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SYNDICATE 3002

ANNUAL REPORT AND ACCOUNTS

YEAR ENDED 31 DECEMBER 2019

CONTENTS

SYNDICATE INFORMATION

MANAGING AGENT:

Managing agents	Catlin Underwriting Agencies Limited ("CUAL")
Managing agent's company number	01815126

Directors	P Bradbrook	
	P Greensmith	
	R Littlemore	
	L Prato	
	C Ighodaro	(Non-Executive)
	B Joseph	(Non-Executive)
	B Poupart-Lafarge	(Non-Executive)
	J Vereker	(Non-Executive)
	J Weatherstone	(Non-Executive)
	P Wilson	(Non-Executive)

Company secretary	M L Rees
Registered office	20 Gracechurch Street London EC3V 0BG

SYNDICATE:

Active underwriter	S Hearn
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT

FINANCIAL HIGHLIGHTS

Key Performance Indicators (KPIs)	**2019**	*Restated 2018*
Syndicate capacity (£m)	**41.8**	*37.4*
Gross premiums written (£m)	**50.0**	*42.9*
Net premium written (£m)	**30.9**	*25.5*
Net Premium earned (£m)	**29.8**	*23.2*
Underwriting result (£m)	**3.0**	*2.0*
Profit for the financial year (£m)	**3.2**	*2.5*
Claims ratio (%)	**62.8**	*58.7*
Expense ratio (%)	**27.1**	*32.7*
Combined ratio (%)	**89.9**	*91.4*

Claim ratio is the percentage of net incurred claims in relation to the net earned premiums.

Expense ratio is the percentage of net operating expenses in relation to the net earned premiums.

The combined ratio is the sum of the ratios of net operating expenses and net incurred claims to net earned premiums. A combined ratio of less than 100% represents an underwriting profit.

STRATEGIC REPORT OF THE MANAGING AGENT FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors of Catlin Underwriting Agencies Limited ("CUAL"), the managing agent, present their strategic report and audited financial statements for the year ended 31 December 2019.

Principal activities

The principal activity of Syndicate 3002 ("the Syndicate") is to underwrite term life insurance business within the Lloyd's of London market.

The Syndicate's strategy is to focus on developing UK and International life insurance and reinsurance solutions, both on a standalone basis and in conjunction with the Accident and Health policies offered by Syndicate 2003.

The result for the year is a profit of £3.2m (2018: £2.5m).

The underwriting result (net earned premiums minus net claims incurred and net operating expenses) for 2019 is £3.0m (2018: £2.0m).

Results and performance

During the year, the Syndicate wrote £50m in gross premiums, a 17% increase over the previous year (2018: £42.8m). This increase is largely driven by new businesses in Latin American and improved rates.

The Syndicate incurred a net loss ratio of 62.8 % (2018: 58.7 %).

Strategy and future outlook

CUAL's strategy is to leverage the inherent strengths of the Lloyd's market to write a portfolio of business that provides a better return than the market over the underwriting cycle. We aim to differentiate ourselves through offering underwriting excellence in specialised areas of insurance and reinsurance. Our objective to support our underwriters with a flexible underwriting environment, superior analytics, efficient claims handling and a robust Enterprise Risk Management framework continues.

The Syndicate's strategy and focus is to continue the pursuit of sustainable and disciplined growth. By using effective distribution channels, we will continue to offer a suite of products and services to meet the evolving needs of our clients, and contribute to AXA's "Ambition 2020" plan. The Syndicate is an important part of AXA's business model transformation to anticipate the evolving needs of the customer and articulate this through its preferred segments.

The Syndicate will continue to transact term life insurance business. Disciplined growth and development of the business will continue to be encouraged and supported by the Board.

For the 2020 underwriting year, the Syndicate will continue to purchase intra group reinsurance (IGR) with XL Bermuda Ltd.

The 2017 and prior underwriting year has Reinsured to Close ("RITC") into the Syndicate's 2018 underwriting year at an RITC premium of £1.7m.

STRATEGIC REPORT OF THE MANAGING AGENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

Managed Syndicates

CUAL, the managing agent of the Syndicate, is a company registered in England and Wales. CUAL is a wholly-owned subsidiary of its ultimate parent AXA SA, a company registered in France. Copies of the financial statements of AXA SA ("AXA") are available from 25 Avenue Matignon FR-75008 Paris France.

The Syndicate is wholly-aligned with capital provided by AXA XL, a division of AXA SA, through a subsidiary Catlin (One) Limited.

Stamp capacity of the Syndicate

The Lloyd's Stamp Capacity for the 2020 underwriting year has been increased to £45m (2019 underwriting year: £41.8m). Catlin (One) Limited is the sole member of the Syndicate.

This report was approved by the Board and signed on its behalf by:

P Bradbrook
Director
5 March 2020

MANAGING AGENT'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors of the managing agent present their report together with the audited financial statements for the year ended 31 December 2019.

The annual accounts are prepared using the annual basis of accounting as required by Regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations"), as well as in compliance with United Kingdom Generally Accepted Accounting Principles (GAAP), including Financial Reporting Standard 102, ‘‘The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland’’ (‘‘FRS 102’’) and Financial Reporting Standard 103, “Insurance Contracts” ("FRS 103").

The managing agent has received, in writing, agreement from Catlin Syndicate Limited, the sole member of XL Catlin Syndicate 3002 for the 2013 and prior underwriting years, that no underwriting year's accounts need to be prepared. This is in accordance with Section 4, Paragraph 1b of Statutory Instrument 2004 No 3219. For the 2014 underwriting year and subsequent underwriting years, Catlin (One) Limited is the sole member of the Syndicate.

Future developments and strategy are discussed within the strategic report.

Member's balance

The member’s balance as at 31 December 2019 is £3.1m (2018: £3.5m).

Directors

The Directors of CUAL who held office during the year and up to the date of signing the annual accounts were:

P Bradbrook		
P Greensmith		
R Littlemore		
L Prato		Appointed 27 June 2019
C Ighodaro	(Non-Executive)	
B Joseph	(Non-Executive)	
B Poupart-Lafarge	(Non-Executive)	Appointed 27 November 2019
J Vereker	(Non-Executive)	
J Weatherstone	(Non-Executive)	Appointed 11 February 2020
P Wilson	(Non-Executive)	

Financial instruments and risk management
Information on the use of financial instruments by the Syndicate and its management of financial risk and in particular its exposure to interest rate risk, equity price risk, currency risk, credit risk and liquidity risk is disclosed in note 2 to the financial statements.

