044)**	**(90,094)**	**(187,950)**	(277,399)	(82,119)	(195,280)
Effects of movements in exchange rates	**438**	**400**	**38**	(1,767)	(55)	(1,712)
As at 31 December	**100,673**	**8,383**	**92,290**	92,904	7,931	84,973

19 Creditors

As at 31 December	2019 $'000	2018 $'000
Creditors arising out of direct insurance operations	**13,715**	4,604
Creditors arising out of reinsurance operations	**50,620**	45,976
Other creditors including taxation and social security	**68,249**	37,259
Total	**132,584**	87,839

Other creditors including taxation and social security balance includes administrative expenses of $7.9m (2018: $16.5m), profit commission of $20.8m (2018: $20.8m) and intercompany loan of $40.0m (2018: $nil)due to the managing agent.

20 Foreign Exchange Rates

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

	2019 year end rate	2019 average rate	2018 year end rate	2018 average rate
Sterling	**1.31**	**1.27**	1.27	1.34
Euro	**1.12**	**1.12**	1.14	1.19
Canadian dollar	**0.77**	**0.75**	0.73	0.78

21 Related Parties

Lancashire Syndicates Limited ("LSL") manages Syndicates 2010 and 3010. Cathedral Capital Holdings Limited ("CCHL"), registered in England and Wales, is the immediate parent company of LSL. Lancashire Holdings Limited ("LHL"), registered in Bermuda, is the ultimate parent company of LSL. LHL is the largest group and CCHL is the smallest group which includes LSL and for which the consolidated financial statements are prepared.

Within the Lancashire Group there are two (re) insurance companies, Lancashire Insurance Company (UK) Limited (incorporated in the UK) and Lancashire Insurance Company Limited (incorporated in Bermuda). In addition, the Lancashire group includes Lancashire Capital Management Limited (incorporated in Bermuda) which is the underwriting manager for Lancashire Capital Management Limited, a special purpose insurer. There have been no transactions with this latter company.

Total managing agency fees charged during calendar year 2019 by LSL in respect of services provided to the Syndicate amounted to $1.7m (2018: $2.7m).

The amount of profit commission to the managing agent incurred in 2019 of $nil (2018: $nil) has been accrued in respect of the 2018 (2017) year of account, with $nil (2018: $nil) accrued in respect of the 2019 (2018) year of account.

A number of non-executive directors are also directors of other Lloyd's and non-Lloyd's insurance entities. Those syndicates and insurance companies may from time to time transact business with the syndicates managed by LSL. All such insurance contracts will have been dealt with on an arm's length basis.

Mr Maloney, CEO of LHL, and his spouse acquired 100% of the shares in Nameco 801 on 7 November 2016. Nameco 801 provides capacity to a number of Lloyd's Syndicates including Syndicate 2010. Nameco 801 has provided $0.2m of capacity to Syndicate 2010 for the 2019 year of account ($0.2m for the 2018 year of account). Mr Maloney receives a proportionate share of the underwriting results of Syndicate 2010 to which he is contractually entitled through his participation. Nameco has, on advice from its members' agent, increased its participation on Syndicate 2010 for the 2019 underwriting year of account by $0.02m to $0.2m.

The administrative expenses disclosed in Note 6 were recharged to the Syndicate by LSL. Where expenses were incurred jointly by the managing agent and the Syndicate, they were apportioned as follows

- Salaries and related costs – according to the estimated time of each individual spent on syndicate matters
- Accommodation costs – according to the number of personnel
- Other costs – as appropriate in each case

21 Related Parties continued

Amounts owed to LSL at 31 December 2019 totalled $68.6m (2018: $37.3m) and are included in "Other creditors including taxation and social security". This includes amounts due to LSL in relation to profit commission, intercompany loan and recharged expenses.

Cathedral Capital (1998) Limited ("C98"), a fellow subsidiary of LSL, provided capacity to the 2017, 2018 and 2019 underwriting years. C98's share of the result for the 2019 calendar year is a profit of $4.5m (2018: $17.2m loss). During 2018, the Syndicate received a loan of $20.0m from C98 through its managing agent, of which $10.0m is outstanding as at 31 December 2018. In 2019, the Syndicate has received another $10.0m loan from C98 and $20.0m from Cathedral Capital Holdings Limited, all of which are outstanding as at 31 December 2019.

In the normal course of business Syndicate 2010 has underwritten reinsurances of Syndicate 3010 and Lancashire Insurance Company Limited ("LICL"). The total premiums receivable from Syndicate 3010 amounted to $0.7m (2018: $0.1m). The total premiums receivable from LICL amounted to $4.6m (2018: $nil). These contracts were entered into and dealt with on a purely commercial arms-length basis and are in the interests of all names on the Syndicate. The following reinsurances of Syndicate 2010's business have been placed with related parties.

