Important information about Syndicate Reports and Accounts

Access to this document is restricted to persons who have given the certification set forth below. If this document has been forwarded to you and you have not been asked to give the certification, please be aware that you are only permitted to access it if you are able to give the certification.

The syndicate reports and accounts set forth in this section of the Lloyd's website, which have been filed with Lloyd's in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005), are being provided for informational purposes only. The syndicate reports and accounts have not been prepared by Lloyd's, and Lloyd's has no responsibility for their accuracy or content. Access to the syndicate reports and accounts is not being provided for the purposes of soliciting membership in Lloyd's or membership on any syndicate of Lloyd's, and no offer to join Lloyd's or any syndicate is being made hereby. Members of Lloyd's are reminded that past performance of a syndicate in any syndicate year is not predictive of the related syndicate's performance in any subsequent syndicate year.

You acknowledge and agree to the foregoing as a condition of your accessing the syndicate reports and accounts. You also agree that you will not provide any person with a copy of any syndicate report and accounts without also providing them with a copy of this acknowledgment and agreement, by which they will also be bound.

Antares Syndicate 1274

Annual Report and Accounts

31 December 2018

antares

Antares Syndicate 1274

Syndicate Annual Report and Accounts

31 December 2018

Table of Contents

Antares Syndicate 1274

Directors and Administration

Managing Agent:
Antares Managing Agency Limited

Directors
E H Gilmour*, MA, FCA
J A Battle
T A Clegg*, FCII, ACIArb
M C Graham*, MSc, FIA
J M Linsao, BA, JD
S D Redmond, FCII (resigned 15 February 2019)
R A Sutlow*, ACII, ACMA
G Saacke* (resigned 13 November 2018)
H E Clarke*, MSc, FIA
M G Finch, BSc, CA
P Grimsey, MMATH, FIA
D Hobbs, BSc, ACA
Ahmed El Tabbahk* (appointed 14 March 2019)

* Non-Executive Director

Secretary
J M Linsao, BA, JD (resigned 11 March 2019)
C L Sweeney, BA, JD (appointed 11 March 2019)

Managing Agent's Registered Office
21 Lime Street
London, EC3M 7HB

Managing Agent's Registered Number
6646629

Syndicate 1274:

Active Underwriter
J A Battle

Bankers
Lloyds TSB Bank plc
25 Gresham Street
London, EC2V 7HN

Registered Auditor
Ernst & Young LLP
25 Churchill Place
London, E14 5EY

Managing Director Overview

2018 has proven to be the most challenging year for Antares in its history. Despite the significant events to hit the global insurance industry in 2017, markets did not react materially to improve the trading environment in 2018. The hurricane activity of 2017 was not repeated, however the Syndicate had exposure to the major events of the Lürssen Shipyard, typhoon activity in Asia, and for the second year running Californian wildfires.

The catastrophe losses making 2017 and 2018 the worst consecutive two years on record for the global industry, have produced losses calculated to be in the region of US$ 230 billion. Very disappointingly therefore Antares reports a loss of US$ 42.8m for 2018. For the extreme events which occurred, a loss of this size is completely as the business expects and in line with risk tolerance.

Early signs of improving market conditions are at least now becoming more common spread than they were twelve months ago and are likely to be maintained for a more prolonged period.

Antares was and continues to be supportive of the Decile 10 activities undertaken by Lloyd's. To maintain the quality and consistency of service to our customers, we must ensure the health of the market is maintained and underwriters receive commensurate and appropriate levels of premium for assumed risks.

Market modernisation is long overdue and continues to move at a pace regarded by many as too slow. Against this backdrop however it is encouraging to believe that at last there is a momentum which gives hope of real improvement and change. The product will be an improved service to our customer base, and in time a reduction to the cost base.

The Placing Platform Limited ("PPL") has now encouragingly become a way of business transaction at Antares, and we are pleased to report adherence to the amount of transactions required of us on the platform. We are committed to developing the initiative with Lloyd's and if possible would like to clear the bar with a wider margin in the future.

Earned gross premium for the Syndicate increased by 10% to $557m in 2018 ($503m: 2017). Whilst the gross combined ratio improved to 92.4% (2017: 106.6%), the net combined ratio was virtually identical at 108.2% (2017: 108.4%).

This is a direct reflection of the general statement that losses tended to remain within retention levels rather than at least in part being reduced by reinsurance recoveries.

Pure underwriting income for the Syndicate produced a profitable gross performance of US$ 6.8m with three of the six sector classifications contributing positively.

Unfortunately the overall result could not match the pure underwriting position.

The Marine Aviation and Transport division produced a loss of US$ 40.1m. This was heavily influenced by the mega-yacht under construction at the Lürssen Shipyard which suffered a catastrophic fire as it was nearing completion. The Syndicate also had exposure to the Macy's warehouse fire within its Cargo portfolio.

The Reinsurance division was affected by the Californian wildfires, as well as the Lürssen Shipyard fire and typhoons in Asia with a loss of US$ 15.7m being recorded.

The final division to record a loss was Property which suffered a US$ 7.7m loss mainly due to a number of natural perils losses albeit not at the same level as 2017.

For the second consecutive year the Specialty class produced a modest profit of US$ 2.3m demonstrating the value of the diversified portfolio within the Syndicate.

The newly formed Motor division created by the portfolio in run-off of the previous Syndicate 6124, pleasingly produced a profit of US$ 2.0m.

The standout performer of the Syndicate for 2018 was the Political Risks and Terrorism Division which produced a profit of US$ 16.5m. This is an excellent performance for what is a relatively young division within the Antares portfolio.

Whilst the vast majority of the business was produced via London, the contributions from Singapore and Lloyd's China platform are noteworthy. We are confident of future success and development from both of these existing platforms.

A slightly negative contribution from investments was a particularly disappointing element of the full year performance. A restoration to positivity is expected in 2019.

Managing Director Overview (continued)

Antares' first full year at 21 Lime Street has proven to be very successful despite the major flood experienced at the beginning of the year. We needed to invoke our Business Continuity Plan for an extended period. It is testimony to the comprehensive approach within Antares that the business was able to successfully trade through this major disruption. It was almost three months before full services were brought back to the building.

Antares has also been involved in a major exercise within QIC Global to introduce shared services to the business. The fruits of integration are now being seen as transition from project to "business as usual" takes place. I am confident over time the service and support we provide to our distribution partners and clients alike will reach even higher standards as we meet their needs and aspirations.

As in previous years, I remain in awe and to be proud of the dedicated and knowledgeable team at Antares. In simple terms, without them I am unable to do the role required of me on behalf of our ultimate parent QIC. As part of QIC Global, Antares looks forward with anticipation to produce a much improved result in 2019 than was possible in 2018. The underlying dynamics of the business remain strong and I know I speak on behalf of the team when I state there is a determination to succeed.

Together we look forward to 2019 and to working with our trading partners and clients as well as forging new relationships.

Stephen Redmond
Managing Director

Active Underwriter Review

The underwriting activities of the Syndicate are split into five operating divisions: Marine, Aviation and Transport (MAT); Reinsurance; Specialty; Political & Financial Risks and Terrorism and Property. The Syndicate produced combined gross written premium income of $586m for the year (2017: $540m). The majority of the increase is attributable to continued growth in the Specialty division, particularly A&H and Contractors Liability.

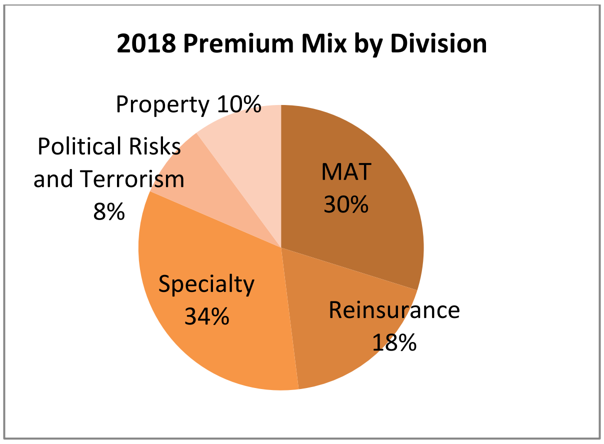
Our operations in Asia continue to expand, In Singapore our business continues to grow, as our team gained traction in our desired markets, in what remains a challenging market environment.

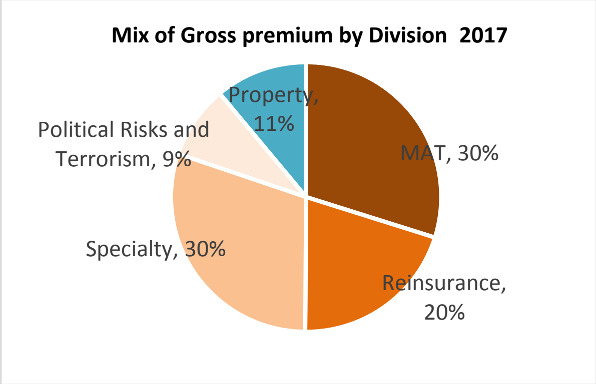
Our strategy to be closer to our client base and offer choice of office is bearing fruits and we expect our Singapore activities to continue to grow during 2019.

In addition to Singapore, our operation on the Lloyd's China platform continues to gives our client's choice of platform. In addition to underwriting our renewal portfolio, we continue to see and secure participations on new business further solidifying our position in the Chinese Market.

Following the impact of an active Hurricane season in 2017 and other natural catastrophe events in California and Mexico, trading conditions improved across the majority of our classes in 2018. There remains, an over-abundance of capacity which dampened the market correction to the levels we were anticipating.

Another active Natural Catastrophe year, again in California, additionally in Asia, principally in Japan, coupled with large marine risk losses and an abnormal run of attritional losses has impacted the Syndicate.



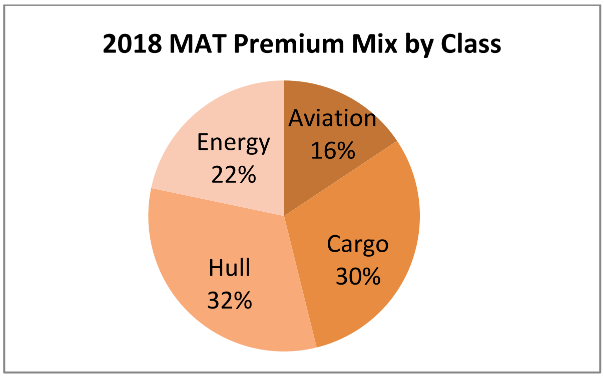


Marine, Aviation and Transport (MAT)

The MAT division offers a marine insurance and reinsurance portfolio comprising Hull, Energy, Marine Liability, Cargo, Specie and Aviation products.