MANAGING AGENT'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

Statement of managing agent's responsibilities

The Directors of the managing agent are responsible for preparing the Syndicate annual accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Principles (GAAP), including Financial Reporting Standard 102 - "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103 - "Insurance Contracts" ("FRS 103"), both issued by the Financial Reporting Council.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Regulations") require the managing agent to prepare Syndicate annual accounts for the Syndicate at 31 December each year. The Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Syndicate and of the profit or loss of the Syndicate for that period.

In preparing these Syndicate annual accounts, the Directors of the managing agent are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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 financial statements; and
- prepare the financial statements on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume that there will be future years of account of the Syndicate.

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 it to ensure that the Syndicate's annual accounts comply with the Regulations and the relevant provisions of the Companies Act 2006. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

Statement of disclosure of information to the auditors

Each of the persons who are Directors at the date of this report confirms that:

- so far as each Director is aware, there is no relevant audit information for which the Syndicate's auditors are unaware; and
- each Director has taken all the steps that he ought to have taken in his duty as a Director in order to make himself aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

Approved by the Board of Catlin Underwriting Agencies Limited and signed on its behalf by:

P. Bradbrook
Director
5 March 2020

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SYNDICATE 3002

Report on the Syndicate annual accounts

Opinion

In our opinion, Syndicate 3002's syndicate annual accounts (the "syndicate annual accounts"):

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, (United Kingdom Accounting Standards comprising 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.

We have audited the syndicate annual accounts included within the Annual Report and Accounts (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the statement of profit or loss for the year then ended, the statement of cash flows for the year then ended, the statement of changes in member's balances for the year then ended and the notes to the syndicate annual accounts, which include a description of the significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and other applicable law.

Our responsibilities under ISAs (UK) are further described in the *Auditors' responsibilities for the audit of the syndicate annual accounts* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the syndicate's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the syndicate's business and the wider economy.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SYNDICATE 3002 (CONTINUED)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the syndicate annual accounts and our auditors' report thereon. The Managing Agent is responsible for the other information. Our opinion on the syndicate annual accounts does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

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

We have nothing to report based on these responsibilities.

With respect to the Managing Agent's Report, we also considered whether the disclosures required by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Managing Agent's Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Managing Agent's Report for the year ended 31 December 2019 is consistent with the syndicate annual accounts and has been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

In light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we did not identify any material misstatements in the Managing Agent's Report.

Responsibilities for the syndicate annual accounts and the audit

Responsibilities of the Managing Agent for the syndicate annual accounts

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 6, the Managing Agent is responsible for the preparation of the syndicate annual accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Managing Agent is also 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.

In preparing the syndicate annual accounts, the Managing Agent is responsible for 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 it is intended for the syndicate to cease operations, or it has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the syndicate annual accounts

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SYNDICATE 3002 (CONTINUED)

Use of this report
This report, including the opinions, has been prepared for and only for the syndicate's member in accordance with part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Other matters on which we are required to report by exception
Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017, we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Andrew Moore (Senior statutory auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
5 March 2020

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000's	*Restated 2018 £000's*
TECHNICAL ACCOUNT - LONG TERM BUSINESS			
Gross premiums written	4	**50,033**	*42,882*
Outward reinsurance premiums		**(19,099)**	*(17,374)*
Net premiums written		**30,934**	*25,508*
Change in the gross provision for unearned premiums	9	**(557)**	*(1,595)*
Change in the provision for unearned premiums, reinsurers' share	9	**(535)**	*(733)*
Change in the net provision for unearned premiums		**(1,092)**	*(2,328)*
Earned premiums, net of reinsurance		**29,842**	*23,180*
Allocated investment return transferred from the non-technical account	8	**152**	*66*
Total technical income		**29,994**	*23,246*
Claims paid			
Gross amount		**(37,247)**	*(18,542)*
Reinsurers' share		**27,687**	*1,133*
		(9,560)	*(17,409)*
Change in the provision for claims			
Gross amount	9	**(697)**	*(498)*
Reinsurers' share		**—**	*—*
		(697)	*(498)*
Claims incurred, net of reinsurance		**(10,257)**	*(17,907)*
Change in the long term business provisions			
Gross amount	9	**(1,363)**	*(10,041)*
Reinsurers' share	9	**(7,117)**	*14,331*
		(8,480)	*4,290*
Net operating expenses	6	**(8,082)**	*(7,584)*
Balance on the long term business technical account		**3,175**	*2,045*

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019

		2019	Restated 2018
		£000's	*£000's*
NON-TECHNICAL ACCOUNT			
Balance on the long term business technical account		**3,175**	*2,045*
Investment income	8	**152**	*66*
		3,327	*2,111*
Allocated investment income transferred to the general business technical account	8	**(152)**	*(66)*
Foreign exchange gains		**47**	*452*
Profit for the financial year		**3,222**	*2,497*

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

	2019	2018
	£000's	*£000's*
Opening member's balances	**3,506**	*1,416*
Profit for the year	**3,222**	*2,497*
Profit distribution	**(3,644)**	*(407)*
	(422)	*2,090*
Closing member's balances	**3,084**	*3,506*

STATEMENT OF FINANCIAL POSITION - ASSETS
AS AT 31 DECEMBER 2019

	Note	2019 £000's	Restated 2018 £000's
Financial Investments			
Shares and other variable yield securities and unit trusts		**159**	*—*
Reinsurers' share of technical provisions			
Provision for unearned premiums	9	**5,762**	*6,477*
Long term business provision	9	**18,821**	*26,591*
		24,583	*33,068*
Debtors - amounts falling due within one year			
Debtors arising out of direct insurance operations	11	**39,368**	*15,577*
Debtors arising out of reinsurance operations		**14,305**	*43,152*
Other debtors	12	**7,544**	*581*
		61,217	*59,310*
Other assets			
Cash at bank and in hand		**9,223**	*12,007*
Overseas deposits	14	**13**	*21*
		9,236	*12,028*
Prepayments and accrued income			
Deferred acquisition costs	13	**3,864**	*3,290*
Other prepayments and accrued income		**—**	*12*
		3,864	*3,302*
TOTAL ASSETS		**99,059**	*107,708*