Group reinsurance cover

Periodically, the Syndicate benefits from a group reinsurance cover that sits on top of various pillars of reinsurance including the Non Marine account and also the Direct Property account. The limit is collateralised and Syndicate 2010's share is 0% for 2019 year of account (2018 year of account: 15%). Should the limit be exhausted by more than one loss / class of business then recoveries will be apportioned on a pro rata basis between the respective losses.

Consortia participation

Syndicate 2010 participates on Aviation Consortia contracts which are led by Syndicate 3010 and managed by LSL. As the manager of these consortia, LSL charges all members an annual fee and profit commission in proportion to each consortium members' share of the signed premium income and any net profit. The amount of consortium fee incurred in 2019 is $0.3m (2018: $0.1m). The amount of consortium profit commission incurred in 2019 is $0.5m (2018: $0.1m).

Key management compensation

Key management personnel include all persons having authority and responsibility for planning, directing and controlling the activities of the Syndicate. These people include both the executive and non-executive directors of the managing agent, LSL, together with certain other members of the executive management team who are not themselves directors of the managing agent.

Details of the cost of the key management compensation charged to the Syndicate are as follows:

Key management compensation	2019 $'000	2018 $'000
Salaries and other short-term employee benefits (see Note 8 and Note 9)	1,262	1,378
Post-employment benefits	138	174
Total	**1,400**	**1,552**

22 Bank Facilities

The Syndicate has arranged a catastrophe facility (up to a maximum of $80.0m) with Barclays Bank Plc. The facility is there to assist in paying claims and gross funding of catastrophes. The whole facility can be utilised by way of Letter of Credit or pure credit to assist the Syndicate's gross funding requirements. The facility was not utilised during the calendar year 2019 and Syndicate 2010 renewed for another year in December 2019.

23 Post Balance Sheet Events

Total losses of $79.7m will be called from members' personal reserve funds in respect of the 2017 year of account (2018: $25.0m profit in relation to the 2016 year of account).

24 Funds at Lloyd's

Every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's ('FAL'). These funds are intended primarily to cover circumstances where Syndicate assets prove insufficient to meet participating members' underwriting liabilities. The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on Prudential Regulatory Authority requirements and resource criteria. The determination of FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten.

Since FAL is not under the management of the Managing Agent, no amount has been shown in these annual accounts by way of such capital resources. However, the Managing Agent is able to make a call on the Members' FAL to meet liquidity requirements or to settle losses.

SYNDICATE UNDERWRITING YEAR ACCOUNTS
FOR THE 2017 YEAR OF ACCOUNT
CLOSED AT 31 DECEMBER 2019

Opinion

We have audited the Syndicate underwriting year accounts for the 2017 year of account of Syndicate 2010 for the three year period ended 31 December 2019 which comprise the Statement of Profit or Loss Technical Account- General Business; Statement of Profit or Loss- Non Technical Account; Balance Sheet; Statement of Changes in Members' Balances; Statement of Cash Flows and related notes, including the accounting policies in Note 2.

In our opinion the underwriting year accounts:

- give a true and fair view of the Syndicate's loss for the 2017 closed year; and
- have been properly prepared in accordance with the requirements of the Lloyd's Syndicate Accounting Byelaw.

Basis for opinion

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

Emphasis of matter - non-going concern basis of preparation

We draw attention that the disclosure made in note 1 to the underwriting year accounts which explains that the underwriting year accounts have not been prepared on the going concern basis for the reasons set out in that note. Our opinion is not modified in respect of this matter.

Report of the directors of the Managing Agent

The directors are responsible for the Report of the directors of the Managing Agent. Our opinion on the underwriting year accounts does not cover that report and we do not express an audit opinion thereon.

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

Matters on which we are required to report by exception

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

- adequate and proper accounting records have not been kept by the directors of the managing agent on behalf of the syndicate; or
- the underwriting year accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Responsibilities of the directors of the managing agent

As explained more fully in their statement set out on page 40, the directors of the managing agent re responsible for: the preparation of the underwriting year accounts in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and for being satisfied that they give a true and fair view of the result of the underwriting year at closure; such internal control as they determine is necessary to enable the preparation of underwriting year accounts that are free from material misstatement, whether due to fraud or error; assessing the syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend cease trading, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Syndicate's members, as a body, in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw. 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.

