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AmTrust

Syndicate 1861

Annual Report and Accounts
For the year ended 31 December 2018

AmTrust at Lloyd's
An AmTrust Financial Company

Contents

Directors and Advisers

Managing Agent
AmTrust Syndicates Limited

Registered office
Exchequer Court
33 St Mary Axe
London, EC3A 8AA

Managing Agent's registration No. 4434499

FCA firm registration No. 226696

Lloyd's registration No. 2073D

Syndicate: 1861

Directors

N C T Pawson	Non-Executive Chairman	
J P Fox	Non-Executive Director	
B J Jackson	Non-Executive Director	
J E Cadle	Non-Executive Deputy Chairman	
M G Caviet	Non-Executive Director	Resigned 09/12/2018
P Dewey		
J A H G Cartwright		
S Lacy		
D J L Barrett		Appointed 07/02/2018
C Jarvis		Appointed 31/05/2018

Company secretary
P Cockburn

Active Underwriter

C Jarvis	Resigned 01/02/2019
D James	Appointed 01/02/2019

Bankers
Lloyds Bank PLC
Citibank N.A.
Royal Bank of Canada

Investment Managers
AII Insurance Management Limited

Statutory Auditor
KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL

Report of the Directors of the Managing Agent

The directors of the Managing Agent, AmTrust Syndicates Limited ('ASL'), present their report, which incorporates the strategic review, for the year ended 31 December 2018. The Syndicate's managing agent is a company registered in England and Wales.

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).

These Financial Statements and related notes have been prepared in accordance with the requirements of Financial Reporting Standard (FRS) 100 ('Application of Financial Reporting Requirements'), FRS 102 ('The Financial Reporting Standard Applicable in the UK and Republic of Ireland') and FRS 103 ('Insurance Contracts') as promulgated by the Financial Reporting Council (FRC).

Principal activity

The Syndicate's principal activity continues to be the transaction of general insurance and reinsurance business. The Syndicate capacity for the 2018 year of account was £540.0m following the Managing Agent's decision to consolidate all its non-life underwriting activities into Syndicate 1861 for the 2018 year of account onwards. The capacity has decreased to £500.0m for the 2019 year of account as Phases 2 and 3 "Refocus and Strengthen" of management's strategy for the Syndicate and its non-life underwriting interests have been enacted following the completion of Phase 1 "Integrate and Simplify".

AmTrust Group

The Managing Agent is an indirect wholly owned subsidiary of AmTrust Financial Services, Inc. (AFSI) formerly the ultimate parent company of the AmTrust group of companies (the Group / AmTrust). On 29 November 2018 a merger transaction was completed in which Evergreen Parent, L.P., an entity formed by private equity funds managed by Stone Point Capital LLC ("Stone Point"), together with Barry Zyskind, Chairman and CEO of AmTrust, George Karfunkel and Leah Karfunkel (collectively, the "Karfunkel-Zyskind Family"), acquired approximately 45% of AFSI's issued and outstanding common shares that the Karfunkel-Zyskind Family and certain of its affiliates and related parties did not already own or control. The merger transaction followed the approval of AmTrust common stockholders at a special meeting of stockholders held on June 21, 2018.

AmTrust at Lloyd's

AmTrust's Lloyd's platform, trading as AmTrust at Lloyd's, combines AmTrust's syndicate underwriting and managing agency operations, allowing AmTrust to access profitable business on a worldwide basis.

During 2018 ASL managed Lloyd's Syndicates 1861, 1206, 5820, 2526, 44 and 779 writing a globally diversified risk portfolio with lines of business selected based on the platform's strategic position, the market opportunity within Lloyd's and the portfolio diversification and capital benefits these classes offer.

The following lines of business are identified as core to ASL:

- Accident & Health and Special Risks
- Aviation & Space
- Consumer Products
- Cyber
- Energy
- Non-Marine Liability
- Property
- Political Risks and Political Violence
- Professional Lines
- Specialty Reinsurance

2018 Underwriting Review

As highlighted in the last report and accounts, 2017 was the beginning of the implementation of our long term vision for our non-life platform since the acquisition of the ANV syndicates. Significant work took place in terms of re-underwriting and portfolio optimisation across our three non-life syndicates during this year. As per our plan, 2018 represents the first year in which the non-life underwriting strategy and underwriting teams have been fully united following the consolidation of our 3 non-life Syndicates into a single Syndicate being 1861.

That said, the portfolio optimisation work has continued, most notably in June 2018 when we took the decision to cease writing marine insurance business. This brought closure to our Marine Hull, Cargo and Liability portfolios. We would like to thank our previous underwriting teams in these lines for their efforts in what have become very difficult portfolios to influence and manage profitably within the Lloyd's market.

However, it was not all retrenchment in 2018. We have successfully delivered growth in some of our core business lines, completed recruitment of further resources to build out our Cyber team, created a new Energy Liability team and added further underwriting capabilities in our Energy team.

Portfolio and cycle management remained a key focus for the unified 1861 underwriting team in 2018. There has been evidence of improving rates in some lines, but overall insurers' margins remained poor / inadequate in many lines. One brighter note has been that terms and conditions have stabilised in 2018, with the coverage creep witnessed in prior years largely abating. Additionally, broker facilities and various other risk packaging initiatives are starting to unwind, which hopefully should help kick start a drive for reduced acquisition costs across the market.

Despite perhaps not attracting the same headlines as 2017, the 2018 year will ultimately be seen as a heavy year for Catastrophe losses. Many industry commentators are suggesting total losses from such events could exceed $80 billion, which will be reflected in many of these documents. We are pleased to report that as a business we have performed well relative to our peers in this regard, and despite some material losses from the US Catastrophes the overall impact has been modest and within our expectations for our unified business. Given the problems experienced within the managing agency in 2017 this is both a significant and timely enhancement.

Overall the Syndicate has had reasonable success in delivering the plan for 2018. We have continued to exercise underwriting discipline across all lines and maintained a clear focus on profitability. The broad product offering has assisted in this regard with the syndicate benefiting from the portfolio diversification and optimisation work undertaken in prior years. Perhaps the largest difference between actual performance and plan emanates from our decision to withdraw from writing marine insurance in June 2018. This in itself has created a gross written premium shortfall of circa £20m and therefore the commensurate reduction in the planned profit from those lines.

Significant events

Following AmTrust's acquisition of 100% of the freehold capacity of Syndicate 5820, another syndicate managed by ASL, in December 2016, the novation of the management of AmTrust's other managed syndicates to ASL during 2017 and the decision to concentrate ASL's non-life underwriting interests and associated expenses into Syndicate 1861 for the 2018 year of account onwards, and as part of the "Integrate, Simplify, Refocus and Strengthen" strategy, the 2016 year of account has closed by way of a reinsurance to close arrangement into Syndicate 2008, a syndicate whose capital is provide by SGL No.1 Limited, a 100% owned indirect subsidiary of Enstar Group Limited. The Syndicate is managed by Starstone Underwriting Limited, an indirectly held 59.0% owned subsidiary of Enstar Group Limited. Enstar Group Limited, through its affiliates Kayla Re Limited and Enstar Holdings Limited, holds a 7.36% interest in Evergreen Parent GP, LLC and its subsidiary Evergreen Parent LP, the ultimate parent of AFSI and shares a common investor in Stone Point Capital LLC.

Key performance indicators

The Syndicate's key financial performance indicators below relate to the results for the Syndicate on an annual accounting basis during the year and were as follows:

	2018	2017
	£m	£m
Written premiums		
Gross premiums written	616.2	284.4
Net premiums written[1]	508.2	206.1
Earned premiums		
Earned premiums, net of reinsurance[2]	346.80	184.8
Incurred Claims		
Net incurred claims	193.5	140.2
Profit (loss) for the financial year (before OCI[3])	2.4	(31.6)
Total comprehensive income	0.5	(29.2)
Cash, investments and overseas deposits	308.0	185.1
Amounts due from Members	(30.1)	(50.6)
Key ratios	%	%
Claims ratio (net)	55.8	75.9
Acquisition ratio	37.1	33.7
Expense ratio	7.6	7.1
Combined ratio[4]	100.5	116.7

Notes:

[1] Net premiums written is stated gross of brokerage and commission, and net of associated reinsurance costs.