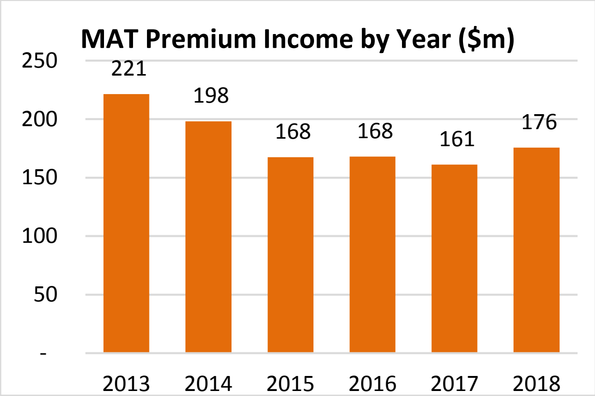
The underwriting teams have the expertise and experience which allows Antares to offer lead capability in all areas of the MAT portfolio.

Trading conditions, across all the sub classes, with the exception of Specie, were improved. Competition in the Marine market remains strong, however we saw improved terms and conditions in Cargo, Aviation, Energy and Hull during the year.



Active Underwriter Review (continued)

Premium income for 2018 was up 7% at $172m (2017: $161m).



The diverse nature of the MAT portfolio allows us the flexibility to move capacity between lines of business during different market periods and proactively manage the cycle, improve profitability and mitigate loss years.

Hull

Within the Hull portfolio, overcapacity remains a key feature, whilst pricing has improved across our portfolio by 3.2% it remained below our forecast of 6.8% for the year. Income from Hull increased 12% to $58m (2017: $52m).

The strategy is to develop the key sub-classes of Hull, Marine Liability & War, adjusting the portfolio business mix dependent upon market conditions. The retention ratio dropped to 55% as we reduced exposures in the Yacht sub-class and reversed our strategy in Lat-Am Brown Water business where prospects of achieving desired profitability were not met.

Our portfolio was again impacted by losses, most notably, the Sassi Yacht fire in Bremen.

Energy

The Offshore Energy account income increased in 2018 by 5% to $34.5m (2017: $33m). As opposed to prior years, an uptick in oil price has led to an increase in drilling activity which when coupled with a reduction in available capacity, has led to an uptick in pricing.

Whilst pricing strength came in below forecast we still saw rates up 11.7% across our portfolio. This also led to an increased retention ratio from 55% in the prior year to 75% in 2018.

Cargo & Specie

Despite continued headwinds in market overcapacity, the historical underperformance of the cargo sub-class has led to firmer pricing. Premium income in the class has grown by 8% to $53m (2017: $49m). Pricing was up 4.7% across our portfolio.

The retention ratio has dropped from 76% to 68% as the underwriting team continue to optimise the portfolio.

The strategy of expanding the Specie portfolio continues to be hampered, broker facilitisation continues to impact our ability to execute our long term strategy as we had planned. Consequently, we will maintain our selective approach to underwriting, deploying capital to support those areas offering the best opportunity for appropriate return, whilst maintaining a well-diversified portfolio.

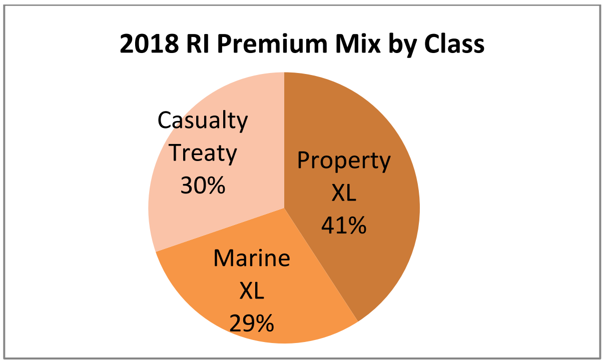
Aviation

Despite a prolonged period of poor performance, rates in the Aviation continued to fall and capacity remained abundant. During 2018 we saw a reversal of this trend. Whilst rates increasing across our portfolio by 4.3% (plan 1.1%), premium dropped by 4% to $27m (2017: $28m) and our retention ratio increased from 55% to 77%.

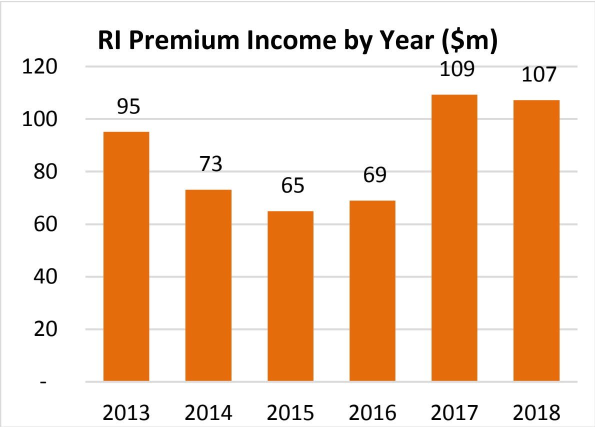
Capacity tightened in the market, Airline and GA led the way with aerospace staring to turn towards Q4.

The commitment to the strategy of diversification within this class and the maintenance of a balanced portfolio between Airline and Aerospace continues.

Reinsurance



Active Underwriter Review (continued)



The Reinsurance division comprises both Property, Marine Excess and Casualty Treaty written on a worldwide basis. Premium income increased by 35% during 2018 to $108m (2017: $80m), primarily due to the inclusion of Casualty. .

Property XL

Property XL income fell 4% to $43m (2017: $45m). The team continues to focus on high quality business written at non-attritional levels, optimising the portfolio balance dependent on market conditions. The portfolio comprises of both risk and catastrophe business, worldwide in nature, with a focus on the US, Europe and Japan. Smaller portfolios are also written in Latin America, Asia, Australasia, Africa and the Caribbean. This year, to add further diversification to the class, we have underwritten a small agriculture portfolio, comprising of business in the US, Canada and China and reallocated an Aquaculture treaty from Miscellaneous to Property XoL.

Premium rates increased by 4.5% during the year, very much in line with expectation and disappointing given the events of 2017. The retention ratio remained as last year at 84%.

The syndicate again was exposed to a number of Nat Cat event with Wildfires again in California and the largest and strongest typhoon to hit Japan in a number of years. Our losses whilst disappointing remain within our expectations and reflect the balanced nature of our portfolio.

Marine XL

A balanced Marine XL book continues to be underwritten for both London Market (LMX) and Foreign Market (FMX) business where good synergies with direct Hull, Cargo and Specie and Energy accounts exist.

Market conditions improved during 2018 post the HIM event of 2017, with pricing for the portfolio up 7%.

We continue to refine our portfolios in the Asian market through our offerings in Singapore and Shanghai on the Lloyd's platforms. Pricing here has not been as robust as we have seen in London and with results not being in our favour. The retention ratio for the class was 70%. This has resulted in premium income dropping 9% to $32m (2017: $35m).

Casualty Treaty

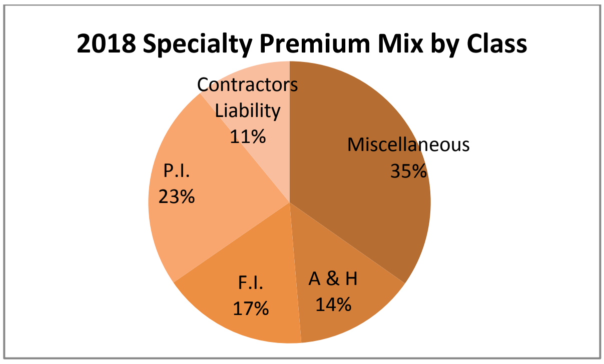
Income from our Casualty Treaty Class grew 14% to $33m as our footprint in the class continue to grow.

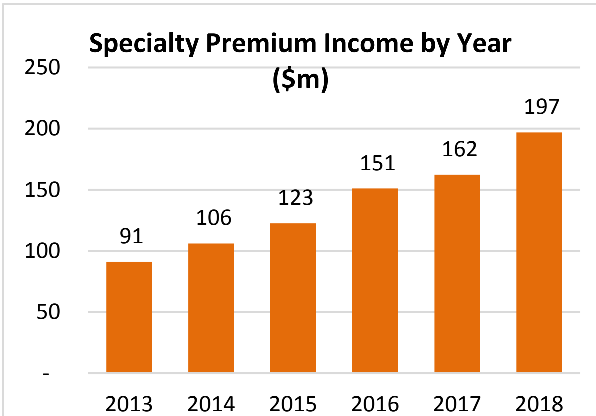
Rating in the class was continued to strengthen to 3.4% across our portfolio and better than our planned assumptions (-2.5%).

Losses from the Californian Wildfires in 2017 & 2018 have impacted the GL side of the portfolio.

Specialty Lines

The Specialty Lines division includes Financial Institutions, Professional Indemnity, Accident & Health, Contractors Liability and a Miscellaneous account. Premium income has dropped to $179m (2017: $192m). The movement here is as a result of moving the Casualty Treaty and Political Risks accounts to Reinsurance and Political Risks and Terrorism respectively.





Active Underwriter Review (continued)

Financial Institutions

We continue to readjust our appetite is this class. The Syndicate continues to have limited exposure to the major US or European financial institutions which have been responsible for the majority of market losses. Growth has instead been supplemented by Fund Managers, Stockbrokers and Mortgage Banks whilst we continue to reduce our exposures to Commercial Banks.

Premium income has fallen 15% to $34m (2017: $40m). The rating environment was better than planned at 2.2% vs a plan -1.5% and our retention ratio dropped from 78% to 72%.

Professional Indemnity

2018 continued to see the portfolio change as we continued to de-risk the portfolio, particularly in the Design and Construction and Valuers's sub classes, whilst turning our emphasis to Solicitors and lawyers sub classes. .

As a result, premium income for the Professional Indemnity class fell 8% year on year to $48m (2017: $52m).

The retention ratio at 72% was down on 2017 at 77% despite pricing being above planned expectation of -3% at +4.2% for the year.

Miscellaneous

Our miscellaneous account can be divided into 3 sub classes.

Cyber, Transactional Liability and General Liability. Business continues to be underwritten through delegated facilities such as Lloyd's consortia and binding authorities. Combining a robust due diligence process and close monitoring of performance, this enables the Syndicate to access and develop new classes in a controlled way that leverages the expertise of market specialists in their respective fields.

Income for 2018 is $63m (2017: $52m) as our appetite for Cyber and transactional liability grows.

Rating came in above plan (1.1%) at +2.2%.

Accident & Health

Our Accident & Health continues to grow as we build out our footprint. Income for 2018 grew 25% to $20m (2017: $16m). The team continues to gain traction during their second year of operation at Antares and a significant pipeline of business continues to be generated.

Pricing whilst negative at -0.8% was better than plan -2%.

Contractors Liability

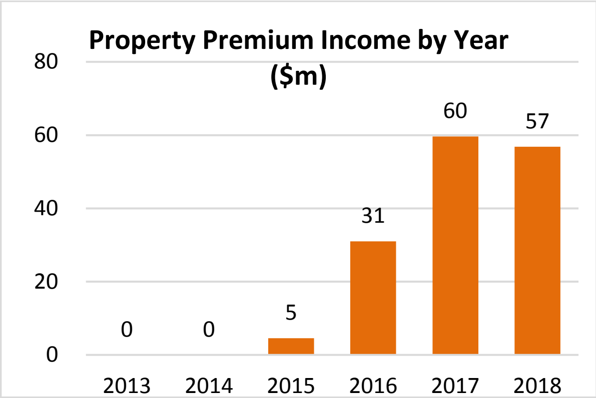
Income in the class grew from $3.2m to $14m as the team completed its first full year at Antares.