Timothy Butchart (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

6 March 2020

The directors are responsible for preparing the Syndicate underwriting year accounts in accordance with the Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw.

Regulations require the directors to prepare underwriting year accounts for each financial year. Under the relevant regulations they have elected to prepare the underwriting year accounts in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 the directors of the managing agent must not approve the underwriting year accounts unless they are satisfied that they give a true and fair view of the result of the underwriting year at closure. In preparing these underwriting year accounts, the directors are required to:

- select suitable accounting policies and where there are items which affect more than one year of account, ensure a treatment which is equitable between the members of the syndicate affected is used and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the underwriting year accounts;
- assess the syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so. As explained in Note 1, the directors of the managing agent do not believe that it is appropriate to prepare the underwriting year accounts on a going concern basis.

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

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

By order of the Board

C J Whittle
Chief Financial Officer

Lancashire Syndicates Limited

6 March 2020

STATEMENT OF PROFIT OR LOSS
TECHNICAL ACCOUNT – GENERAL BUSINESS 2017 YEAR OF ACCOUNT
FOR THE 36 MONTHS ENDED 31 DECEMBER 2019

	Notes	2019 $'000
Earned premiums, net of reinsurance		
Gross premiums written	3	**263,184**
Outward reinsurance premiums		**(81,934)**
Net premiums written		**181,250**
Change in the provision for unearned premiums		
Gross amount		**2,667**
Reinsurers' share		**(218)**
Earned premiums, net of reinsurance		**183,699**
Reinsurance to close premiums received, net of reinsurance		**90,408**
Allocated investment return transferred from the non-technical account		**3,424**
Claims incurred, net of reinsurance		
Claims paid:		
Gross amount		**(285,647)**
Reinsurers' share		**103,940**
Net claims paid		**(181,707)**
Reinsurance to close premium payable, net of reinsurance	7	**(110,235)**
Claims incurred net of reinsurance		**(291,942)**
Net operating expenses	3, 5	**(65,195)**
Balance on the technical account for general business		**(79,606)**

The underwriting year has closed and all items therefore relate to discontinued operations.

The notes on pages 46 to 54 form part of these accounts.

STATEMENT OF PROFIT OR LOSS
NON-TECHNICAL ACCOUNT 2017 YEAR OF ACCOUNT
FOR THE 36 MONTHS ENDED 31 DECEMBER 2019

	Notes	2019 $'000
Balance on technical account for general business		**(79,606)**
Investment income and realised gains on investments	6	**4,054**
Unrealised gains on investments	6	**146**
Investment expenses and charges and realised losses on investments	6	**(473)**
Unrealised losses on investments	6	**(304)**
Allocated investment return transferred to the general business technical account		**3 423**
Exchange gain		**943**
Other charges		**(1,034)**
Losses for the closed year of account		**(79,697)**

There are no other comprehensive gains or losses for the 36 months ended 31 December 2019.

The notes on pages 46 to 54 form part of these accounts.

BALANCE SHEET
2017 YEAR OF ACCOUNT
AS AT 31 DECEMBER 2019

	Notes	2019 $'000
Assets		
Financial investments	8	**123,872**
Debtors:		
Debtors arising out of direct insurance operations	9	**(530)**
Debtors arising out of reinsurance operations	10	**21,806**
Other debtors	11	**2,663**
		23,939
Reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account	7	**103,383**
Other assets:		
Cash and cash equivalents	12	**3,737**
Other		**7,432**
		11,169
Prepayments and accrued income		**465**
Total Assets		**262,828**
Liabilities		
Amounts due from members		**(79,697)**
Reinsurance to close premiums payable to close the account – gross amount	7	**218,721**
Creditors:		
Creditors arising out of direct insurance operations	13	**7,744**
Creditors arising out of reinsurance operations	13	**14,087**
Other creditors including taxation and social security	13	**101,775**
		123,606
Accruals and deferred income		**198**
Total Liabilities		**262,828**

The notes on pages 46 to 54 form part of these accounts.

The Syndicate underwriting year accounts on pages 41 to 54 were approved by the Board of Lancashire Syndicates Limited on 4 March 2020 and were signed on its behalf by:

C J Whittle
Chief Financial Officer

6 March 2020

STATEMENT OF CHANGES IN MEMBERS' BALANCE
2017 YEAR OF ACCOUNT
FOR THE 36 MONTHS ENDED 31 DECEMBER 2019

	2019 $'000
Members' balance at 1 January 2017	—
Losses for the closed year of account	(79,697)
Members' balance as at 31 December 2019	**(79,697)**

The notes on pages 46 to 54 form part of these accounts.