STATEMENT OF FINANCIAL POSITION - CAPITAL AND LIABILITIES
AS AT 31 DECEMBER 2019

	Note	2019 £000's	*Restated 2018* *£000's*
Capital and reserves			
Members' balances		**3,084**	*3,506*
Technical provisions			
Provision for unearned premiums	9	**18,412**	*18,293*
Long term business provision	10	**32,848**	*31,620*
		51,260	*49,913*
Creditors - amounts falling due within one year			
Creditors arising out of direct insurance operations		**375**	*334*
Creditors arising out of reinsurance operations		**40,867**	*50,433*
Other creditors	15	**1,075**	*1,625*
Amounts owed to credit institutions		**1,582**	*608*
		43,899	*53,000*
Accruals and deferred income		**816**	*1,289*
TOTAL CAPITAL AND LIABILITIES		**99,059**	**107,708**

The notes on pages 15 to 37 form part of these financial statements.
The Syndicate financial statements were approved by the Board of Directors of Catlin Underwriting Agencies Limited and were signed on its behalf by:

P Bradbrook
Director
5 March 2020

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	*Restated* *2018*
	£000's	*£000's*
Operating profit on ordinary activities	**3,222**	*2,497*
Increase/(Decrease) in net technical provisions	**9,831**	*(1,065)*
Increase in debtors	**(2,469)**	*(17,145)*
(Decrease)/Increase in creditors	**(10,548)**	*19,920*
Investment return	**(152)**	*(66)*
Decrease/(Increase) in overseas deposits	**9**	*(3)*
Net cash outflow/inflow from operating activities	**(107)**	*4,138*
Cash flow from investing activities		
Investment income received	**152**	*66*
Other	**(159)**	*—*
Cash flow from financing activities		
Distribution profit	**(3,644)**	*(407)*
Net (Decrease)/Increase in cash and cash equivalents	**(3,758)**	*3,797*
Cash and cash equivalents at the beginning of the year	**11,399**	*7,596*
Foreign exchange gains on cash and cash equivalents	**—**	*6*
Cash and cash equivalents at end of the year	**7,641**	*11,399*
Cash at bank and in hand	**9,223**	*12,007*
Overdrafts	**(1,582)**	*(608)*
Cash and cash equivalents at end of the year	**7,641**	*11,399*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1 ACCOUNTING POLICIES

A Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom Generally Accepted Accounting Principles (GAAP), including Financial Reporting Standard 102 - "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103 - "Insurance Contracts" ("FRS 103"), both issued by the Financial Reporting Council and in compliance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("SI 2008/410") relating to insurance companies and other requirements of the Companies Act 2006.

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

The preparation of these financial statements required the management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.
In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in this statement of accounting policies and specifically in the following notes:

Note 5: movement in prior year's provision for claims outstanding.
Note 9: insurance liabilities and reinsurance assets (estimates for losses incurred but not reported); and

Capital supporting the business of the Syndicate, referred to as Funds at Lloyd's ("FAL") is, in part, held in separate trust funds administered by Lloyd's in addition to amounts held within the Syndicate Premium Trust Funds. The amounts held by the Corporate Member outside the Syndicate Premium Trust Funds are available to meet the underwriting obligations of the Syndicate, if required. However, these funds are not included in the Syndicate's balance sheet because they are not owned by the Syndicate. The Lloyd's central fund arrangements are available in the event that an individual member's funds are exhausted.

Separate underwriting year accounts for the 2017 underwriting year have not been prepared, as the Syndicate has taken advantage of the exemption under paragraph 6 of the Regulations.

Preparation of Syndicate underwriting year accounts Managing Agents must, in respect of each Syndicate to which regulation 5(1) refers,prepare or cause to be prepared underwriting year accounts in accordance with paragraph (2) of Insurance Account Directive Regulation 2008 ("the Regulation"),unless -

(a) no underwriting year of that Syndicate has been closed in the preceding financial year or is being closed at the end of that financial year; or

(b) the members of the Syndicate for each underwriting year included in the underwriting year accounts, agree unanimously, in writing, that no underwriting year accounts shall be prepared in respect of that Syndicate.

B Basis of accounting

The financial statements have been prepared on a going concern basis, under the accrual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance, as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

1 ACCOUNTING POLICIES (continued)

B Basis of accounting (continued)

(a) Premiums written

Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them.

For contracts with duration of greater than one year and payable in annual instalments, generally, only the initial annual instalment is included as premiums written at policy inception due to the ability of the (re)insured to commute or cancel coverage during the term of the policy. The remaining annual instalments are included as premiums written at each successive anniversary date within the term.

(b) Unearned premiums

Written premium is earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired terms of the policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

(c) Acquisition costs

Acquisition costs, comprising commission and other internal and external costs related to the acquisition of new business and renewing existing contracts. The proportion of acquisition costs in respect of unearned premiums is deferred at the reporting date and recognised in periods when the related premiums are earned.

(d) Ceded Reinsurance

These are contracts entered into by the Syndicate with reinsurers under which the Syndicate is compensated for losses on contracts issued by the Syndicate and that meet the definition of an insurance contract. Insurance contracts entered into by the Syndicate under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts

Any benefits to which the Syndicate is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers and include reinsurers' share of provisions for claims. These balances are based on calculated amounts of outstanding claims and projections for incurred but not reported, net of estimated irrecoverable amounts having regard to the reinsurance programme in place for the class of business, the claims experience for the period and the current security rating of the reinsurer involved.The Syndicate assesses its reinsurance assets for impairment. If there is objective evidence of impairment, then the carrying amount is reduced to its recoverable amount and the impairment loss is recognised in the profit or loss account.

Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

(e) Claims incurred

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

(f) Claims provisions and related recoveries

The outstanding claims comprise amounts set aside for claims notified and claims incurred but not reported.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

1 ACCOUNTING POLICIES (continued)

B Basis of accounting (continued)

(f) Claims provisions and related recoveries (continued)

Notified claims are estimated on a case by case basis. In estimating the cost of these the Syndicate has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in a previous period. Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortion of the development and incidence of these large claims.

The amount included in respect of incurred but not reported is based on statistical techniques of estimation applied by the Syndicate's 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. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility.