[2] Earned premiums, net of reinsurance are stated gross of brokerage and commission, and net of associated reinsurance costs.

[3] OCI (other comprehensive income) represents foreign exchange gains and losses on translation from the Syndicate's US dollar functional currency to its Sterling presentational currency.

[4] The combined ratio is the ratio of net claims incurred, acquisition costs and net operating expenses to net premiums earned.

Gross premiums written

Gross written premiums have increased by £331.8m (116.6%) from the previous year to £616.2 for the 2018 calendar year. This top-line growth follows an increase in stamp capacity of £295.0m to £540.0m (2017 stamp capacity: £245.0m) as a result of AmTrust Syndicates Limited combining its non-Life underwriting participations from Syndicates 5820 and 1206 into Syndicate 1861 for the 2018 year of account. Business was selectively renewed in line with ASL's strict risk appetites – capacity reduced by £96.1m from the combined Syndicate capacity for the 2017 years of account of £636.1m. Growth was seen across a number of classes with the most significant being on Product Damage & Warranty (£92.9m), Property (£75.5m) Professional Lines (£41.8m), Accident & Health (£35.5m), Political Risks (£22.4m) and Non-Marine Liability (£22.2m), most of them having previously been written in 1206 and 5820.

Net written premiums increased by £302.1m (146.6%) from 2017 following the growth in gross premiums written and a decrease in the ceded ratio from 27.5% to 17.5%. The reduction in the ceded ratio is driven by efficiencies realised in purchasing the combined programme, a reduction in reinstatement premiums compared to the 2017 calendar year following the lower incidence of catastrophe claims and changes in the business mix.

Earned premiums, net of reinsurance

Net earned premiums have increased by £162.0m (87.6%) from the previous year. The growth follows the increased stamp for the 2018 year of account but trails the growth in written premiums given the earning tail of the business. By comparison, gross unearned premiums net of reinsurance increased by 126.5%.

Profit for the financial year

An overall profit of £2.4m was generated for the financial year representing an improvement of £34.0m from the previous year. This follows lower exposure to catastrophe losses in 2018 and is testament to the significant work undertaken over the past 2 years in re-underwriting the portfolio and more recently selectively renewing the business transferred from Syndicates 5820 and 1206. Work continues to improve profitability and reduce the Syndicate's expense base from the current levels which have been necessary in driving the process and system improvements to create an efficient and profitable syndicate.

Total comprehensive income

Total comprehensive income of £0.5m was generated after translation of the Syndicate's accounts from its functional currency (USD) to its presentational currency (GBP).

Cash, investments and overseas deposits

Cash, investments and overseas deposits have increased by £122.9m during the year being the net impact of the increase in premiums written and favourable net paid claims experience offset by an increase in reinsurance premiums and administrative expenses.

Member's balances

Member's balances, representing net assets of £30.7m decreased by £19.9m from 31 December 2017 following the 2018 calendar year profit of £2.4m, a loss of £1.9m caused by changes in foreign exchange rates in Other Comprehensive Income and collection of the closing loss on the 2015 year of account of £19.4m. The 2016 year of account reinsured to close into the 2019 year of account of Syndicate 2008 at 31 December 2018 at a loss of £3.9m which will be called in June 2019.

Claims ratio

The net claims ratio decreased by 20.1% to 55.8% for the 2018 calendar year driven both by a reduction in catastrophe activity and a lower incidence of large losses. Favourable experience across a number of classes most notably Cyber, Political Risks Excess Casualty and Energy was offset in part by the now discontinued Marine classes which incurred a combined claims ratio gross of acquisition costs of 110.5%.

Acquisition ratio

The acquisition ratio, calculated as the ratio of earned brokerage, commissions and acquisition expenses to net earned premiums, has increased by 3.4% to 37.1% for the 2018 calendar year. This is driven both the introduction of the Product Damage & Warranty class which incurs significantly higher acquisition costs than the more standard Property and Casualty products, and an increase in profit commissions following favourable earned experience.

Expense ratio

The expense ratio, calculated as the ratio of net operating expenses to net earned premiums, has increased by 0.5% to 7.6% for the 2018 calendar year. The primary driver for this increase is the lag between writing the larger book of business, following the combination of 1861, 5820 and 1206's underwriting into the 2018 year of account, and hence incurring increased expense and earning the additional business. The expense ratio is expected to reduce in 2019 accordingly.

Combined ratio

The combined ratio in 2018 has decreased by 16.2 % to 100.5% for the 2018 calendar year driven by the claims ratio as outlined above partially offset by an increase in the acquisition and expense ratios.

Investments and investment return

	2018	2017
	£m	£m
Average amount of syndicate funds available for investment during the year:		
Sterling	19.5	15.5
Euro	11.4	3.6
US Dollar	203.2	151.8
Canadian Dollar	12.5	9.2
Australian Dollar	1.5	-
Combined in sterling	248.1	180.1
Gross aggregate investment return for the calendar year in Pounds Sterling	3.8	2.4
Gross calendar year investment return:		
Sterling	1.94%	0.96%
Euro	-1.70%	0.23%
US Dollar	1.71%	1.45%
Canadian Dollar	1.94%	0.59%
Australian Dollar	0.72%	-
Combined in sterling	1.64%	1.36%

The investment manager was Amundi Asset Management until 30 June 2018 as which point investment management was transferred to AII Insurance Management, an AmTrust group company.

The above investment returns are calculated using average funds based on the monthly balances and investments revalued to month-end market prices including accrued interest.

The Syndicate's investment portfolio is composed of debt instruments which are held at fair value through profit or loss. The fixed income investment return of the Syndicate during the period attributable to the invested assets was 1.64%. The return is reflective of the Syndicate's investment policy which is focussed on capital preservation through investing predominantly in a fixed income low credit risk portfolio. The invested portfolio duration at 31 December 2018 was 3.97 years (2017: 1.31 years) and the duration of the total funds was 3.37 years (2017: 1.26 years).

It is the Managing Agent's policy to actively monitor the Syndicate's currency exposures, and where possible, it seeks to match the Syndicate's assets and liabilities to the extent that regulatory restrictions allow.

Principal risks and uncertainties

ASL has a formal risk management framework to identify, assess and manage risks significant to the achievement of the business plans and objectives. It is an on-going process providing for the systematic analysis, handling and reporting of risks and their comparisons with risk appetites, effectiveness of controls, risk events and near misses as well as emerging risks. This process also includes setting and monitoring actions to mitigate risk and to return metrics to within appetite.

The principal risks and uncertainties facing the Syndicate, as detailed in Note 4 to the financial statements, are as follows:

- Insurance risk
- Investment risk
- Credit risk
- Market risk
- Liquidity risk
- Operational risk
- Regulatory (including Conduct) risk

Corporate governance

The ASL Board Chair is supported by a combination of Executive Directors and Non-Executive Directors.

A defined operational and management structure as well as terms of reference for all Board committees has been in place throughout the period.

The ASL 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 has appointed an Executive Committee to manage the operations of the business. The Board and the Executive Committee are supported by an Audit Committee and a Risk Committee. The Committee Framework includes a number of other Committees, including a dedicated Product Governance Committee to manage conduct risk issues.

Future developments

Following the conclusion of a reinsurance to close arrangement with Syndicate 2008 for the 2016 & Prior year of account effective 31 December 2018, the Syndicate is composed of the pure years of account 2017, 2018 and 2019 which commenced underwriting on 1 January 2019. It is the Managing Agent's expectation that the 2017 year of account will close by way of a reinsurance to close arrangement at 31 December 2019.

For the 2019 year of account the Syndicate's capacity has reduced by £40.0m to £500.0m having increased by £295m to £540m for the 2018 year of account following the strategic decision to consolidate AmTrust at Lloyd's non-life underwriting into Syndicate 1861. The reduction in capacity for 2019 reflects the implementation of Phases 2 and 3 of ASL's strategy for its non-life underwriting, "Refocus and Strengthen" following the completion of Phase 1 "Integrate and Simplify".