STATEMENT OF CASH FLOWS
2017 YEAR OF ACCOUNT
FOR THE 36 MONTHS ENDED 31 DECEMBER 2019

	Notes	36 months ended 31 December 2019 $'000
Cash flow from operating activities		
Loss for the closed year of account		**(79,697)**
Realised and unrealised investment gains		**(534)**
Income from investments		**(3,119)**
Net reinsurance to close premium payable		**115,338**
Increase in debtors		**(10,191)**
Increase in prepayments and accrued income		**(181)**
Increase in creditors		**109,281**
Increase in accruals and deferred income		**193**
Non cash consideration received as part of RITC received	14	**(77,628)**
Net cash inflow from operating activities		**53,462**
Cash flows from investing activities		
Interest received		**3,119**
Purchase of debt securities and other fixed income securities		**(45,722)**
Movement of overseas deposits		**(7,122)**
Net cash outflow from investing activities		**(49,725)**
Increase in cash and cash equivalents in the period		**3,737**
Cash and cash equivalents as at 1 January 2017		**—**
Effect of exchange rates and change in market value on cash and cash equivalents		**—**
Cash and cash equivalents as at 31 December 2019		**3,737**

The notes on pages 46 to 54 form part of these accounts.

1 Basis of Preparation

These underwriting year accounts have been prepared under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Lloyd's Regulations") and in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005) and applicable Accounting Standards in the United Kingdom, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") as issued in August 2014, and Financial Reporting Standard 103 "Insurance Contracts" ("FRS 103").

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These accounts relate to the 2017 year of account which has been closed by reinsurance to close at 31 December 2019. Consequently the Balance Sheet represents the assets and liabilities of the 2017 year of account and the Statement of Profit or Loss, and the Statement of Cash Flows reflect the transactions for that year of account during the 36 month period until closure.

Whilst the directors of the managing agent have a reasonable expectation that the syndicate has adequate resources to continue to operate, these underwriting year accounts represent the participation of members in the 2017 year of account, which closed on 31 December 2019. Therefore the 2017 year of account is not continuing to trade and, accordingly the directors have not adopted the going concern basis in the preparation of these accounts. This has no effect on the amounts reported in the accounts as the 2017 year of account will be closed by payment of a reinsurance to close premium, as outlined in note 2 below, which is consistent with the normal course of business for a Lloyd's syndicate and with the approach we have applied to earlier underwriting years.

Use of estimates

The financial statements have been prepared using critical estimates and assumptions that affect the reported amounts of assets and liabilities. Although these estimates are based on management's best knowledge of the current events and actions, actual outcomes may differ from those estimates, possibly significantly. The most significant estimate made by management is in relation to insurance risk, where the key risk factors impacting managements estimate are disclosed in Note 4 of the Syndicate Annual Accounts.

2 Significant Accounting Policies

a) Underwriting transactions

The underwriting accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of the three year period, outstanding liabilities can normally be determined with sufficient accuracy to permit the year of account to be closed by payment of a reinsurance to close premium to the successor year of account.

b) Reinsurance to close premium

The reinsurance to close premium is determined by reference to the outstanding technical provisions (including those for outstanding claims, IBNR, unearned premiums, net of deferred acquisition costs, and unexpired risks) relating to the closed year and to all previous closed years reinsured therein. Although this estimate of net outstanding liabilities is considered to be fair and reasonable, it is implicit in the estimation procedure that the ultimate liabilities will be at variance with the premium so determined. The reinsurance to close premium transfers the liability in respect of all claims, reinsurance premiums, return premiums and other payments in respect of the closing year (and previous closed years reinsured therein) to the members of the successor year of account and gives them the benefit of refunds, recoveries, premiums due and other income in respect of those years in so far as they have not been credited in these accounts.

c) Premiums written, reinsurance premium ceded and unearned premiums

Gross premiums are allocated to years of account on the basis of the inception date of the policy. Commission and brokerage are charged to the year of account to which the relevant policy is allocated. Policies written under binding authorities, line slips or consortium arrangements are allocated to the year of account into which the arrangement incepts. Additional and return premiums follow the year of account of the original premium. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due but not yet notified to the Syndicate year of account.

Written premium is earned according to the risk profile of the policy. Unearned premiums represent the balance of premiums written in the period to the Statement of Financial Position date that relate to unexpired terms of policies in force at that date.

Outwards reinsurance premiums ceded are attributed to the same year as the original risk being protected.

2 Significant Accounting Policies continued

d) Claims and related recoveries

Gross claims paid are allocated to the same year of account as that to which the corresponding premiums are allocated and include internal and external claims settlement expenses. Reinsurance recoveries are allocated to the year of account to which the claim was charged.