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

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

The two most critical assumptions with regards to 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.

Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

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

The Directors of CUAL consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimate made, are reviewed regularly.

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the Balance Sheet date, including the cost of claims incurred but not yet reported to the Syndicate. The estimated cost of claims includes expenses to be incurred in settling claims. The Syndicate takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. Any differences between provisions and subsequent settlements are dealt with in the general business technical account of later years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

1 ACCOUNTING POLICIES (continued)

B Basis of accounting (continued)

(g) Unexpired risks provision

A provision for unexpired risks is made where claims and related expenses, likely to arise after the end of the financial year in respect of contracts concluded before that date, are expected to exceed the unearned premiums after the deduction of any acquisition costs deferred. The expected claims relate to policies in force at the year-end, having regard to events that occur prior to the balance sheet date.

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

(h) Reinsurance to close

Each Lloyd's Syndicate underwriting account is normally closed at the end of the third year by means of reinsurance into the following year, which reinsures all future liabilities for the closed year and all previous years in return for a premium which is approved by the Managing Agent. The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring Syndicate was unable to meet its obligations, and other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle the outstanding claims.

The Directors consider that the likelihood of such a failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close has been deemed to settle liabilities outstanding at the closure of an underwriting account.

C Investment return

Investment return consisting solely of bank interest is credited to the technical account. No transfer is made to the non-technical account as all investment assets relate to the technical account

D Foreign currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Syndicate operates, which is Sterling. The Syndicate's financial statements are presented in thousands of pounds sterling.

With the adoption of FRS 102 and FRS 103, all assets and liabilities arising from insurance contracts should be treated as monetary items. At each period end foreign currency monetary items are re-translated into pounds sterling at the rate of exchange at the balance sheet date.

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

E Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct income tax from trading income. UK basic rate income tax deducted from Syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax. No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year have been included in the Statement of Financial Position under the heading "other debtors".

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

1 ACCOUNTING POLICIES (continued)

F Investments and Overseas Deposits

Investments and overseas deposits are stated at current value at the balance sheet date. For this purpose listed investments are stated at bid value and deposits with credit institutions are stated at cost. All other financial instruments are designated as at fair value through profit and loss. In line with normal Lloyd's market practice, the Syndicate writes business in certain jurisdictions that require the deposit of cash and investments in locally held trust funds therefore preventing the free transfer of cash between currencies and locations.

G Long term business provision

The long term business provision is determined in accordance with the requirements of the EU Third Life Directive 92/96/EEC, under which certain contingency and other reserves required by insurance company regulations are excluded from the long term business provision.

The basis of the calculation is as follows:
Provision is made at year end for the cost of claims incurred but not yet reported to the Syndicate. The estimated cost of claims includes expenses to be incurred in settling plus a provision for future administrative expenses relating to existing business. The Syndicate takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

H Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Syndicate has designated at fair value through the statement of profit or loss. Loans and receivables are carried at amortised cost less any impairment losses.

Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables. This basis of valuation is viewed by the Directors as having prudent regard to the likely realisable value.

I Cash and cash equivalents

Cash and cash equivalents consist of cash held at bank, cash in hand, deposits held at call with banks, cash held in Lloyd's trust accounts and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These investments have less than three months maturity from the date of acquisition. Cash and cash equivalents are measured at fair value through the statement of profit or loss. Bank overdrafts,where applicable, are held within the current liabilities as amounts due to credit institutions.

J Financial liabilities

Creditors are recognised initially at fair value, net of directly attributable transaction costs. Creditors are subsequently stated at amortised cost determined according to the effective interest rate method.

K Pension costs

Staff working on the Syndicate are employed by a divisional service company, XL Catlin Services SE ("XLCSSE"), an approved Central Bank of Ireland regulated intermediary. The pension contributions relating to staff working on the affairs of the Syndicate are charged to the Syndicate as part of the AXA XL expense recharging model across the international network, which includes the Syndicate and the amount is captured within the net operating expenses on the Statement of Profit or Loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

1 ACCOUNTING POLICIES (continued)

L Member's balances

Distributions to its member are made in the year following the year a reporting year of account closes, which is generally three years after the inception of the reporting year of account.

M Going concern

Having assessed the principle risks, the Directors consider it appropriate to adopt a going concern basis of accounting in the preparation of these report and accounts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

2 RISK MANAGEMENT

Financial risk management objectives

The Syndicate is exposed to a range of financial risks through its financial assets, insurance liabilities and reinsurance assets. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are insurance risk (including reinsurance risk), market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Syndicate primarily faces due to the nature of its investments and liabilities are interest rate, equity price risk and currency risk.

The Syndicate's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Syndicate's financial performance. It manages these positions within a risk management framework ("the framework") that has been developed to ensure that investment proceeds and returns are in excess of obligations under insurance contracts. The Syndicate produces regular reports that are circulated to the management of the Managing Agency. The principal technique of the Syndicate's framework is to match assets and liabilities from insurance contracts by reference to the type of benefits payable to contract holders. The Syndicate's framework is also integrated with the management of the financial risks associated with the syndicate's other financial assets and liabilities not directly associated with insurance liabilities.

The notes that follow explain how financial risks are managed using the categories utilised in the Syndicate's framework.

(a) Insurance risk

Insurance risk arises from the Syndicate's general insurance business and refers to the risk of loss or of adverse change in the value of insurance liabilities due to inadequate pricing and reserving assumptions. Examples of such risks include unexpected losses arising from fluctuations in the timing, frequency and severity of claims compared to expectations and inadequate reinsurance protection. The Syndicate's underwriting and reinsurance strategies are set within the context of the overall AXA XL strategies, approved by the CUAL Board and communicated clearly throughout the business through policy statements and guidelines.

Capital resource sensitivities
The capital position is sensitive to market conditions due to changes in the value of the assets, and to assumptions and experience in respect of the value of the liabilities. The most significant risks to the Syndicate are as follows:

Event risk
The risk that individual risk losses or catastrophes lead to claims that are higher than anticipated in plans and pricing.

Pricing risk
The risk that the level of expected loss is understated in the pricing process.

Reinsurance risk
Reinsurance risk to the Syndicate occurs where reinsurance contracts put in place to reduce gross insurance risk do not perform as anticipated, prove inadequate in terms of the vertical or horizontal limits purchased or result in coverage disputes.