On 13th February 2019, AmTrust and Canopius signed a letter of intent to merge their respective Lloyd's operations to create a stronger, market-leading Lloyd's franchise with a broader product offering and increased value to clients and brokers. The process is ongoing at the time of signing these financial statements. There can be no assurance at this stage that a deal will be consummated.

Since the UK voted to leave the European Union, ASL has been working closely with Lloyd's and the market to develop a Brexit solution which is commercially viable, easy to use, future-proof and allows us to maintain our commercial relationships and the strong Lloyd's financial ratings. Lloyd's Brussels, operating since 1/1/2019, is a fully regulated insurance company, with a robust corporate structure, compliant with the regulator's requirements and capitalised according to Solvency II rules. This structure provides the Syndicate with a solid platform on which to continue to trade with, and grow in, the Single Market.

All claims can be paid as normal until the UK leaves the European Union and during any transition period. Lloyd's is working on transferring all non-life European Economic Area (EEA) business that has been written by the Lloyd's Market between 1993 and 2018 to Lloyd's Brussels before the end of 2020 via a Part VII portfolio transfer. Lloyd's has instructed underwriters to honour their contractual commitments regardless of the outcome of the political negotiations and AmTrust intends to comply with Lloyd's instruction.

As a result of the external reinsurance to close of the 2016 & Prior years of account of the Syndicate the uncertainties regarding the impact of Brexit on the subject business of the Syndicate has been transferred to Starstone Syndicate 2008 for those years of account.

Staff matters

ASL considers its staff to be a key resource and the retention of staff fundamental to the success of the business. The strategy adopted by ASL is designed to ensure that the terms and conditions offered to employees, as part of their overall remuneration package, remain competitive with the rest of the London Market insurance industry.

The Managing Agent seeks to provide a good working environment for its staff that is safe and complies with appropriate legislation. During the year, there have been no significant injuries to staff in the workplace or any significant actions taken by any regulatory bodies with regard to staff matters.

Going concern

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

Directors and directors' interests

The names of persons who were members of the Board of Directors at any time during the period are given on page 2. Directors' interests are shown in Note 24 as part of the related parties note to the accounts.

Disclosure of information to the auditors

So far as each person who was a director of the Managing Agent at the date of approving this report is aware, there is no relevant audit information, being information required by the auditor in connection with its report, of which the auditor is unaware. Having made enquiries of fellow directors of the Agent and of the Syndicate's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

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

P Dewey
Chief Executive Officer
AmTrust Syndicates Limited
22 March 2019

Statement of Managing Agent's Directors Responsibilities

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

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

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

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

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

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

On behalf of the board

P Dewey
Chief Executive Officer
AmTrust Syndicates Limited

22 March 2019

Independent auditor's report to the member of Syndicate 1861

Opinion

We have audited the financial statements of Syndicate 1861 for the year ended 31 December 2018 which comprise the Income Statement: Technical account – General business, Income Statement: non-technical account, Statement of Comprehensive Income, Statement of Financial Position – Assets, Statement of Financial Position – Liabilities, Statement of Changes in Members' Balances, Statement of Cash Flows, and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Basis for opinion

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

Going concern

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

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

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

Report of the directors of the Managing Agent

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Responsibilities of the directors of the Managing Agent

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

Auditor's responsibilities

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

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

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

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

Ben Priestley (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL
United Kingdom

22 March 2019

Income Statement: Technical Account – General Business

Year Ended 31 December 2018

	Note	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Earned premiums, net of reinsurance					
Gross premiums written	5	616,207		284,429	
Outward reinsurance premiums		(107,982)		(78,342)	
Net premiums written			508,225		206,087
Change in the provision for unearned premiums					
Gross amount	6	(175,628)		(27,108)	
Reinsurers' share	6	14,192		5,841	
Change in the net provision for unearned premiums			(161,436)		(21,267)
Earned premiums, net of reinsurance			346,789		184,820
Allocated investment return transferred from the non-technical account			3,834		2,443
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(133,899)		(136,201)	
Reinsurers' share		38,378		29,380	
Net claims paid			(95,521)		(106,821)
Change in the provision for claims					
Gross amount	6	(105,237)		(83,682)	
Reinsurers' share	6	7,212		50,252	
Change in the net provision for claims			(98,025)		(33,430)
Claims incurred, net of reinsurance			(193,546)		(140,251)
Net operating expenses	7		(155,060)		(75,470)
Balance on the technical account for general business			**2,017**		**(28,458)**

All of the Syndicate's activities are classed as continuing.

The accompanying notes on pages 18 to 40 form an integral part of the financial statements.

Income Statement: Non-Technical Account

Year Ended 31 December 2018

	Note	2018 £'000	2017 £'000
Balance on the technical account – general business		2,017	(28,458)
Investment income	11	6,090	3,108
Investment expenses and charges	11	(1,491)	(353)
Unrealised gains on investments	11	712	191
Unrealised losses on investments	11	(1,477)	(503)
Allocated investment return transferred to technical account		(3,834)	(2,443)
Profit/(loss) on foreign exchange		391	(3,177)
Profit/(loss) for the financial year		2,408	(31,635)

All of the Syndicate's activities are classed as continuing.

The accompanying notes on pages 18 to 40 form an integral part of the financial statements.

Statement of Comprehensive Income

Year Ended 31 December 2018

	2018 £'000	2017 £'000
Profit for the financial year	2,408	(31,635)
Other comprehensive income:		
Exchange differences on translation to presentational currency	(1,881)	2,481
Total comprehensive loss for the financial year	527	(29,154)

Statement of Financial Position – Assets

at 31 December 2018

Assets	Note	2018	2018	2017	2017
		£'000	£'000	£'000	£'000
Investments					
Other financial investments	12		263,270		161,650
Reinsurers' share of technical provisions					
Provision for unearned premiums	6	57,618		40,162	
Claims outstanding	6	160,776		147,080	
			218,394		187,242
Debtors					
Debtors arising out of direct insurance operations	13	246,958		120,656	
Debtors arising out of reinsurance operations	14	14,110		7,909	
Other debtors	15	830		1,114	
			261,898		129,679
Other assets					
Cash at bank and in hand	11	17,178		3,348	
Overseas deposits	16	27,564		20,097	
			44,742		23,445
Prepayments and accrued income					
Deferred acquisition costs	17	128,669		49,852	
Other prepayments and accrued income		11,838		7,537	
			140,507		57,389
Total assets			928,811		559,405

The accompanying notes on pages 18 to 40 form an integral part of the financial statements.

Statement of Financial Position – Liabilities

at 31 December 2018

Liabilities	Note	2018	2018	2017	2017
		£'000	£'000	£'000	£'000
Capital and reserves					
Member's balances			(30,748)		(50,632)
Technical provisions					
Provision for unearned premiums	6	362,603		174,812	
Claims outstanding	6	510,238		385,226	
			872,841		560,038
Creditors					
Creditors arising out of direct insurance operations	18	19,223		9,438	
Creditors arising out of reinsurance operations	19	61,328		37,661	
Other creditors	20	6,167		2,900	
			86,718		49,999
Total liabilities			928,811		559,405

The accompanying notes form an integral part of these financial statements.