Outstanding claims comprise amounts set aside for claims notified and claims incurred but not yet reported ("IBNR"). Notified claims are estimated on a case by case basis with regard to the circumstances as reported, any information available from loss adjusters and previous experience of the cost of settling claims with similar characteristics.

The amount included in respect of IBNR is based on a detailed review of losses and loss development by management and further reviewed by external consulting actuaries. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate so as to minimise any adverse run-off deviation.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved.

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

e) Acquisition costs

Acquisition costs comprise commission and other internal and external costs related to the acquisition of new insurance contracts. These are recognised in line with gross earned premiums.

f) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, deposits held at call with banks and other short-term, highly liquid investments with maturities of three months or less from the date of acquisition.

g) Financial Instruments

(i) Financial Investments

As permitted by FRS 102, the Syndicate has elected to apply the recognition and measurement provisions of IAS 39 Financial Instruments (as adopted for use in the EU) to account for all of its financial instruments. The investments are held for investment purposes as designated at fair value through profit and loss at inception. A financial asset is classified into this category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit taking, or if so designated by management. The investment strategy is to manage financial instruments acquired on a fair value basis. The fair values of quoted financial instruments are based on bid prices at the Statement of Financial Position date. Unlisted investments for which a market exists are stated at the average price at which they were traded on the Statement of Financial Position date or the last trading day before that date.

Realised and unrealised gains and losses on investments classified as fair value through profit and loss are recognised through the Statement of Profit or Loss.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Syndicate commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

(ii) Other financial assets and liabilities

Insurance debtors and other short term debtors are classed as loans and receivables under IAS 39, which have fixed or determinable payments that are not quoted in an active market, are initially recorded at fair value and subsequently held at amortised cost. These receivables are assessed for impairment on an annual basis. Insurance creditors are initially recorded at fair value and subsequently held at amortised cost.

h) Fair Value of Financial Assets

The fair value hierarchy is as follows:

(i) Level 1 is financial assets which are measured at quoted prices in an active market, where quoted prices are readily available, and those prices represent actual and regularly occurring market transactions on an arm's length basis;

(ii) Level 2 is using a valuation technique based on securities with quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market date. These investments are valued via independent external sources using modelled or other valuation methods; and

(iii) Level 3 is using a valuation technique based on the Syndicates own assumptions.

i) Investments and investment return

Investment return comprises investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses and charges. Investment return arising in each calendar year on all the Syndicate's investments is allocated to open years of account in proportion to the average funds available for investment attributable to those years. Investment returns in respect of overseas deposits are allocated to the year of account which funded these deposits.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between their valuation at the Statement of Financial Position date and their purchase price or, if they have been previously valued, their valuation at the end of the previous calendar year, together with the reversal of unrealised gains and losses recognised in earlier calendar years in respect of investment disposals in the current period.

Investment return is initially recorded in the Non-Technical Account. A transfer is made from the Non-Technical Account to the Technical Account General Business to reflect the investment return on funds supporting underwriting business. All investment return is considered to arise on such funds.

j) Syndicate operating expenses

Costs incurred by the managing agent in respect of the Syndicate are charged to the Syndicate and included within the relevant profit and loss account heading. Where expenses do not relate to any specific year of account they are apportioned between years of account on a basis which reflects the benefit obtained by each year of account from each type of expense.

Where expenses are incurred jointly by the managing agent and the Syndicate, they are apportioned as follows:

Salaries and related costs – according to the estimated time of each individual spent on syndicate matters

Accommodation costs – according to the number of personnel

Other costs – as appropriate in each case

The managing agent operates a defined contribution pension scheme and it recharges to the Syndicate staff costs which include an element for pension costs. These pension costs are expensed in full in the period to which the recharge relates.

Amounts recharged by the managing agent include costs arising from the use of assets in the period. These rental costs are expensed in full in the period to which the recharge relates.

k) 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 income tax deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax. It is the responsibility of members to agree and settle their individual tax liabilities with HM Revenue & Customs.

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

Members resident overseas for tax purposes are responsible for agreeing and settling any tax liabilities with the taxation authorities of their country of residence.

2 Significant Accounting Policies continued

l) Basis of currency translation

The functional and presentational currency of the Syndicate is US Dollars. Transactions in currencies other than the functional currency are translated at the rate of exchange at the date of the transaction or at an approximate average rate.