Expense risk
The risk that the allowance for expenses and inflation in pricing is inadequate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

2 MANAGEMENT OF FINANCIAL RISK (continued)

(a) Insurance risk (continued)

Underwriting risks are continually monitored through, for example, the established peer review process, underwriting authority limits imposed, round table review and audits, as well as via exception reporting. Formal price monitoring procedures form part of the standard monthly management information. These contribute to the quarterly actuarial review whereby the loss outcome of the underwriting activity is continually re-assessed and considered by the Reserving actuaries.

The Syndicate's management also recognises that insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques. To address this,

Loss development tables providing information about historical claims development are included in note 10.

(b) Market risk

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

AXA XL division places restrictions on the external investment managers’ investment strategies. Strict limits, by trust fund, are set for types of assets held, concentration limits and average investment grade ratings. Investments are typically investment grade bonds and investment grade asset backed securities. Guidelines and benchmarks are set annually and approved by the board.

The performance of the investment managers is monitored constantly by AXA XL investment specialists and reported monthly to CUAL management and reviewed quarterly by the CUAL Board of Directors. The Syndicate aims to manage exchange rate exposure in US dollar terms and asset and liabilities are duration matched.

Market risk includes:

(i) Interest rate risk

The Syndicate holds no investments, only cash, which is not materially sensitive to changes in interest rates. As such, Syndicate 3002 is not considered to be materially subject to interest rate risk.

(ii) Equity price risk

As the Syndicate holds no equities, it is not subject to equity price risk.

(iii) Currency risk

The Syndicate manages its foreign exchange risk against its functional currency. Foreign exchange arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Syndicate’s functional currency.

The Syndicate is primarily exposed to currency risk in respect of liabilities under policies of insurance denominated in currencies other than Pound Sterling. The most significant currencies to which the Syndicate is exposed are US Dollar and Euro. The Syndicate seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

2 MANAGEMENT OF FINANCIAL RISK (continued)

(b) Market risk (continued)

(iii) Currency risk (continued)

2019	**GBP**	**USD**	**EUR**	**TOTAL**
	£000's	**£000's**	**£000's**	**£000's**
Financial investments (excluding overseas deposits)	159	—	—	159
Overseas deposits	12	1	—	13
Reinsurers' share of technical provisions	183	24,513	(113)	24,583
Insurance and Reinsurance receivables	11,724	41,596	353	53,673
Cash at bank and in hand	5,644	1,743	1,836	9,223
Other assets	3,054	3,887	4,467	11,408
Total assets	**20,776**	**71,740**	**6,543**	**99,059**
Technical provisions	(18,106)	(30,386)	(2,768)	(51,260)
Insurance and reinsurance payables	(7,065)	(32,975)	(1,203)	(41,243)
Other creditors	(210)	(3,025)	(237)	(3,472)
Total Liabilities	**(25,381)**	**(66,386)**	**(4,208)**	**(95,975)**

Restated 2018	*GBP*	*USD*	*EUR*	*TOTAL*
	£000's	*£000's*	*£000's*	*£000's*
Financial investments (excluding overseas deposits)	—	—	—	—
Overseas deposits	*20*	*1*	—	*21*
Reinsurers' share of technical provisions	1,092	*32,223*	*(247)*	*33,068*
Insurance and Reinsurance receivables	*6,388*	*51,942*	*400*	*58,730*
Cash and cash equivalents	*2,968*	*7,713*	*1,326*	*12,007*
Other assets	*761*	*2,946*	*175*	*3,882*
Total assets	*11,229*	*94,825*	*1,654*	*107,708*
Technical provisions	(9,844)	*(37,135)*	*(2,934)*	*(49,913)*
Insurance and reinsurance payables	(7,065)	*(42,585)*	*(1,117)*	*(50,767)*
Other creditors	*(1,793)*	*(1,654)*	*(75)*	*(3,522)*
Total Liabilities	*(18,702)*	*(81,374)*	*(4,126)*	*(104,202)*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

2 MANAGEMENT OF FINANCIAL RISK (continued)

(iii) Currency risk (continued)

Sensitivity analysis

Fluctuations in the Syndicate's trading currencies against the sterling would result in a change to profit after tax and net assets value.

The table below gives an indication of the impact on profit after tax and net assets of a percentage change in the relative strength of the Pound Sterling against the value of the Euro, the Canadian Dollar and the US Dollar, simultaneously. The analysis is based on current information.

	Impact on result		**Impact on net assets**	
	2019	*2018*	**2019**	*2018*
	£000's	*£000's*	**£000's**	*£000's*
GBP weakens 5% against other currencies	**366**	119	**366**	167
GBP weakens 10% against other currencies	**699**	227	**699**	319
GBP strengthens 5% against other currencies	**(405)**	(131)	**(405)**	(185)
GBP strengthens 10% against other currencies	**(854)**	(277)	**(854)**	(390)

(c) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Syndicate is exposed to credit risk are:

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders; and
- amounts due from insurance intermediaries;

The Syndicate manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and monitoring its exposure to regions, countries and industries. Such risks are subject to regular review.

Changes to the limits on the level of credit risk by category and territory are approved annually by the managing agency Board of Directors. Reinsurance is used to manage insurance risk. This does not, however, discharge the Syndicate's liability as primary insurer. If a reinsurer fails to pay a claim, the Syndicate remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an ongoing basis by reviewing their financial strength prior to finalisation of any contract. In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy. In certain circumstances, deposits from reinsurers are also held as collateral.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

2 MANAGEMENT OF FINANCIAL RISK (continued)

(c) Credit risk (continued)

The table below provides information on the credit quality of financial assets of the Syndicate that are neither past due nor impaired:

2019	**AAA** £000's	**AA** £000's	**A** £000's	**BBB or less** £000's	**Not rated** £000's	**Total** £000's
Shares and other variable yield securities and unit trusts	**—**	**—**	**159**	**—**	**—**	**159**
Overseas deposits	**—**	**—**	**—**	**—**	**13**	**13**
Reinsurers' share of claims outstanding	**125**	**—**	**16,846**	**1,850**	**—**	**18,821**
Reinsurance debtors	**366**	**—**	**9,166**	**705**	**—**	**10,237**
Cash at bank and in hand	**—**	**—**	**1,743**	**7,480**	**—**	**9,223**
Total	**491**	**—**	**27,914**	**10,035**	**13**	**38,453**

Restated 2018	*AAA* *£000's*	*AA* *£000's*	*A* *£000's*	*BBB or less* *£000's*	*Not rated* *£000's*	*Total* *£000's*
Shares and other variable yield securities and unit trusts	—	—	—	—	—	—
Overseas deposits	*—*	*—*	*—*	*—*	*21*	*21*
Reinsurers' share of claims outstanding	*10,992*	*—*	*13,174*	*2,425*	*—*	*26,591*
Reinsurance Debtors	*3,297*	*—*	*3,325*	*727*	*—*	*7,349*
Cash at bank and in hand	*—*	*—*	*6,299*	*5,708*	*—*	*12,007*
Total	*14,289*	*—*	*22,798*	*8,860*	*21*	*45,968*

The Syndicate has no reinsurance debtors that are past due but not considered to be impaired.