The annual accounts on pages 12 to 40 were approved by the Board of ASL on 22 March 2019 and were signed on its behalf by:

J A H G Cartwright
Director

22 March 2019

Statement of Changes in Member's Balances

Year Ended 31 December 2018

	2018	2017
	£'000	£'000
Member's balances brought forward at 1 January	(50,632)	(17,470)
Comprehensive income for the financial year	527	(29,154)
Amount received from members	19,357	(4,010)
Non-standard personal expenses	-	2
Member's balances carried forward at 31 December	(30,748)	(50,632)

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

Statement of Cash Flows

Year Ended 31 December 2018

	2018 £'000	2017 £'000
Profit/(Loss) for the year	2,408	(31,635)
Adjustment for:		
Increase in gross technical provisions	312,803	76,981
Increase in reinsurers' share of gross technical provisions	(31,152)	(45,069)
Decrease in deposits received from reinsurers	-	(10,901)
Operating cash flow before movement in working capital	284,059	(10,624)
Increase in debtors	(132,219)	(3,000)
Increase in creditors	36,719	17,578
Increase in other assets	(83,118)	(5,937)
Investment return	(3,834)	(2,443)
Foreign exchange	(161)	1,147
Other comprehensive income	(1,881)	2,481
Net cash inflow from operating activities	99,565	(798)
Cash flows from investing activities		
Purchases of equity and debt instruments	(361,080)	(112,259)
Sales of equity and debt instruments	265,682	94,261
Investment income received	6,500	2,755
Foreign exchange	(8,888)	13,393
Movements in overseas deposits	(7,467)	(2,109)
Net cash (outflow) from investing activities	(105,253)	(3,959)
Net cash flow from financing activities:		
Transfer from/(to) member in respect of underwriting participations	19,357	(4,010)
Other	-	2
Foreign exchange	161	(1,147)
Net cash outflow from financing activities	19,518	(5,155)
Net (decrease)/increase in cash and cash equivalents	13,830	(9,912)
Cash and cash equivalents at 1 January	3,348	13,260
Cash and cash equivalents at 31 December	17,178	3,348

1. Basis of preparation

The Syndicate comprises members of the Society of Lloyd's that underwrite insurance business in the London Market. The address of the Syndicate's managing agent is Exchequer Court, 33 St Mary Axe, London, EC3A 8AA.

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and Financial Reporting Standard (FRS) 100 ('Application of Financial Reporting Requirements'), 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 financial statements have been prepared on the historical cost basis, except for financial assets measured at fair value through profit or loss.

The Syndicate's functional currency is US Dollars (USD). Gains and losses on the translation from functional currency to the Pound Sterling GBP presentational currency have been recorded through the Statement of Other Comprehensive Income.

The financial statements are presented in (GBP) for consistency with the Syndicate's other regulatory reporting requirements. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

After making enquiries, the directors have a reasonable expectation that continued capital support will be in place such that the Syndicate is able to continue to write new business in future underwriting years of account. Accordingly, the annual accounts have been prepared on the going concern basis.

2. Use of judgements and estimates

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

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

The Syndicate's principal estimates are for claims provisions and related recoveries. Management regularly reviews and revises these estimates as appropriate based on current information. Any adjustments made to these estimates are reflected in the period the estimates are revised.

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

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

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

In arriving at the level of claims provisions a margin may be applied over and above the actuarial best estimate in line with the Syndicate's Reserving Policy to address the risk of un-modelled claims development.

Further information about the risk that the provision for claims outstanding could be materially different from the ultimate cost of claims settlement is included in Note 4.

3. 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 financial statements.

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 incepted in prior accounting periods. Premiums are shown gross of brokerage payable and are exclusive of taxes and duties thereon. Estimates are made for pipeline premiums, representing amounts due to the Syndicate not yet received.

Additional or return premiums are treated as a re-measurement of the initial premium.

Outwards reinsurance premiums

Written outwards reinsurance premiums comprise the total 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 a re-measurement retrospectively they are recognised as soon as there is an obligation to the reinsurer.

Outwards reinsurance premiums are accounted for and earned in the same accounting period as the premiums for the related direct or inwards business being reinsured within the parameters of the reinsurance contract terms.

Technical provisions

Technical provisions comprise claims outstanding whether reported or not, provisions for unearned premiums and provisions for unexpired risk.

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 within other debtors.

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 statement of financial position date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported (IBNR) as well as claims incurred but not enough reported (IBNER) at the statement of financial position date based on statistical methods.

These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions.

For the most recent years, where a high degree of uncertainty arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

The 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. A number of statistical methods are used to assist in making these estimates.

Accordingly, the most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development, that the outstanding 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 exposed to new risks.

The assessment of these provisions is usually the most subjective aspect of an insurer's accounts and may result in greater uncertainty within an insurer's accounts than within those of many other businesses. The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements 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.

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 statement of financial position date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

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. Consideration of forecast investment return is made where it is reasonably foreseeable.

Net operating expenses (including acquisition costs)

Net operating expenses include acquisition costs and amounts charged to the member through the Syndicate.

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 are deferred 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 statement of financial position date.

Certain contracts between the Syndicate and its producing agents and brokers include the requirement to pay overrider commissions based on the volume of business produced on the Syndicate's behalf. Amounts in relation to this and other commissions are accrued and earned in line with the premium to which they relate and classified as acquisition costs.

Consortium fees

The Syndicate is a member of a number of underwriting consortia. Under the terms of these consortia participants are required to pay fees to the consortium leader in return for the business written on their behalf. Fees are accrued by the Syndicate in line with earning of the business written on each consortium and are calculated in accordance with the individual contractual arrangements. In addition, the consortium arrangements include provisions for the payment of profit commissions based on the performance of the business written. The Syndicate accrues commissions in respect of these arrangements in accordance with the contractual terms based on the forecast performance of each consortium. Both the accrued consortium fees and accrued profit commissions are included within administrative expenses.

Foreign currencies

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

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

Any gains or losses arising on the retranslation from functional currency to presentational currency are recorded in other comprehensive income (OCI).

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 debt investments and cash and cash equivalents. The Syndicate does not invest in derivative financial instruments.

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 an undertaking after deducting all of its liabilities. The Syndicate does not hold any equity instruments.

Initial Measurement:
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. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. The Syndicate was not party to any financing transactions during the period.

Subsequent measurement:
All debt instruments are measured at fair value through the profit or loss.

Realised and unrealised gains and losses arising from changes in the fair value of investments are initially presented in the non-technical account in the period in which they arise. Dividend and interest income is recognised when earned. 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 a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Syndicate transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) 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 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 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 34.22 provides the fair value hierarchy criteria upon which the financial instruments should be categorised, as defined below. A fair value measurement is categorised in its entirety on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Impairment of financial instruments measured at amortised cost or cost:
For financial assets carried at amortised 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 the income statement 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.

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 statement of financial position date and their purchase price. Movements in unrealised investment gains and losses comprise the increase/decrease in the reporting period in the value of the investments held at the reporting date and the reversal of unrealised investment gains and losses recognised in earlier reporting periods in respect of investment disposals of the current period, or the valuation at the beginning of the year; as well as the reversal of previously recognised unrealised gains and losses in respect of investments disposed of in 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.

Taxation

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

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

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

Retirement benefit scheme costs

AmTrust group service companies operate defined contribution schemes for all qualifying employees. Pension contributions relating to staff working on behalf of the Syndicate are charged to the Syndicate and included within net operating expenses.

4. Risk and capital management

The Syndicate's activities expose the Managing Agent to a number of key risks which have the potential to affect the Managing Agent's ability to achieve its and the Syndicate's objectives. The Managing Agent's Risk Committee 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. Risk management policies are established to identify and analyse the risks faced by the Syndicate, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The principal risks and uncertainties facing the Syndicate are as follows:

Insurance Risk

i. Management of insurance risk

Insurance risk includes the risks that a policy will be written for too low a premium or provide inappropriate cover (underwriting risk), that the frequency or severity of insured events will be higher than expected (claims risk), or that estimates of claims subsequently prove to be insufficient (reserving risk). The Board manages insurance risk by agreeing its appetite for these risks annually through the business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. The Board then monitors performance against the business plan.

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

The Managing Agent uses catastrophe modelling software to model maximum probable losses from catastrophe-exposed business in major territories. Reserve adequacy is monitored through quarterly review by the Reserving Committee. In addition, the Agent receives independent external analysis of the reserve requirements annually.

Binding authority arrangements are an important part of the business and present operational risk to the Syndicate. The Managing Agent has established a dedicated Product Governance Committee to oversee pre-bind reviews and on-going annual reviews including periodic on-site third party audits.

ii. Concentration of insurance risk

The Syndicate's exposure to insurance risk is well diversified as shown by the following table which provides an analysis of the geographical breakdown of its written premiums by destination.