Assets and liabilities are retranslated into US Dollars at the rate of exchange at the Statement of Financial Position date unless contracts to sell currency for Sterling have been entered into prior to the year end, in which case the contracted rates are used. This includes all assets and liabilities arising from insurance contracts including unearned premium and deferred acquisition costs. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Although transactions are translated as described above, the final result for the year of account is calculated with Sterling, Canadian Dollars and Euros translated at the Statement of Financial Position date rates of exchange.

Differences arising on the retranslation of foreign currency amounts are included in the non-technical account, except when a gain or loss on a non-monetary item is recognised in Other Comprehensive Income. Realised exchange differences are included in the technical account within net operating expenses.

Where Canadian Dollars or Euros are sold or bought relating to the profit or loss of a closed underwriting account after 31 December, any exchange profit or loss arising is reflected in the underwriting account into which the liabilities of that year have been reinsured. Where US Dollars relating to the profit or loss of a closed underwriting account are bought or sold by members for that year, any exchange profit or loss accrues to those members.

m) Profit commission

Profit commission is charged by the managing agent at a rate of 20% of the profit on a year of account basis subject to the operation of a 2-year deficit clause. This is charged to the Syndicate as incurred but does not become payable until after the appropriate year of account closes, normally at 36 months.

3 Analysis of Underwriting Result

An analysis of the underwriting result before investment return for the 36 months and the net technical provisions as at 31 December 2019 are presented below:

			36 months ended 31 December 2019				
Type of business	Gross premiums written $'m	Gross premiums earned $'m	Gross claims incurred $'m	Net operating expenses $'m	Reinsurance balance $'m	Total excluding investment return $'m	Net technical provisions $'m
Direct insurance:							
Motor (other classes)	636	1,111	(323)	(117)	(4)	667	129
Marine, aviation and transport	2,540	5,651	(1,582)	471	(47)	4,493	632
Fire and other damage to property	79,069	93,349	(89,457)	(51,852)	789	(47,171)	35,712
Third party liability	1,235	1,573	(614)	(1,180)	(6)	(227)	245
Credit and suretyship	189	626	3	(159)	—	470	(1)
	83,669	102,310	(91,973)	(52,837)	732	(41,768)	36,717
Reinsurance acceptances	179,515	163,541	(193,674)	(12,358)	1,229	(41,262)	77,315
Total	263,184	265,851	(285,647)	(65,195)	1,961	(83,030)	114,032

Reinsurance acceptances include the reinsurance to close premium of $90,408k received from the 2016 year of account.

Reinsurance balance includes all reinsurance related balances including the 2017 reinsurance to close premium payable of $110,235k

The gross premiums written by geographical destination is set out below. All premiums written are for contracts with external customers and are concluded in the UK.

Geographical analysis by destination	Gross written premiums $'000
United Kingdom	27,068
US	127,279
Other EU member states	20,811
Rest of the world	88,026
Total	263,184

4 Technical Account Balance Before Allocated Investment Return and Net Operating Expenses

	2019 $'000
Balance attributable to business allocated to the 2017 year of account	92,057
Balance attributable to the reinsurance to close of the 2016 years of account and prior	(12,360)
Total	79,697

5 Net Operating Expenses

	2019 $'000
Acquisition costs	42,737
Change in deferred acquisition costs	926
Administrative expenses	17,157
Reinsurers' commissions and profit participation	(365)
Personal expenses	4,740
Total	**65,195**

	2019 $'000
Auditors' remuneration:	
- Fees payable to the Syndicate's auditor for the audit of these accounts	13

6 Investment Return

	2019 $'000
Investment income:	
Interest and dividend income	3,119
Realised gains on investments	935
Unrealised gains on investments	146
Investment expenses and charges:	
Investment management expenses, including interest	(230)
Realised losses on investments	(243)
Unrealised losses on investments	(304)
Total	**3,423**

7 Reinsurance Premium Payable to Close the 2017 Year of Account

	2019 $'000
Gross outstanding claims	135,813
Reinsurance recoveries anticipated	(72,852)
Net outstanding claims	62,961
Provision for gross claims incurred but not reported	82,908
Reinsurance recoveries anticipated	(30,531)
Provision for net claims incurred but not reported	52,377
Provision for future inwards gross premiums	(21,275)
Provision for future reinsurance protection	16,172
Provision for net premiums incurred but not reported	(5,103)
Reinsurance premium payable to close the account	**110,235**

The provision for future inwards gross premiums is included within gross premiums written and the provision for future reinsurance protection is included within outwards reinsurance premiums in the statement of profit or loss.

8 Financial Investments

	2019 $'000
Share and other variable yield securities	11,597
Debt Securities and other fixed income securities	112,275
Total	**123,872**

Debt securities and other fixed income securities are all listed on recognised stock exchanges.