The Syndicate does not currently hold any impaired assets (2018: no impaired assets held).

2019	**Neither due nor impaired** £000's	**Up to three months** £000's	**Three to six months** £000's	**Six months to one year** £000's	**Greater than one year** £000's	**Total** £000's
Shares and other variable yield securities and unit trusts	**159**	**—**	**—**	**—**	**—**	**159**
Overseas deposits	**13**	**—**	**—**	**—**	**—**	**13**
Reinsurers' share of claims outstanding	**18,821**	**—**	**—**	**—**	**—**	**18,821**
Reinsurance debtors	**10,237**	**—**	**—**	**—**	**—**	**10,237**
Cash at bank and in hand	**9,223**	**—**	**—**	**—**	**—**	**9,223**
Insurance debtors	**37,711**	**903**	**495**	**153**	**106**	**39,368**
Other debtors	**21,238**	**—**	**—**	**—**	**—**	**21,238**
Total credit risk	**97,402**	**903**	**495**	**153**	**106**	**99,059**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

2 MANAGEMENT OF FINANCIAL RISK (continued)

(c) Credit risk (continued)

Restated 2018	*Neither due nor impaired*	*Up to three months*	*Three to six months*	*Six months to one year*	*Greater than one year*	*Total*
	£000's	*£000's*	*£000's*	*£000's*	*£000's*	*£000's*
Overseas deposits	*21*	*—*	*—*	*—*	*—*	*21*
Reinsurers' share of claims outstanding	*26,591*	*—*	*—*	*—*	*—*	*26,591*
Reinsurance debtors	*7,349*	*—*	*—*	*—*	*—*	*7,349*
Cash at bank and in hand	*12,007*	*—*	*—*	*—*	*—*	*12,007*
Insurance debtors	*12,770*	*2,129*	*538*	*114*	*26*	*15,577*
Other debtors	*46,163*	*—*	*—*	*—*	*—*	*46,163*
Total credit risk	*104,901*	*2,129*	*538*	*114*	*26*	*107,708*

In 2019, the Syndicate has no insurance and reinsurance debtors that are past due but not considered to be impaired (2018: nil).

(d) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of the Syndicate is the obligation to pay claims as they fall due. The projected settlement of these liabilities is modelled, on a regular basis, using actuarial techniques. The Syndicate manages this risk by maintaining sufficient liquid assets to meet expected cash flow requirements.

The following tables analyse financial liabilities by maturity date:

2019	**No Stated maturity**	**0-1 year**	**1-3 years**	**3-5 years**	**>5 years**	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Creditors	**—**	**43,899**	**—**	**—**	**—**	**43,899**
Claims outstanding	**—**	**8,744**	**24,104**	**—**	**—**	**32,848**
Financial liabilities	**—**	**52,643**	**24,104**	**—**	**—**	**76,747**

Restated 2018	*No Stated maturity*	*0-1 year*	*1-3 years*	*3-5 years*	*>5 years*	*Total*
	£000's	*£000's*	*£000's*	*£000's*	*£000's*	*£000's*
Creditors	*—*	*52,999*	*—*	*—*	*—*	*52,999*
Claims outstanding	*—*	*29,496*	*2,125*	*—*	*—*	*31,621*
Financial liabilities	*—*	*82,495*	*2,125*	*—*	*—*	*84,620*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

2 MANAGEMENT OF FINANCIAL RISK (continued)

(e) Fair value estimation

The fair values of cash and cash equivalents, premiums and other receivables, and accounts payable approximate their carrying value due to the immediate or short term maturity of these financial instruments.

The categorising of these assets is defined as follows:

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Other assets and liabilities

The fair values of cash and cash equivalents, premiums and other receivables, and accounts payable approximate their carrying value due to the immediate or short term maturity of these financial instruments.

The following tables present the Syndicate's holdings of assets measured at fair value:

2019	**Level 1 £000's**	**Level 2 £000's**	**Level 3 £000's**	**Total £000's**
Shares and other variable yield securities and units in unit trusts	—	—	159	**159**
Overseas deposits	**13**	**—**	**—**	**13**
Total	**13**	**—**	**159**	**172**

2018	*Level 1 £000's*	*Level 2 £000's*	*Level 3 £000's*	*Total £000's*
Shares and other variable yield securities and units in unit trusts	—	—	—	—
Overseas deposits	*21*	—	—	*21*
Total	*21*	—	—	*21*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

3 MANAGEMENT OF CAPITAL

(a) Capital Framework at Lloyd's

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

Within this supervisory framework, Lloyd’s applies capital requirements at member level and centrally to ensure that Lloyd’s complies with Solvency II, 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 applies at overall and member level respectively, not at Syndicate level. Accordingly the capital requirement in respect of Syndicate 3002 is not disclosed in these financial statements. See notes 17 for details of the Syndicate's FAL requirement.

(b) Lloyd's Capital Setting Process

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

A Syndicate may be comprised of one or more underwriting members of Lloyd’s. Each member is liable for its own share of underwriting liabilities on the Syndicate(s) on which it participates but not other members’ shares. Accordingly, the capital requirement that Lloyd’s sets for each member operates on a similar basis. Each member’s SCR shall thus be determined by the sum of the member’s share of the Syndicate SCR ‘to ultimate’. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss ‘to ultimate’ for that member. Over and above this, Lloyd’s applies a capital uplift to the member’s capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd’s not a Solvency II requirement, is to meet Lloyd’s financial strength, licence and ratings objectives. The capital uplift applied for 2019 was 35% of the member’s SCR ‘to ultimate’.

