



APOLLO

1969 at LLOYD'S

SYNDICATE 1969 ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2018

KEY PERFORMANCE INDICATORS

ANNUAL BASIS					2018 \$'M	2017 \$'M	CHANGE				
GROSS PREMIUM WRITTEN					416.2	301.5	38%				
NET PREMIUM WRITTEN					250.2	221.8	13%				
NET PREMIUM EARNED					242.5	222.5	9%				
LOSS FOR THE FINANCIAL YEAR					(57.7)	(87.2)					
CLAIMS RATIO					89%	100%	11%				
EXPENSE RATIO					36%	40%	4%				
COMBINED RATIO					125%	140%	15%				
UNDERWRITING YEAR BASIS					2016	2015	2014	2013	2012	2011	2010
PROFIT / (LOSS) ON CAPACITY					(30.7)%	4.6%	7.4%	0.4%	9.1%	(0.7)%	(15.1)%

THE FORECAST RESULT FOR THE 2017 YEAR OF ACCOUNT IS A LOSS OF 25% TO 30%.

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SYNDICATE 1969

DIRECTORS AND ADMINISTRATION

MANAGING AGENT

Apollo Syndicate Management Limited

REGISTERED OFFICE

One Bishopsgate
London, EC2N 3AQ

COMPANY REGISTRATION NUMBER

09181578

COMPANY SECRETARY

AJ Gray

DIRECTORS

JM Cusack	(Non-Executive Chairman)	
S Althoff	(Non-Executive Director)	
MEL Goddard	(Non-Executive Director)	(Appointed 1 February 2018)
MP Hudson	(Non-Executive Director)	(Appointed 1 February 2018)
AP Hulse	(Non-Executive Director)	
DCB Ibeson		
PA Ellis		
NG Jones		
JD MacDiarmid		
MJ Newman		
MJ Rayner		
SAC White		

ACTIVE UNDERWRITER

NG Jones

BANKERS

Citibank
Natwest
Royal Bank of Canada

AUDITOR

Deloitte LLP, London



ACTIVE UNDERWRITER'S REPORT

Apollo Syndicate 1969 ("the Syndicate") is now in its tenth year of account and underwrites across thirteen classes of business. In addition to the development of business within the Syndicate, Apollo has established two Special Purpose Arrangements ("SPA") to provide capital providers more flexibility in how they deploy their capital.

The first of these SPAs, Syndicate 6133 commenced underwriting in 2018, writing US and International Property Treaty business. The second SPA, Syndicate 1971, was established for the 2019 year of account. Syndicate 1971 underwrites automotive risks relating to the Shared Economy. The ibott Rover class ("ibott" stands for Insuring Businesses of Tomorrow, Today) was developed during 2018, supported by third party quota share reinsurance.

The development of the SPAs represents a significant proportion of the planned growth in the overall stamp capacity for the Apollo Syndicates, which has grown from £260m in 2018 to £430m in 2019. The respective stamp capacities for 2019 are: Syndicate 1969 £250m; Syndicate 6133 £50m; and Syndicate 1971 £130m.

2018 CALENDAR YEAR RESULT

The result for the 2018 calendar year on an annual accounting basis is a loss of \$57.7m (2017: loss of \$87.2m) with a combined ratio of 125% (2017: 140%). The 2018 calendar year result aggregates the performance during the year of all open years of account (2016, 2017 and 2018) and movements from prior closed years.

2018 has also been affected by a number of substantial catastrophe events during the year which, according to some market commentators, is the fourth most costly natural catastrophe year ever with over US\$80bn of insured losses. These events have followed the record breaking losses in 2017, with these years combining to be the most costly ever to impact the market over a consecutive 2 year period at US\$230bn. The most heavily affected areas in 2018 were North America and Japan, areas where the syndicate has a significant proportion of its exposure.

Consequently, these events have contributed materially to the Syndicate's overall loss for the year. Hurricanes Florence and Michael affected the Property Direct and Facultative ("Property D&F"), Property Binders and Property Treaty classes, whilst Typhoons Jebi and Trami and the Californian wildfires have further affected the Property Treaty class. The total net cost of these five events for the 2018 calendar year to the Syndicate is \$21.7m, which whilst disappointing, is within risk appetite for events of this type and frequency.

The calendar year result was also significantly impacted by adverse incurred claims development on prior accident years of \$48.5m. \$26.6m of this claims development affected the Non-Marine Liability class, \$13.2m from Property D&F and \$4.9m from Specie & Cargo. Given the loss notifications in the Non-Marine Liability account for the 2015 and 2016 years of account, the reserves for claims incurred but not reported for the 2016, 2017 and 2018 years have also been strengthened. In spite of this strengthening of the Non-Marine Liability reserves, the 2016 to 2018 underwriting years of account are all forecast to be profitable.

The Property D&F account has also been impacted by higher than expected attritional loss experience, affecting both the current and prior accident periods.

Our estimates for the 2017 catastrophe events have remained stable over the year. Although we have added new classes to the syndicate, the Non-Marine Liability and Property D&F classes still represent a significant proportion of the overall net premium and consequently, the performance of these classes has had a significant impact on the Syndicate's overall result.

2016 CLOSED YEAR RESULT

We are now closing the 2016 year of account at a loss of 30.7% on stamp capacity of \$228.5m (£179.5m). This comprises losses of \$56.5m on the 2016 pure year of account and \$13.6m on the closed 2015 and prior years of account.

In 2016, the syndicate underwrote nine classes of business, including Property D&F, Property Binders and International Property Treaty. As such, this year of account suffered losses from the natural catastrophe events that occurred in 2016 and 2017. Hurricanes Matthew, Harvey, Irma and Maria and the two earthquakes in Mexico particularly affected the Property D&F and Property Binders classes.

The Property D&F class was further impacted by flooding and hail events in Texas and Louisiana, as well as under-performing risks in the habitational class that had higher than expected levels of attritional claims. The New Zealand and Italian earthquakes, and the Fort McMurray Alberta wildfires, affected the International Property Treaty portfolio.

The Non-Marine Liability account has experienced adverse loss experience in the US and International Open Market sub-classes from a number of individual large losses. The class is still profitable for the 2016 pure year of account, although this was outweighed by adverse development on the 2015 year of account during the current period.

The Specie & Cargo account suffered from the late development of a large loss from an alleged misappropriation of cargo, along with stronger than expected incurred claims experience for the year of account.

All other classes of business in the 2016 year of account contributed positively to the overall 2016 pure year result. Further commentary on the business is provided in the Managing Agent's report to these annual accounts and in the Managing Agent's report to the underwriting year accounts.

We are disappointed with 2016 closed year result and the forecast result for the 2017 year of account, and have taken actions in the 2018 and 2019 underwriting years to address the areas of past underperformance.

BUSINESS REVIEW 2018 PORTFOLIO

Following the 7.1% pre-emption approved by Lloyd's, the syndicate stamp was increased to \$292.5m (£225.0m at the planning exchange rate of £1:\$1.30). The Property Treaty class commenced in 2018. 90% of this class is ceded under a quota share reinsurance to Syndicate 6133. Stamp capacity for Syndicate 6133 was \$45.5m (£35.0m) for the 2018 year of account, bringing a total stamp capacity for Apollo to \$338.0m (£260.0m).

The initial plan for 2018 was to write gross premium (net of commission) of \$307.9m (£236.9m). The plan was re-submitted to Lloyd's following the catastrophe events in 2017 and the subsequent rating improvements in the property classes.

The plan was further enhanced with the introduction of the ibott Rover class, which commenced underwriting mid-year. The approved gross written premium net of commission for Apollo was subsequently increased to \$417.0m (£320.7m). Our ultimate premium forecast will fall short of the approved plan due to the combination of the competitive pressures in the market, the disciplined underwriting culture within the syndicate, and the delayed timing of premium development from ibott Rover.

Our focus in the Property D&F class has been on identifying the drivers of the adverse performance in recent years and delivering plans to address these and to return the account to the levels of profitability achieved in 2015 and prior underwriting years. The D&F team reduced their ultimate premium income for the year below original planned expectations, taking further actions to re-position the class. These actions include withdrawing from the remaining US habitational exposures; non-renewing Mexican business; and materially reducing the International Open Market portfolio, in particular power and heavy industrial accounts. We have also ceased writing stand-alone Caribbean business with the exception of Puerto Rico where rates and conditions have hardened significantly following Hurricane Maria. Across the year, the Property D&F class saw a 14.7% increase in rates following the loss experience of 2017.

The Property Binder book gives the syndicate exposure to a spread of risks that cannot be accessed efficiently in the open market. Underwriters carefully select the brokers and cover holders with whom to trade on the basis of long term trading relationships.

The US portfolio has seen a fairly stable rating environment in the chosen regions in recent years. Following on from the catastrophe events in 2017, the class has seen rating improvements that have supported further modest growth.

Our approach to assuming risk in the International Treaty account has continued to be extremely selective. No risk excess, quota share or aggregate stop loss covers are underwritten. The territorial scope remained unchanged, targeting regionally specific accounts in Canada, UK, Western Europe, South Africa, Japan (quake only), Australia and New Zealand.

The Non-Marine Liability portfolio has a diverse business mix, written on both an open market and facilities basis. The majority of the account is written on a direct excess basis focusing on Fortune 1000, transportation, civil construction, and the sharing economy. Underwriters seek to position their attachment points above attritional levels with the exposures being protected by both quota share and excess of loss reinsurance.

The Non-Marine Liability class continued to build on the platform established in earlier years and to benefit from positive US Casualty rating conditions; the account overall achieved rate increases of 4.7% over 2017. Additional underwriters have been added to support the team for 2018.

The sharing economy has been a main area of focus for new business development. Apollo began underwriting Auto Liability Sharing Economy risks through a new ibott Rover class of business in the second half of the year. The types of Auto Liability risks that will be written include vehicle leasing, ridesharing, deliveries, and autonomous vehicles.

The business has very limited catastrophe exposure and it is shorter tail than traditional Casualty business. Exposures are well protected by quota share reinsurance. Apollo has written \$22m in gross net premium in its first year. As a new class, the timing of written premium income is uncertain and we have been selective in the new opportunities that we have underwritten. This has resulted in a shortfall against plan.

The aviation market remained very competitive during 2018, but rating conditions improved as the year has progressed and the outlook for 2019 is certainly more positive than it has been in previous years. For the majority of segments in the class there has been modest rate strengthening, particularly on Airlines and General Aviation.

Our conservative, disciplined approach to the class has continued in 2018 as we look to develop more business that has traditionally not been placed in the Lloyd's market, building on our relationships with regional brokers and managing general agents. We retain a significant gross line size capability for the profile of the class, which is protected by a comprehensive reinsurance programme.

The Cargo book specialises in smaller cargo accounts, most of which include an element of storage. The largest sub classes of cargo are oil, which is written on a worldwide basis with a bias towards Chinese risks (which do not cover storage), project cargo with consequential loss, primary and excess US motor truck cargo, and carnets. The Specie book consists predominantly of high value risks with very good security. The fine art and general specie books (precious metals, securities and excess Securities Investor Protection Corporation) are the largest part of the Specie account, with jewellers block and cash in transit much smaller. We reduced the ultimate premium income written for 2018 in light of the highly competitive trading environment and poor loss experience in certain areas of the account. For 2018 the Cargo account was modified to cease underwriting pre-launch satellite and withdrawing from some underperforming cargo facilities.

The Energy market has seen positive rate changes in 2018 as increases in activity in the oil and gas industry have resulted in increases in premium on most accounts as they renew. The account is primarily focused on the upstream sector and includes oil and gas lease operators/non-operators, drilling and construction contractors, and gas utilities.

The cover offered is for property damage, operators' extra expense, and construction. Incidental to these major heads of cover are loss of production income, business interruption, loss of hire, war, terrorism, and liability. 2018 income was slightly above original expectations due to the improving industry backdrop.

The Marine Liability element of the Marine & Energy Liability class comprises Protection & Indemnity ("P&I"), Charterers, Vessel Pollution, Ports and Terminals, Shipyards, and other risks associated with cargo storage and transportation. The Energy Liability element of the class mainly insures onshore and offshore Exploration and Production ("E&P") operators and associated field contractors.

The class has continued to grow in 2018, seeing benefits from the development of the Marine Hull class, and also positive synergies working alongside the Energy account. We have modestly broadened the number of insureds in the P&I club segment of the class, and continue to seek a better balance to the account by managing our attachment points and monetary line sizes.

This has been a challenge due to the relatively weak rating environment, but we are seeing small rate rises in 2019 following on from modest improvements in 2018. A consortium has been in place since 2016 and has been renewed for 2019 with continued strong support.

The key focus of the Marine Hull class has been to emphasise risk selection and diversification across market segments, whilst maintaining a cautious approach. The account is well balanced with the largest sectors being brown water, blue water and offshore. The remainder of the account is split across many other interests.

The class has continued to grow in 2018 as rates have begun to harden gently following a number of underwriters withdrawing from the Hull market. We are well positioned to take advantage of any significant market hardening in 2019. We still consider this class offers attractive long-term opportunities.

We added a new class underwriter for Terrorism in 2017 as a first step to developing a suite of Crisis Management products. The underwriter has a highly profitable track record within the Lloyd's market. We identified the Terrorism class of business as one that has limited correlation with existing lines and has no exposure to natural catastrophe events.

There is also the ability to bring new business into the market via distribution and product development. Accumulations will be carefully monitored via disciplined exposure management. The account will focus on risks in terrorism & sabotage, politically-motivated perils, political violence and active assailant. The account has made a promising start and 2018 income has been in line with original expectations.

In 2018 we began underwriting a new Property Treaty account, supported by Syndicate 6133, for capital providers with an appetite for more reinsurance business, to underwrite the class without distorting Syndicate 1969's balance of Property, Casualty and Specialty Insurance business. This portfolio is separate and distinct from the International Property Treaty account written in the Syndicate and has a broader territorial and coverage scope.

The team we recruited has significant Lloyd's underwriting experience in this class, a strong track record and long term relationships with clients and brokers.

The plan is to build a profitable, balanced book of US and International business. In the first year, whilst predicting an accurate income estimate was challenging, particularly in a post loss environment, we have delivered the 2018 income in line with original expectations.

As a result of the catastrophe losses of 2017, the rating environment was more positive than originally anticipated when the 2018 plan was developed. Given the geography of those losses, the majority of the increases came from the US and Caribbean. This resulted in the spread between the US and International being more weighted towards the US account.

We will be aiming to increase the balance of International business as the portfolio develops. Unfortunately, the number of catastrophe losses during 2018 has meant that the account has been loss making in its first year. However, the losses have had a positive effect on rates in the market which brings us further opportunity for profits in 2019.