Pricing was up from plan expectations of flat to +5%.

We continue to avoid the heavier industry sectors such as Roofers, scaffolders concentrating on the lower volatility sector.

Property

Premium income for 2018 fell to $57m (2017: $60m).



The natural catastrophes of 2017 drove rate increases across our portfolio to 8.2%, up on our planned rate change of -2%. In addition we undertook a review of the class and decided to make some strategic changes, most notably cutting exposures in the Caribbean and Central and South America and reducing our primary underwriting offering. This resulted in a drop in retention rate from 80% to 59%

The team continue to balance the portfolio between Open Market Facultative Reinsurance and Property Binder Portfolio, supplemented with a small limited Commercial General Liability (CGL) Binder offering.

Political and Financial Risks

Premium income for the class, which includes political risks and trade credit, remained flat at $16m (2017: $16m).

Geopolitical issues in the Middle East hampered our ability to grow the account further especially the Multi-lateral segment of our portfolio.

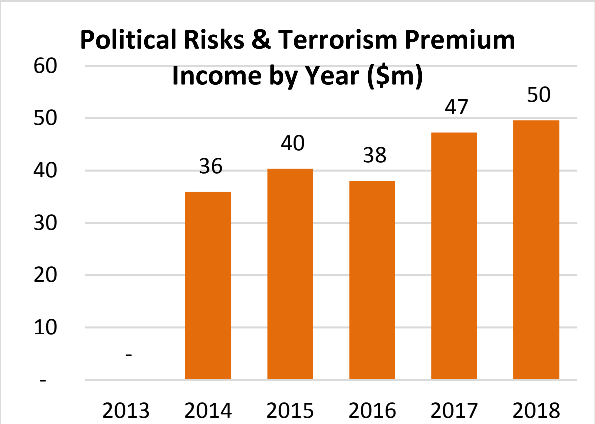
Our portfolio continues to produce results that are in line with expectations.

Active Underwriter Review (continued)

Terrorism

Following the departure of the team in 2017, we recruited a new class Underwriter and team. In light of this the drop in premium to $24m (2017: $31m) is understandable.

The retention ratio is up marginally on 2017 at 75%. Pricing again is down on last year at -3%, however is better than plan at -7%



I remain indebted to my underwriting colleagues who continue to strive to produce the optimum portfolio for the Syndicate in what, despite some improvement remain challenging market conditions. I am convinced that the diverse portfolio is balanced and strategically placed for the future

Jonathan Battle
Active Underwriter

Financial Review

Summary Income Statement

For insurers, 2017 and 2018 are expected to be the costliest back-to-back years for insured losses. Following the 2017 hurricanes Harvey, Irma and Maria (HIM), 2018 was another active year for natural catastrophes which have been estimated to have cost insurers $80bn, substantially above the 30 year average of $41bn.

For the Syndicate, 2018 will also be remembered for Lürssen, the largest Marine Hull claim ever to hit the market – a key market on which the Syndicate was founded and in which it is a recognised leader.

Although very disappointing, it was in this context that the Syndicate suffered a second loss in consecutive years.

At 108%, the combined ratio was on a par with the underwriting result of 2017. However at $43m, the full year loss was worse as investment markets slumped in 2018, offering no relief from the worse than expected claims experience.

Underlying profitability has otherwise remained stable overall and the Syndicate is well positioned to benefit from the continued modest market improvement.

$000	2018	2017
Gross Premium Written	586,374	539,603
Net Premium Earned	475,173	418,872
Net Claims Incurred	(347,541)	(316,612)
Net Commission	(120,863)	(96,269)
Net Underwriting Result	**6,769**	**5,991**
Operating Expenses	(46,163)	(41,248)
Net Foreign Exchange	(191)	(147)
Investment Return	(3,206)	15,902
Net (Loss)/Profit	**(42,791)**	**(19,502)**
Ratios:		
Claims Ratio	73.1%	75.6%
Commission Ratio	25.4%	23.0%
Expense Ratio *	9.7%	9.8%
Combined Ratio	**108.2%**	**108.4%**

* Expense Ratio excludes Net Foreign Exchange Loss

Underwriting Result Review

Gross Premium Written

The Whole Account grew by 9% to $586m (2017: $540m) through the expansion of recent growth initiatives including Contractors Liability, Political & Financial Risks, A&H and Cyber (Miscellaneous).

Market conditions continued to underwhelm, albeit in line with the Syndicate's realistic expectations, with an overall rating improvement of 4%.

The business renewal ratio remained strong across the whole account at 70% (2017: 75%). Robust underwriting, and strategic re-underwriting in certain areas, has led to the small decrease – a positive indicator for future profitability.

Net Premium Earned

Net premium earned of $475m (2017: $419m) was 13% higher, relatively more than the increase in GWP. In part this was due to the delayed timing effect of premium growth in 2017 earning through in 2018; but also due to outward hurricane-related reinstatement premiums in 2017 serving to reduce the comparative value without any corresponding equivalent in 2018.

Net Claims Incurred

Net claims incurred of $348m (2017: $317m) were only slightly better than prior year, with the Claims Ratio decreasing from 76% to 73%.

Californian Wildfires and Typhoon Jebi in Japan heavily impacted the Reinsurance division, accounting for $30m of losses in total.

Reinsurance, but to a greater extent MAT, was also exposed to the record Lürssen shipyard fire costing the Syndicate a further $18m.

Although these events were considerably smaller in gross terms than the HIM hurricanes, due to the relatively high attachment points of the Syndicate's reinsurance programme in both years, the $48m combined impact was very similar on a net basis (HIM: $51m).

Net Commission

The Commission Ratio increased to 25% (2017: 23%). This was the result of higher market rates being charged in the Syndicate's chosen areas of growth but also due to a relatively lower comparative in 2017 which was dampened by the effect of hurricane-related reinstatement premiums which did not attract any brokerage.

Underwriting Result by Division

MAT

$000	2018	2017
Gross Premium Written	175,710	161,130
Net Premium Earned	164,981	157,579
Net Claims Incurred	(147,497)	(112,579)
Net Commission	(41,922)	(36,571)
Net Underwriting Result	**(24,438)**	**8,429**
Claims Ratio	89.4%	71.4%
Commission Ratio	25.4%	23.2%

The MAT division represents 30% (2017: 30%) of the Syndicate's business and produced an underwriting loss of $24.4m (2017: $8.4m profit).

Financial Review (continued)

Over-capacity in the market continued to put pressure on prices and worse than expected attritional and large claims experience reduced the division to a significant overall loss.

This was illustrated most starkly by Lürssen in Hull where a 146 metre mega yacht in its final stage of construction was destroyed by fire.

Beyond this headline however there was also disappointingly high levels of attrition in Cargo but in particular Aviation and Hull which have been undergoing an in depth strategic review of their accounts.

Energy was the exception and the only class to return a profit in the division, continuing its sustained turnaround and demonstrating its success in re-underwriting the book.

Reinsurance

$000	2018	2017
Gross Premium Written	107,242	109,267
Net Premium Earned	94,017	83,879
Net Claims Incurred	(82,582)	(73,520)
Net Commission	(18,110)	(13,822)
Net Underwriting Result	**(6,675)**	**(3,464)**
Claims Ratio	87.8%	87.6%
Commission Ratio	19.3%	16.5%

Reinsurance represents 18% (2017: 20%) of the portfolio and is one of the Syndicate's divisions most exposed to catastrophe risk. Consequently, in another active year for global natural disasters and in a division also exposed to the Lürssen fire, Reinsurance again returned a loss.

Typhoon Jebi caused extensive property damage when it made landfall in September as the strongest Typhoon to strike Japan in 25 years costing the Syndicate an estimated $10m.

Californian Wildfires also impacted the Syndicate heavily, contributing a further $20m. In addition to the property losses associated with California's deadliest and most destructive fire on record, the Syndicate has also had to recognise the potential for liabilities arising from utility companies operating in the locality and their alleged role in two years of fires.

The overall loss for Reinsurance was well contained in view of the year's events which also included Hurricanes Michael and Florence in the US and Typhoon Trami in Japan. Careful selection of risks and participating layers helped ensure the impact of these were kept to a minimum.

Specialty

$000	2018	2017
Gross Premium Written	197,057	162,379
Net Premium Earned	147,052	113,881
Net Claims Incurred	(89,406)	(82,224)
Net Commission	(40,538)	(27,052)
Net Underwriting Result	**17,108**	**4,605**
Claims Ratio	60.8%	72.2%
Commission Ratio	27.6%	23.8%

At 34% (2017: 30%) of the portfolio, Specialty is the Syndicate's main source of growth as it pursues its vision for a diverse, multi-line business.

The 21% increase in GWP was primarily attributable to growth in the Syndicate's most recently launched classes: A&H and Contractors Liability which together contributed $49m of premium (2017: $19m) and encouragingly accounted for much of the improvement in the division's underwriting result.

Professional Indemnity, the division's largest distinct class, was another source of positivity as it returned to a healthy profit having previously stabilised in 2017 after a period of isolated back-year reserve strengthening in areas that are no longer a focus of the book.

Partially offsetting losses in the Financial Institutions and Miscellaneous classes were the result of a handful of high profile liability market claims including an element related to the Wildfires.

The Syndicate remains cautiously optimistic for the future profitability of this strategically important division which can show its value in such volatile underwriting years.

Political Financial Risks & Terrorism

$000	2018	2017
Gross Premium Written	49,548	47,230
Net Premium Earned	29,246	31,926
Net Claims Incurred	(457)	(5,111)
Net Commission	(7,071)	(7,227)
Net Underwriting Result	**21,718**	**19,588**
Claims Ratio	1.6%	16.0%
Commission Ratio	24.2%	22.6%

The Political Financial Risks & Terrorism division represents 8% (2017: 9%) of the total book.

It was another good year for the division which was again the Syndicate's most profitable with profits split evenly between Terrorism and Political Financial Risks without any significant losses incurred in either class.

Financial Review (continued)

Property

$000	2018	2017
Gross Premium Written	56,843	59,598
Net Premium Earned	39,879	31,608
Net Claims Incurred	(29,917)	(43,179)
Net Commission	(13,221)	(11,596)
Net Underwriting Result	**(3,259)**	**(23,167)**
Claims Ratio	75.0%	136.6%
Commission Ratio	33.2%	36.7%

The launch of Property three years ago was a key growth initiative which quickly established itself as a significant pillar in the Syndicate's offering, representing 10% overall.

As another catastrophe-exposed division, timing of the launch has been unfortunate with last year's HIM hurricanes producing significant losses in a class of business where profitability was already under significant pressure following years of softening.

As expected, rate improvements have been insufficient to turn the market around and the pressure remains.

The positioning of the division and its target geographies helped avoid much of the year's catastrophe experience, however the negative result stemmed more from reserve strengthening in the Binders sub-class.

Motor

The Syndicate entered into a Reinsurance to Close (RITC) agreement to acquire the run-off UK motor division of Chaucer Syndicate 1084, as part of a wider transaction by the Syndicate's parent QIC.