Territory	2018 £'000	2017 £'000
United States of America	243,146	119,467
United Kingdom	248,047	104,731
European (exc. UK)	66,558	37,236
Asia	13,610	1,781
Other Worldwide	44,846	21,214
Total	616,207	284,429

iii. Sensitivity to insurance risk

The liabilities established could be significantly lower or higher than the ultimate cost of settling the claims arising. This level of uncertainty varies between the classes of business and the nature of the risk being underwritten and can arise from developments in case reserving for large losses or catastrophes or from changes in the level of attritional losses. A five per cent increase or decrease in the ultimate cost of settling gross claims arising is considered to be reasonably possible at the reporting date and would have the following approximate effect on the result of the Syndicate.

	2018[1] £'000		2017 £'000	
	Gross	Net	Gross	Net
5% increase in total claims liabilities	(25,189)	(17,150)	(19,008)	(11,654)
5% decrease in total claims liabilities	25,189	17,150	19,008	11,654

[1] The above table reflects the impact of a 5% movement in the ultimate cost of settling gross claims of the syndicate as at 31 December 2018 and has been disclosed in this manner for the purposes of Lloyd's aggregate accounts. In reality as a result of the reinsurance to close of the 2016 & Prior year of account the impact of a five per cent increase in the ultimate cost of settling gross claims arising is £(12,991)k gross and £(8,952)k net, and the impact of a five per cent decrease in the ultimate cost of settling gross claims arising is £12,991k gross and £8,019k net reflecting only the exposures on the 2017 and 2018 years of account as the reserve risk for the 2016 & Prior year of account has transferred along with the liabilities to Syndicate 2008 as the syndicate providing the reinsurance to close.

Investment risk

The key aspect of investment risk is the risk of the Syndicate's investments not meeting their anticipated returns. All investments are managed under the direction of the Investment Committee. The broad investment strategy adopted is focussed on capital preservation and in that context on maximising return while maintaining a low risk portfolio. Investment management has been outsourced to professional fund managers whose performance is monitored by the Investment Committee.

Credit risk

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

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

- Debt securities;
- Overseas deposits;
- Cash at bank and deposits with credit institutions;
- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of settled claims;
- Amounts due from group undertakings; and
- Amounts due from insurance intermediaries.

The Syndicate's credit risk in respect of debt securities is managed by placing limits on its exposure to a single counterparty, by reference to the credit rating of the counterparty. The Syndicate also limits the amount of cash and cash equivalents that can be deposited with a single counterparty.

The Syndicate's exposure to reinsurance counterparties is managed by the Executive Committee which establishes standards applicable to all reinsurers and the reinsurance department which monitors the financial status of reinsurance debtors. The Board's policy is that the Syndicate will only reinsure with businesses rated A- or higher unless collateralised.

The Syndicate's exposure to intermediaries is monitored as part of the credit control processes. All intermediaries must meet minimum requirements established by the Syndicate. The credit ratings and payment histories of intermediaries are monitored on a regular basis.

Debtors arising out of direct 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. The credit rating of the assets within the statement of financial position is as follows:

As at 31 December 2018	AAA £'000	AA £'000	A £'000	BBB £'000	Not rated £'000	Total £'000
Financial investments						
Shares and other variable yield securities and units in unit trusts	1,971	-	-	-	-	1,971
Debt securities and other fixed income securities	27,270	45,724	77,851	95,271	15,183	261,299
Overseas deposits	-	9,994	14,663	2,664	243	27,564
Reinsurers' share of technical provisions	-	17,478	138,656	-	62,260	218,394
Debtors arising out reinsurance operations	-	-	-	-	14,110	14,110
Debtors arising out of direct insurance operations	-	-	-	-	246,958	246,958
Cash at bank and in hand	-	-	17,178	-	-	17,178
Other debtors and accrued income						
Deferred acquisition cost	-	-	-	-	128,669	128,669
Other debtors	-	-	-	-	12,668	12,668
Total[1]	29,241	73,196	248,348	97,935	480,091	928,811

[1]The above analysis excludes those assets reported in the statement of financial position which are not cash settled and therefore not exposed to credit risk.

As at 31 December 2017	AAA £'000	AA £'000	A £'000	BBB £'000	Not rated £'000	Total £'000
Financial investments						
Shares and other variable yield securities and units in unit trusts	24,831	-	-	-	-	24,831
Debt securities and other fixed income securities	27,652	46,534	44,495	18,138	-	136,819
Overseas deposits	8,262	1,849	1,531	1,710	6,745	20,097
Reinsurers' share of technical provisions	-	20,474	111,185	-	55,583	187,242
Debtors arising out reinsurance operations	-	-	-	-	7,909	7,909
Debtors arising out of direct insurance operations	-	-	-	-	120,656	120,656
Cash at bank and in hand	-	-	3,348	-	-	3,348
Other debtors and accrued income						
Deferred acquisition costs	-	-	-	-	49,852	49,852
Other debtors	-	-	-	-	8,651	8,651
Total[1]	60,745	68,857	160,559	19,848	249,396	559,405

[1]The above analysis excludes those assets reported in the statement of financial position which are not cash settled and therefore not exposed to credit risk.

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. The Syndicate does not consider these debtors to be impaired on the basis of stage collection of amounts owed to the Syndicate.

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

Debtors arising from direct insurance operations	2018 £'000	2017 £'000
Past due but not impaired financial assets:		
Past due by:		
1 to 90 days	6	907
91 to 180 days	433	195
More than 180 days	1,803	200
Past due but not impaired financial assets	2,242	1,302
Impaired financial assets	-	-
Neither past due nor impaired financial assets	244,716	119,354
Net carrying value	246,958	120,656

There are no impaired or past due debtors arising from reinsurance operations.

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 which could be caused by movements in interest rates or exchange rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

Interest rate risk

Interest rate risk arises primarily from the Syndicate's financial investments, cash and overseas deposits. The risk of change in the fair value of these assets is managed by primarily investing in short-duration financial investments and cash and cash equivalents. The Investment Committee monitors the duration of these assets on a regular basis. An analysis of the Syndicate's sensitivity to interest rate changes on the result and net assets of the Syndicate is presented in the following table.

	2018[1] Profit or loss for the year £'000	2018 Net assets £'000	2017 Profit or loss for the year £'000	2017 Net assets £'000
Interest rate risk				
+ 50 basis points shift in yield curves	(5,222)	(5,222)	(861)	(861)
- 50 basis points shift in yield curves	5,222	5,222	861	861

[1] The above table reflects the impact of a 50 basis point shift in yield curves on the syndicate as at 31 December 2018 and has been disclosed in this manner for the purposes of Lloyd's aggregate accounts. In reality as a result of the reinsurance to close of the 2016 & Prior year of account the impact of a +/-50 basis point shift in yield curves is £1,646k reflecting only the impact on the 2017 and 2018 years of account as the interest rate risk for the 2016 & Prior year of account has transferred along with the assets and liabilities to Syndicate 2008 as the syndicate providing the reinsurance to close.

Currency risk
Exchange rate risk arises when the Syndicate incurs losses on foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. The Managing Agent's Finance Director (FD), together with the Risk Committee, reviews currency matching quarterly.

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

As at 31 December 2018	Sterling £'000	Euro £'000	US Dollar £'000	Can Dollar £'000	Aus Dollar £'000	Total £'000
Total assets	168,902	68,673	651,716	27,365	12,155	928,811
Total liabilities	(183,130)	(86,080)	(659,311)	(19,417)	(11,621)	(959,559)
Net assets/(liabilities)	**(14,228)**	**(17,407)**	**(7,595)**	**7,948**	**534**	**(30,748)**

As at 31 December 2017	Sterling £'000	Euro £'000	US Dollar £'000	Can Dollar £'000	Aus Dollar £'000	Total £'000
Total assets	80,430	36,892	429,237	12,846	-	559,405
Total liabilities	(86,230)	(60,285)	(456,692)	(6,830)	-	(610,037)
Net assets/(liabilities)	**(5,800)**	**(23,393)**	**(27,455)**	**6,016**	**-**	**(50,632)**

If the exchange rates of all non-USD currencies moved by a foreseeable 5% either to the benefit or detriment of the Syndicate at the same time, the impact on both the result for the year and the member's balances, expressed in presentational GBP terms, would be £0.8m (2017: £1.1m).