2019 AND FUTURE YEARS

The plan for 2019 is to underwrite \$660m of premium income (net of commission) (£500m at the planning foreign exchange rate of £1:\$1.32). The principal area of growth is in the ibott Rover class, supported by the launch of Syndicate 1971. The class is underwritten by Syndicate 1969 which cedes 80% under a quota share reinsurance to Syndicate 1971. The account is further protected by a 50% quota share with an external reinsurer.

The total stamp capacity of Apollo for 2019 is \$567.6m (£430.0m).

The Syndicate will look to diversify its portfolio further through the development and seasoning of recently added classes. We will also look to add new classes where the opportunity arises and they complement the existing business mix. The main area of focus will be increasing the Specialty insurance business classes, and ensuring these classes are in balance with the Property and the Casualty classes.

We have also taken further steps to address areas of the accounts that have underperformed, primarily in the Property D&F and Specie & Cargo accounts. Premium income for these classes has reduced for 2019. The classes are predominantly renewal books on which we have assumed little improvement in pricing. To date we are in fact seeing rates increasing more than we have planned.

For Property D&F, we are choosing to focus on catastrophe-exposed business where rates are now improving and the attritional loss performance has been much better. The remediation actions taken during 2018 will continue for 2019 and the account will be focused in the US, with limited Puerto Rican and international exposures (excluding Mexico).

The Cargo element of the Specie & Cargo class has materially reduced for the 2019 plan to \$2.8m of premium income. The account will focus on six subclasses that themselves have a historically profitable track record.

In the Non-Marine Liability class, we have taken the decision to materially reduce underwriting energy utility and vegetation management companies that could have an exposure to Californian wildfires.

The plan for Syndicate 1969 for 2019 is profit focused and can be summarised as follows:

- significant growth and development of the ibott Rover class;
- further focused growth in the Non-Marine Liability account reflecting an increase in the non-Rover ibott sharing economy business;
- delivering on the remediation plans for the Property D&F and Specie & Cargo classes;
- further development of the Marine, Aviation and Specialty classes, including Terrorism and Crisis Management; and
- continuing development of the new Property Treaty class.

We are clearly disappointed with the latest results of the syndicate and are actively working on rebalancing the risks and rewards in the core portfolio and are undertaking a number of remediation actions to address these.

Once again I would like to thank you for your on-going support for Apollo and look forward to updating you with our progress in the future.



NG Jones
Active Underwriter
12 March 2019

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The directors of the managing agent present their report, which incorporates the strategic review, for Syndicate 1969 for the year ended 31 December 2018.

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

Separate underwriting year accounts for the closed 2016 account of Syndicate 1969 are included following these annual accounts.

PRINCIPAL ACTIVITY

There have not been any significant changes to the syndicate's principal activity during the year, which continues to be the transaction of general insurance and reinsurance business.

Syndicate 1969 trades through Lloyd's worldwide licenses and rating and has the benefit of the Lloyd's brand. Lloyd's has an A (Excellent) rating from A.M. Best, A+ (Strong) from Standard & Poor's and AA- (Very Strong) from Fitch.

The syndicate's capacity for the 2018 year of account was £260m (\$338.0m at the Lloyd's planning rate of \$1.30). The syndicate's capacity for the 2017 year of account was £210m (\$281.4m at \$1.34). Stamp capacity for the 2019 year of account has increased to £430m (\$567.6m at \$1.32), of which £180.0m (\$237.6m) relates to SPA Syndicates 6133 (£50.0m/\$66.0m) and Syndicate 1971 (£130m/\$171.6m).

Apollo Syndicate Management Limited ("ASML") is approved as a managing agency at Lloyd's and is authorised by the Prudential Regulation Authority. ASML is regulated by the Financial Conduct Authority and Prudential Regulation Authority.

RESULTS

	2018 \$'m	2017 \$'m	CHANGE
GROSS PREMIUM WRITTEN	416.2	301.5	38%
NET PREMIUM WRITTEN	250.2	221.8	13%
NET PREMIUM EARNED	242.5	222.5	9%
LOSS FOR THE FINANCIAL YEAR	(57.7)	(87.2)	
CLAIMS RATIO	89%	100%	11%
EXPENSE RATIO	36%	40%	4%
COMBINED RATIO	125%	140%	15%

Notes:

The claims ratio is the ratio of net claims incurred to net premiums earned.

The expense ratio is the ratio of net operating expenses to net premiums earned.

The combined ratio is the sum of the claims and expense ratios.

The expense and combined ratios exclude investment return and foreign exchange gains and losses.

ASML uses a range of key performance indicators, including those shown in the table, to measure the performance of the syndicate against its objectives and overall strategy. These indicators are regularly reviewed and are measured against plan and prior year outcomes.

Gross written premium increased 38% to \$416.2m (2017: \$301.5m). The result for the year was a loss of \$57.7m (2017: loss of \$87.2m). Profits and losses are distributed and called respectively by reference to the results of individual underwriting years.

The syndicate predominantly writes business denominated in US Dollars and reporting accordingly aids comparability between years and reduces volatility in the reported results caused by foreign currency exchange rates.

REVIEW OF THE BUSINESS

The 2018 results reflect a number of large natural catastrophe events including Hurricanes Florence and Michael, Typhoons Jebi and Trami and Californian wildfires. The 2018 calendar year result is made up of results from the three open years of account (2016, 2017 and 2018).

Turning to the traditional three year accounting basis, the 2016 year of account is closing at a loss on stamp capacity of 30.7%. This result reflected a weak rating environment and risk adjusted rate reduction of 5.4%. This result reflects the impact of the catastrophe events of 2017 together with a large number of US weather related events in 2016, mainly in respect of flood and hail losses.

Further in 2018 a strengthening of Non-Marine Liability reserves was recognised on the 2015 underwriting year.

The 2017 year of account has a forecast loss in the range of 25% to 30% on stamp capacity at the 24 month stage. This forecast result reflects the impact of the catastrophe events of 2017 and 2018. The deterioration of the rating environment slowed to an actual risk adjusted reduction of 1.3%, better than the 4.9% reduction anticipated in the plan. In light of the forecast result for the 2017 year of account, the Board has decided to make a further cash call of \$31.2m. Payment is due on 14 June 2019.

It is too early in the development of the 2018 year of account to publish a forecast result for the year. The syndicate has written 76% of its planned income. The large losses noted above have hit the 2018 year and will therefore impact significantly the result on closure. With effect from 1 July 2018, the Syndicate launched its ibott Rover business, supported by reinsurance backers through a 90% quota share of the account. Whilst the general rating environment continued to be very competitive rates did improve with an actual risk adjusted rate improvement of 5.9%, significantly above plan. The syndicate will publish its first forecast range for the 2018 account in the second quarter of 2019.

The Syndicate's results for the current year have been adversely affected by significant development of claims provisions for prior period events. In setting the claims reserves in these accounts we have responded to the development of new and previously notified events and strengthened reserves for incurred but not reported claims, where appropriate. Whilst there is inherent uncertainty in the running off of claims reserves, we believe the potential for further deterioration is significantly diminished.

The syndicate is now well established in the Lloyd's market and is receiving excellent support from a wide range of brokers. We believe the syndicate is increasingly well balanced between classes and well positioned to take advantage of the improving rating environment to develop sustained profits in future years.

Further information regarding the syndicate underwriting portfolio is contained in the Active Underwriter's report. More year of account detail is provided in the syndicate underwriting year accounts Managing Agent's Report.

INVESTMENT PERFORMANCE

The syndicate produced an investment return of \$4.0m in the year (2017: \$2.0m).

The investment objective is to invest the premium trust funds in a manner designed primarily to preserve capital values and provide liquidity. A review of the investment strategy was undertaken in 2017 having historically been invested in money market funds. Between May and September 2018 the syndicate gradually invested in a portfolio of short dated fixed income government and corporate bonds. At the balance sheet date the holdings totalled \$129.7m.

CAPITAL

One of the advantages of operating in the Lloyd's market is the lower capital ratios that are available due to the diversification of business written in Syndicate 1969 and in Lloyd's as a whole.

ASML assesses the syndicate's capital requirements through a rigorous process of risk identification and quantification using an internal capital model at a 1:200 year confidence level. The model is based on Solvency II regulatory requirements and has been approved by Lloyd's. The ultimate Solvency Capital Requirement ("SCR") is subject to an uplift determined by the Lloyd's Franchise Board based on their assessment of the economic capital requirements for the Lloyd's market in total.

The SCR together with the Lloyds' uplift is referred to as the Economic Capital Assessment ("ECA"). The ECA for the 2019 underwriting year was set at 56% of capacity (excluding capacity for syndicates 1971 and 6133).

Lloyd's unique capital structure provides excellent financial security to policyholders and capital efficiency for members. The Lloyd's chain of security underlies the financial strength that ultimately backs insurance policies written at Lloyd's and has three links:

1. All premiums received by syndicates are held in trust as the first resource for settling policyholders' claims;
2. Every member is required to hold capital in trust funds at Lloyd's which are known as Funds at Lloyd's ("FAL"). FAL is intended primarily to cover circumstances where syndicate assets are insufficient to meet participating members' underwriting liabilities. FAL is set with reference to the ECA's of the syndicates the member participates on. Since FAL is not under the control of the managing agent, it is not shown in the syndicate accounts. The managing agent is, however, able to make a call on members' FAL to meet liquidity requirements or to settle underwriting losses if required; and
3. Lloyd's central assets are available at the discretion of the Council of Lloyd's to meet any valid claim that cannot be met through the resources of any member further up the chain. Lloyd's also retains the right to request a callable contribution equal to 3% of members' capacity on the syndicate.

SYNDICATE 1969

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

PRINCIPAL RISKS AND UNCERTAINTIES

The managing agent has established a risk management function for the syndicate with clear terms of reference from the Board of Directors and its committees. The ASML Board approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of these policies.

The risk appetites are set annually as part of the syndicate business planning and capital setting process. The risk management function is also responsible for maintaining the syndicate's Own Risk and Solvency Assessment ("ORSA") process and provides regular updates to the Board. The formal ORSA report for the syndicate is provided to the Board annually for approval.

The managing agent recognises that the syndicate's business is to accept risk which is appropriate to enable it to meet its objectives and that it is not realistic or possible to eliminate risk entirely. A description of the principal risks and uncertainties facing the syndicate is set out in the note 4 to the annual accounts. The Board has agreed a number of key risk indicators and approved the corresponding appetite for each measure. A traffic light indicator is used for monitoring current levels of risk.

Following a referendum the UK government issued formal notice in March 2017 advising of the UK's withdrawal from the European Union ("EU") ("Brexit"). The exit date is 29 March 2019, negotiations are ongoing but considerable uncertainty remains over the nature of the trading relationship between the UK and the EU. The syndicate is not expected to be materially impacted by Brexit given it writes only a small amount of European insurance business of which 70% is reinsurance and can be written cross-border for most EU countries. Lloyd's have established an insurance company trading as Lloyd's Brussels which gives syndicates access to the EU market. ASML commenced writing business through Lloyd's Brussels from 1 January 2019.

CORPORATE GOVERNANCE

The ASML Board is chaired by Julian Cusack, who was supported by four further non-executive directors, three of whom are independent. Mel Goddard and Martin Hudson were appointed to the board on 1 February 2018, as independent non-executive directors; both have considerable Lloyd's and London Market insurance experience.

David Ibeson is the Chief Executive Officer and there were six further executive directors throughout 2018.

Defined operational and management structures are in place and terms of reference exist for all Board and executive committees.

The ASML Board meets at least four times a year and more frequently when business needs require. The Board has a schedule of matters reserved for its decision and was supported by an Audit and Risk Committee and a Remuneration and Nominations Committee. From 2019, there are separate Audit and Risk committees. These committees are comprised of independent non-executive directors.

The Board also receives regular reports from the key management committees, the Executive Committee, Underwriting Committee, Reserving Committee, Risk and Capital Committee, Finance Committee and Operations Committee. These other committees report through the Executive Committee which oversees the day to day operation of the business.

STAFF MATTERS

ASML's people are a key resource and their retention is fundamental to the success of the business. ASML's strategy is to build a strong culture of staff engagement, communication and contribution recognition. This is achieved through monthly staff briefings, a fully open plan cross-function office environment and continually seeking feedback. ASML strives to act as a single team where employees work closely across functions, have mutual respect and enjoy coming to work.

Terms and conditions offered to employees, as part of their overall remuneration package, remain competitive with the rest of the London Market insurance industry and staff are provided with opportunities to develop their skills and capabilities.

The managing agent seeks to provide a good working environment for its staff that is safe and complies with relevant legislation.

BUSINESS OPERATIONS

ASML is Lloyd's-centric with a purely London-based operation and distribution model. ASML fully embraces and supports Lloyd's vision of being a broker market, as well as accessing local markets through third party cover holders.

ASML aims to maintain a lean back office function utilising outsourcing arrangements where flexibility is required or greater efficiency can be achieved. As a mid-sized business in a single location, ASML is able to expand and contract as market conditions dictate. Through the use of specific outsourcing ASML maintains an appropriate support function commensurate with its underwriting capacity. We continue to invest in actuarial and risk management resources, seeking to ensure that the discipline we aim for in underwriting is matched by the intensity of scrutiny given to pricing, reserving and second line of defence activities.

Lloyd's has begun to roll out its electronic placement platform (PPL). ASML has embraced this change and is in position to benefit from the enhancements it brings. Lloyd's provided a target percentage of business for processing through PPL and ASML have comfortably exceeded this threshold.

DIRECTORS AND DIRECTORS' INTERESTS

The directors who held office at the date of signing this report are shown on page 1. Directors' interests are shown in note 22 as part of the related parties note to the accounts.

ANNUAL GENERAL MEETING

The directors do not propose to hold an Annual General Meeting for the syndicate. If any members' agent or direct corporate supporter of the syndicate wishes to meet with them the directors are happy to do so.

DISCLOSURE OF INFORMATION TO THE AUDITOR

Each person who is a director of the managing agent at the date of approving this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the syndicate's auditor is unaware; and
- each director has 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 auditor is aware of that information.

AUDITOR

Deloitte LLP has indicated its willingness to continue in office as the syndicate's auditor.

FUTURE DEVELOPMENTS

The syndicate will continue to grow a spread portfolio of specialist lines of business. The syndicate will add profitable new lines of business when opportunities arise and will reposition existing classes in the light of loss experience and changes in the rating environment as they occur.

The syndicate will share the benefits of SPAs established under the Apollo brand by acting as host. Through these arrangements the syndicate will retain an appropriate percentage of the underwriting to achieve a diversified portfolio whilst benefiting from efficiency gains by sharing resources across the syndicates.

Syndicate 1971 began underwriting at 1 January 2019 and has an 80% quota share from the new ibott Rover account. This is an innovative new line of business focused on "insuring businesses of tomorrow, today". Syndicate 1971 is a special purpose arrangement with separate capital backing. Syndicate 1971 targets investors interested in entering a rapidly-growing new market offering the potential for higher returns, albeit with the increased pricing risk associated with limited historic loss experience.