The run-off has been highly profitable in the year and, notwithstanding being subject to a substantial quota share with QIC, has contributed a net underwriting profit of $2,315,000.

Investment Income Review

$000	2018	2017
Interest Income	13,105	12,730
(Un)realised (Losses)/Gains	(14,924)	4,021
Fees	(1,387)	(849)
Net Investment Return	**(3,206)**	**15,902**
Avg Cash and Investments	624,527	577,287
Return	**(0.5%)**	**2.8%**

The modest investment loss, representing 0.5% of the portfolio, resulted from the impact of the rising yield environment on bond markets and a correction in global equities.

The strategic allocation of the portfolio was largely maintained throughout the year in line with the Syndicate's long term objectives and as such was not immune to the effects of global market trends.

Losses were generated in the Syndicate's equity portfolio as markets corrected themselves against a backdrop of concerns about further escalations in the US/China trade dispute and a slowdown in global growth.

Rising yields were a temporary effect as markets adjusted to the "new normal" for interest rates, particularly in the US.

Having absorbed the adjustment in 2018, the Syndicate is looking forward to higher interest returns on its core fixed income portfolio in future.

Operating Expenses Review

$000	2018	2017
Admin Expenses GBP	£34,451	£31,975
Conversion Rate	1.34	1.29
Admin Expenses USD	$46,164	$41,248
Exchange Loss	$191	$147
Operating Expenses	**$46,355**	**$41,395**

Administrative Expenses

Administrative expenses of $46.2m (2017: $41.2m) consisted primarily of staff costs, including those related to the acquisition of new insurance contracts such as underwriters' salaries.

The increase in expenses was the result of growth in headcount, in accommodation costs and also the effects of foreign exchange.

Headcount grew to 149 (2017: 139) as the business continued to grow and the team enjoyed its first full year in the new larger head office to accommodate them on London's historic Lime Street.

The expense base is predominantly sterling denominated and the strengthening of the pound served to further inflate its converted value.

Net Foreign Exchange

The Syndicate does not speculate on foreign currency and matches assets and liabilities at an individual currency level, holding its surplus in USD, thereby largely mitigating the effects of movements in exchange rates and limiting their impact to a net loss of $0.2m (2017: $0.1m loss).

Mike Finch
Finance Director

Managing Agent's Report

The Directors of Antares Managing Agency Limited ('the Managing Agent') present their Report for the year ended 31 December 2018.

Directors

The names of the Directors who served during the year can be found in the Directors and Administration information on page 3.

Directors' Interests

None of the Directors hold any interests in Antares Managing Agency Limited.

The Managing Agent

The Managing Agent is Antares Managing Agency Limited (AMAL), whose registered office is 21 Lime Street, London, EC3M 7HB and registered number is 6646629.

Results

The Syndicate produced a loss of ($42.8m) (2017: $19.5m loss). The detailed results for the year and the key financial performance indicators during the year are set out in the Financial Review, pages 11 to 13.

Review of the Business

Syndicate 1274 is a provider of global insurance and reinsurance products. The Antares Group supports the vast majority of the capacity of Syndicate 1274. The parent company of the Antares Group is Antares Group Holdings Limited, a UK registered company. Antares Group Holdings Limited is wholly owned by Qatar Insurance Company SAQ (QIC), a publicly listed composite insurer listed on the Qatar Exchange.

QIC Global Services Limited provides insurance services to the Syndicate under an outsourcing agreement with AMAL.

In line with the Antares Group's objective and strategy, the Syndicate contributes to the Group's strategy of controlled, profitable growth. The Syndicate provides a worldwide, diversified, range of insurance and reinsurance products and is dedicated to providing an efficient and effective service to its clients ensuring quality, security, continuity and a consistent approach to risk transfer.

A review of the Syndicate's business, and development during the year, is set out in the Managing Director's Overview, Active Underwriter's Review and Financial Review sections on pages 4 to 13. This includes information on key performance indicators and such information and analysis is hereby incorporated by reference into this report.

Financial Instruments

Details of financial instruments are provided in Note 20 to the accounts.

Going Concern

In assessing going concern for the Syndicate, the Directors reviewed the budgets and forecasts as well as the available sources of capital and the uses of that capital and associated cash flow for the Syndicate. After consideration of these factors and the support of the shareholders of the Antares Group, the Directors have concluded that it is appropriate to adopt the going concern basis of accounting.

Events after the Reporting Period and Future Developments

There are no events that are material to the operations of the Syndicate that have occurred since the reporting date (Note 22). The directors of the Syndicate do not anticipate any change to its strategy and will continue to maintain a balanced portfolio for 2019.

Principal Risk and Uncertainties

The Syndicate's activities expose the business to a number of risks which have the potential to affect the achievement of the business objectives. The Board of the Managing Agency (the AMAL Board) is responsible for maintaining an appropriate structure for managing these risks and acknowledges that it is not possible to eliminate risk(s) entirely. However, the AMAL Board seeks to manage risk in line with risk appetite by maintaining effective systems and controls.

Risk Categories

The Syndicate is exposed to risk in the following categories:

Underwriting Risk is defined as the risk that the frequency and severity of insured events exceeds the expectations of Syndicate 1274 at the time of underwriting.

Reserving Risk is defined as the risk of loss due to the previously established reserves for claims reported on previously exposed business turning out to be incorrect in terms of quantum or timing.

Claims Management Risk is the risk of loss or regulatory breach due to inappropriate claim management process and/or inadequate governance.

Credit Risk is defined as the risk of loss due to counterparty default or failure to fulfil their obligations. This is the risk of loss or of adverse change in AMAL's financial position, resulting from fluctuations in the

Managing Agent's Report (continued)

credit standing of issuers of securities, counterparties and any debtors to which AMAL is exposed, in the form of counterparty default risk, spread risk, or market risk concentrations.

Market Risk is defined as the risk of loss, or of adverse change in the financial situation, resulting directly or indirectly from fluctuations in the volatility of market prices of assets, liabilities and financial instruments. It is the risk that the value of AMAL's basic own funds changes unfavourably, due to economic factors such as variations in interest rates.

Liquidity Risk is defined as the risk of loss, or inability to realise investments and other assets, in order to settle financial obligations when they fall due.

Operational Risk is defined as the risk of loss arising from inadequate or failed internal processes, people, and systems or from external events impacting AMAL's ability to operate. This risk encompasses all functions rendered in the course of conducting business. This includes legal and regulatory risk, but excludes risks arising from strategic and reputational risk.

Strategic Risk is defined as the risk to earnings or capital arising from adverse business decisions or improper implementation of those decisions. This risk is a function of the compatibility between AMAL's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, the quality of implementation and appropriateness of response to changing business conditions. This includes reputational risk that is recognised as a by-product of inappropriate and/or inadequate management and mitigation of other risk categories.

Regulatory risk is the risk that the Managing Agency fails to meet the regulatory requirements of the Financial Conduct Authority, the Prudential Regulation Authority and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. Antares Managing Agency Limited has a Compliance department that monitors regulatory developments and assesses the impact on Agency policy.

AMAL recognises **reputational risk** as a by-product of inappropriate/inadequate management and mitigation of all other risk categories.

Risk Governance

The AMAL Board is ultimately responsible for ensuring the effective management and control of risk affecting the Syndicate. The AMAL Board is committed to maintaining sound risk management and control systems that are suitable, effective and proportionate to protect the interests of all stakeholders. The AMAL Board has, for practical reasons, delegated its day-to-day responsibility for different aspects of the risk management to committees and the senior management.

Refer to Note 20 – Risk Management for more information on how the Syndicate 1274 monitors, controls, mitigates and manages the risks described above.

Disclosure of Information to the Auditors

The Directors each confirm that:

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

Auditors

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

By order of the Board

………………………………………..

C L Sweeney

Company Secretary

22 March 2019

Statement of Managing Agent's Responsibilities

The Managing Agent is responsible for preparing the syndicate annual report and annual accounts in accordance with applicable law and regulations.

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

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

1. select suitable accounting policies and then apply them consistently;

2. make judgements and estimates that are reasonable and prudent;

3. state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the annual accounts; and

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

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

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

Independent Auditor's Report to the Members of Syndicate 1274

Opinion

We have audited the syndicate annual accounts of syndicate 1274 ('the syndicate') for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Members' Balances, the Statement of Cash Flows and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

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

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

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

We have nothing to report in this regard.

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

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

- the information given in the managing agent's report for the financial year in which the syndicate annual accounts are prepared is consistent with the syndicate annual accounts, and

Independent Auditor's Report to the Members of Syndicate 1274 (continued)

- the managing agent's report has been prepared in accordance with applicable legal requirements

Matters on which we are required to report by exception

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

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

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

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 16, the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Use of our report

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

Ed Jervis (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

22 March 2019

Statement of Comprehensive Income

For the year ended 31 December 2018

Technical Account – General Business	Notes	2018 $000	2017 $000
Earned Premium, Net of Reinsurance			
Gross Premium Written	4	586,374	539,603
Outward Reinsurance Premium		(88,423)	(102,800)
Net Premiums Written		**497,951**	**436,803**
Change in the Provision for Unearned Premium			
Gross Amount		(29,473)	(36,351)
Reinsurers' Share		6,695	18,420
Net Change in Provision for Unearned Premium		**(22,778)**	**(17,931)**
Earned Premiums, Net of Reinsurance		**475,173**	**418,872**
Allocated Investment Return Transferred from the Non-Technical Account		**(3,206)**	**15,902**
Claims Incurred, Net of Reinsurance			
Claims Paid			
Gross Amount		(334,700)	(234,828)
Reinsurers' Share		86,251	13,939
Net Claims Paid		**(248,449)**	**(220,889)**
Change in the Provision for Claims			
Gross Amount		(4,899)	(155,124)
Reinsurers' Share		(94,193)	59,401
Net Change in the Provision for Claims	5	**(99,092)**	**(95,723)**
Claims Incurred, Net of Reinsurance		**(347,541)**	**(316,612)**
Net Operating Expenses	6	**(167,026)**	**(137,517)**
Balance on the Technical Account – General Business		**(42,600)**	**(19,355)**

All the amounts above are in respect of continuing operations.

Statement of Comprehensive Income
For the year ended 31 December 2018

		2018	2017
Non - Technical Account	Notes	$000	$000
Balance on General Business Account		(42,600)	(19,355)
Investment Income	10	9,274	9,972
Unrealised (Losses)/Gains	10	(11,093)	6,779
Investment Expenses and Charges	10	(1,387)	(849)
Allocated Investment Return Transferred to General Business Technical Account		3,206	(15,902)
Exchange Losses		(191)	(147)
Loss for the Financial Year		**(42,791)**	**(19,502)**

The Syndicate has no other comprehensive income other than the loss for the year.