(c) Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd’s specifically for that member (Funds at Lloyd’s), held within and managed within a Syndicate (Funds in Syndicate) or as the member’s share of the members’ balances on each Syndicate on which it participates.

The level of FAL/FIS that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. The capital requirement is based on a number of factors including the nature and amount of risks to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten.

Resources available to meet members’ and Lloyd’s capital requirements are separately identified in the Statement of Changes in Member's Balances.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

4 SEGMENTAL ANALYSIS

In the opinion of the Directors, the Syndicate operates in a single business segment, being that of long-term insurance business.

2019	**Gross premiums written**	**Gross premiums earned**	**Gross claims incurred**	**Gross operating expenses**	**Reinsurance balance**	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Total	**50,033**	**49,475**	**(39,306)**	**(11,026)**	**4,032**	**3,175**

Restated 2018	*Gross premiums written*	*Gross premiums earned*	*Gross claims incurred*	*Gross operating expenses*	*Reinsurance balance*	*Total*
	£000's	*£000's*	*£000's*	*£000's*	*£000's*	*£000's*
Total	*42,882*	*41,287*	*(29,081)*	*(9,922)*	*(239)*	*2,045*

All business written is considered to be single premium business and renewable on an annual basis.

The Lloyd's insurance market has been treated as one geographical segment. All business is signed and concluded in the UK.

The geographical analysis of gross premiums written by risk location is as follows:

	2019	*2018*
	£000's	*£000's*
United Kingdom	**18,639**	*12,803*
EU countries	**1,212**	*5,147*
US	**1,999**	*2,000*
Latin America	**23,982**	*19,152*
Other Worldwide	**4,201**	*3,780*
	50,033	*42,882*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

5 MOVEMENT IN PRIOR YEAR'S PROVISION FOR CLAIMS OUTSTANDING

A favourable run off deviation (prior accident year release) of £3.1m (2018: £0.5m unfavourable deviation) was experienced during the year.

6 NET OPERATING EXPENSES

	2019	*2018*
	£000's	*£000's*
Acquisition costs	**10,806**	8,975
Change in deferred acquisition costs	**(631)**	151
Administration expenses	**851**	540
Reinsurers' commission	**(2,944)**	(2,082)
	8,082	*7,584*

Included within acquisition costs are amounts relating to commissions on direct insurance business of £7.2m (2018: £4.9m).

Administrative expenses include:

	2019	*2018*
	£000's	*£000's*
Auditors' remuneration		
Audit services:		
Fees payable to the Syndicate's auditors for the audit of the Syndicate annual accounts	**118**	*50*
Other services		
Fees payable to the Syndicate's auditors and its associates for other services:		
Other services pursuant to legislation, including the audit of the regulatory return	**39**	*17*
	157	**67**

The auditors' remuneration for the year has been borne by an AXA XL division company, XL Catlin Services SE ("XLCSSE").

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

7 EMPLOYEES & DIRECTORS

The Syndicate has no direct employees. Staff working on the affairs of the Syndicate are employed by a group service company, XL Catlin Services SE (“XLCSSE”), an approved Central Bank of Ireland regulated intermediary. The recharge of the expenses from the service company to the Syndicate is through a recharge model across the international network, including UK domiciled entities and the recharge of the costs are dependent on the nature of the service performed for the Syndicate

XL Catlin Services SE charges the Syndicate the following amounts in respect of aggregate emoluments paid to the Directors of Catlin Underwriting Agencies Limited

Directors' emoluments for the year are as follows:

	2019	*2018*
	£000's	*£000's*
Aggregate emoluments and other benefits	**21**	*16*
Pension contributions	**1**	*—*
	22	*16*

Emoluments of the highest paid Director are:

	2019	*2018*
	£000's	*£000's*
Aggregate emoluments and other benefits	**6**	*6*
Pension contributions	**—**	*—*
	6	*6*

The Active Underwriters received the following aggregate remuneration charged to the Syndicate:

	2019	*2018*
	£000's	*£000's*
Aggregate emoluments and other benefits	**393**	*226*
Pension contributions	**31**	*20*
	424	*246*

8 INVESTMENT RETURN

	2019	*2018*
	£000's	*£000's*
Investment income		
Income from investments	**152**	*66*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

9 INSURANCE LIABILITIES AND REINSURANCE ASSETS

2019	**Provision for unearned premium**	**Long term business provision**
	£000's	**£000's**
Gross Technical Provisions		
As at 1 January 2019	**18,293**	**31,620**
Movement in the provision	**557**	**2,060**
Foreign exchange movements	**(438)**	**(832)**
As at 31 December 2019	**18,412**	**32,848**
Reinsurers' share of technical provisions		
As at 1 January 2019	**6,477**	**26,591**
Movement in the provision	**(535)**	**(7,117)**
Foreign exchange movements	**(180)**	**(653)**
As at 31 December 2019	**5,762**	**18,821**
Net technical provisions		
As at 31 December 2018	**11,816**	**5,029**
As at 31 December 2019	**12,650**	**14,027**

Restated 2018	*Provision for unearned premium*	*Long term business provision*
	£000's	*£000's*
Gross Technical Provisions		
As at 1 January 2018	*15,924*	*19,738*
Movement in the provision	*1,595*	*10,539*
Foreign exchange movements	*774*	*1,343*
As at 31 December 2018	*18,293*	*31,620*
Reinsurers' share of technical provisions		
As at 1 January 2018	*6,861*	*10,892*
Movement in the provision	*(733)*	*14,331*
Foreign exchange movements	*349*	*1,368*
As at 31 December 2018	*6,477*	*26,591*
Net technical provisions		
As at 31 December 2017	*9,063*	*8,846*
As at 31 December 2018	*11,816*	*5,029*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

10 CLAIMS DEVELOPMENT TRIANGLES

To illustrate the robustness of our reserves, the loss development tables below provide information about historical claims development by the pure underwriting year.