The syndicate will maintain a comprehensive reinsurance programme across all classes of business. The majority of the natural catastrophe property exposures continue to be covered by an excess of loss programme placed with fully collateralised non-traditional reinsurance vehicles. The Property Treaty and ibott Rover classes of business have 90% and 80% quota share arrangements with syndicates 6133 and 1971 respectively. Syndicates 1969 and 1971 will benefit from a 50% common account external quota share. Other class level risk appetite will continue to be managed using small quota share and facultative covers.

ASML will continue to develop a number of consortia on which the syndicate is the lead and for which ASML and the syndicate share overriding commissions and the syndicate receives profit commission. These arrangements enable the syndicate to benefit from ASML's relationships across the insurance market whilst maintaining a diversified portfolio of business.

The syndicate's conservative investment strategy will be maintained and the portfolio will remain largely consistent with the position at the balance sheet date. 2019 calendar year will benefit from a full year of income from the short dated fixed income bond portfolio that improved investment returns during 2018.

The syndicate has received positive support from a stable and committed base of capital providers. A strong, diversified and knowledgeable spread capital base gives significant competitive advantage and maintaining this will remain a focus.

I would like to take this opportunity to thank our staff for their hard work and commitment to the business during the last year.

Approved on behalf of the Board.



DCB Ibeson
Chief Executive Officer
12 March 2019

SYNDICATE 1969

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the notes to the syndicate annual accounts; and
- prepare the syndicate 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.

Legislation in the UK governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

RESPONSIBILITIES

REPORT ON THE AUDIT OF THE SYNDICATE ANNUAL FINANCIAL STATEMENTS

OPINION

In our opinion the syndicate annual financial statements of Syndicate 1969 (the 'syndicate'):

- give a true and fair view of the state 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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have audited the syndicate annual financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in members' balances;
- the statement of cash flows;
- the significant accounting policies; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 financial statements section of our report.

We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual financial statements in the UK, including the Financial Reporting Council's (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 are required by ISAs (UK) to report in respect of the following matters where:

- the managing agent's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the managing agent has not disclosed in the syndicate annual financial statements 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 financial statements are authorised for issue.

We have nothing to report in respect of these matters.

OTHER INFORMATION

The managing agent is responsible for the other information. The other information comprises the information included in the annual report and accounts, other than the syndicate annual financial statements and our auditor's report thereon. Our opinion on the syndicate annual financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the syndicate annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual financial statements 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 financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

RESPONSIBILITIES OF MANAGING AGENT

As explained more fully in the managing agent's responsibilities statement, the managing agent is responsible for the preparation of the syndicate annual financial statements 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 syndicate annual financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE SYNDICATE ANNUAL FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the syndicate annual financial statements 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 financial statements.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

- the information given in the active underwriter's report and the managing agent's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the active underwriter's report and the managing agent's report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the active underwriter's report or the managing agent's report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

USE OF OUR REPORT

This report is made solely to the syndicate's members, as a body, in accordance with regulation 10 of 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's members as a body, for our audit work, for this report, or for the opinions we have formed.


Adam Knight,
FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
12 March 2019

PROFIT AND LOSS ACCOUNT

Technical account - General business	Notes	2018 \$'000	2017 \$'000
Gross premiums written	5	416,221	301,502
Outward reinsurance premiums		(166,039)	(79,727)
Net premiums written		250,182	221,775
Change in the provision for unearned premiums:			
Gross amount	6	(37,618)	(4,936)
Reinsurers' share	6	29,982	5,666
Change in the net provision for unearned premiums		(7,636)	730
Earned premiums, net of reinsurance		242,546	222,505
Allocated investment return transferred from the non-technical account	11	4,033	1,952
Claims paid			
Gross amount		(215,141)	(182,416)
Reinsurers' share		78,413	25,688
Net claims paid		(136,728)	(156,728)
Change in the provision for claims			
Gross amount	6	(195,027)	(140,877)
Reinsurers' share	6	116,154	71,850
Change in the net provision for claims		(78,873)	(69,027)
Claims incurred, net of reinsurance		(215,601)	(225,755)
Net operating expenses	7	(87,897)	(86,607)
Balance on the technical account - general business		(56,919)	(87,905)

All operations relate to continuing activities.

The notes on pages 19 to 45 form an integral part of these annual accounts.

PROFIT AND LOSS ACCOUNT

Non-technical account	Notes	2018 \$'000	2017 \$'000
Balance on the technical account - general business		(56,919)	(87,905)
Investment income	11	4,033	1,952
Allocated investment return transferred to the technical account - general business		(4,033)	(1,952)
(Loss) / Profit on foreign exchange		(806)	735
Loss for the financial year		(57,725)	(87,170)

There were no amounts recognised in other comprehensive income in the current or preceding year other than those included in the profit and loss account.

Statement of changes in members' balances For the year ended 31 December 2018

	2018 \$'000	2017 \$'000
Members' balances brought forward at 1 January	(89,944)	10,172
Loss for the financial year	(57,725)	(87,170)
Transfer to members' personal reserve fund	(9,444)	(12,228)
Cash call from members	65,594	-
Members' agents' fees	(471)	(718)
Members' balances carried forward at 31 December	(91,990)	(89,944)

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

BALANCE SHEET

Assets	Notes	2018 \$'000	2017 \$'000
Investments			
Financial investments	4,12	253,722	174,994
Reinsurers' share of technical provisions			
Provision for unearned premiums	6	64,002	34,807
Claims outstanding	6	243,341	128,592
		<hr/> 307,343	<hr/> 163,399
Debtors			
Debtors arising out of direct insurance operations	13	86,927	65,313
Debtors arising out of reinsurance operations	14	18,977	14,561
Other debtors	15	8,272	5,876
		<hr/> 114,176	<hr/> 85,750
Other assets			
Cash and cash equivalents	16	95,996	57,723
Overseas deposits	17	24,223	20,633
		<hr/> 120,219	<hr/> 78,356
Prepayments and accrued income			
Deferred acquisition costs	7	45,170	37,761
Other prepayments and accrued income		2,156	3,264
		<hr/> 47,326	<hr/> 41,025
Total assets		<hr/> 842,786	<hr/> 543,524

BALANCE SHEET

Liabilities	Notes	2018 \$'000	2017 \$'000
Capital and reserves			
Members' balances		(91,990)	(89,944)
Technical provisions			
Provision for unearned premiums	6	190,976	155,286
Claims outstanding	6	568,260	377,328
		<u>759,236</u>	<u>532,614</u>
Deposits received from reinsurers	18	89,343	39,407
Creditors			
Creditors arising out of direct insurance operations	19	5,136	8,452
Creditors arising out of reinsurance operations	20	57,732	50,168
Other creditors	21	14,755	2,133
		<u>77,623</u>	<u>60,753</u>
Accruals and deferred income		8,574	694
Total liabilities		<u>934,776</u>	<u>633,468</u>
Total liabilities and members' balances		<u>842,786</u>	<u>543,524</u>

The annual accounts on pages 19 to 54 were approved by the Board of Apollo Syndicate Management Limited on 12 March 2019 and were signed on its behalf by:



JD MacDiarmid
Finance Director
12 March 2019

STATEMENT OF CASH FLOWS

	Notes	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Loss for the financial year		(57,725)	(87,170)
Adjustments for:			
Increase in gross technical provisions		226,622	153,727
Increase in reinsurers' share of technical provisions		(143,944)	(78,965)
Increase in debtors		(28,426)	(8,737)
Increase in creditors		16,871	24,400
(Increase) / Decrease in other assets / liabilities		1,579	(5,900)
Investment return		(4,033)	(1,952)
Net cash inflow/(outflow) from operating activities		10,944	(4,597)
Cash flows from investing activities			
Net (purchase)/ disposal of other financial instruments		(78,771)	30,680
Investment income received		4,033	1,952
Movements in overseas deposits		(3,590)	(6,323)
Increase/(Decrease) in deposits received from reinsurers		49,936	(10,173)
Net cash (outflow)/ inflow from investing activities		(28,392)	16,136
Transfer to members in respect of underwriting participations		(9,444)	(12,228)
Members' agents' fees paid on behalf of members		(471)	(718)
Cash call received from members		65,594	-
Net cash inflow/(outflow) from financing activities		55,679	(12,946)
Net increase /(decrease) in cash and cash equivalents		38,231	(1,407)
Cash and cash equivalents at 1 January		57,723	59,130
Cash and cash equivalents at 31 December	16	95,954	57,723

NOTES TO THE ANNUAL ACCOUNTS

1. BASIS OF PREPARATION

Syndicate 1969 comprises a group of members of the Society of Lloyd's that underwrite insurance business in the London Market. The address of the syndicate's managing agent is 1 Bishopsgate, London EC2N 3AQ.

The annual accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, Financial Reporting Standard 102. The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and Financial Reporting Standard 103 Insurance Contracts ("FRS 103").

The annual accounts have been prepared on the historical cost basis, except for financial assets which are measured at fair value through profit or loss.

The syndicate's functional and presentation currency is US Dollars. All amounts have been rounded to the nearest thousand and are stated in US Dollars unless otherwise indicated.

After making enquiries, the directors have a reasonable expectation that continued capital support will be in place such that the syndicate will continue to write new business in future underwriting years of account. Accordingly they continue to adopt the going concern basis of accounting in preparing the annual accounts.

2. USE OF JUDGEMENTS AND ESTIMATES

In preparing these annual accounts, the directors of the managing agent have made judgements, estimates and assumptions that affect the application of the syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which they are identified.

The syndicate's principal estimate is the provision for claims outstanding, including claims that have been incurred at the reporting date but have not yet been reported ("IBNR"), and the related reinsurers' share. Other significant estimates are written and earned gross premiums, outwards reinsurance premium ceded and earned, acquisition costs and the valuation of investments. Management regularly reviews and revises these estimates as appropriate based on current information.

The measurement of the provision for claims outstanding and the related reinsurance involves judgments and assumptions about the future that have the most significant effect on the amounts recognised in the annual accounts.

The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date and includes IBNR. This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgment is applied when estimating the value of amounts that should be provided for IBNR.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the managing agent's in-house actuaries. These techniques generally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be expected and, for more recent underwriting, the use of benchmarks and initial expected loss ratios from business plans. Account is taken of variations in business accepted and the underlying terms and conditions.

The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of business accepted and assessments of underwriting conditions.

Accordingly the most critical assumptions as regards claims provisions are that the past is a reasonable indicator of the likely level of claims development, that the notified claims estimates are reasonable and that the rating and other models used for current business are based on fair reflections of the likely level of ultimate claims to be incurred. The level of uncertainty with regard to the estimations within these provisions generally decreases with the length of time elapsed since the underlying contracts were on risk.

The reserve setting process is integrated with Apollo's governance framework. The proposed reserves are reviewed by the Reserving Committee on a quarterly basis. Analysis provided to the Reserving Committee for review includes incurred and paid development patterns against ultimate loss by class of business and year of account.

The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available. The ultimate liability will vary as a result of subsequent information and events, which may result in significant adjustments to the amounts provided. The estimate of the provision for claims outstanding will develop over time and the estimated claims expense will continue to change until all the claims are paid.

The historic development of claims incurred estimates is set out in the loss development triangles by year of account in note 4. The adjustment in the current year for the revision to the prior year estimate of the provision for claims outstanding is disclosed in note 6.

3. SIGNIFICANT ACCOUNTING POLICIES

The following principal accounting policies have been applied consistently in accounting for items which are considered material in relation to the syndicate's annual accounts.

GROSS PREMIUMS WRITTEN

Premiums written comprise premiums on contracts of insurance incepted during the financial year as well as adjustments made in the year to premiums on policies incepted in prior accounting periods. Additional or return premiums are treated as a re-measurement of the initial premium. Estimates are made for pipeline premiums, representing amounts due to the syndicate not yet received or notified.

Premiums are shown gross of brokerage payable and are exclusive of taxes and duties thereon.

OUTWARDS REINSURANCE PREMIUMS

Written outwards reinsurance premiums comprise the estimated premiums payable for contracts entered into during the period and are recognised on the date on which the policy incepts.

Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Under some policies, reinsurance premiums payable are adjusted retrospectively in the light of claims experience. Where written premiums are subject to an increase retrospectively, any potential increase is recognised as soon as there is an obligation to the reinsurer.

PROVISIONS FOR UNEARNED PREMIUMS

Written premiums are recognised as earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written 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.

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

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.

Incurred claims outstanding are reduced by anticipated salvage and other recoveries from third parties. The amount of any salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

The provision for claims outstanding is assessed on an individual case by 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 IBNR claims as well as claims incurred but not enough reported ("IBNER").

The reinsurers' share of provisions for claims is based on amounts of claims outstanding 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. Where the security rating provides an indication that the recoverable amount may be impaired a proportion of the balance will be provided for as a provision for bad debt by applying a percentage based on historical experience.

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 provisions are not discounted for the investment earnings that may be expected to arise in the future on the funds retained to meet the future liabilities. The methods used, and the estimates made, are reviewed regularly.

UNEXPIRED RISKS PROVISION

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

The provision for unexpired risks is calculated separately by reference to classes of business which are regarded as managed together after taking into account relevant investment return. All the classes of the syndicate are considered to be managed together.

FINANCIAL ASSETS AND LIABILITIES

The syndicate has chosen to apply the provisions of Section 11 (Basic Financial Instruments) and Section 12 (Other Financial Instruments Issues) of FRS 102 for the treatment and disclosure of financial assets and liabilities.

The syndicate's investments comprise holdings of short dated government and corporate bonds, collective investment schemes and cash and cash equivalents. The syndicate may hold derivative financial instruments. When derivatives are liabilities they are reported with other creditors in the balance sheet.

RECOGNITION

Financial assets and liabilities are recognised when the syndicate becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities. The syndicate does not hold any equity instruments.

MEASUREMENTS

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction.

Investments and derivative instruments are measured at fair value through the profit or loss. All other financial assets and liabilities are held at cost. The syndicate does not hold any non-current debt instruments and does not classify debt instruments as payable or receivable within one financial year.

Realised and unrealised gains and losses arising from changes in the fair value of investments are initially presented in the non-technical profit and loss account in the period in which they arise. Dividend and interest income is recognised as it accrues. Investment management and other related expenses are recognised when incurred. The overall investment return is subsequently transferred to the technical account to reflect the investment return on funds supporting the underwriting business.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets are derecognised when and only when:

- the contractual rights to the cash flows from the financial asset expire or are settled;
- the syndicate transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the syndicate, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

FAIR VALUE MEASUREMENT

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the company estimates the fair value by using a valuation technique.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, yield curves, credit spreads, liquidity statistics and other factors.