Statement of Financial Position - Assets

at 31 December 2018

	Notes	2018 $000	2017 $000
Investments			
Financial Investments	9	572,125	549,152
Deposits with Ceding Undertakings		1,609	976
Reinsurers' Share of Technical Provisions			
Provision for Unearned Premiums	15	43,930	37,885
Claims Outstanding	15	312,216	117,666
		356,146	**155,551**
Debtors			
Debtors Arising out of Direct Insurance Operations	12	247,772	217,061
Debtors Arising out of Reinsurance Operations		72,092	72,086
Other Debtors		5,406	-
		325,270	**289,147**
Other Assets			
Cash at bank and in hand	13	30,176	14,513
Overseas Deposits	14	39,681	43,674
Prepayments and Accrued Income			
Other Prepayments and Accrued Income		2,355	2,210
Deferred Acquisition Costs	16	78,059	63,103
		80,414	**65,313**
Total Assets		**1,405,421**	**1,118,326**

Statement of Financial Position – Liabilities
at 31 December 2018

	Notes	2018 $000	2017 $000
Capital and Reserves			
Members' Balances		(73,291)	13,819
Technical Provisions			
Provision for Unearned Premiums	15	294,589	269,900
Claims Outstanding	15	995,162	701,294
		1,289,751	**971,194**
Deposits Received from Reinsurers		1,301	1,127
Creditors			
Creditors Arising out of Direct Insurance Operations	17	54,221	47,953
Creditors Arising out Reinsurance Operations		120,714	75,017
Other Creditors		4,412	9,182
		179,347	**132,152**
Accruals and deferred income		8,313	34
Total Liabilities		**1,405,421**	**1,118,326**

The annual accounts on pages 19 to 49 were approved by the Board of Antares Managing Agency Limited on 12 February 2019 and signed on its behalf by:

M G Finch
Finance Director

22 March 2019

Statement of Changes in Members' Balances
Year ended 31 December 2018

	2018	2017
	$000	$000
Members' Balances Carried Forward at 1 January	13,819	55,375
Settlement of Year of Account Profit	(44,319)	(22,053)
Financial Year Loss	(42,791)	(19,502)
Members' Balances Carried Forward at 31 December	**(73,291)**	**13,819**

Members participate on syndicates by reference to Years of Account and their forecast ultimate result; assets and liabilities are assessed with reference to policies incepting in that Year of Account in respect of their membership of a particular year.

Statement of Cash Flows
at 31 December 2018

	Notes	2018 $000	2017 $000
Operating Result		**(42,791)**	**(19,502)**
Adjustments for non-cash items			
Unrealised losses/(gains) on investments		11,093	(6,779)
Changes in working capital			
Increase in gross technical provisions		349,411	191,476
Increase in reinsurers' share of gross technical provisions		(213,736)	(77,821)
Increase in debtors		(49,681)	(62,014)
Increase in creditors		52,313	33,782
Movement in other assets/liabilities		(491)	(909)
Investment return		(7,887)	(9,123)
Net cash flows from operating activities		**98,231**	**49,109**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equity and debt instruments		(473,386)	(376,163)
Sale of equity and debt instruments		413,298	333,285
Purchase of derivatives		(20,653)	(6,527)
Sale of derivatives		19,242	7,414
Investment income received		9,274	9,972
Other		(875)	(6,822)
Net cash flows from investing activities		**(53,100)**	**(38,841)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Profit distribution		(44,319)	(22,053)
Net cash flows from financing activities		**(44,319)**	**(22,053)**
Cash and cash equivalents at beginning of year		33,009	44,559
Effect of exchange rate fluctuations on cash and cash equivalents		(133)	235
Cash and cash equivalents at end of year		**33,688**	**33,009**
Cash at bank and in hand		30,176	14,513
Short term deposits with credit institutions		3,512	18,496
Cash and cash equivalents at end of year	13	**33,688**	**33,009**

Notes to the Annual Accounts
at 31 December 2018

1. Managing Agent and Syndicate Information

The Managing Agent of Syndicate 1274 is Antares Managing Agency Limited ("AMAL"), whose registered office is 21 Lime Street, London, EC3M 7HB and registered number is 6646629. AMAL is a wholly owned subsidiary of Qatar Insurance Company SAQ ("QIC"), an insurance group listed on the Qatar Exchange.

The principal activity of Syndicate 1274 is the transaction of general insurance and reinsurance business in the London Market.

2. Basis of Preparation

The accounts for the year ended 31 December 2018 were approved by the Antares Managing Agency Board of directors on 12 February 2019.

These annual accounts have been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, and applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102") and Financial Reporting Standard 103 Insurance Contracts ("FRS103") and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

The annual accounts have been prepared on a going concern basis and a historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below. The Syndicate presents its annual accounts as an individual undertaking and not about its group.

Previously cash and cash equivalents where shown together on the face of the balance sheet. Cash equivalents have now been disclosed as investments and the remaining cash at bank separately disclosed in accordance with schedule 3 of the Large and Medium–sized Companies and Groups (Accounts and Reports) regulations 2008.

The Syndicate's functional currency and presentational currency is US Dollars and the level of rounding used is the nearest thousand.

3. Accounting Policies

(a) Premiums written

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

(b) Unearned premiums

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

(c) Reinsurance premium ceded

Outwards reinsurance premiums are earned according to the type of policy. For losses occurring during (LOD) contracts the premium is earned on a straight line basis over the period of coverage. For risks attaching during (RAD) contracts the premium is earned in line with the gross premiums earned to which the risks attaching contract relates.

Notes to the Annual Accounts
at 31 December 2018

(d) Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with FRS 102 and 103 requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the year. The estimates and associated assumptions are based on historical experience and other factors as deemed reasonable and appropriate. The results of these factors allow judgements to be made in respect of the carrying values of assets and liabilities that are not readily apparent from other sources. The nature of estimation means that actual outcomes could differ from those estimates. Uncertainties exist where current valuations are dependent on estimates of future results.

The Syndicate's areas of estimation primarily relate to valuation of liabilities in respect of insurance and reinsurance contracts and valuation of investments.

The estimates and assumptions are reviewed on an ongoing basis. To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of equity, it shall be recognised by adjusting the carrying amount of the related assets, liability or equity item in the period of change.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below and in Note 20 Risk Management.

(d) (i) Claims provisions and related recoveries

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years.

The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported ("IBNR") at the balance sheet date based on statistical methods.

These methods 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. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

The reinsurers' share of provisions for claims is based on the 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 methods are used to assist in making these estimates.

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

The Directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the 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 annual accounts for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

Notes to the Annual Accounts
at 31 December 2018

(d) (ii) Financial investments

The Syndicate classifies its investments as financial assets measured at fair value through profit or loss.

The Syndicate investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value at each reporting date. Fair value adjustments and realised gains and loss are recognised in the Income Statement.

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Refer to Note 20 Risk Management for details on the Fair Value Hierarchy and fair value measurement criteria.

The Syndicate measures the fair value of its financial assets based on market data from independent pricing services. The pricing services used obtain the actual transaction prices for securities that have quoted prices in active markets. For those securities which are not actively traded, the pricing services use common market valuation pricing models. Observable inputs used in common market valuation pricing models include, but are not limited to, broker quotes, credit ratings, interest rates and yield curves, prepayment speeds, default rates and other such inputs which are available from market sources.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of the derivatives are recognised in profit or loss in finance costs as appropriate. The syndicate does not apply hedge accounting.

(e) Unexpired Risks Provision

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

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

(f) Deferred Acquisition Costs

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at year end.

(g) Financial Assets/Liabilities

All financial assets/liabilities are recognised initially at fair value.

Notes to the Annual Accounts
at 31 December 2018

(h) Foreign Currencies

The Syndicate's functional currency and presentational currency is US Dollars.

Foreign currency transactions are recorded in the functional currency using the exchange rates prevailing at the date of the transactions, or at the average rate for the period when this is a reasonable approximation. Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisition costs) denominated in foreign currencies are translated at period end exchange rates. Non-monetary assets and liabilities carried at historical cost denominated in a foreign currency are translated at historic rates. Non-monetary assets and liabilities carried at estimated fair value denominated in a foreign currency are translated at the exchange rate at the date the estimated fair value was determined.

Exchange differences are recorded in the non-technical account.

(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.

Realised gains and losses on investments are calculated as the difference between sale proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments relate to the technical account.

(j) 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 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 are included in the balance sheet under the heading "other debtors".

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

(k) Pension Costs

QIC Global Services Limited operates a defined contribution scheme for staff working on behalf of Antares Syndicate 1274. Pension contributions relating to these members of staff are charged to the Syndicate and included within net operating expenses. QIC Global Services Limited is a wholly owned subsidiary within the Antares Group.

Notes to the Annual Accounts
at 31 December 2018

4. Segmental Analysis

An analysis of the underwriting result before investment return for 2018 and 2017 is set out below:

2018	Gross Written Premiums $000	Gross Premiums Earned $000	Gross Claims Incurred $000	Gross Operating Expenses $000	Reinsurance Balance $000	Total $000	Net Technical Provisions $000
Marine, Aviation and Transport	175,710	172,248	(146,561)	(56,912)	(8,203)	(39,428)	(312,151)
Reinsurance	107,242	107,711	(77,491)	(26,817)	(18,785)	(15,382)	(108,472)
Specialty	197,057	179,230	(120,205)	(53,713)	(1,379)	3,933	(415,335)
Property	56,843	57,565	(45,647)	(17,472)	(1,955)	(7,509)	(52,024)
Political Risks and Terrorism	49,548	40,173	(1,098)	(11,954)	(10,285)	16,836	(38,164)
Motor	(26)	(26)	51,403	(158)	(49,063)	2,156	(7,459)
	586,374	**556,901**	**(339,599)**	**(167,026)**	**(89,670)**	**(39,394)**	**(933,605)**

2017	Gross Written Premiums $000	Gross Premiums Earned $000	Gross Claims Incurred $000	Gross Operating Expenses $000	Reinsurance Balance $000	Total $000	Net Technical Provisions $000
Marine, Aviation and Transport	161,130	165,324	(112,824)	(51,483)	(7,500)	(6,483)	(267,531)
Reinsurance	79,999	77,740	(70,368)	(13,344)	(1,956)	(7,928)	(96,695)
Specialty	191,646	166,597	(110,550)	(45,495)	(19,448)	(8,896)	(361,430)
Property	59,598	52,634	(90,364)	(15,542)	26,160	(27,112)	(54,073)
Political Risks and Terrorism	47,230	40,957	(5,846)	(11,653)	(8,296)	15,162	(35,914)
	539,603	**503,252**	**(389,952)**	**(137,517)**	**(11,040)**	**(35,257)**	**(815,643)**

The above segmental analysis is broken down into the divisional structure by which management views the business. For the purpose of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations, the Specialty division consists of Third Party Liability insurance. The Political Risks & Terrorism division consists of Fire and Other Damage to Property and Credit & Suretyship insurance.

Commissions on direct insurance gross premiums earned were $125,228,125 during 2018 and $105,715,853 during 2017.

Gross Operating Expenses include reinsurance commission's receivable.

All premium transactions were concluded in the UK, Singapore and China.