The Syndicate classifies its financial instruments held at fair value in its Statement of Financial Position using a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Prices based on recent transactions in identical assets;
- Level 3 – Prices determined using a valuation technique. This includes loan to Lloyd's central fund.

As at 31 December 2019 $'000	Level 1	Level 2	Level 3	Total
Share and other variable yield securities	2,356	9,241	—	11,597
Debt securities and other fixed income securities	—	112,275	—	112,275
Total	**2,356**	**121,516**	**—**	**123,872**

9 Debtors Arising Out of Direct Insurance Operations

	2019 $'000
Due within one year – amounts due from intermediaries	(530)

10 Debtors Arising Out of Reinsurance Operations

	2019 $'000
Due within one year	21,806

11 Other Debtors

	2019 $'000
Amount due from members	1,059
Other	1,604
Total	**2,663**

12 Cash and Cash Equivalents

	2019 $'000
Cash at bank and in hand	3,737
	3,737

All cash and cash equivalents held by the Syndicate are only available for investment and for paying of claims to its policyholders and expenses.

13 Creditors

	2019 $'000
Creditors arising out of direct insurance operations	7,744
Creditors arising out of reinsurance operations	14,087
Inter year loan	42,699
Other creditors including taxation and social security	59,076
Total	**123,606**

Creditors are all due within one year. Other creditors including taxation and social security include expenses and profit commission payable to the managing agent.

14 Non Cash Consideration as Part of RITC Received

	2019 $'000
Financial investments	77,616
Debtors	14,342
Creditors	(14,330)
Total	**77,628**

15 Related Parties

Lancashire Syndicates Limited ("LSL") manages Syndicates 2010 and 3010. Cathedral Capital Holdings Limited ("CCHL"), registered in England and Wales, is the immediate parent company of LSL. Lancashire Holdings Limited ("LHL"), registered in Bermuda, is the ultimate parent company of LSL. LHL is the largest group and CCHL is the smallest group which includes LSL and for which the consolidated financial statements are prepared.

Within the Lancashire Group there are two (re) insurance companies, Lancashire Insurance Company (UK) Limited (incorporated in the UK) and Lancashire Insurance Company Limited (incorporated in Bermuda). In addition, the Lancashire group includes Lancashire Capital Management Limited (incorporated in Bermuda) which is the underwriting manager for Kinesis Reinsurance Limited, a special purpose insurer. There have been no transactions with this latter company.

Total managing agency fees payable to LSL in respect of services provided to the Syndicate in respect of the 2017 year of account amounted to $nil outstanding as at 31 December 2019. Profit commission of $20.8m is also due to the managing agent in respect of the profit on the 2015 and 2016 closed years which is outstanding as at 31 December 2019.

A number of non-executive directors are also directors of other Lloyd's and non-Lloyd's insurance entities. Those Syndicates and insurance companies may from time to time transact business with the Syndicates managed by LSL. All such insurance contracts will have been dealt with on an arm's length basis.

Mr Maloney, CEO of LHL, and his spouse acquired 100% of the shares in Nameco 801 on 7 November 2016. Nameco 801 provides capacity to a number of Lloyd's Syndicates including Syndicate 2010. Nameco 801 has provided $0.2m of capacity to Syndicate 2010 for the 2017 year of account. Mr Maloney receives a proportionate share of the underwriting results of Syndicate 2010 to which he is contractually entitled through his participation.

The administrative expenses disclosed in Note 5 were recharged to the Syndicate by LSL to the 2017 year of account. The basis on which expenses are apportioned is set out in Note 2(j).

Amounts owed to LSL relating to profit commission as at 31 December 2018 totalled $60.0m and are included in "Other creditors including taxation and social security".

Cathedral Capital (1998) Limited, a fellow subsidiary of LSL, provided capacity to the underwriting years as follows:

Year of Account	2017(£)	2018 (£)	2019(£)
Cathedral Capital (1998) Limited	177,033,147	177,033,147	177,033,147

C98's share of the result for the 2017 underwriting year is a loss of $46.2m. During 2018, the Syndicate received a loan of $20.0m from C98 through its managing agent, of which $10.0m is outstanding as at 31 December 2018. In 2019, the Syndicate has received another $10.0m loan from C98 and $20.0m from Cathedral Capital Holdings Limited, all of which are outstanding as at 31 December 2019.

Syndicate 2010 participates on Aviation Consortia contracts which are led by Syndicate 3010 and managed by LSL. As the manager of these consortia, LSL charges all members an annual fee and profit commission in proportion to each consortium members' share of the signed premium income and any net profit.