The use of different valuation techniques could lead to different estimates of fair value. FRS 102 section 11.27 establishes a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). More information on the hierarchy is included in note 12.

IMPAIRMENT OF FINANCIAL INSTRUMENTS MEASURED AT HISTORIC COST

For financial assets carried at historic cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. The amount of the reversal is recognised in profit and loss immediately.

CASH AND CASH EQUIVALENTS

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

Bank overdrafts that are repayable on demand and form an integral part of the syndicate's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

INVESTMENT RETURN

Investment return comprises investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses and charges and interest. Realised gains and losses represent the difference between the net proceeds on disposal and the purchase price.

Unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price. Movements in unrealised investment gains and losses comprise the increase/decrease in the reporting period in the value of the investments held at the reporting date and the reversal of unrealised investment gains and losses recognised in earlier reporting periods in respect of investment disposals of the current period.

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

DEPOSITS RECEIVED FROM REINSURERS

The syndicate requires certain reinsurers to collateralise their potential exposure to the syndicate through the depositing of funds. To the extent that the funds are not called upon as paid recoveries at the balance sheet date they are recorded as financial investment or cash and cash equivalents with a corresponding liability recorded as deposits received from reinsurers.

NET OPERATING EXPENSES

Net operating expenses include acquisition costs, administrative expenses and members' standard personal expenses. Reinsurers' commissions and profit participations and consortia income represents contributions towards operating expenses and are reported accordingly.

Costs incurred by the managing agent on behalf of the syndicate are recognised on an accruals basis. No mark-up is applied.

ACQUISITION COSTS

Acquisition costs comprise costs arising from the conclusion of insurance contracts. They include both direct costs such as brokerage and commission, and indirect costs such as administrative expenses connected with the processing of proposals and the issuing of policies. Acquisition costs include fees paid to consortium leaders in return for business written on behalf of the syndicate as a consortium member.

Acquisition costs are earned in line with the earning of the gross premiums to which they relate. The deferred acquisition cost asset represents the proportion of acquisition costs which corresponds to the proportion of gross premiums written that is unearned at the balance sheet date.

REINSURERS' COMMISSIONS AND PROFIT PARTICIPATIONS

Under certain outwards reinsurance contracts the syndicate receives a contribution towards the expenses incurred. The outwards reinsurance contracts may allow the ceding of acquisition costs and in certain instances an allocation of administrative expenses. Reinsurance arrangements can also pay an overriding or profit commission.

The reinsurers' share of expenses is included with operating expenses and earned in line with the related expense. The reinsurers' share of deferred acquisition cost liability corresponds to the gross deferred acquisition costs and is recorded within accruals and deferred income on the balance sheet.

CONSORTIA SHARE OF EXPENSES

The syndicate is the leader of a number of underwriting consortia. Under the terms of these contracts participants are required to pay fees to the syndicate, as leader, in return for the business written on their behalf. These fees represent a contribution towards the expenses incurred by the syndicate underwriting for the consortia. The syndicate accrues the consortium fee income in line with the writing of the business for each consortium, calculated in accordance with the individual contractual arrangements.

In addition the consortium arrangements include an entitlement to profit commission based on the performance of the business written by the consortium leader. The syndicate accrues profit commission in accordance with the contractual terms based on the forecast performance of each consortium. Both the accrued consortium fees and accrued profit commission are included as a credit to administrative expenses.

MANAGING AGENT'S FEES

The managing agent charges a management fee of 0.9% of syndicate capacity. This expense is recognised over the 12 months following commencement of the underwriting year to which it relates.

The managing agent has agreed contractual terms with the capital providers to the syndicate for the payment of profit commission based on the performance of the individual years of account of the syndicate. Profit commission is accrued in line with the contractual terms and the development of the result of the underlying years of account.

Amounts charged to the syndicate do not become payable until after the appropriate year of account closes, normally at 36 months, although the managing agent may receive payments on account of anticipated profit commission if interim profits are released to members.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated into US Dollars which is the functional and presentational currency of the syndicate. Transactions in foreign currencies are translated using the exchange rates at the date of the transactions or at the appropriate average rates of exchange for the period.

The syndicate's monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Non-monetary items denominated in foreign currencies that are measured at historic cost are translated to the functional currency using the exchange rate at the date of the transaction. For the purposes of foreign currency translation, unearned premiums and deferred acquisition costs are treated as monetary items.

Foreign exchange differences arising on translation of foreign currency amounts are included in the non-technical account.

PENSION COSTS

Apollo operates a defined contribution pension scheme. Pension contributions relating to managing agency staff working on behalf of the syndicate are charged to the syndicate and included within net operating expenses.

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

4. RISK AND CAPITAL MANAGEMENT INTRODUCTION AND OVERVIEW

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

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

RISK MANAGEMENT FRAMEWORK

The primary objective of the syndicate's risk management framework is to protect the syndicate's members from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. All staff providing services to the syndicate are trained to recognise the critical importance of having efficient and effective risk management systems in place.

The Board of Directors of the managing agent has overall responsibility for the establishment and oversight of the syndicate's risk management framework. The Board had established an Audit and Risk Committee which oversees the operation of the syndicate's risk management framework and reviews and monitors the management of the risks to which the syndicate is exposed. From 2019, there is a separate Audit Committee and Risk Committee.

ASML has established a risk management function, together with terms of reference for the Board of Directors, its committees and the associated executive management committees which identify the risk management obligations of each.

The function is supported by a clear organisational structure with documented delegated authorities and responsibilities from the Board of Directors to executive management committees and senior managers. The framework sets out the risk appetites for the syndicate and includes controls and business conduct standards.

Under the risk management framework, ASML's Risk and Capital Committee oversees the risk management function at an executive level. The management of specific risk grouping is delegated to several executive committees: the Underwriting Committee and the Reserving Committee are responsible for developing and monitoring insurance risk management policies; the management of aspects of financial risks is the responsibility of the Finance Committee. In addition, the syndicate is exposed to conduct and operational risks and the management of aspects of these risks is the responsibility of the Underwriting Committee and the Operations Committee respectively. Accordingly the risk management function and the Risk and Capital Committee operates as the second line of defence above these committees.

The Risk and Capital Committee and risk management function report to each meeting of the Risk Committee on their activities. The Reserving Committee, Underwriting Committee, Finance Committee, and Operations Committee report regularly to the Executive Committee and work closely with the risk management function on their activities as well as reporting to the Board of Directors and the relevant non-executive sub committees.

INSURANCE RISK MANAGEMENT OF INSURANCE RISK

The principal risk the syndicate faces under insurance contracts is that the actual claims and benefit payments, or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of claims.

A key component of the management of underwriting risk for the syndicate is a disciplined underwriting strategy that is focused on writing quality business and not writing for volume. Product pricing is designed to incorporate appropriate premiums for each type of assumed risk. The underwriting strategy includes underwriting limits on the syndicate's total exposure to specific risks together with limits on geographical and industry exposures to ensure that a well-diversified book is maintained.

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

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

The syndicate limits its exposure to catastrophic events based on the syndicate's risk appetite. The syndicate uses commercially available proprietary risk management software to assess catastrophe exposure. There is, however, always a risk that the assumptions and techniques used in these models do not exactly model the actual losses that occur or that claims arising from an un-modelled event are greater than those anticipated.

The Board sets limits to the syndicate's exposure to catastrophe events both on a gross and net of reinsurance basis and adherence to these limits is regularly monitored by the exposure management team which reports monthly to the Underwriting Committee. A key metric which ASML uses to monitor its catastrophe exposure is the 1 in 30 Aggregate Exceedance Probability (AEP). For 2018 the maximum limit for the Net 1 in 30 Worldwide All Perils AEP as a percentage of the Economic Capital Assessment was set as 59%.

4. Risk and capital management (continued)

The table below shows the gross premium by the location of the insured as a proxy for risk location. This gives an indication of the syndicate's exposure to loss written in the calendar year by geographic area.

Gross written premium analysed by source	2018 \$'000	2017 \$'000
UK	33,588	27,421
Other EU countries	21,815	16,584
US	291,483	202,932
Other	69,335	54,565
Total	416,221	301,502

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

The managing agent's in-house actuaries perform a reserving analysis on a quarterly basis liaising closely with underwriters, claims and reinsurance personnel. The aim of this exercise is to produce a probability-weighted average of the expected future cash outflows arising from the settlement of incurred claims and claims on unearned premium. These projections include an analysis of claims development compared to the previous 'best estimate' projections. The output of the reserving analysis is reviewed by external consulting actuaries in order for them to provide the Statement of Actuarial Opinion ("SAO") on the year-end reserves.

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

In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate.

Sensitivity to insurance risk

The liabilities established could be significantly lower or higher than the ultimate cost of settling the claims arising. This level of uncertainty varies between the classes of business and the nature of the risk being underwritten and can arise from developments in case reserving for attritional losses, large losses and catastrophes, or from changes in estimates of IBNR claims.

A five per cent increase or decrease in the ultimate cost of settling claims arising is considered to be reasonably possible at the reporting date. A five percent increase or decrease in total earned claims liabilities would have the following effect on profit or loss and members' balances.

	2018		2017	
	Gross \$'000	Net \$'000	Gross \$'000	Net \$'000
5% movement	28,413	16,246	18,866	12,437

**4. RISK AND CAPITAL MANAGEMENT
(CONTINUED)**

On a net of reinsurance basis the effects would be more complex depending on the nature of the loss and its interaction with other losses already incurred. The incidence of profit commission payable to intermediaries may also affect the gross and net impact on results and members' balance.

FINANCIAL RISK

The focus of financial risk management for the syndicate is ensuring that its financial assets are sufficient to fund the obligations arising from its insurance contracts as they fall due. The primary objective of the investment management process is to maintain capital value, which is of particular importance in volatile financial market conditions. A secondary objective is to optimise the risk-adjusted total return whilst being constrained by capital preservation and liquidity requirements. A low to medium risk investment policy has been adopted and the syndicate assets have been invested in short dated fixed income government and corporate bonds, absolute return bond funds and money market funds.

The investment management of the short dated fixed income bond portfolio is outsourced to a third party. An investment mandate based on the syndicate's risk appetite is in place and has been approved by the board. Compliance with this is implemented through the investment managers systems and monitored through the monthly and quarterly reporting process.

CREDIT RISK

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

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

- holdings in collective investment schemes;
- short dated fixed income government and corporate bonds;
- reinsurers' share of insurance liabilities;
- amounts due from intermediaries;
- amounts due from reinsurers in respect of settled claims;
- cash and cash equivalents; and
- other debtors and accrued interest.

MANAGEMENT OF CREDIT RISK

The investment portfolio is invested in securities rated BBB or above. The bond portfolio is managed to single issuer limits set by credit rating and there is a limit to the overall exposure to BBB rated securities. The syndicate limits the amount of cash and cash equivalents that can be deposited with a single counterparty and maintains an authorised list of counterparties.

The syndicate's credit risk with respect to reinsurers is managed by placing limits on its exposure to a single counterparty, by reference to the credit rating of the counterparty. The syndicate's exposure to reinsurance counterparties is monitored by the reinsurance team as part of their credit control processes. On a quarterly basis the Finance Committee reviews the credit exposures to reinsurance counterparties.

4. RISK AND CAPITAL MANAGEMENT (CONTINUED)

The syndicate assesses the creditworthiness of all reinsurers by reviewing public rating information and by internal investigations. The impact of reinsurer default is regularly assessed and managed accordingly. Where reinsurance is transacted with unrated reinsurers, the reinsurer is required to fully collateralise their exposure through depositing funds in trust for the syndicate.

Intermediary performance is reviewed against the terms of business agreements by the compliance function. The status of intermediary debt collection is reported to the Finance Committee.

EXPOSURE TO CREDIT RISK

The carrying amount of financial assets and reinsurance assets represents the maximum credit risk exposure.

The following table analyses the credit rating by investment grade of financial investments, reinsurers' share of technical provisions, debtors arising out of direct insurance operations, debtors arising out of reinsurance operations, cash and cash equivalents and overseas deposits that are neither past due, nor impaired.

Debtors arising out of direct and reinsurance operations are comprised of pipeline premiums, balances relating to outstanding receipts from Lloyd's Central Accounting ('LCA') and amounts for business settled outside of Xchanging ('settled direct'). By their nature, it is not possible to classify these balances by credit rating and therefore they are included as not rated in the following tables.

2018	AAA \$'000	AA \$'000	A \$'000	Not rated \$'000	Total \$'000
Financial investments	135,704	8,292	96,028	13,698	253,722
Reinsurers' share of claims outstanding	-	20,606	222,735	-	243,341
Debtors arising out of direct insurance operations	-	-	-	86,927	86,927
Debtors arising out of reinsurance operations	-	-	18,977	-	18,977
Cash and cash equivalents	87,272	-	8,724	-	95,996
Overseas deposits	14,043	3,081	2,446	4,653	24,223
Total	237,019	31,979	348,910	105,278	723,186

2017	AAA \$'000	AA \$'000	A \$'000	Not rated \$'000	Total \$'000
Financial investments	144,790	-	30,204	-	174,994
Reinsurers' share of claims outstanding	-	7,519	121,059	14	128,592
Debtors arising out of direct insurance operations	-	-	-	65,313	65,313
Debtors arising out of reinsurance operations	-	-	14,561	-	14,561
Cash and cash equivalents	-	-	57,723	-	57,723
Overseas deposits	20,633	-	-	-	20,633
Total	165,423	7,519	223,547	65,327	461,816

4. Risk and capital management (continued)***Financial assets that are past due or impaired***

The syndicate has debtors arising from direct insurance and reinsurance operations that are past due but not impaired at the reporting date. These debtors have been individually assessed for impairment by considering information such as the occurrence of significant changes in the counterparty's financial position, patterns of historical payment information and disputes with counterparties.

An analysis of the carrying amounts of past due or impaired debtors is presented in the table below.

	Debtors arising from direct insurance operations \$'000	Debtors arising from reinsurance operations \$'000
2018		
Past due but not impaired financial assets:		
Past due by:		
1 to 90 days	11,586	14,211
91 to 180 days	10,411	692
More than 180 days	6,217	282
Past due but not impaired financial assets	28,214	15,185
Neither past due nor impaired financial assets	58,713	3,792
Net carrying value	86,927	18,977

4. Risk and capital management (continued)

	Debtors arising from direct insurance operations \$'000	Debtors arising from reinsurance operations \$'000
2017		
Past due but not impaired financial assets:		
Past due by:		
1 to 90 days	8,121	7,566
91 to 180 days	3,606	4,377
More than 180 days	6,997	95
Past due but not impaired financial assets	18,724	12,038
Neither past due nor impaired financial assets	46,589	2,523
Net carrying value	65,313	14,561

There are no impaired debtors arising from direct insurance or reinsurance operations.