Notes to the Annual Accounts
at 31 December 2018

4. Segmental Analysis (continued)

The geographical analysis of premiums by destination (or by situs of the risk) is as follows:

	2018	2017
	$000	$000
UK	163,461	62,908
Other EU Countries	37,388	39,543
US	202,433	155,541
Central & South America	16,615	34,766
Japan	14,929	9,943
Australia	15,865	20,905
Other	135,683	215,997
Total	**586,374**	**539,603**

5. Change in Net Provision for Claims

The change in net provision for claims is made up of the following:

	2018	2017
	$000	$000
Outstanding Claims	77,831	37,491
Claims Incurred but not Reported	21,634	59,048
Claims Handling Expenses Provision	(373)	(816)
Change in Net Provision for Claims	**99,092**	**95,723**

The movement in the net provision for claims includes a deterioration of ($10,701,262) in respect of claims outstanding at the previous year end (2017: deterioration $9,889,984). The deterioration comprises net claims including the change in claims incurred but not reported ('IBNR').

Notes to the Annual Accounts
at 31 December 2018

6. Net Operating Expenses

	2018	2017
	$000	$000
Acquisition costs	138,276	117,359
Change in deferred acquisition costs	(15,904)	(9,522)
Acquisition costs – other	15,092	14,329
Change in deferred acquisition costs – other	(575)	(2,730)
Administrative expenses	31,646	28,136
	168,535	**147,572**
Reinsurance commissions receivable	(1,509)	(10,055)
Net operating expenses	**167,026**	**137,517**

Administrative Expenses Include:

	2018	2017
	$000	$000
Auditors' Remuneration		
Audit Services	420	344
Members' Standard Personal Expenses (Lloyd's Subscription, New Central Fund Contributions, Managing Agent's Fees and Profit Commission)	4,769	4,089

7. Staff Numbers and Costs

All staff are employed by either QIC Global Services Limited or Antares Underwriting Asia PTE Limited. The following amounts were recharged to the Syndicate in respect of salary costs:

	2018	2017
	$000	$000
Wages and Salaries	20,235	18,447
Social Security Costs	2,629	2,262
Other Pension Costs	1,559	1,471
Other Staff Costs including Recruitment, Training and Medical Insurance	2,290	1,725
	26,713	**23,905**

Notes to the Annual Accounts
at 31 December 2018

7. Staff Numbers and Costs (continued)

The average number of employees employed by QIC Global Services Limited and Antares Underwriting Agency Limited and working for the Syndicate during the year was as follows:

	2018	2017
	Number	Number
Executive	6	6
Underwriting	54	52
Underwriting Support and Claims	36	32
Finance and Administration	53	49
	149	**139**

8. Emoluments of the Directors of Antares Managing Agency Limited

The Directors of Antares Managing Agency Limited received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2018	2017
	$000	$000
Total Emoluments	**3,298**	**4,352**

The active underwriter received the following remuneration charged as a syndicate expense:

	2018	2017
	$000	$000
Total Emoluments	**597**	**914**

No advances or credits were granted by the Managing Agent to any of its Directors during the year.

9. Financial Investments

	Market Value		Cost	
	2018	2017	2018	2017
	$000	$000	$000	$000
Shares and Other Variable Yield Securities and Units in Unit Trusts	93,530	99,955	94,315	94,700
Debt Securities and other Fixed Income Securities	430,513	397,832	438,756	392,928
Derivatives	410	265	410	265
Participation in Investment Pools	47,672	49,540	47,582	48,627
Deposits with Credit Institutions	-	1,560	-	1,561
	572,125	**549,152**	**581,063**	**538,081**

Notes to the Annual Accounts
at 31 December 2018

10. Investment Income and Expenses

	2018	2017
	$000	$000
Investment Income		
Income from Investments	13,105	12,730
Realised Losses on Investments	(3,831)	(2,758)
Unrealised (Losses)/Gains on Investments	(11,093)	6,779
	(1,819)	**16,751**
Investment Expenses and Charges		
Investment Management Expenses	(1,387)	(849)

11. Calendar Year Investment Yield

The average amount of syndicate funds available for investment during 2018 and the investment return and yield for that calendar year was as follows:

	2018	2017
	$000	$000
Average Fund	624,527	577,287
Investment Return	(1,819)	16,751
Calendar Year Investment Yield	(0.5%)	2.8%
Average Funds Available for Investment by Currency		
United States Dollars and Other	$472,608	$459,481
Sterling	£80,867	£61,217
Canadian Dollars	C$49,950	C$47,537
Analysis of Calendar Year Investment Yield by Fund	%	%
United States Dollars and Other	(0.3)	3.5
Sterling	(0.8)	0.4
Canadian Dollars	1.1	0.7

“Average fund” is the average of bank balances, overseas deposits and investments held during the calendar year.

Notes to the Annual Accounts
at 31 December 2018

12. Debtors Arising out of Direct Insurance Operations

	2018	2017
	$000	$000
Due from Intermediaries	**247,772**	**217,061**

There were no balances due from policyholders arising out of direct insurance operations as at 31 December 2018 (2017: $nil).

13. Cash and Cash Equivalents

	2018	2017
	$000	$000
Cash at bank and in hand	30,176	14,513
Short term deposits with credit institutions	3,512	18,496
	33,688	**33,009**

14. Overseas Deposits

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries. These assets are managed by Lloyd's on a pooled basis and are predominantly invested in fixed income securities.

15. Insurance Contracts and Reinsurance Contracts

	2018			2017		
	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net
	$000	$000	$000	$000	$000	$000
Claims Outstanding	995,162	312,216	682,946	701,294	117,666	583,628
Provision for Unearned Premiums	294,589	43,930	250,659	269,900	37,885	232,015
	1,289,751	**356,146**	**933,605**	**971,194**	**155,551**	**815,643**
Contracts due no more than 12 months after the reporting date	443,211	82,078	361,133	429,253	69,758	359,495
Contracts due more than 12 months after the reporting date	846,540	274,068	572,472	541,941	85,793	456,148
	1,289,751	**356,146**	**933,605**	**971,194**	**155,551**	**815,643**

Notes to the Annual Accounts
at 31 December 2018

15. Insurance Contracts and Reinsurance Contracts (continued)

(a) Movement in Claims Outstanding

	2018			2017		
	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net
	$000	$000	$000	$000	$000	$000
Balance at 1 January	701,294	117,666	583,628	527,577	56,276	471,300
Movements During the Year	4,899	(94,193)	99,092	155,124	59,401	95,723
Motor RITC 1/1/18 *	317,390	303,482	13,908	-	-	-
Impact of Foreign Exchange	(28,421)	(14,739)	(13,682)	18,593	1,989	16,605
Balance at 31 December	**995,162**	**312,216**	**682,946**	**701,294**	**117,666**	**583,628**

*The Syndicate entered into a Reinsurance to Close (RITC) transaction with Chaucer Syndicate 6124 on 15th February 2018.

(b) Movement in Unearned Premium

	2018			2017		
	Insurance Contract Liabilities	Reinsurance Contracts	Net	Insurance Contract Liabilities	Reinsurance Contracts	Net
	$000	$000	$000	$000	$000	$000
Balance at 1 January	269,900	37,885	232,015	227,633	18,772	208,861
Premiums Written During the Year	586,374	88,422	497,952	539,603	102,800	436,803
Premiums Earned During the Year	(556,901)	(81,728)	(475,173)	(503,252)	(84,380)	(418,872)
Impact of Foreign Exchange	(4,784)	(649)	(4,135)	5,916	693	5,223
Balance at 31 December	**294,589**	**43,930**	**250,659**	**269,900**	**37,885**	**232,015**

Notes to the Annual Accounts

at 31 December 2018

16. Deferred Acquisition Costs

	2018	2017
	$000	$000
Balance as 1 January	63,103	51,796
Charges during the year	16,480	9,522
Impact of Foreign Exchange	(1,524)	1,785
Deferred Acquisitions Costs	**78,059**	**63,103**

17. Creditors Arising out of Direct Insurance Operations

	2018	2017
	$000	$000
Due to Intermediaries	**54,221**	**47,953**

There were no balances due to policyholders arising out of direct insurance operations as at 31 December 2018 (2017: £nil).

Notes to the Annual Accounts
at 31 December 2018

18. Related Parties

a) Related party insurance and reinsurance transactions with Syndicate 1274

During the year the Syndicate entered into transactions in the ordinary course of business with Qatar Insurance Company SAQ (QIC) as well as Qatar Reinsurance Company Limited (QRE), a subsidiary of QIC. QIC is the ultimate parent of the Antares Group that supports the majority of the capacity of Syndicate 1274.

	2018			2017		
	Qatar Insurance Company	Qatar Reinsurance Company Limited	Total	Qatar Insurance Company	Qatar Reinsurance Company Limited	Total
	$000	$000	$000	$000	$000	$000
Gross Written Premium	6,406	130	6,536	1,305	9	1,311
Reinsurance Written Premium	12,158	742	12,900	4,532	6,696	11,228
Gross Claims Paid	759	-	759	1,409	-	1,409
Reinsurance Recoveries	4,371	5,720	10,091	804	136	940
Gross Claims Outstanding	1,174	-	1,174	287	366	653
Reinsurance Claims Outstanding	51,189	5,587	56,776	339	202	541
Due from Related Party	10	138	148	-	-	-
Due to Related Party	-	22	22	(224)	-	(224)

b) Other related transactions with Syndicate 1274

During 2018, managing agency fees were charged to the Syndicate as follows:

	2018	2017
	$000	$000
Antares Managing Agency Limited	**482**	**628**

Antares Managing Agency Limited also charged the Syndicate $36,728,222 (2017: $32,700,000) for expenses paid on its behalf. A balance of $nil was due to Antares Managing Agency Limited at 31 December 2018 (2017: $62,408), due from Antares Managing Agency Limited $5,406,000 (2017: nil), $197,000 (2017: $160,248) was due to Antares Underwriting Asia PTE Ltd, $nil (2017:nil) was due to Antares Underwriting Limited (AUL) and $486,888 was due to Antares Capital I Limited (2017: $484,808).

Notes to the Annual Accounts
at 31 December 2018

19. Funds at Lloyd's

Every member at Lloyd's is required to hold capital 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 FCA/PRA requirements and resource criteria. The amount 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.

20. Risk Management

Principal Risk and Uncertainties

The Syndicate's activities expose the business to a number of risks which have the potential to affect the achievement of the business objectives. The Board is responsible for maintaining an appropriate structure for managing these risks and acknowledges that it is not possible to eliminate risk entirely. However, the Board seeks to manage risk in line with risk appetite by maintaining effective systems and controls.

The Syndicate is exposed to risk in the following categories:

Insurance Risk: Underwriting Risk is defined as: "The risk that the frequency and severity of insured events exceeds the expectations of Syndicate 1274 at the time of underwriting".

Reinsurance is an important risk mitigation tool employed by the Syndicate to reduce its exposure to Underwriting Risk. Reinsurance strategy is developed as part of the Three Year Business Plan and the Annual Business Plan, with reference to the overall risk appetite of the Syndicate, historical and projected future reinsurance costs, and potential sources of capital alternatives. The reinsurance strategy is approved by the AMAL Board and implemented by senior management.

The other risk mitigation techniques/tools in respect of the Underwriting Risk include: increasing diversification; altering limits and attachment points; and changing product mix (including classes of business and territories).