Gross claims development

	2011 £000's	2012 £000's	2013 £000's	2014 £000's	2015 £000's	2016 £000's	2017 £000's	2018 £000's	2019 £000's	Total £000's
12 months	4,030	1,966	3,375	1,594	14,262	8,696	10,407	12,442	11,757	
24 months	7,931	4,059	5,905	5,414	13,107	16,178	25,684	34,366		
36 months	9,094	4,417	5,167	4,845	13,671	17,278	30,163			
48 months	8,464	4,084	4,957	4,921	14,433	17,849				
60 months	8,449	4,076	5,091	4,787	14,600					
72 months	8,449	3,934	5,078	5,007						
84 months	8,449	4,066	4,853							
96 months	8,583	3,933								
108 months	8,564									
Estimated total losses	8,564	3,933	4,853	5,007	14,600	17,849	30,163	34,366	11,757	131,092
Paid claims	(8,449)	(3,934)	(4,842)	(5,006)	(14,270)	(16,748)	(26,653)	(16,495)	(1,847)	(98,244)
Gross reserves	**115**	**(1)**	**11**	**1**	**330**	**1,101**	**3,510**	**17,871**	**9,910**	**32,848**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

10 CLAIMS DEVELOPMENT TRIANGLES (continued)

Net claims

	2011 £000's	2012 £000's	2013 £000's	2014 £000's	2015 £000's	2016 £000's	2017 £000's	2018 £000's	2019 £000's	Total £000's
12 months	3,817	1,934	3,369	1,571	6,083	6,333	5,726	7,358	6,323	
24 months	7,903	4,057	5,844	5,371	9,279	9,794	13,692	17,550		
36 months	9,094	4,405	5,152	4,858	10,221	8,564	15,453			
48 months	8,463	4,083	4,958	4,942	9,864	8,801				
60 months	8,449	4,075	5,093	4,808	9,769					
72 months	8,450	4,070	5,081	5,056						
84 months	8,448	4,065	4,853							
96 months	8,582	3,932								
108 months	8,555									
Estimated total losses	8,555	3,932	4,853	5,056	9,769	8,801	15,453	17,550	6,323	80,292
Paid claims	(8,449)	(3,934)	(4,842)	(5,007)	(9,575)	(8,982)	(14,568)	(9,061)	(1,847)	(66,265)
Net reserves	**106**	**(2)**	**11**	**49**	**194**	**(181)**	**885**	**8,489**	**4,476**	**14,027**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

11 DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2019 £000's	2018 £000's
Due within one year	39,368	15,577

12 OTHER DEBTORS

	2019 £000's	2018 £000's
Amounts receivable from group undertakings	6,864	74
Other debtors	680	507
	7,544	581

13 DEFERRED ACQUISITION COSTS

	2019 £000's	2018 £000's
As at 1 January	3,290	3,256
Change in deferred acquisition costs	631	(151)
Foreign exchange movements	(57)	185
As at 31 December	3,864	3,290

14 OVERSEAS DEPOSITS

	2019 £000's	2018 £000's
Additional Securities	13	21
	13	21

15 OTHER CREDITORS

Amounts falling due within one year	2019 £000's	2018 £000's
Amounts payable to group undertakings	1,072	1,622
Other creditors	3	3
	1,075	1,625

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

16 LONG TERM BUSINESS PROVISON

The following methodology has been used in valuing the long term business provision:

i) A development pattern based on historic reported claims has been used to determine the incurred but not reported claim provision. Reinsurance recoveries are separately recognised.
ii) An explicit provision to cover future expenses of £0.1m (2018: £0.1m) has been set. This has been calculated by analysing the costs that are likely to be incurred in running off the current book of business.

17 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). As at 31 December 2019, the value of assets supporting FAL for the 2020 underwriting year is £24m (2019 underwriting year at 31 December 2018: £14.9m). The FAL is held by Catlin (One) Limited, the corporate member of the Syndicate, on its behalf. These funds are intended primarily to cover circumstances where Syndicate assets prove insufficient to meet participating member's underwriting liabilities.

Since FAL is not under the management of the managing agent, no amount has been shown in these financial statements by way of such capital resources. However, the managing agent is able to make a call on the member's FAL to meet liquidity requirements or to settle losses.

18 PRIOR YEAR RESTATMENT

Prior period restatements have been made for outwards reinsurance premiums, Gross reserves and Ceded reserves as at 31 December 2019. These line items were related to brought forward reconciliation issues and the restatement has been made to ensure appropriate treatment of these lines identified during 2019. Since the overall change in members balance is nil, a geographical reclassification has been applied to the impacted financial statement line items.

	2018	2018	2018
	£000's	£000's	£000's
	As previously reported	Restatement	Restated
Profit and Loss			
Outward reinsurance premiums	(14,062)	(3,312)	(17,374)
Change in provision for gross reserves	(11,263)	1,222	(10,041)
Change in provision for ceded reserves	12,241	2,090	14,331
Balance Sheet			
Reinsurers share of technical provision	24,502	2,090	26,592
Members' balances	(3,506)	—	(3,506)
Creditors arising out of reinsurance operations	(47,121)	(3,312)	(50,433)
Gross technical provision	(32,842)	1,222	(31,620)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

19 RELATED PARTY TRANSACTIONS

Catlin Underwriting Agencies Limited ("CUAL") is the managing agent for Syndicate 3002.Under the standard managing agent's agreement, CUAL receives an annual fee of £0.035m (2018: £0.3m).

Recharge of the expenses from the service company, XL Catlin Services SE (“XLCSSE”) is made on a monthly basis to the Syndicate through a Service Level Agreement. Quarterly full settlement is repaid in relation to the provision of services and other support costs provided by XLCSSE.

The Syndicate has an intra-group reinsurance contract with with XL Bermuda Ltd. The effect of this contract on the Statement of Profit or Loss in 2019 is a charge of £2.1m (2018: a charge of £2.5m). Amounts relating to these contracts of £7.4m (2018: £5.3m) were payable as at the year-end date.

Catlin (One) Limited is the sole member of the Syndicate.

20 ULTIMATE PARENT UNDERTAKING

Catlin (One) Limited is a wholly owned subsidiary of Catlin (North American) Holdings Ltd, a company registered in England and Wales.

The ultimate parent undertaking and controlling party is AXA SA, a company registered in France, which is the parent undertaking of the largest group to consolidate the financial statements of Catlin (One) Limited.

Copies of the financial statements of AXA SA ("AXA") are available from 25 Avenue Matignon FR-75008, Paris, France.