Liquidity risk

Liquidity risk is the risk that the syndicate will encounter difficulty in meeting obligations arising from its insurance contracts and financial liabilities as they fall due. The syndicate is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts and its ongoing expenses.

Management of liquidity risk

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

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

- forecasts are prepared and revised on a regular basis to predict cash outflows from insurance contracts and overheads over the short, medium and long term;
- the syndicate purchases assets with durations not greater than its estimated insurance contract liabilities and expense outflows;
- assets purchased by the syndicate are required to satisfy specified marketability requirements;
- the syndicate maintains cash and liquid assets to meet daily calls; and
- the syndicate regularly updates its contingency funding plans to ensure that adequate liquid financial resources are in place to meet obligations as they fall due in the event of reasonably foreseeable abnormal circumstances.

4. Risk and capital management (continued)

The syndicate holds sufficient premium trust funds in money market funds to meet daily liquidity. Holdings in money market funds are well diversified, very liquid and generally low risk. There is, however, a risk that the fund does not have sufficient liquidity to meet all redemptions in extreme conditions. The fixed income short dated government and corporate bond portfolio is relatively liquid and can be realised within a matter of days under normal market conditions. Whilst less liquid in nature the limited proportion of investments held in absolute return bond funds can be realised within a few days in normal market conditions.

The syndicate is able to make cash calls from the members to fund losses in the event that funds are needed ahead of closing the year of account.

The maturity analysis presented in the table below shows the remaining contractual maturities for the syndicate's insurance contracts and financial assets and liabilities. For insurance and reinsurance contracts, the contractual maturity is the estimated date when the gross undiscounted contractually required cash flows will occur. For other financial assets and liabilities it is the earliest date on which the gross undiscounted cash flows (including contractual interest payments) could be paid assuming conditions are consistent with those at the reporting date. The table below takes no credit for any income from investments or any potential profit or loss on unearned premium. Therefore, unearned premium and deferred acquisition cost maturity reflect the expected claim payment profile.

	Carrying amount \$'000	Less than 1 year \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
2018					
Financial investments	253,722	135,358	74,064	44,300	-
Reinsurers' share of technical provisions	307,343	102,056	69,868	89,191	46,228
Debtors, prepayments and accrued income	161,502	53,628	36,714	46,868	24,292
Cash and cash equivalents	95,996	95,996	-	-	-
Overseas deposits	24,223	24,223	-	-	-
Total assets	842,786	411,261	180,646	180,359	70,520
Technical provisions	(759,236)	(252,110)	(172,597)	(220,331)	(114,198)
Deposits received from reinsurers	(89,343)	(42,930)	(24,567)	(18,081)	(3,765)
Creditors	(77,623)	(52,046)	(22,681)	(2,896)	-
Accruals and deferred income	(8,574)	(2,847)	(1,949)	(2,488)	(1,290)
Total liabilities	(934,776)	(349,933)	(221,794)	(243,796)	(119,253)

4. Risk and capital management (continued)

2017	Carrying amount \$'000	Less than 1 year \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
Financial investments	174,994	174,994	-	-	-
Reinsurers' share of technical provisions	163,399	61,782	36,603	44,586	20,428
Debtors, prepayments and accrued income	126,775	119,383	6,518	508	366
Cash and cash equivalents	57,723	57,723	-	-	-
Overseas deposits	20,633	20,633	-	-	-
Total assets	543,524	434,515	43,121	45,094	20,794
Technical provisions	(532,614)	(201,382)	(119,313)	(145,333)	(66,586)
Deposits received from reinsurers	(39,407)	(36,720)	(2,492)	(195)	-
Creditors	(60,753)	(57,333)	(3,173)	(247)	-
Accruals and deferred income	(694)	(694)	-	-	-
Total liabilities	(633,468)	(296,129)	(124,978)	(145,775)	(66,586)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract will fluctuate because of changes in market prices, excluding those that are caused by credit downgrades which are included under credit risk. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk within the framework set by the managing agent's investment policy. The nature of the syndicate's exposures to market risk and its objectives, policies and processes for managing market risk have not changed significantly from the prior year.

Management of market risk

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

Interest rate risk

Interest rate risk arises primarily from the syndicate's exposure to financial investments and overseas deposits. Exposure to significant fluctuations in market value due to changes in bond yields are managed through investment in short duration securities, the key risk indicator is set at less than three years. Investment types include short dated fixed income bonds, absolute return bond funds and money market funds.

The syndicate limits exposure to absolute return bond funds. These funds manage exposure to changes in market value resulting from movements in bond yields by managing to a very short or even negative duration.

4. Risk and capital management (continued)

	2018 \$'000	2017 \$'000
Profit / (Loss) for the year		
Interest rate risk		
Impact of a 50 basis point increase	(755)	-
Impact of a 50 basis point decrease	989	-

Currency risk

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

The syndicate writes business primarily in Sterling, Euros, US Dollars and Canadian Dollars and is therefore exposed to currency risk arising from fluctuations in the exchange rates of its functional currency (US Dollars) against these currencies.

The foreign exchange policy is to maintain assets in the currency in which the cash flows from liabilities are to be settled in order to hedge the currency risk inherent in these contracts so far as is allowed by regulatory requirements and for any profit or loss to be reflected in the net assets of the functional currency. From time to time, the syndicate may make limited use of foreign exchange derivative instruments to manage future currency cash flow requirements.

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

	Sterling \$'000	Euro \$'000	US Dollar \$'000	Other \$'000	Total \$'000
2018					
Total assets	70,443	20,778	698,772	52,793	842,786
Total liabilities	(74,325)	(36,416)	(784,493)	(39,542)	(934,776)
Net liabilities	(3,882)	(15,638)	(85,721)	13,251	(91,990)

	Sterling \$'000	Euro \$'000	US Dollar \$'000	Other \$'000	Total \$'000
2017					
Total assets	40,878	20,762	437,502	44,382	543,524
Total liabilities	(49,498)	(28,919)	(523,781)	(31,270)	(633,468)
Net liabilities	(8,620)	(8,157)	(86,279)	13,112	(89,944)

An analysis of the syndicate's sensitivity to currency risk is presented in the table below. The table shows the effect on profit or loss of reasonably possible changes in the relevant risk variable. The sensitivity analysis assumes that all other variables remain constant and that the exchange rate movement occurs at the end of the reporting period. The impact of exchange rate fluctuations could differ significantly over a longer period. The occurrence of a change in foreign exchange rates may lead to changes in other market factors as a result of correlations.

4. Risk and capital management (continued)

Profit / (Loss) for the year	2018 \$'000	2017 \$'000
Currency risk		
10 percent strengthening of Sterling against US Dollar	(431)	(998)
10 percent weakening of Sterling against US Dollar	353	817
10 percent strengthening of Euro against US Dollar	(1,738)	(906)
10 percent weakening of Euro against US Dollar	1,421	742

Other price risk

The syndicate investments comprise of holdings in short dated fixed income government and corporate bonds, absolute return bond funds and money market funds. The bond portfolio is low risk being both short dated and predominantly credit rating A or above with a measured exposure to BBB rated securities and therefore it has limited sensitivity to market movements.

Approximately 15% of the investment portfolio is invested in two absolute return bond funds which whilst more sensitive to market risk are still relatively low risk and managed against a LIBOR benchmark. The money market funds are near cash and therefore have minimal exposure to market movements.

A fair value hierarchy is provided in note 12 which categorises the syndicate according to the level of judgement exercised in valuation.

Capital management

Capital framework at Lloyd's

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

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

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

4. Risk and capital management (continued)

Lloyd's capital setting process

In order to meet Lloyd's requirements, each syndicate is required to calculate its Solvency Capital Requirement (SCR) for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each syndicate are subject to review and approval by Lloyd's. ASML use an internal model developed in house to calculate the SCR as opposed to adopting a standard formula. The SCR is reviewed and approved by the Board through the Own Risk Solvency Assessment ("ORSA") process.

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for their own share of underwriting liabilities on the syndicates on which they participate but not for other members' shares. Accordingly, the capital requirements that Lloyd's sets for each member, operates on a similar basis. Each member's SCR is based on the member's share of the syndicate's SCR 'to ultimate'.

Where a member participates on more than one syndicate, Lloyd's sums together each syndicate's SCR but a credit for diversification is allowed to reflect the spread of risk consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's rather than a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2018 was 35% of the member's SCR 'to ultimate'.

Provision of capital by members

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

Accordingly all of the assets less liabilities of the syndicate, as represented in the members' balances reported on the balance sheet, represent resources available to meet members' and Lloyd's capital requirements.

Claims development

The level of reserving uncertainty varies significantly from class to class. The Property business written by the syndicate has a short-tailed risk profile, however, the increase in premium written through the Non-Marine Liability and Marine & Energy Liability classes has lengthened the tail of the book as a whole.

The syndicate's current catastrophe exposure is predominantly US windstorm. Property catastrophe claims, such as earthquake or hurricane losses can take several months or years, to develop as adjusters visit damaged property and agree claim valuations.

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive underwriting year at each reporting date, together with cumulative payments to date. Balances have been translated at exchange rates prevailing at 31 December 2018 in all cases.

4. Risk and capital management (continued)

Gross claims development as at 31 December 2018:

Pure underwriting year	2011 \$'m	2012 \$'m	2013 \$'m	2014 \$'m	2015 \$'m	2016 \$'m	2017 \$'m	2018 \$'m	Total \$'m
Incurring gross claims									
At end of underwriting year	40.7	37.7	50.5	53.8	58.8	85.2	178.7	203.6	
one year later	76.7	78.5	95.9	116.5	138.5	219.6	303.9	-	
two years later	76.4	80.1	98.4	134.5	155.3	270.5	-	-	
three years later	75.0	76.4	96.3	128.4	185.2	-	-	-	
four years later	73.8	74.5	94.8	128.0	-	-	-	-	
five years later	73.5	74.8	95.2	-	-	-	-	-	
six years later	73.5	74.6	-	-	-	-	-	-	
Seven years later	73.0	-	-	-	-	-	-	-	
Incurring gross claims	73.0	74.6	95.2	128.0	185.2	270.5	303.9	203.6	1,334.0
Less gross claims paid	(71.8)	(71.4)	(89.3)	(110.2)	(115.2)	(152.2)	(129.4)	(27.3)	(766.8)
Gross claims outstanding for 2010 and prior years	1.1	-	-	-	-	-	-	-	1.1
Gross claims outstanding provision	2.3	3.2	5.9	17.8	70.0	118.3	174.5	176.3	568.3

Net claims development as at 31 December 2018:

Pure underwriting year	2011 \$'m	2012 \$'m	2013 \$'m	2014 \$'m	2015 \$'m	2016 \$'m	2017 \$'m	2018 \$'m	Total \$'m
Incurring net claims									
At end of underwriting year	33.4	35.9	48.8	45.5	45.2	70.2	112.5	82.2	
one year later	67.8	68.6	92.9	88.3	110.8	170.4	205.9	-	
two years later	66.0	70.2	96.2	107.0	127.8	197.0	-	-	
three years later	64.7	68.7	94.2	104.3	141.2	-	-	-	
four years later	63.7	67.3	92.9	103.4	-	-	-	-	
five years later	63.4	67.0	93.4	-	-	-	-	-	
six years later	63.7	67.3	-	-	-	-	-	-	
Seven years later	63.1	-	-	-	-	-	-	-	
Incurring net claims	63.1	67.3	93.4	103.4	141.2	197.0	205.9	82.2	953.5
Less net claims paid	(62.0)	(64.4)	(88.0)	(89.0)	(100.2)	(126.3)	(85.7)	(13.9)	(629.5)
Net claims outstanding for 2010 and prior years	0.9	-	-	-	-	-	-	-	0.9
Net claims outstanding provision	2.0	2.9	5.4	14.4	41.0	70.7	120.2	68.3	324.9

All balances presented are in respect of premiums earned to the balance sheet date and therefore reflect the pattern of earnings and risk exposed over a number of calendar years.

4. Risk and capital management (continued)**Year of account development**

The table below presents the annual results split by year of account. Movements in results for closed years of account are reflected within the results for the year into which they closed by reinsurance to close ("RITC").

	2018 \$'000	2017 \$'000
Profit / (Loss) before members' agents' fees		
Year of account		
2015	-	(1,520)
2016	(32,486)	(25,629)
2017	(9,194)	(60,021)
2018	(16,045)	-
Calendar year result	(57,725)	(87,170)

The 2016 year of account loss balance of \$40,449,000 (after a cash call of \$30,298,000 and members' agents' fees of \$628,000) will be collected from members in 2019. During 2018 \$9,311,000 was distributed in relation to the 2015 year of account after members' agents' fees of \$622,000.

5. Segmental analysis

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

	Gross premiums written \$'000	Gross premiums earned \$'000	Gross claims incurred \$'000	Gross operating expense \$'000	Reinsurance balance \$'000	Total \$'000
2018						
Direct insurance:						
Marine, aviation and transport	44,127	43,875	(34,661)	(11,967)	2,782	29
Fire and other damage to property	111,111	106,019	(126,850)	(28,769)	24,169	(25,431)
Third-party liability	112,371	118,870	(148,054)	(32,175)	32,849	(28,510)
Motor	1,250	1,498	(1,594)	(415)	(153)	(664)
Pecuniary loss	597	514	(23)	(144)	(144)	203
	269,456	270,776	(311,182)	(73,470)	59,503	(54,373)
Reinsurance	146,765	107,827	(98,986)	(30,808)	15,389	(6,578)
	416,221	378,603	(410,168)	(104,278)	74,892	(60,951)

Reinsurers' commissions and profit participations are included in the reinsurance balance and disclosed in note 7, net operating expenses.

5. Segmental analysis (continued)

	Gross premiums written \$'000	Gross premiums earned \$'000	Gross claims incurred \$'000	Gross operating expense \$'000	Reinsurance balance \$'000	Total \$'000
2017						
Direct insurance:						
Marine, aviation and transport	25,638	25,218	(17,256)	(7,364)	(1,091)	(493)
Fire and other damage to property	123,880	121,851	(177,346)	(35,585)	23,075	(68,005)
Third-party liability	83,610	82,242	(32,035)	(24,017)	(10,872)	15,318
Motor	2,877	2,830	(2,381)	(827)	11	(367)
Pecuniary loss	206	203	(519)	(59)	106	(269)
	236,211	232,344	(229,537)	(67,852)	11,229	(53,816)
Reinsurance	65,291	64,222	(93,756)	(18,755)	12,248	(36,041)
	301,502	296,566	(323,293)	(86,607)	23,477	(89,857)

Reinsurers' commissions and profit participations are included in the reinsurance balance and disclosed in note 7, net operating expenses.

Commission on direct insurance gross premiums written during 2018 was \$56,421,000 (2017: \$60,834,000).