Underwriting Risk is managed through underwriting authorities, and both peer and independent expert review procedures. Pricing is determined through the use of bespoke pricing models. Underwriting authorities are monitored through systems which report adherence to individual underwriter limits (including contract limits and jurisdiction restrictions). Any delegated underwriting authorities are subject to diligence review, and regular audit.

Realistic Disaster Scenario (RDS) and Probable Maximum Loss (PML) limits are set to limit the exposure to underwriting risk. Aggregate and Class of Business exposures are assessed and monitored, in line with the Exposure Management Framework, to control the risk from the underwriting activities.

Detailed underwriting management information is prepared regularly, including metrics for the main components of risk. These include pricing, loss ratio selection, experience variations, cycle management, reinsurance protection and catastrophe modelling through proprietary software.

Notes to the Annual Accounts
at 31 December 2018

20. Risk Management (continued)

The table below sets out the concentration of outstanding claims liabilities by division:

	2018			2017		
	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net
	$000	$000	$000	$000	$000	$000
Marine, Aviation and Transport	230,420	6,696	223,724	190,930	9,187	181,743
Reinsurance	106,758	14,390	92,368	103,242	23,495	79,747
Specialty	387,499	62,036	325,463	316,901	34,160	282,741
Property	58,324	31,669	26,654	79,603	49,323	30,280
Political Risks and Terrorism	9,358	2,080	7,278	10,618	1,501	9,117
Motor	202,804	195,345	7,459	-	-	-
Total	**995,162**	**312,216**	**682,946**	**701,294**	**117,666**	**583,628**

The table below sets out the concentration of outstanding claims liabilities by geographic area:

	2018			2017		
	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net
	$000	$000	$000	$000	$000	$000
UK	423,687	227,924	195,763	81,757	13,718	68,039
Other EU Countries	50,522	7,452	43,070	51,392	8,623	42,769
US	273,544	40,347	233,197	202,148	33,917	168,231
Central & South America	22,452	3,312	19,140	45,184	7,581	37,603
Japan	20,174	2,976	17,198	12,922	2,168	10,754
Australia	21,439	3,162	18,277	27,169	4,559	22,610
Other	183,344	27,043	156,301	280,722	47,100	233,622
Total	**995,162**	**312,216**	**682,946**	**701,294**	**117,666**	**583,628**

Notes to the Annual Accounts
at 31 December 2018

20. Risk Management (continued)

Insurance Risk: Reserving Risk is defined as: “The risk of loss due to the previously established reserves for claims reported on previously exposed business being incorrect in terms of quantum or timing”.

The Reserving Policy and Technical Provisions Framework, approved by the AMAL Board and the Finance Committee, sets out the detailed principles, methodologies, practice and governance arrangements for the estimation of reserves and technical provisions.

The reserving policy seeks to ensure consistency in reserving from year to year, and the equitable treatment of capital providers on closure of a Syndicate Year of Account.

Reserving risk is monitored by the robust application of actuarial methodologies, sign-off procedures, quarterly tracking of projected ultimate loss ratios and reassessment of methodologies where appropriate. Regular dialogue between actuaries, underwriters and claims adjusters also assists the process.

The claims liabilities are sensitive to a number of assumptions. A key, quantifiable, assumption is the average claim cost. If the average claim cost were to increase by 1%, Profit and Members’ Balances would be impacted by $6.8m (2017: $5.8m).

Insurance Risk: Claims Management Risk is the risk of loss or regulatory breach due to inappropriate claim management process and/or inadequate governance.

Claims related risks are managed through a number of control activities and Key Performance Indicators that range from claim authority and claims processing time to potential significant loss event reporting and outstanding case reserve monitoring.

Claims development tables are shown on an underwriting year basis; these set out the development of claims over time on a gross and net of reinsurance basis (without any adjustment for any impact from changes to projected premiums). These claims are shown on an earned basis for each successive development year. Balances have been translated at exchange rates prevailing at 31 December 2018 in all cases.

Notes to the Annual Accounts
at 31 December 2018

20. Risk Management (continued)

Whole Account Underwriting Year	**2010 & prior**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Total**
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Gross Claims										
Estimate of incurred gross claims										
At the end of underwriting year		96,159	103,499	104,027	102,616	102,917	114,082	209,647	166,986	
One year later		154,163	160,297	172,377	195,051	192,750	268,192	383,474		
Two years later		166,490	176,390	185,835	205,653	215,487	542,677	-		
Three years later		173,309	177,308	182,687	203,318	221,116	-	-		
Four years later		176,764	187,392	182,948	225,610	-	-	-		
Five years later		180,449	187,989	182,324	-	-	-	-		
Six years later		178,727	185,286	-	-	-	-	-		
Seven years later		174,396	-	-	-	-	-	-		
2010 & prior years	596,753									
Gross paid claims position										
At the end of underwriting year		11,886	10,117	18,045	11,741	6,814	9,682	20,902	15,394	
One year later		56,664	64,187	63,752	61,717	56,625	86,430	142,095		
Two years later		100,015	106,181	106,156	102,251	110,890	201,168	-		
Three years later		121,327	130,845	126,195	140,607	139,388	-	-		
Four years later		136,343	140,820	140,250	154,420	-	-	-		
Five years later		152,552	155,194	150,236	-	-	-	-		
Six years later		157,289	164,299	-	-	-	-	-		
Seven years later		162,119	-	-	-	-	-	-		
2010 & prior years	554,341									
Gross claims reserve	**42,412**	**12,277**	**20,987**	**32,088**	**71,190**	**81,728**	**341,509**	**241,379**	**151,592**	**995,162**

Notes to the Annual Accounts
at 31 December 2018

20.Risk Management (continued)

Whole Account Underwriting Year	2010 & prior	2011	2012	2013	2014	2015	2016	2017	2018	Total
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Net Claims										
Estimate of ultimate gross claims										
At the end of underwriting year		81,273	70,648	94,778	93,042	96,013	104,622	148,844	153,130	
One year later		134,467	123,926	163,246	183,064	186,210	244,813	299,318		
Two years later		141,536	141,580	179,983	193,428	212,080	278,241	-		
Three years later		145,645	143,638	178,001	191,070	215,585	-	-		
Four years later		149,324	154,064	178,662	214,467	-	-	-		
Five years later		153,870	155,616	178,222	-	-	-	-		
Six years later		152,132	153,083	-	-	-	-	-		
Seven years later		147,773	-	-	-	-	-	-		
2010 & prior years	448,217									
Net paid claims position										
At the end of underwriting year		11,886	10,117	17,561	11,741	6,740	9,680	20,756	15,240	
One year later		52,209	52,109	62,720	61,716	56,544	83,828	113,903		
Two years later		87,035	85,568	103,864	102,147	110,846	147,254	-		
Three years later		100,784	105,938	123,862	127,866	139,322	-	-		
Four years later		113,209	114,429	137,942	147,217	-	-	-		
Five years later		128,081	127,254	147,901	-	-	-	-		
Six years later		132,350	135,046	-	-	-	-	-		
Seven years later		136,821	-	-	-	-	-	-		
2010 & prior years	422,386									
Net claims reserve	**25,831**	**10,952**	**18,037**	**30,321**	**67,250**	**76,263**	**130,987**	**185,415**	**137,890**	**682,946**

Notes to the Annual Accounts
at 31 December 2018

20. Risk Management (continued)

Credit Risk is defined as: "The risk of loss due to counterparty default or failure to fulfil their obligations". This is the risk of loss or of adverse change in the Syndicate's financial position, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which the Syndicate is exposed, in the form of counterparty default risk, spread risk, or market risk concentrations.

Syndicate Investment Guidelines are approved by the AMAL Board and include details of permitted securities (including limits), minimum credit ratings and maximum concentrations, to mitigate credit and counterparty default risk exposures in respect of the investment portfolio. Adherence to these guidelines is monitored on a monthly basis.

The Syndicate deals primarily with brokers that are registered with Lloyd's and with which it has a current, signed Terms of Business Agreement (TOBA). The financial standing of the brokers, their payment performance and adherence to approved procedures is monitored and all exceptions are escalated to the Security Committee, which recommends a bad and doubtful debt provision to be applied against amounts due from brokers.

The Security Committee sets reinsurer exposure thresholds based on credit ratings. This is supported by placing limits on exposure to a single reinsurer in respect of the largest Realistic Disaster Scenario exposures. Reinsurer exposures are monitored on a regular basis and reported to the Security Committee, which considers the ongoing appropriateness of the thresholds and agrees strategies for reducing exposure in respect of any breaches. The Security Committee also monitors the creditworthiness of approved reinsurers, their payment performance and sets out bad debt write-off provisions. All commutation agreements are approved by the Finance Committee.

The Syndicate's maximum exposure to counterparty credit risk analysed by credit quality is detailed below.

As at 31 December 2018	**AAA**	**AA**	**A**	**BBB & Below**	**Lloyd's syndicates**	**Unrated**	**Total**
	$000	$000	$000	$000	$000	$000	$000
Financial investments (Including Overseas deposits)	47,287	157,865	94,487	211,281	-	100,886	611,806
Cash at bank and in hand	7,455	1,115	20,659	947	-	-	30,176
Insurance and other receivables	-	-	-	-	-	1,609	1,609
Reinsurance contracts assets	-	81,537	151,834	-	74,858	9,533	317,762
	54,742	**240,517**	**266,980**	**212,228**	**74,858**	**112,028**	**961,353**

As at 31 December 2017	**AAA**	**AA**	**A**	**BBB & Below**	**Lloyd's syndicates**	**Unrated**	**Total**
	$000	$000	$000	$000	$000	$000	$000
Financial investments (Including Overseas deposits)	28,338	168,219	140,617	192,687	-	62,965	592,826
Cash at bank and in hand	134	5,629	8,750	-	-	-	14,513
Insurance and other receivables	-	-	-	-	-	976	976
Reinsurance contracts assets	-	16,340	45,584	-	43,281	15,666	120,871
	28,472	**190,188**	**194,951**	**192,687**	**43,281**	**79,607**	**729,186**

Notes to the Annual Accounts
at 31 December 2018

20. Risk Management (continued)

Overdue reinsurance receivables, including premiums and claims, were as follows:

Overdue Reinsurance Receivable	0-1 month	2-3 months	4-6 months	7-12 months	Total
	$000	$000	$000	$000	$000
At 31 December 2018	**1,268**	**956**	**1,155**	**(182)**	**3,197**
At 31 December 2017	(4,334)	(260)	(1,130)	1,838	(3,886)

Market Risk is defined as: "The risk of loss, or of adverse change in the financial situation, resulting directly or indirectly from fluctuations in the volatility of market prices of assets, liabilities and financial instruments". Market risk is driven by currency risk, interest risk, and spread risk as follows:

Currency Risk: the sensitivity of the values of assets, liabilities and financial instruments to changes in the level, or in the volatility of, currency exchange rates.

The Syndicate underwrites a significant proportion of business in currencies other than US Dollars, which gives rise to a potential exposure to currency risk. In addition, the Syndicate has a natural currency mismatch, as a higher proportion of its expenses are incurred in Sterling.

The most significant non-US Dollar currency exposure relates to Sterling and Euro.