Liquidity risk
This is the risk that the Syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash. The Syndicate is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts and its ongoing expenses. The nature of the Syndicate's exposures to liquidity risk and its objectives, policies and processes for managing liquidity risk have not changed significantly from the prior year.

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.

The table below summarises the maturity profile of the Syndicate's statement of financial position based on the estimated timing of claims payments and other undiscounted contractual obligations.

As at 31 December 2018	Carrying amount	Total cash flows	Undiscounted net cash flows Less than 1 year	1-2 years	2-5 years	More than 5 years
	£'000	£'000	£'000	£'000	£'000	£'000
Financial investments:						
Shares and other variable yield securities and units in unit trusts	1,971	1,971	1,971	-	-	-
Debts securities and other fixed income securities	261,299	261,299	36,791	19,101	101,149	104,258
Overseas deposits	27,564	27,564	27,564	-	-	-
Reinsurers' share of technical provisions:						
Reinsurers' share of outstanding claims	160,776	160,776	55,582	35,619	47,124	22,451
Reinsurers' share of unearned premiums[1]	57,618	-	-	-	-	-
Insurance and reinsurance receivables	261,068	261,068	260,996	72	-	-
Cash at bank and in hand	17,178	17,178	17,178	-	-	-
Deferred acquisition costs[1]	128,669	-	-	-	-	-
Other assets	12,668	12,668	12,668	-	-	-
Total assets	928,811	742,524	412,750	54,792	148,273	126,709
Gross share of technical provisions:						
Outstanding claims	(510,238)	(510,238)	(172,385)	(119,066)	(154,285)	(64,502)
Unearned premiums[1]	(362,603)	-	-	-	-	-
Insurance and reinsurance payables	(80,551)	(80,551)	(80,551)	-	-	-
Other creditors	(6,167)	(6,167)	(6,167)	-	-	-
Total liabilities	(959,559)	(596,956)	(259,103)	(119,066)	(154,285)	(64,502)
Net assets / (liabilities)	(30,748)	145,568	153,647	(64,274)	(6,012)	62,207

[1] These assets/liabilities are not cash settled and therefore have no future net cash flow in the above note.

As at 31 December 2017	Carrying amount	Total cash flows	Undiscounted net cash flows Less than 1 year	1-2 years	2-5 years	More than 5 years
	£'000	£'000	£'000	£'000	£'000	£'000
Financial investments:						
Shares and other variable yield securities and units in unit trusts	24,831	24,831	24,831	-	-	-
Debts securities and other fixed income securities	136,819	136,819	30,576	63,615	38,927	3,701
Overseas deposits	20,097	20,097	20,097	-	-	-
Reinsurers' share of technical provisions						
Reinsurers' share of outstanding claims	147,080	147,080	52,218	35,237	41,006	18,619
Reinsurers' share of unearned premiums[1]	40,162	-	-	-	-	-
Insurance and reinsurance receivables	128,565	128,565	128,074	491	-	-
Cash at bank and in hand	3,348	3,348	3,348	-	-	-
Deferred acquisition costs[1]	49,852	-	-	-	-	-
Other assets	8,651	8,651	8,651	-	-	-
Total assets	559,405	469,391	267,795	99,343	79,933	22,320
Gross share of technical provisions:						
Outstanding claims	(385,226)	(385,226)	(136,936)	(90,759)	(107,128)	(50,403)
Unearned premiums[1]	(174,812)	-	-	-	-	-
Insurance and reinsurance payables	(47,099)	(47,099)	(46,941)	(158)	-	-
Other creditors	(2,900)	(2,900)	(2,900)	-	-	-
Total liabilities	(610,037)	(435,225)	(186,777)	(90,917)	(107,128)	(50,403)
Net assets / (liabilities)	(50,632)	34,166	81,018	8,426	(27,195)	(28,083)

[1] These assets/liabilities are not cash settled and therefore have no future net cash flow in the above note.

In the above tables debt securities are presented according to their maturity dates. In practice cash could be realised through the sale of these investments which are actively traded. The table does not take account of premiums received from new business written which can be used to pay claims arising.

Operational risk

This is the risk that errors caused by people, processes, systems or external events lead to losses to the Syndicate. The Managing Agent seeks to manage this risk through the use of detailed procedures manuals and a structured programme of testing of processes and systems by internal audit. The internal audit process is designed to provide management and the Board, through its Audit Committee, with reasonable assurance that the controls and procedures are able to contain the risks within acceptable limits.

Regulatory (including Conduct) risk

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

Conduct Risk is the risk that customers experience poor outcomes in their engagement with ASL and is part of Regulatory Risk. This risk applies to all of the Syndicate's business but is particularly focussed where the Syndicate insures retail risks especially using delegated underwriting. This has been an area of particular emphasis by the FCA and by Lloyd's. ASL has a Product Governance Committee which oversees its response to these requirements and operates a conduct framework designed to ensure that appropriate outcomes are delivered to customers.

Supplementing and informing the assessment of risk in the categories identified above, management receives regular risk reports highlighting the material areas of risk, uncertainty and comparison with risk appetite as well as risk events, near misses and emerging risks.

Capital management (excluding Funds at Lloyd's)

The Managing Agent's objectives in managing the capital of the Syndicate, consistent with the risk profile and the regulatory and market requirements of its business are:

- To match the profile of assets and liabilities, taking account of the risks inherent in the business;
- To satisfy the requirements of the policyholders, regulators and rating agencies; and
- To manage exposure to movements in exchange rates.

Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulation Authority (PRA) under the Financial Services and Markets Act 2000 and in accordance with the Solvency II framework. Within this supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with 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 is not disclosed in these financial statements.

Lloyd's capital setting process

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

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

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (Funds at Lloyd's), assets held and managed within a syndicate (Funds in Syndicate), or as the member's share of the member's balances on each syndicate on which it participates. Accordingly, all of the assets less liabilities of the Syndicate, as represented in the member's balances reported on the Statement of Financial Position on pages 14 to15, represent resources available to meet members' and Lloyd's capital requirements.

Funds at Lloyd's

Funds at Lloyd's (FAL) are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities. The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the Managing Agent, no amount has been shown in these financial statements by way of such capital resources. However, the Managing Agent is able to make a call on the member's FAL to meet liquidity requirements or to settle losses through a formal process controlled by Lloyd's.

5. Segmental analysis

An analysis of the technical account result by business class before investment return is set out below:

2018 Calendar Year	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000
Direct insurance						
Accident and health	40,691	27,952	(14,665)	(10,974)	(1,722)	591
Miscellaneous	1,446	626	258	(308)	(28)	548
Marine, Aviation and Transport	52,172	53,408	(42,231)	(14,585)	(7,235)	(10,643)
Fire and other damage to Property	162,790	88,495	(44,702)	(37,157)	(15,778)	(9,142)
Third party liability	162,910	137,266	(68,012)	(50,089)	(15,685)	3,480
Credit and Suretyship	72,360	36,415	(15,091)	(15,316)	(2,308)	3,700
Total direct	492,369	344,162	(184,443)	(128,429)	(42,756)	(11,466)
Reinsurance	123,838	96,417	(54,693)	(26,631)	(5,444)	9,649
Total	616,207	440,579	(239,136)	(155,060)	(48,200)	(1,817)

2017 Calendar Year	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000
Direct insurance						
Accident and health	12,359	15,156	(8,954)	(5,573)	(1,629)	(1,000)
Miscellaneous	338	372	(1,833)	(129)	73	(1,517)
Marine, Aviation and Transport	49,301	40,437	(39,332)	(11,535)	5,178	(5,252)
Fire and other damage to Property	49,832	47,213	(69,381)	(14,112)	13,864	(22,416)
Third party liability	97,425	72,408	(55,037)	(24,083)	1,475	(5,237)
Credit and Suretyship	20,994	24,945	(7,949)	(5,783)	(4,417)	6,796
Total direct	230,249	200,531	(182,486)	(61,215)	14,544	(28,626)
Reinsurance	54,180	56,790	(37,397)	(14,255)	(7,413)	(2,275)
Total	284,429	257,321	(219,883)	(75,470)	7,131	(30,901)

Gross operating expenses are the same as net operating expenses shown in the income statement as no commissions in respect of outward reinsurance were received and set off in arriving at the net operating expenses for 2018 and 2017.