6. Technical provisions

The syndicate has applied a similar approach this year-end to establishing the technical provisions for claims outstanding reserves and reinsurer's share thereof held as at the end of the previous year. Included within net calendar year claims incurred of \$215,601,000 (2017: \$225,755,000) is a deterioration of \$48,466,000 in claims reserves established at the prior year end (2017: deterioration \$5,582,000). An analysis of the movement in technical provisions is set out below:

	Unearned premiums \$'000	Claims outstanding \$'000	Total \$'000
Gross			
At 1 January 2018	155,286	377,328	532,614
Exchange adjustments	(1,928)	(4,095)	(6,023)
Movement in provision	37,618	195,027	232,645
At 31 December 2018	190,976	568,260	759,236
Reinsurance			
At 1 January 2018	34,807	128,592	163,399
Exchange adjustments	(787)	(1,405)	(2,192)
Movement in provision	29,982	116,154	146,136
At 31 December 2018	64,002	243,341	307,343
Net technical provisions			
At 31 December 2018	126,974	324,919	451,893
At 31 December 2017	120,479	248,736	369,215

7. Net operating expenses

	2018 \$'000	2017 \$'000
Brokerage and commission	79,061	63,909
Other acquisition costs	17,513	14,285
Change in deferred acquisition costs	(8,233)	(4,328)
Gross acquisition costs	88,341	73,866
Administrative expenses	19,040	17,323
Members' standard personal expenses	7,266	4,785
Reinsurers' commissions and profit participations	(16,380)	-
Consortia share of expenses	(10,370)	(9,367)
Total	87,897	86,607

Deferred acquisition costs are \$45,170,000 (2017: \$37,761,000). The \$7,409,000 movement in deferred acquisition costs during the year comprises the movement in the provision included in net operating expenses of \$8,233,000 less foreign exchange of \$824,000. Accruals and deferred income include reinsurers' share of deferred acquisition costs of \$7,879,000 (2017: \$Nil).

8. Auditor's remuneration

	2018 \$'000	2017 \$'000
Audit of syndicate accounts	100	119
Other services pursuant to Regulations and Lloyd's Byelaws	109	103
Non audit fees	109	76
Total	318	298

Non audit fees relate to work to issue a Statement of Actuarial Opinion on the technical reserves of the syndicate.

9. Staff and number costs

All staff are employed by the managing agency or related companies. The following amounts were recharged to the syndicate in respect of salary costs:

	2018 \$'000	2017 \$'000
Wages and salaries	17,073	14,603
Social security costs	1,436	1,229
Pension costs	905	802
Total	19,414	16,634

The average monthly number of employees employed by the managing agency or related companies but working for the syndicate during the year was as follows:

	2018 Number	2017 Number
Underwriting	32	25
Claims and reinsurance	10	6
Management, administration and finance	47	45
Non-executive directors	5	4
Total	94	80

10. Emoluments of the directors of the managing agent

For the purposes of FRS 102, the directors of ASML are deemed to be the key management personnel.

For the period ending 31 December 2018, the directors of ASML received the following aggregate remuneration charged to the syndicate and included within net operating expenses of \$2,694,000 (2017: \$3,332,000). 2017 includes remuneration paid to directors relating to Syndicate 6133 which has been re-allocated to Syndicate 6133 during 2018.

Included in the aggregated remuneration charged to the syndicate are emoluments paid to the highest paid director amounting to \$522,000 (2017: \$873,000). The active underwriter received remuneration of \$384,000 (2017: \$428,000) which was charged as a syndicate expense.

11. Investment income

	2018 \$'000	2017 \$'000
Income from investments	3,607	1,933
Gains on realisation of investments	144	17
Unrealised gains on investments	701	309
	4,452	2,259
Losses on realisation of investments	(151)	(202)
Unrealised losses on investments	(268)	(105)
Total	4,033	1,952

Investment income is reported after an allocation of \$251,000 (2017: \$Nil) to Syndicate 6133 (see note 22).

	2018 '000	2017 '000
Average amount of syndicate funds available for investment during the year (original currency)		
Sterling	13,648	10,292
Euro	8,693	8,230
US Dollar	183,960	167,726
Canadian Dollar	44,832	36,648
Total funds available for investment in US Dollars	244,170	220,645
Total investment return in US Dollars	4,033	1,952
Annual investment yield		
Sterling	1.8%	1.4%
Euro	0.0%	0.0%
US Dollar	1.9%	0.9%
Canadian Dollar	1.4%	0.7%
Total annual investment yields	1.7%	0.9%

12. Financial assets and liabilities

The carrying values of the syndicate's financial assets and liabilities are summarised by category below:

	2018 \$'000	2017 \$'000
Financial assets		
Measured at fair value through profit and loss		
Financial investments	253,722	174,994
Measured at cost		
Cash and cash equivalents	95,996	57,723
Overseas deposits	24,223	20,633
	120,219	78,356
Measured at undiscounted amount receivable		
Debtors	114,176	85,750
	488,117	339,100
Financial liabilities		
Measured at fair value through profit and loss		
Derivative instruments	(15)	-
Measured at cost		
Deposits received from reinsurers	(89,343)	(39,407)
Measured at undiscounted amount payable		
Creditors	(77,608)	(60,753)
	(166,966)	(100,160)

Debt securities include US treasuries of \$10,475,000 (2017: \$Nil) as collateral received from reinsurers and held in trust. The funds, therefore, are not available to meet other liquidity requirements of the syndicate and a corresponding creditor is recognised (see note 18).

All investments are measured at fair value through profit or loss. The valuation technique used for determination of the fair value of financial instruments can be classified by the following hierarchy:

- Level 1 - Quoted prices for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis.
- Level 2 - When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If it can be demonstrated that the last transaction price is not a good estimate of fair value (e.g. because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.

12. Financial investments (continued)

- Level 3 - If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique. 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 table below analyses financial instruments held at fair value in the syndicate's balance sheet at the reporting date by its level in the fair value hierarchy.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2018				
Holdings in collective investment schemes	-	113,504	-	113,504
Debt securities and other fixed income securities	95,374	44,844	-	140,218
Total	95,374	158,348	-	253,722
Derivative liabilities	-	(15)	-	(15)

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2017				
Holdings in collective investment schemes	1,077	173,917	-	174,994

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

Holdings in collective investment schemes are generally valued using prices provided by external pricing vendors. The categorisation of the fair value by level has been determined by looking through the funds to the underlying holdings within the collective investment schemes. Pricing vendors will often determine prices by consolidating prices of recent trades for identical or similar securities obtained from a panel of market makers into a composite price. The pricing service may make adjustments for the elapsed time from a trade date to the valuation date to take into account available market information. Lacking recently reported trades, pricing vendors will use modelling techniques to determine a security price.

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

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

12. Financial investments (continued)

The low risk investment portfolio is not subject to significant changes in valuation. Management monitors movements in the valuation of the investment portfolio on a quarterly basis and investigation is undertaken when these are outside of expectations. The short dated fixed income portfolio valuations are provided by the fund manager and compared with valuations provided independently by the custodian.

13. Debtors arising out of direct insurance operations

	2018 \$'000	2017 \$'000
Due within one year	86,927	65,313

14. Debtors arising out of reinsurance operations

	2018 \$'000	2017 \$'000
Due within one year	18,977	14,560
Due after one year	-	1
Total	18,977	14,561

15. Other debtors

	2018 \$'000	2017 \$'000
Consortium fee receivable	6,383	4,986
Amounts due from group companies	1,544	524
Rent deposit	345	366
Total	8,272	5,876

16. Cash and cash equivalents

	2018 \$'000	2017 \$'000
Cash at bank and in hand	17,129	11,956
Deposits with credit institutions	78,867	45,767
Total	95,996	57,723

Deposits with credit institutions relate to collateral received from reinsurers and held in trust. The funds, therefore, are not available to meet other liquidity requirements of the syndicate and a corresponding creditor is recognised (see note 18).

17. Overseas deposits

Overseas deposits are advanced as a condition of conducting underwriting business in certain countries and therefore are restricted assets.

18. Deposits from reinsurers

Deposits received from reinsurers are held in trust for the benefit of the syndicate and can be called upon to meet potential reinsurance recoveries arising on future events. To the extent that the funds are not called upon as paid recoveries at the balance sheet date they are held as either debt securities or cash and cash equivalents with a corresponding liability recorded as deposits received from reinsurers.

19. Creditors arising out of direct insurance operations

	2018 \$'000	2017 \$'000
Due within one year	5,136	8,452

20. Creditors arising out of reinsurance operations

	2018 \$'000	2017 \$'000
Due within one year	57,716	50,077
Due after one year	16	91
Total	57,732	50,168

21. Other creditors

	2018 \$'000	2017 \$'000
Amounts due to Syndicate 6133	14,740	-
Profit commission payable	-	2,133
Derivative liabilities	15	-
Total	14,755	2,133

Derivative instrument liabilities relate to foreign exchange forward contracts held at the balance sheet date. These contracts are typically used to manage the requirement to pay Sterling expenses whilst the revenues of the syndicate are predominantly generated in US dollars.

The amounts due to Syndicate 6133 represents the net funds withheld balance payable under the quota share contract. The balance is due after more than one year on closure of the 2018 year of account.

22. Related parties

All business with related parties is transacted on an arm's length basis.

ASML, the managing agent, is a wholly owned subsidiary of Apollo Partners LLP ("APL"). DCB Ibeson, NG Jones, MJ Newman, MJ Rayner and SAC White, along with other members of the senior underwriting team, are partners of APL. Metacommet LLC, a US incorporated limited company, is a corporate partner of APL. Affiliated companies of Metacommet LLC participate on the syndicate.

Hyperion Apollo Limited, a subsidiary of the Hyperion Insurance Group Limited, acquired a minority interest in APL on 31 May 2018. DCB Ibeson is the Non-Executive Chairman of DUAL International Ltd (an unregulated holding company within the Hyperion Group).

APL is the parent company of certain capital providers for Syndicate 1969. In November 2018 APL acquired allocated capacity of £17,760,000 (2017: £16,722,000) in the 2018 capacity auction for Syndicate 1969 through Cyrene Capital Limited, a corporate member subsidiary.

In accordance with the Managing Agent's Agreement, ASML accrued managing agent's fees (0.9% of syndicate capacity) and profit commission (17.5% of profit). A two year deficit clause is in place which requires losses to be offset by future profits before further profit commission becomes payable. From the 2018 year of account ASML received a proportion of the consortium overriding commission for arrangements it managed on behalf of consortium partners for which the syndicate is the lead. Under this arrangement ASML received \$734,000 (2017: \$Nil) of income it would have received if the business were written by the syndicate.

APL employs all Apollo group staff, including underwriters, claims and reinsurance staff. APL provides the services of these staff and its partners to ASML to enable it to provide the services as managing agent for the syndicate. APL also incurs a large proportion of the expenses in respect of operating the syndicate. The cost of these services and expenses are recharged to ASML which in turn recharges these to the syndicate on a basis that reflects its usage of resources. The transactions and amounts outstanding at the balance sheet date are shown below:

ASML	2018 \$'000	2017 \$'000
Managing agent's fee	3,310	2,422
Profit commission	-	(703)
Expense recharges	34,403	29,863
Other debtor	1,544	524
Profit commission payable	-	(2,133)

The reduction in profit commission during 2017 reflects the reversal of amounts previously recognised but reversing as a result of 2017 losses.

22. Related parties (continued)

Syndicate 6133 is a SPA Syndicate that provided a single 90% quota share reinsurance contract for the Property Treaty class including all related expenses and investment income. Syndicate 6133 operates on a funds withheld basis and the syndicate undertakes all transactions on its behalf. On closure of a year of account the Syndicate 6133 distribution will be settled by the syndicate. The related party transactions and amounts outstanding at the balance sheet date are shown below:

Syndicate 6133	2018 \$'000	2017 \$'000
Reinsurance premiums payable	(58,862)	-
Reinsurance paid recoveries receivable	13,296	-
Expense recharge	8,928	-
Net interest payable	(251)	-
Other creditors	(14,740)	-

NG Jones and other members of the syndicate's underwriting team participate on the syndicate through a Limited Liability Partnership.

Hannover Re participated on the syndicate with a 30.4% share of the 2018 year of account. S Althoff, a non-executive director of ASML, is a member of the Executive Board at Hannover Re representing Property and Casualty Lines Worldwide. The syndicate entered into outwards reinsurance contracts with premium totalling \$1,602,000 (2017: \$2,593,000). At 31 December 2018 the total balances receivable were \$111,000 (2017: \$512,000) and related to recoveries due on paid and outstanding claims.

23. Events after the end of the reporting period

Following the year-end the Board has decided to make a cash call of \$31,151,000 in respect of the 2017 year of account. The development of the significant catastrophe events of 2017 and a number of further large losses in 2018 has made the cash call necessary to maintain appropriate levels of liquidity to satisfy policyholder and regulator needs and be in a strong position to benefit from underwriting opportunities as they arise.

In addition the Board has made a cash call of \$20,052,000 from the members of Syndicate 6133 on the 2018 year of account. This follows a number of large losses in the second half of the year. These funds will be held by the syndicate and used to pay the claims as they fall due.

SYNDICATE UNDERWRITING YEAR ACCOUNTS

FOR THE 2016 YEAR OF ACCOUNT
CLOSED AT 31 DECEMBER 2018

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The directors of the managing agent present their report for the 2016 year of account of Syndicate 1969 for the cumulative result to 31 December 2018.

The syndicate underwriting year account is prepared under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 in accordance with the Lloyd's Syndicate Accounting Bylaw (No. 8 of 2005) and applicable accounting standards in the United Kingdom.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

2016 ACCOUNT

The 2016 year of account has been closed with a loss of \$70.1m (£55.1m at the closing exchange rate of \$1.27) representing 30.7% of the stamp capacity after all personal expenses except members' agents' fees.

Following the 12.5% pre-emption approved by Lloyd's the syndicate stamp increased to £180.0m (\$282.6m at the Lloyd's planning rate of \$1.57) for the 2016 year of account. The approved gross net written premium was £162.4m (\$254.9m). The rating environment continued to be very competitive with an actual risk adjusted rate reduction of 5.4%, marginally better than the plan reduction of 6.1%.

For 2016 a new Marine & Energy Liability class underwriter with a historically profitable track record was recruited. When developing the original plan for Energy in 2013 it had always been the intention to broaden the product offering to establish a presence in the Energy Liability market. In addition to Energy Liability this class also covers Marine Liability business which sits well with our existing Specie & Cargo account.

In 2016 a disciplined approach was maintained in the Property classes, the 2015 base for Specie & Cargo and Non-Marine Liability was built upon and the Energy portfolio was cautiously renewed in challenging market conditions. Further there was development of selected areas of the Aviation account and the Personal Accident account was renewed by continuing to support a consortium led by another Lloyd's syndicate. Participation on the Terrorism consortium ceased.