Currency risk is controlled through an Asset Liability Matching (ALM) process. The ALM process is performed on a quarterly basis to achieve alignment of assets and liabilities in currency, to address any mismatch between currency premiums and claims, and the natural mismatch between US Dollar income and Sterling expenses. The income and expenditure process is performed on an annual basis and, in particular, endeavours to align the currency mix of outward reinsurance premiums paid with that of related inwards premium received. AMAL does not specifically target asset liability matching for duration. Benchmarks are broadly in line with average liabilities on the main trust fund assets, and deliberate mismatching is viewed as a valid strategy to limit any losses arising from interest rate risk and, where possible, to enhance returns.

The syndicate uses derivative financial instruments as an economic hedge for the risk of revaluation of net monetary assets denominated in non-functional currency. The syndicate does not apply hedge accounting. The marked to market value of open contracts at 31 December 2018 is $252k (2017: $155k).

If the Sterling and the Euro were to weaken against the US Dollar by 10%, with all other variables constant, loss would be lower by an estimated $0.1m (2017: $0.9m). This analysis is based on the current information available and the assumptions in making this assessment are:

- The closing year-end spot rates and average rates throughout the year are 10% higher
- There is no active hedging of currency during the period
- The analysis includes an estimate of the impact on foreign borrowings
- The impact of foreign exchange movements on non-monetary items is assumed to be nil

Notes to the Annual Accounts
at 31 December 2018

20. Risk Management (continued)

Interest Risk: the sensitivity of the values of assets, liabilities and financial instruments to changes in the term structure of interest rates, or in the volatility of interest rates.

Interest rate risk is the risk that the value and/or future cash flows of a financial instrument will fluctuate due to changes in interest rates. The Syndicate's exposure to interest rate risk is spread across the Syndicate's investment portfolio, and cash and cash equivalents.

In managing interest rate risk, the Syndicate currently invests in short duration financial investments, cash and cash equivalents. Interest rate risk is controlled by imposing maximum duration limits to the conventional fixed income assets, as defined in the investment guidelines provided to investment managers.

Duration is a commonly used measure of risk and gives an indication of the likely sensitivity of the Syndicate's portfolio of fixed interest securities to changes in interest rates. The average duration for investment assets is 2.7 years (2017: 2.8 years).

The Syndicate's financial assets comprise a portfolio of fixed income securities, UCITS funds and bank deposits. The portfolio of fixed income securities is managed by professional fund managers, under a segregated investment mandate, and in accordance with guidelines approved by the AMAL Board. The guidelines permit investment in a range of fixed income investment products, including government securities, corporate bonds and asset backed securities, as well as a modest allocation to equities and other alternative investments.

An increase of 50 basis points in interest rates, with all other variables constant, would decrease the valuation of the Syndicate's investments by an estimated 120 basis points. Therefore if interest rates were to increase by 0.5%, with all other variables constant, profit would be lower by an estimated $7.4m (2017: $7.0m).

A comparable decrease in interest rates would increase the valuation by an estimated 117 basis points.

Spread Risk: the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure.

Volatility (spread risk) is controlled by imposing Value at Risk (VaR) limits, at a specified confidence level and time period, to the overall investment funds. This is reviewed on a quarterly basis by the Finance Committee.

Fair value hierarchy

The tables below summarise the fair value hierarchy for the Syndicate. The levels of the fair value hierarchy are defined as follows:

- Level 1 – Fair values are measured using quoted prices (unadjusted) in active markets for identical instruments
- Level 2 – When quoted prices are unavailable, fair values are measured using the price of a recent transaction for an identical instrument. The price can be adjusted if it can be demonstrated that the last transaction price is not a good estimate of fair value.
- Level 3 – Fair values measured using valuation techniques. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

The Syndicate measures the fair value of its financial assets based on prices provided by investment managers (who obtain market data from independent pricing services). These are reviewed by the finance team. The pricing services used by the investment manager obtain the actual transaction prices for securities that have quoted prices in active markets. For those securities which are not actively traded, the pricing services use common market valuation pricing models. Observable inputs used in common market valuation pricing models include, but are not limited to, broker quotes, credit ratings, interest rates and yield curves, prepayment speeds, default rates and other such inputs which are available from market sources.

Notes to the Annual Accounts
at 31 December 2018

20. Risk Management (continued)

At 31 December 2018:

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial investments (Including Overseas deposits)	345,654	263,614	2,380	611,649

At 31 December 2017:

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial investments (Including Overseas deposits)	363,720	228,227	770	592,716

Level 1 of the hierarchy includes all government bonds/bills and corporate bonds only which are measured based on prices representing actual and regularly occurring market transactions. Level 2 of the hierarchy includes all other financial assets except those included in Level 3 which are holdings in real estate investments and derivatives.

There have been no transfers between level 1 and level 2 in either direction in 2017 or 2018.

Liquidity Risk is defined as: "The risk of loss, or inability to realise investments and other assets, in order to settle financial obligations when they fall due."

Liquidity policy includes a specific requirement to hold sufficient funds in working capital to meet the following quarter's estimated claims liabilities and this position is reviewed by the Finance Committee on a quarterly basis. Additionally, an annual stress test is performed to ensure that sufficient liquidity is maintained in order to meet a Realistic Disaster Scenario ("RDS") event without unnecessary cost to AMAL. Rolling 12-month cash flow projections, in each of the underlying main operating currencies, are prepared quarterly, reviewed against available liquid funds and used in the quarterly balance sheet asset liability matching exercise. The review recognises the restrictions placed on funds committed to meet Lloyd's overseas trust fund requirements. Liquidity requirements for all accounts and respective currency amounts are determined periodically via a process of analysis of historic daily settlements.

A summary showing the undiscounted expected timing of future cash flows is as follows (insurance contract liabilities and reinsurance contract assets have been analysed based on actuarial cash flow estimates):

Notes to the Annual Accounts
at 31 December 2018

20. Risk Management (continued)

At 31 December 2018:

	0-1years	1-3 years	3-5 years	> 5 years	Total
	$000	$000	$000	$000	$000
Financial investments	131,588	211,686	183,080	45,771	572,125
Cash at bank and in hand	30,176	-	-	-	30,176
Overseas Deposits	39,681	-	-	-	39,681
Insurance and other receivables	399,532	-	-	-	399,532
Reinsurance contracts assets	82,078	101,499	143,308	29,262	356,147
Other assets	7,760	-	-	-	7,760
Total assets	690,815	313,185	326,388	75,033	1,405,421
Insurance contracts liabilities	443,211	399,859	369,660	77,021	1,289,751
Provisions, reinsurance and other payables	188,961	-	-	-	188,961
Total liabilities	632,172	399,859	369,660	77,021	1,478,712
Net assets	58,643	(86,674)	(43,272)	(1,988)	(73,291)

At 31 December 2017

	< 1years	1-3 years	3-5 years	> 5 years	Total
	$000	$000	$000	$000	$000
Financial investments	160,764	90,233	242,834	55,321	549,152
Cash at bank and in hand	14,513	-	-	-	14,513
Overseas Deposits	43,674	-	-	-	43,674
Insurance and other receivables	353,226	-	-	-	353,226
Reinsurance contracts assets	69,758	33,482	43,139	9,172	155,551
Other assets	2,210	-	-	-	2,210
Total assets	644,145	123,715	285,973	64,493	1,118,326
Insurance contracts liabilities	429,253	275,486	218,609	47,846	971,194
Provisions, reinsurance and other payables	133,313	-	-	-	133,313
Total liabilities	562,566	275,486	218,609	47,846	1,104,507
Net assets	81,579	(151,771)	67,364	16,647	13,819

Notes to the Annual Accounts
at 31 December 2018

20. Risk Management (continued)

Operational Risk is defined as: “The risk of loss arising from inadequate or failed internal processes, people, systems or from external events impacting the Syndicate’s ability to operate. This risk encompasses all functions rendered in the course of conducting business. This includes legal and regulatory risk, but excludes risks arising from strategic and reputational risk”.

AMAL has formally documented policies and procedures for all key aspects of the business that define the end-to-end business processes, provide guidelines, put in place appropriate governance structures and include control activities to ensure the robustness of the business operations. Internal Audit provides independent assurance over the robustness of the business operations and compliance with the internal policies/procedures.

Strategic Risk is defined as: “The risk to earnings or capital arising from adverse business decisions or improper implementation of those decisions. This risk is a function of the compatibility between the Group’s strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, the quality of implementation and appropriateness of response to changing business conditions. This includes reputational risk that is recognised as a by-product of inappropriate/inadequate management and mitigation of other risk categories”.

The Syndicate mitigates this risk through a variety of planning techniques including robust business planning, stress and scenario testing and capital contingency planning

Regulatory risk is the risk that the Managing Agency fails to meet the regulatory requirements of the PRA, FCA and Lloyd’s. Lloyd’s requirements include those imposed on the Lloyd’s market by overseas regulators, particularly in respect of US situs business. AMAL has a Compliance department that monitors regulatory developments and assesses the impact on agency policy.

Risk Governance

The AMAL Board is ultimately responsible for ensuring the effective management and control of risk affecting the Syndicate. The AMAL Board is committed to maintaining sound risk management and control systems that are suitable, effective and proportionate to protect the interests of all stakeholders, including those of its capital providers and policyholders. The AMAL Board has, for practical reasons, delegated its day-to-day responsibility for different aspects of the risk management to committees and the senior management.

The AMAL Board utilises a “Three Lines of Defence” model for risk governance.

First Line: Those individuals undertaking any activity or making decisions on behalf of Antares are responsible for managing the risk that is attached to that activity. They are the ‘first risk managers’.

Second Line: Those functions and executive level committees responsible for the provision of the risk management framework and policies within which the First Line is expected to operate and who are responsible for providing assurance to the Board of adherence to that framework.

Third Line: Oversight of the above by the Board, Audit Committee together with Internal Audit. The majority of risk reporting is through the Risk, Actuarial and Exposure Management Departments, that routinely engage individual business units and report to the Board and its Committees.

Notes to the Annual Accounts
at 31 December 2018

20. Risk Management (continued)

Risk Appetite

Risk Appetite is the amount of risk that the AMAL Board is prepared to take in pursuit of its objectives. Although set by the AMAL Board, Risk Appetite is driven by key stakeholders and includes both qualitative and quantitative statements.

The Risk Appetite Statement covers all material risk categories (Underwriting, Reserve, Credit, Market, Liquidity and Operational Risk). In addition, it details the approved Risk Appetite and Risk Tolerances for losses arising from various events, based upon the extent to which the risks could impact the business.

Risk Monitoring and controls

Risk management processes are based on risk identification; assessment and quantification; response; and monitoring and reporting.

All risk categories are identified in the risk register. Supporting controls mitigate the inherent impact of the risks to a residual level that is within the approved risk appetite and tolerance levels. All risk categories and related controls are assigned risk owners and control owners that are responsible for managing the risks.

The risk register is maintained through regular review by the Risk Department and through the monthly self-certification process by the risk and control owners. The Risk Department provides regular reports on key risk issues and actions required to the AMAL Board and its Committees.

21. Off-Balance Sheet Items

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

22. Events After the Reporting Period

There are no events that are material to the operations of the Syndicate that have occurred since the reporting date.