Commissions on direct insurance gross premiums earned during 2018 were £152.8m (2017: £42.4m).

All premiums relate to contracts concluded in the UK.

The gross premiums written for direct insurance by business origin are presented in the table below:

	2018 £'000	2017 £'000
UK	198,198	84,781
Other EU countries	53,182	30,142
US	194,282	96,710
Other	46,707	18,616
Total	492,369	230,249

6. Technical provisions

The Syndicate has applied a similar approach at the current year end to that applied at the previous year end in establishing the technical provisions for claims outstanding reserves and reinsurers' share thereof. Included within net claims incurred of £193.5m (2017: £140.2m) is an improvement of £9.6m (2017: deterioration of £19.1m) to claims reserves established at the prior year end principally due to favourable developments across the significant classes.

	Unearned premiums £'000	Claims outstanding £'000	Total £'000
Gross			
At 1 January 2018	174,812	385,226	560,038
Movement in provision	175,628	105,237	280,865
Foreign exchange	12,163	19,775	31,938
At 31 December 2018	362,603	510,238	872,841
Reinsurance			
At 1 January 2018	40,162	147,080	187,242
Movement in provision	14,192	7,212	21,404
Foreign exchange	3,264	6,484	9,748
At 31 December 2018	57,618	160,776	218,394
Net technical provisions			
At 31 December 2018	304,985	349,462	654,447
At 31 December 2017	134,650	238,146	372,796

	Unearned premiums £'000	Claims outstanding £'000	Total £'000
Gross			
At 1 January 2017	158,897	324,160	483,057
Movement in provision	27,108	83,682	110,790
Foreign exchange	(11,193)	(22,616)	(33,809)
At 31 December 2017	174,812	385,226	560,038
Reinsurance			
At 1 January 2017	37,209	104,964	142,173
Movement in provision	5,841	50,252	56,093
Foreign exchange	(2,888)	(8,136)	(11,024)
At 31 December 2017	40,162	147,080	187,242
Net technical provisions			
At 31 December 2017	134,650	238,146	372,796
At 31 December 2016	121,688	219,196	340,884

7. Net operating expenses

	2018 £'000	2017 £'000
Brokerage and commissions	179,799	53,431
Other acquisition costs	24,891	15,815
Acquisition costs	204,690	69,246
Change in deferred acquisition costs	(76,136)	(6,901)
Administrative expenses	17,002	9,101
Member's standard personal expenses	9,504	4,024
	155,060	75,470

8. Auditors' remuneration

	2018 £'000	2017 £'000
Fees payable to the Syndicate's auditor, KPMG LLP for the audit of the Syndicate annual accounts	161	173
Fees payable to KPMG LLP for other services:		
Other services pursuant to legislation, including the audit of the regulatory return	64	53
	225	226

9. Staff numbers and costs

All staff are employed by a group service company: AmTrust Central Bureau of Service Limited (CBS), AmTrust Syndicate Holdings Limited (ASH) or AmTrust Management Services Limited (AMSL). The average number of persons employed by service companies, but working for the Syndicate during the year, analysed by category, was as follows:

	2018	2017
Finance and administration	73	67
Underwriting	93	55
Claims	10	14
	176	136

The following amounts were recharged to the Syndicate in respect of payroll costs:

	2018 £'000	2017 £'000
Wages and salaries	19,236	12,303
Social security costs	2,720	1,697
Other pension costs	1,079	813
	23,035	14,813

10. Key management personnel compensation

The directors of ASL received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2018 £'000	2017 £'000
Emoluments	928	833
Contributions to defined contribution pension schemes	25	25
	953	858

The remuneration of 10 directors is charged to the Syndicate (2017: 12). Profit-related remuneration for the directors and Active Underwriter is charged to the Syndicate. No other compensation was payable to key management personnel.

The active underwriter received the following aggregate remuneration charged as a syndicate expense and was the highest paid member of key management personnel in respect of amounts charged to the Syndicate.

	2018 £'000	2017 £'000
Emoluments	461	298
Contributions to defined contribution pension schemes	5	6
	466	304

C Jarvis was the active underwriter throughout the period and was appointed Chief Underwriting Officer ('CUO') on 31/05/2018. His combined remuneration during the overlapping period has been disclosed both within the directors' emoluments note and within the above disclosure.

11. Investment return

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

	2018 £'000	2017 £'000
Investment income:		
Interest and dividend income	5,826	2,987
Realised gains	264	121
Unrealised gains on investments	712	191
Investment expenses and charges:		
Investment management expenses, including interest	(227)	(144)
Losses on the realisation of investments	(1,264)	(209)
Unrealised losses on investments	(1,477)	(503)
Total investment return transferred to the technical account from the non-technical account	3,834	2,443

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

	2018 £'000	2017 £'000
Financial assets at fair value through profit or loss	4,061	2,587
Investment management expenses, excluding interest	(227)	(144)
Total investment return	3,834	2,443

12. Financial instruments

The carrying values of the Syndicate's financial assets are summarised by category below:

Financial assets	2018 £'000	2017 £'000
Measured at fair value through profit and loss		
• Shares and other variable yield securities and units in unit trusts	1,971	24,831
• Debt securities and other fixed income securities	261,299	136,819
	263,270	161,650
• Overseas deposits (see Note 16)	27,564	20,097
Total financial assets measured at fair value through profit and loss	290,834	181,747
Measured at cost		
• Cash and cash equivalents	17,178	3,348
	17,178	3,348
Measured at undiscounted amount receivable		
• Other debtors (see Note 15)	830	1,114
Total financial assets	308,842	186,209

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

Shares and other variable yield securities, units in unit trusts and debt securities and other fixed income securities are all listed on recognised stock exchanges. The cost on acquisition of debt securities and other fixed income securities was £262.5m (2017: £137.1m). The cost on acquisition of other financial instruments is the same as the carrying value.

All investments are measured at fair value through profit or loss. The Syndicate did not hold any derivative financial instruments during the year (2017: none). The Syndicate does not enter into or trade instruments for speculative purposes.

The Syndicate classifies its financial instruments held at fair value in its statement of financial position using a fair value hierarchy, as follows:

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

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

31 December 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Shares and other variable yield securities and units in unit trusts	-	1,971	-	1,971
Debt securities and other fixed income securities	27,310	233,989	-	261,299
Overseas deposits	14,164	13,400	-	27,564
	41,474	249,360	-	290,834

31 December 2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Shares and other variable yield securities and units in unit trusts	-	24,831	-	24,831
Debt securities and other fixed income securities	61,772	75,047	-	136,819
Overseas deposits	7,991	12,106	-	20,097
	69,763	111,984	-	181,747

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.

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.

Shares and other variable yield securities and units in unit trusts represent the Syndicate's interest in money market funds. The categorisation of the fair value of these by level has been determined by looking through the funds to the underlying holdings within the collective investment schemes. 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.

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

Management performs an analysis of the prices obtained from pricing vendors to ensure that they are reasonable and produce a reasonable estimate of fair value. Management considers both qualitative and quantitative factors as part of this analysis.