The 2016 account has been heavily impacted by the 2017 third quarter catastrophe losses, notably hurricanes Harvey, Irma and Maria that hit the Caribbean and the US. Two Mexican earthquakes in September resulted in further losses. Whilst the magnitude of the losses was within the reinsurance programme the losses have been considerable given retentions and reinstatements apply to each loss.

Further there was co-reinsurance on lower layers. A proportion of the reinstatements had been exhausted by the last Mexican quake reducing the available recoveries. In addition the 2016 calendar year loss experience was higher than expected for the first twelve months with a number of large and catastrophe losses including Hurricane Matthew and a number of flood and hail losses.

The result has been impacted by adverse incurred claims development from 2015 and prior years of account which deteriorated by \$13.6m during 2018. The Non-Marine Liability account has experienced significant adverse loss experience in the US and International Open Market sub-classes from a number of individual large losses.

During 2018 a cash call was made for 12.5% of stamp capacity, \$30.3m (calculated using the 2017 year end rate of \$1.35). The remaining balance of \$39.8m will be collected through the closing year distribution process.

2017 ACCOUNT

Following the 16.7% pre-emption approved by Lloyd's the syndicate stamp increased to £210.0m (\$281.4m at the Lloyd's planning rate of \$1.34) for the 2017 year of account. The approved gross net written premium was £200.9m (\$269.3m). The rating environment continued to be very competitive with an actual risk adjusted rate reduction of 1.3%, substantially better than the plan reduction of 4.9%.

A new Marine Hull underwriter with historically profitable track record was recruited to the syndicate late in 2016 to enable the marine offering to be expanded for the 2017 year of account. In addition the Marine & Energy Liability class underwriter recruited in 2016 was able to write for the full year. Further growth was targeted for Non-Marine Liability through new business to Lloyd's and increased line sizes.

An opportunity to recruit a Terrorism underwriter was taken during the year and business began to be written from the last quarter of 2017. Accident & Health business was reduced by discontinuing participation on this consortium.

The 2017 third quarter catastrophe losses also impacted the 2017 account. It was noted above the reinstatements on the lower layers had been fully utilised prior to the second Mexican earthquake. Hurricanes Florence and Michael both impacted the year, in particular the Property D&F and Property Binders classes. Attritional loss experience has also been worse than expected for Property D&F. In addition the Non-Marine Liability experience on bad years has resulted in a more cautious approach to reserving for 2017 and this has impacted the forecast of the result on closure.

The 24 month forecast range is a loss of 25% to 30%. A \$35.3m cash call of 12.5% of stamp capacity (calculated using the 2017 year end rate of \$1.35) was made during 2018. A further cash call of 11.7% of stamp capacity, \$31.2m (calculated using the 2018 year end rate of \$1.27) will be collected in the second quarter of 2019.

2018 ACCOUNT

Lloyd's approved a 7.1% pre-emption increasing the syndicate stamp to £225.0m (\$292.5m at the Lloyd's planning rate of \$1.30) for the 2018 year of account. The syndicate is the host for SPA Syndicate 6133 with stamp capacity £35.0m (\$45.5m) bringing the total stamp capacity to £260.0m (\$338.0m).

The 2018 plan was resubmitted during 2018 following the 2017 catastrophe events and the launch of ibott Rover. The final approved gross net written premium was £320.7m (\$417.0m). 76% of the approved plan had been written by the end of the year, the shortfall being the result of disciplined underwriting in a competitive market and the timing of the ibott Rover premium development.

Whilst the rating environment continued to be very competitive, it improved with an actual risk adjusted rate increase of 5.9%. The rating improvements were substantially better than expected with improvements on all classes against a plan that expected reduction on many classes.

2018 was the first year of the Property Treaty account. This is ceded by a 90% quota share to Syndicate 6133. This class writes US and International business and sought to benefit from rate increases following the catastrophe losses of 2017.

With effect from 1 July 2018, the Syndicate launched its ibott Rover business, supported by reinsurance backers through a 90% quota share of the account. This enabled the class of business to commence writing prior to the launch of Syndicate 1971 for 2019. This is an innovative new class focused on writing auto liability sharing economy business.

The remainder of the 2018 year of account represented a development of the existing balanced portfolio of business. Crisis Management was developed from the terrorism account, new in 2017, to cover terrorism & sabotage, politically motivated perils, political violence and active assailant. The Hull account was also new in 2017 and grew in 2018.

The Property D&F account was managed with the non-renewal of under-performing risks in the International Open Market portfolio and Mexico. The catastrophe loss activity during 2017 had a positive effect on the rating environment for Property D&F in 2018, which saw a 14.7% increase in rates. In Specie & Cargo, in light of the highly competitive trading environment, we reduced the premium income written. The Non-Marine Liability class continued to be a key source of premium income, with a backdrop of positive US Casualty rating conditions.

Reinsurance cover is bought on an annual basis and therefore cover is in place during 2019 for the 2018 risks still in force.

2018 has been affected by a number of substantial catastrophe events during the year. Hurricanes Florence and Michael both affected the year of account, most notably the Property D&F, Property Binders and Property Treaty classes. Typhoons Jebi and Trami and the Californian wildfires particularly affected the Property Treaty class.

The first public forecast will be at the 15 month stage.

FUTURE DEVELOPMENTS

The plans for the 2019 year of account are included in the Active Underwriter's Report and the Managing Agent's Report in the syndicate annual accounts.

DIRECTORS AND DIRECTORS' INTERESTS

The directors who held office at the date of signing are shown on page 1. Directors' interests are shown in note 20 as part of the related parties note to the accounts.

DISCLOSURE OF INFORMATION TO THE AUDITOR

Each person who is a director of the managing agent at the date of approving this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the syndicate's auditor is unaware; and
- each director has 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 auditor is aware of that information.

AUDITOR

Deloitte LLP has indicated its willingness to continue in office as the syndicate's auditor.

Approved on behalf of the Board.



DCB Ibeson

Chief Executive Officer
12 March 2019

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

Apollo Syndicate Management Limited, as managing agent, is responsible for preparing syndicate underwriting year accounts in accordance with applicable law and the Lloyd's Syndicate Accounting Byelaw.

The Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulation 2008 (the "Lloyd's Regulations") require the managing agent to prepare syndicate underwriting year accounts for each syndicate in respect of any underwriting year which is being closed by reinsurance to close at 31 December 2018. These syndicate underwriting year accounts must give a true and fair view of the result of the closed year of account.

In preparing the syndicate underwriting year of accounts, the managing agent is required to:

- select suitable accounting policies which are applied consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable as between the members of the syndicate affected. In particular, the amount charged by way of premium in respect of the reinsurance to close shall, where the reinsuring members and reinsured members are members of the same syndicate for different years of account, be equitable as between them, having regard to the nature and amount of the liabilities reinsured;
- take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in these accounts.

The managing agent is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the syndicate underwriting year of accounts comply with the Lloyd's Regulations and Syndicate Accounting Byelaw. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 1969 - 2016 CLOSED YEAR OF ACCOUNT

Report on the audit of the syndicate underwriting year accounts for the 2016 closed year of account for the three years ended 31 December 2018

OPINION

In our opinion the syndicate underwriting year accounts of Syndicate 1969 (the 'syndicate'):

- give a true and fair view of the loss for the 2016 closed year of account;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

We have audited the syndicate underwriting year accounts which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in members' balances;
- the statement of cash flows;
- the accounting policies; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "the Financial Reporting Standard applicable in the UK and Republic of Ireland", the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

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 underwriting year accounts section of our report.

We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate underwriting year accounts in the UK, including the Financial Reporting Council's (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.

OTHER INFORMATION

The managing agent is responsible for the other information. The other information comprises the information included in the annual report and accounts, other than the syndicate underwriting year accounts and our auditor's report thereon. Our opinion on the syndicate underwriting year accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the syndicate underwriting year accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate underwriting year 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 underwriting year accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

RESPONSIBILITIES OF MANAGING AGENT

As explained more fully in the managing agent's responsibilities statement, the managing agent is responsible for the preparation of the syndicate underwriting year accounts under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005), and for being satisfied that they give a true and fair view of the result, and for such internal control as the managing agent determines is necessary to enable the preparation of syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate underwriting accounts, the managing agent is responsible for assessing the syndicate's ability to realise its assets and discharge its liabilities in the normal course of business, disclosing, as applicable, any matters that impact its ability to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE SYNDICATE UNDERWRITING YEAR ACCOUNTS

Our objectives are to obtain reasonable assurance about whether the syndicate underwriting year 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 underwriting year accounts.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Lloyd's Syndicate Accounting Byelaw (no.8 of 2005) we are required to report in respect of the following matters if, in our opinion:

- the managing agent in respect of the syndicate has not kept proper accounting records; or
- the syndicate underwriting year accounts are not in agreement with the accounting records.

We have nothing to report in respect of these matters.

USE OF OUR REPORT

This report is made solely to the syndicate's members, as a body, in accordance with regulation 6 of 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's members as a body, for our audit work, for this report, or for the opinions we have formed.



Adam Knight,
FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
12 March 2019

SYNDICATE 1969

PROFIT AND LOSS ACCOUNT

2016 YEAR OF ACCOUNT FOR THE 36 MONTHS ENDED 31 DECEMBER 2018

Technical account - General business	Notes	\$'000
Syndicate allocated capacity		228,543
Gross premiums	3	297,226
Outward reinsurance premiums		(72,183)
Net premiums written and earned		225,043
Reinsurance to close premium receivable, net of reinsurance	4	79,722
		304,765
Allocated investment return transferred from the non-technical account	10	1,804
Claims paid		
Gross amount		(183,669)
Reinsurers' share		33,490
Net claims paid		(150,179)
Reinsurance to close premium, net of reinsurance	5	(139,016)
Claims incurred, net of reinsurance		(289,195)
Net operating expenses	6	(87,795)
Balance on the technical account - general business		(70,421)

Non-technical account	Notes	\$'000
Balance on the technical account - general business		(70,421)
Investment income	10	1,804
Allocated investment return transferred to the technical account - general business		(1,804)
Profit on foreign exchange		302
Loss for the 2016 closed year of account		(70,119)

There are no recognised gains or losses in the accounting period other than those dealt with in the technical and non-technical accounts.

Statement of changes in members' balances For the 36 months ended 31 December 2018

	Notes	\$'000
Loss for the 2016 closed year of account		(70,119)
Cash calls received		30,298
Members' agents' fees		(628)
Amounts due from members at 31 December 2018	12	(40,449)

Members participate on syndicates by reference to years of account and their ultimate result, assets and liabilities are determined by reference to policies incepting in that year of account in respect of their membership of a particular year.

SYNDICATE 1969

BALANCE SHEET

2016 YEAR OF ACCOUNT FOR THE 36 MONTHS ENDED 31 DECEMBER 2018

Assets	Notes	\$'000
Investments		
Financial investments	11	68,073
Reinsurance recoveries anticipated on gross reinsurance to close premium	5	83,606
Debtors		
Debtors arising out of direct insurance operations	13	2,123
Debtors arising out of reinsurance operations	14	10,561
Other debtors	15	491
		<hr/> 13,175
Other assets		
Cash and cash equivalents		29,257
Overseas deposits	16	13,728
		<hr/> 42,985
Prepayments and accrued income		
Other prepayments and accrued income		584
Total assets		<hr/> 208,423

Liabilities	Notes	\$'000
Amounts due to members	12	(40,449)
Reinsurance to close premium payable to close the account - gross amount	5	222,319
Deposits received from reinsurers		1,566
Creditors		
Creditors arising out of direct insurance operations	17	2,633
Creditors arising out of reinsurance operations	18	21,659
Other creditors	19	695
		<hr/> 24,987
Total liabilities		<hr/> 208,423

The syndicate underwriting year accounts on pages 51 to 64 were approved by the Board of Apollo Syndicate Management Limited on 12 March 2019 and were signed on its behalf by:



JD MacDiarmid

Finance Director

12 March 2019

SYNDICATE 1969

STATEMENT OF CASHFLOWS

2016 YEAR OF ACCOUNT FOR THE 36 MONTHS ENDED 31 DECEMBER 2018

	\$'000
Cash flows from operating activities	
Loss for the 2016 closed year of account	(70,119)
Adjustments for:	
Increase in gross reinsurance to close payable	222,319
Increase in reinsurers' share of reinsurance to close	(83,606)
Increase in debtors	(13,175)
Increase in creditors	24,987
Increase in other assets/liabilities	(584)
Investment return	(1,804)
Net cash inflow from operating activities	78,018
Cash flows from investing activities	
Net purchase of other financial instruments	(68,073)
Investment income received	1,804
Movements in overseas deposits	(13,728)
Increase in deposits received from reinsurers	1,566
Net cash flow from investing activities	(78,431)
Net cash flow from financing activities	
Cash call received from members	30,298
Members' agents' fees paid on behalf of members	(628)
Net cash outflow from financing activities	29,670
Net increase in cash and cash equivalents	29,257
Cash and cash equivalents at 1 January 2016	-
Cash and cash equivalents at 31 December 2018	29,257

1. Basis of preparation

These underwriting year accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, Financial Reporting Standard 102. The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and Financial Reporting Standard 103 Insurance Contracts ("FRS 103").

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These accounts relate to the 2016 year of account which has been closed by reinsurance to close at 31 December 2018. Consequently, the balance sheet represents the assets and liabilities of the 2016 year of account at the date of closure. The profit and loss account and cash flow statement reflect the transactions for that year of account during the three-year period until closure. The accounts are compiled using the signing messages relating to the year of account; this means that the resulting cash balance shown in the balance sheet belongs to that specific year of account.

These underwriting year accounts cover the three years from the date of inception of the 2016 year of account to the date of closure. Accordingly, this is the only reporting period and so comparative amounts are not shown.

As a consequence of the 2016 year of account reinsuring to close into the 2017 year of account, the residual risks to the members on the closed year have been minimised. The risk disclosure requirements of FRS 102 and FRS 103 are therefore deemed not applicable to these underwriting year accounts. However, it should be noted that a reinsurance contract does not extinguish the primary liability of the original underwriter.

2. Accounting policies

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

Gross premiums written

Gross premiums are allocated to years of account based on the inception date of the policy. Premiums in respect of insurance contracts underwritten under a binding authority, lineslip or consortium arrangement are allocated to the year of account corresponding to the calendar year of inception of the arrangement. Premiums are shown gross of brokerage payable and exclude taxes.

Outward reinsurance premiums

Outwards reinsurance premiums are allocated to a year of account in accordance with the underlying risks being protected.