16 Borrowings

During the period to 31 December 2019, the Syndicate had an unsecured catastrophe facility of $80.0m with Barclays Bank plc to assist with the paying or funding of any significant catastrophe losses. This facility was never utilised by the 2017 year of account and accordingly the balance outstanding at the Balance Sheet date was $nil.

17 Foreign Exchange Rates

	2019 year end rate
Euro	1.12
Sterling	1.31
Canadian dollar	0.77

18 Post Statement of Financial Position Events

The reinsurance premium to close the 2017 year of account as at 31 December 2019 was agreed by the managing agent on 14 February 2020. Consequently the technical provisions at 31 December 2019 have been presented in the Balance Sheet under the headings "reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account" and "reinsurance to close premiums payable to close the account - gross amount" in accordance with the format prescribed by the Syndicate Accounting Byelaw. The actual amount of reinsurance to close premiums paid will be after deduction of unsigned premiums.

The amount of $79.7m losses will be called from members' personal reserve funds.

SEVEN YEAR SUMMARY OF RESULTS (UNAUDITED)

	2017 YOA	2016 YOA	2015 YOA	2014 YOA	2013 YOA	2012 YOA	2011 YOA
Syndicate allocated capacity	**£304.6m**	£305.7m	£305.9m	£350.0m	£349.7m	£349.5m	£349.7m
Gross capacity utilised(i)	**67.8**	64.0%	65.3%	60.3%	75.9%	80.1%	83.6%
Number of underwriting members	**1.293**	1,303	1,250	1,251	1,230	1,186	1,118
Aggregate net written premiums(i)	**£141.9m**	£150.8m	£151.7m	£162.6m	£195.9m	£207.4	£215.3
Net capacity utilised(i)	**46.6**	49.3%	49.6%	46.5%	56.0%	59.3%	61.6%
Loss ratio(ii)	**105.6**	66.9%	58.2%	59.3%	59.4%	57.2%	75.5%
Results for an illustrative share of £10,000							
Gross written premiums	**6,782**	6,398	6,534	6,026	7,590	8,026	8,364
Net earned premiums	**4,568**	5,232	5,056	4,735	5,506	5,954	6,164
Reinsurance to close received from an earlier account	**2,337**	2,358	2,440	2,233	2,424	2,715	2,735
Net claims paid	**(4,531)**	(2,865)	(2,187)	(2,560)	(2,608)	(2,529)	(4,008)
Reinsurance to close payable	**(2,763)**	(2,329)	(2,356)	(2,133)	(2,235)	(2,426)	(2,714)
Loss on exchange	**(40)**	—	—	0	(7)	(30)	(71)
Acquisition costs	**(1,063)**	(1,138)	(1,053)	(997)	(1,228)	(1,299)	(1,280)
Syndicate operating expenses	**(485)**	(355)	(352)	(290)	(259)	(247)	(236)
Balance on technical account before investment return	**(1,977)**	903	1,548	987	1,593	2,138	590
Investment income and gains less losses, less expenses and charges	**91**	65	73	74	63	69	87
Profit for closed year of account before personal expenses	**(1,886)**	968	1,621	1,062	1,656	2,207	677
Currency translation differences	**10**	—	214	823	48	112	(114)
Total recognised gains and losses before personal expenses	**(1,876)**	968	1,835	1,885	1,704	2,319	563
Illustrative personal expenses for a traditional Name:							
- Managing agent's salary	**(65)**	(65)	(65)	(65)	(65)	(65)	(65)
- Central Fund contributions	**(25)**	(23)	(28)	(26)	(33)	(17)	(36)
- Lloyd's subscription	**(31)**	(28)	(28)	(26)	(32)	(34)	(36)
- Profit commission	—	(170)	(343)	(353)	(315)	(440)	(85)
Total illustrative personal expenses for a traditional Name	**(121)**	(286)	(464)	(471)	(445)	(556)	(222)
Total result after illustrative personal expenses	**(1,997)**	682	1,371	1,415	1,259	1,763	341

Notes

(i) Premiums above are gross of brokerage. Therefore, it is possible that the capacity utilisation could exceed 100%, as the traditional way of monitoring utilisation is net of brokerage.

(ii) The loss ratio is claims paid plus the reinsurance to close divided by net earned premiums plus reinsurance to close received.

Lancashire
Syndicate 2010

29th Floor
20 Fenchurch Street
London EC3M 3BY
United Kingdom

Tel: +44 (0)20 7170 9000
Fax: +44 (0)20 7170 9001
e-mail enquiries: info@cathedralcapital.com