2. Accounting policies (continued)**Claims paid and related recoveries**

Gross claims paid include internal and external claims settlement expenses and, together with reinsurance recoveries less amounts provided for in respect of doubtful reinsurers, are attributed to the same year of account as the original premium for the underlying policy.

Reinstatement premiums payable in the event of a claim being made are charged to the same year of account as that to which the recovery is credited.

Reinsurance to close premium payable

A reinsurance to close is a contract of insurance which, in return for a premium paid by the closing year of account, transfers, normally to the following year of account, all known and unknown liabilities arising out of transactions connected with insurance business underwritten by the closing year of account. However, it should be noted that a reinsurance contract does not extinguish the primary liability of the original underwriter.

The net reinsurance to close premium payable is determined on the basis of estimated outstanding liabilities and related claims settlement costs (including claims incurred but not reported), net of estimated collectable reinsurance recoveries and net of future net premiums relating to the open year of account and all previous years of account reinsured therein. No credit is taken for investment earnings which may be expected to arise in the future on the funds representing the reinsurance to close.

The techniques used and assumptions made in determining outstanding claims reserves, both gross and net of reinsurance, are described within the "Use of judgements and estimates" and in the accounting policy for "Claims provisions and related reinsurance recoveries" section of the syndicate annual accounts.

The calculation of the reinsurance to close premium payable is determined by the directors on the basis of the information available to them at the time. However, it is implicit in the estimation procedure that the ultimate liabilities will be at variance from the reinsurance to close so determined.

Investment return

The 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. The investment return arising in each calendar year is allocated to years of account in proportion to the average funds available for investment attributable to those years. Investment returns in respect of overseas deposits are allocated to the year of account which funded these deposits.

2. Accounting policies (continued)**Net operating expenses**

Net operating expenses include acquisition costs, administrative expenses and members' standard personal expenses. Reinsurers' commissions and profit participations and consortia income represent a contributions towards operating expenses and are reported accordingly.

Costs incurred by the managing agent on behalf of the syndicate are recognised on an accruals basis. No mark-up is applied.

Net operating expenses are charged to the year of account to which they relate.

Acquisition costs

Acquisition costs comprise costs arising from the conclusion of insurance contracts. They include both direct costs such as brokerage and commission, and indirect costs such as administrative expenses connected with the processing of proposals and the issuing of policies. Acquisition costs include fees paid to consortium leaders in return for business written on behalf of the syndicate as a consortium member.

Acquisition costs are earned in line with the earning of the gross premiums to which they relate. The deferred acquisition cost asset, represents the proportion of acquisition costs, this corresponds to the proportion of gross premiums written that is unearned at the balance sheet date.

Reinsurers' commissions and profit participations

Under certain outwards reinsurance contracts the syndicate receives a contribution towards the expenses incurred. The outwards reinsurance contracts may allow the ceding of acquisition costs and in certain instances an allocation of administrative expenses. Reinsurance arrangements can also pay an overriding or profit commission.

The reinsurers' share of expenses is included within operating expenses and earned in line with the related expense. The reinsurers' share of deferred acquisition cost liability corresponds to the gross deferred acquisition costs at the balance sheet date.

Consortia share of expenses

The syndicate is the leader of a number of underwriting consortia. Under the terms of these contracts participants are required to pay fees to the syndicate, as leader, in return for the business written on their behalf. These fees represent a contribution towards the expenses incurred by the syndicate underwriting for the consortia. The syndicate accrues the consortium fee income in line with the writing of the business for each consortium, calculated in accordance with the individual contractual arrangements.

In addition the consortium arrangements include an entitlement to profit commission based on the performance of the business written by the consortium leader. The syndicate accrues profit commission in accordance with the contractual terms based on the forecast performance of each consortium. Both the accrued consortium fees and accrued profit commission are included as a credit to administrative expenses.

2. Accounting policies (continued)**Managing agent's fees**

The managing agent charges a management fee of 0.9% of syndicate capacity. The managing agent has agreed contractual terms with the capital providers to the syndicate for the payment of profit commission based on the performance of the year of account. Amounts charged to the syndicate become payable on closure of the year of account although the managing agent may receive payments on account of anticipated profit commission if interim profits are released to members.

Foreign currencies

Transactions in foreign currencies are translated into US Dollars which is the functional and presentational currency of the syndicate. Transactions in foreign currencies are translated using the exchange rates at the date of the transactions or at the appropriate average rates of exchange for the period. The syndicate's monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historic cost are translated to the functional currency using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation of foreign currency amounts are included in the non-technical account.

3. Segmental analysis - 2016 year of account after three years

An analysis of the balance on the technical account before investment return is set out below:

	Gross premiums written \$'000	RITC received ¹ \$'000	Gross claims incurred \$'000	Gross ² operating expenses \$'000	Reinsurance balance \$'000	Total \$'000
2016 year of account after three years						
Direct insurance:						
Marine, aviation and transport	23,810	3,626	(18,503)	(7,033)	724	2,624
Fire and other damage to property	105,340	30,039	(153,289)	(31,116)	11,294	(37,732)
Third-party liability	74,923	21,072	(107,528)	(22,130)	23,601	(10,062)
	204,073	54,737	(279,320)	(60,279)	35,619	(45,170)
Reinsurance	93,153	24,985	(127,494)	(27,516)	9,817	(27,055)
	297,226	79,722	(406,814)	(87,795)	45,436	(72,225)

1 RITC received of \$79,722,000 (net of anticipated reinsurance recoveries of \$27,396,000) was received from the 2015 year of account.

2 Gross operating expenses are the same as net operating expenses shown in the profit and loss account. No reinsurer's commissions and profit participations were received for the 2016 year of account.

3. Segmental analysis - 2016 year of account after three years (continued)

All premiums were underwritten in the UK.

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

	\$'000
UK	2,334
Other EU countries	11,675
US	188,304
Other	94,913
Total	297,226

4. Reinsurance to close premium receivable

	Reported \$'000	IBNR \$'000	Total \$'000
Gross reinsurance to close premium receivable	74,998	32,120	107,118
Reinsurance recoveries anticipated	(19,548)	(7,848)	(27,396)
Reinsurance to close premium receivable, net of reinsurance	55,450	24,272	79,722

5. Reinsurance to close premium payable

	\$'000
Gross reinsurance to close premium payable	223,145
Reinsurance recoveries anticipated	(84,129)
Reinsurance to close premium, net of reinsurance (at average exchange rates)	139,016
Foreign exchange	(303)
Reinsurance to close premium payable, net of reinsurance (at closing exchange rates)	138,713

	Reported \$'000	IBNR \$'000	Total \$'000
Gross reinsurance to close premium payable	142,732	79,587	222,319
Reinsurance recoveries anticipated	(55,232)	(28,374)	(83,606)
Reinsurance to close premium payable, net of reinsurance	87,500	51,213	138,713

6. Net operating expenses

	\$'000
Brokerage and commission	60,367
Other acquisition costs	14,012
	<hr/>
Acquisition costs	74,379
Administrative expenses	13,806
Members' standard personal expenses	4,637
Consortia share of expenses	(5,027)
	<hr/>
Total	87,795

7. Auditor's remuneration

	\$'000
Audit of syndicate accounts	92
Other services pursuant to Regulations and Lloyd's Byelaws	108
Non audit fees	136
	<hr/>
Total	336

Non audit fees relate to work to issue a Statement of Actuarial Opinion on the technical reserves of the syndicate.

8. Staff numbers and costs

All staff are employed by the managing agency or related companies. The following amounts were recharged to the syndicate in respect of salary costs:

	\$'000
Wages and salaries	13,043
Social security costs	1,116
Other pension costs	705
	<hr/>
Total	14,864

8. Staff numbers and costs (continued)

The average monthly number of employees employed by the managing agency or related companies but working for the syndicate each year and aggregated for the three years was as follows:

	Number
Underwriting	22
Claims and reinsurance	7
Management, administration and finance	34
Non-executive directors	4
Total	67

9. Emoluments of the directors of the managing agent

For the purposes of FRS 102, the directors of ASML are deemed to be the key management personnel.

The directors received aggregate remuneration of \$2,638,000 charged to the syndicate's 2016 year of account and included within net operating expenses.

Included in the total above are emoluments paid to the highest paid director amounting to \$821,000. The active underwriter received remuneration of \$417,000 charged as a syndicate expense.

10. Investment income

	\$'000
Income from investments	1,956
Gains on the realisation of investments	30
	1,986
Losses on the realisation of investments	(182)
Total	1,804

11. Financial investments

	Market value \$'000	Cost \$'000
Holdings in collective investment schemes	41,205	41,205
Debt securities and other fixed income securities	26,868	26,798
	68,073	68,003

All of the above financial investments are held in short-term money market funds.

12. Balance on technical account

	2015 & prior year of account \$'000	2016 pure year of account \$'000	Total 2016 \$'000
Technical account balance before investment return & net operating expenses	(12,793)	28,363	15,570
Acquisition costs	(494)	(73,885)	(74,379)
	(13,287)	(45,522)	(58,809)
Allocated investment return transferred from the non-technical account			1,804
Net operating expenses other than acquisition costs			(13,416)
Profit on foreign exchange			302
Loss for the 2016 closed year of account			(70,119)
Cash call received from members			30,298
Members' agents' fees			(628)
Amounts due from members at 31 December 2018			(40,449)

13. Debtors arising out of direct operations

	\$'000
Due within one year	2,123

14. Debtors arising out of reinsurance operations

	\$'000
Due within one year	10,561

15. Other debtors

	\$'000
Rent deposit	345
Consortium fee receivable	126
Amount due from members	20
Total	491

16. Overseas deposits

Overseas deposits are advanced as a condition of conducting underwriting business in certain countries and therefore are restricted assets.

17. Creditors arising out of direct insurance operations

	\$'000
Due within one year - intermediaries	2,633

18. Creditors arising out of reinsurance operations

	\$'000
Due within one year	21,659

19. Other creditors

	\$'000
Consortium fee payable	695

20. Related parties

All business with related parties is transacted on an arm's length basis.

ASML is a wholly owned subsidiary of Apollo Partners LLP ("APL"). DCB Ibeson, NG Jones, MJ Newman, MJ Rayner and SAC White, along with other members of the senior underwriting team, are partners of APL. Metacomet LLC, a US incorporated limited company, is a corporate partner of APL. Affiliated companies of Metacomet LLC participate on the syndicate.

Hyperion Apollo Limited, a subsidiary of the Hyperion Insurance Group, acquired a minority interest in APL on 31 May 2018. DCB Ibeson is the Non-Executive Chairman of DUAL International Ltd (an unregulated holding company within the Hyperion Group).

APL employs all Apollo group staff, including underwriters, claims and reinsurance staff. APL provides the services of these staff and its partners to ASML to enable it to provide the services as managing agent for the syndicate. APL also incurs a large proportion of the expenses in respect of operating the syndicate. The cost of these services and expenses are recharged to ASML which in turn recharges these to the syndicate on a basis that reflects its usage of resources. The total amount recharged by ASML to the 2016 year of account was \$11,282,000, this had been settled and nothing was outstanding at the year-end.

APL is the parent company of certain capital providers for Syndicate 1969. NG Jones and other members of the syndicate's underwriting team participate on the syndicate through a Limited Liability Partnership.

Hannover Re participated on the syndicate with a 30.0% share of the 2016 year of account. S Althoff, a non-executive director of ASML, is a member of the Executive Board at Hannover Re representing Property and Casualty Lines Worldwide. The syndicate entered into outwards reinsurance contracts with premium totalling \$968,000. At 31 December 2018 the total balances receivable were \$586,000 and related to recoveries due on paid and outstanding claims.

	2010	2011	2012	2013	2014	2015	2016
Syndicate allocated capacity (£'000)	63,748	74,450	84,771	109,941	140,000	159,966	179,509
Syndicate allocated capacity (\$'000) (note 2)	102,969	123,587	132,243	161,613	171,766	216,002	228,543
Number of underwriting members	324	354	303	310	371	391	405
Aggregate net premiums (\$'000)	100,637	125,117	132,069	148,589	203,910	228,351	225,044
Result for a name with an illustrative share of £10,000	\$	\$	\$	\$	\$	\$	\$
Gross premiums	19,010	20,236	18,507	16,482	18,529	18,017	16,558
Net premiums	15,787	16,806	15,580	13,515	14,565	14,275	12,537
Premium for reinsurance to close an earlier year of account	-	2,730	2,587	2,723	2,928	3,550	4,441
Net claims	(8,675)	(10,133)	(7,349)	(7,358)	(6,257)	(6,792)	(8,366)
Reinsurance to close the year of account	(3,218)	(3,130)	(3,748)	(3,728)	(4,292)	(4,936)	(7,743)
Syndicate operating expenses	(6,034)	(5,964)	(5,341)	(4,520)	(5,252)	(5,322)	(4,633)
Profit / (Loss) on exchange	(74)	(276)	(129)	(348)	(304)	179	16
Balance on technical account	(2,215)	33	1,600	284	1,388	954	(3,748)
Investment return	65	154	63	35	43	69	100
Profit / (Loss) before personal expenses	(2,150)	187	1,663	319	1,431	1,023	(3,648)
Illustrative personal expenses (note 3)	(285)	(304)	(247)	(262)	(526)	(402)	(258)
Profit / (Loss) after illustrative personal expenses	(2,435)	(117)	1,416	57	1,431	621	(3,906)
Capacity utilised (note 4)	87.9%	93.8%	93.0%	89.8%	93.9%	82.3%	84.0%
Net capacity utilised (note 5)	68.0%	73.1%	74.2%	69.6%	67.8%	60.4%	58.4%
Underwriting profit ratio (note 6)	(11.7)%	0.2%	8.6%	3.8%	9.1%	5.3%	(22.6)%
Result as a percentage of stamp capacity	(15.1)%	(0.7)%	9.1%	0.4%	7.4%	4.6%	(30.7)%

Notes to the summary:

1. The summary has been prepared from the audited accounts of the syndicate.
2. Syndicate allocated capacity is expressed in US Dollars at the foreign exchange rate at the date the year of account was closed.
3. Illustrative personal expenses comprise the managing agent's fee, contributions to the Central Fund and High Level Stop Loss Scheme in applicable years, Lloyd's Annual Subscription incurred by a Name writing the illustrative share, irrespective of any minimum charge applicable to the managing agent's fee, and profit commission payable to the managing agent. This amount excludes members' agents' fees.
4. Capacity utilised represents gross premium written net of acquisition costs expressed as a percentage of allocated capacity using business planning foreign exchange rates.
5. Net capacity utilised represents written premium net of acquisition costs net of reinsurance expressed as a percentage of allocated capacity using business planning foreign exchange rates.
6. The underwriting profit ratio represents the balance on technical account expressed as a percentage of gross premiums written.
7. The 2014 and prior years of account were originally presented in Sterling and have been restated in US Dollars using the foreign exchange rate at the date the year of account was closed.

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