13. Debtors arising out of direct insurance operations

	2018 £'000	2017 £'000
Due within one year – intermediaries	246,919	120,168
Due after one year – intermediaries	39	488
	246,958	120,656

14. Debtors arising out of reinsurance operations

	2018 £'000	2017 £'000
Due within one year – intermediaries	14,076	7,906
Due after one year – intermediaries	34	3
	14,110	7,909

15. Other debtors

	2018 £'000	2017 £'000
Balances with group companies	830	1,114
Other debtors	-	-
	830	1,114

16. Overseas deposits

	2018 £'000	2017 £'000
Overseas deposits	27,564	20,097

Overseas deposits are advanced as a condition of conducting underwriting business in certain countries and are managed by Lloyd's centrally or by investment managers on their behalf. Overseas deposits have not been included on the statement of financial position within investments or cash at bank as they are not under the direct control of the Managing Agent.

17. Deferred acquisition costs

	2018 £'000	2017 £'000
At 1 January	49,852	45,209
Movement in provision	76,136	6,901
Exchange adjustments	2,681	(2,258)
At 31 December	128,669	49,852

18. Creditors arising out of direct insurance operations

	2018 £'000	2017 £'000
Due within one year – intermediaries	19,223	9,438
	19,223	9,438

19. Creditors arising out of reinsurance operations

	2018 £'000	2017 £'000
Due within one year – intermediaries	61,328	37,503
Due after one year – intermediaries	-	158
	61,328	37,661

20. Other creditors

	2018 £'000	2017 £'000
Balances with group companies	6,167	2,900
	6,167	2,900

21. Claims development

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. All balances presented are in respect of premiums earned to statement of financial position date and therefore reflect the pattern of earning and risk exposure over a number of calendar years. The entity chose not to disclose information about claims development that occurred earlier than five years before the end of the first financial year in which FRS 103 is applied in line with a transitional provision (FRS 103.6.3).

Gross basis as at 31 December 2018:

Pure underwriting year	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	Total £'000
Incurred gross claims									
At end of underwriting year	59,601	77,216	49,068	61,755	62,133	72,424	105,807	143,945	
one year later	96,663	124,902	116,010	114,310	147,634	153,091	200,068	-	
two years later	93,926	126,113	113,359	127,783	167,475	167,800	-	-	
three years later	93,567	125,251	121,421	136,470	159,288	-	-	-	
four years later	90,819	128,188	123,327	142,148	-	-	-	-	
five years later	91,267	134,978	121,695	-	-	-	-	-	
six years later	92,445	134,201	-	-	-	-	-	-	
seven years later	91,338	-	-	-	-	-	-	-	
Gross ultimate claims on premium earned to date	91,338	134,201	121,695	142,148	159,288	167,800	200,068	143,945	1,160,483
Gross ultimate claims on premium earned to date for 2010 & Prior years	6,133	-	-	-	-	-	-	-	6,133
Less gross claims paid	(86,647)	(115,990)	(98,409)	(105,622)	(92,622)	(81,394)	(61,346)	(14,348)	(656,378)
Gross claims reserves	10,824	18,211	23,286	36,526	66,666	86,406	138,722	129,597	510,238

Net basis as at 31 December 2018:

Pure underwriting year	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	Total £'000
Incurred net claims									
At end of underwriting year	56,875	65,276	43,589	49,556	48,134	56,427	67,339	114,475	
one year later	74,899	99,461	102,771	86,616	97,464	111,339	143,531	-	
two years later	71,691	98,178	98,158	87,346	105,307	120,378	-	-	
three years later	70,011	99,189	102,233	92,326	106,012	-	-	-	
four years later	67,958	99,058	104,307	95,182	-	-	-	-	
five years later	66,692	104,101	102,859	-	-	-	-	-	
six years later	68,004	103,020	-	-	-	-	-	-	
seven years later	66,844	-	-	-	-	-	-	-	
Net ultimate claims on premium earned to date	66,844	103,020	102,859	95,182	106,012	120,378	143,531	114,475	852,301
Net ultimate claims on premium earned to date for 2010 & Prior years	5,334	-	-	-	-	-	-	-	5,334
Less net claims paid	(63,423)	(90,973)	(88,665)	(76,121)	(69,741)	(63,075)	(43,114)	(13,061)	(508,173)
Net claims reserves	8,755	12,047	14,194	19,061	36,271	57,303	100,417	101,414	349,462

Year of account result development

The table below presents the annual results for each year of account until the earlier of the current year end and closure of the year of account by reinsurance to close. Subsequent movements in results for closed years of account are reflected within the results for the year into which they closed. The Syndicate has a significant proportion of unearned business at the end of year one. A deficit therefore occurs in the first year of a year of account as a result of the timing of expense charges. This would be expected to improve in subsequent years.

Year of Account	2011[1] £'000	2012[1] £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	(Loss)/profit before member's agents fees £'000
2011	(22,803)	16,289	8,227						1,713
2012		(21,243)	(2,948)	17,703					(6,488)
2013			(8,864)	1,687	11,730				4,553
2014				(9,524)	10,055	3,479			4,010
2015					(11,939)	6,834	(14,252)		(19,357)
2016						(16,374)	5,934	6,572	(3,868)
2017							(20,836)	13,031	(7,805)
2018								(19,076)	(19,076)
FIS Income	-	-	(310)	2,379	1,477	-	-	-	
Calendar year result	(27,585)	(3,599)	(3,895)	12,245	11,323	(6,061)	(29,154)	527	

[1] *The 2011 and 2012 calendar year results include the movement on the earlier years of account open during those periods in the total calendar year result but are not included in the table above.*

22. Retirement benefit schemes

AmTrust group service companies, comprising AmTrust Central Bureau of Service Limited (CBS), AmTrust Syndicate Holdings Limited (ASH) and AmTrust Management Services Limited (AMSL), operate defined contribution retirement benefit schemes for all qualifying employees. The funds of the schemes are administered by third parties and are held separately. Contributions are paid by AmTrust and staff. The group also makes payments into certain other staff personal pension plans. The total expense charged to the Syndicate's income statement for the year ended 31 December 2018 in respect of these was £1.1m (2017: £0.8m).

23. Reinsurance collateral

At the statement of financial position date collateral of $41.5m (2017: $40.0m) was held in a third party trust fund in relation to an outwards reinsurance contract to which the Syndicate is a party. Collateral held in the third party trust fund is not recognised as an asset pertaining to the Syndicate but is available for immediate drawdown in line with the contractual terms.

24. Related parties

Lloyd's market regulations require that a managing agent be responsible for engaging underwriting staff and managing the affairs of each syndicate at Lloyd's on behalf of the Syndicate members. The Managing Agent of the Syndicate is AmTrust Syndicates Limited ('ASL').

AmTrust entities

In 2018 and 2017 a large proportion of the expenses incurred in operating the Syndicate were incurred by group service companies and were then recharged under intragroup service agreements with ASL on a basis that reflected the Syndicate's usage of resources. Group recharges are charged on a cost basis and predominantly represent recharges of staff costs for employees working on syndicate business as well as other associated administrative expenses including accommodation, professional fees and information technology.

These recharges, included within amounts disclosed as net operating expenses, acquisition costs and claims incurred, were as follows:

	2018 £'m	2017 £'m
AmTrust Central Bureau of Services Limited (formerly ANV Central Bureau of Services Limited – both 'CBS')	39.7	22.8
AmTrust Syndicate Holdings Limited ('ASH')	0.3	3.0
Total expenses recharged	40.0	25.8

The following amounts were outstanding at 31 December 2018 and 31 December 2017:

	2018 £'m	2017 £'m
CBS	(3.3)	(2.3)
AMSL	(1.9)	0.5
Corporate name	0.6	0.6
ASH	(0.2)	(0.5)
Total amount outstanding in relation to group recharges	(4.8)	(1.7)

Included within the recharges are amounts relating to the remuneration of directors of ASL. Profit related remuneration for the Syndicate's Active Underwriters and ASL directors is charged to the Syndicate.

The following directors of ASL during the period were also directors of CBS during the period: P Dewey, J E Cadle and M G Caviet (resigned from ASL Board 09 December 2018).

The following directors of ASL during the period were also directors of AMSL during the period: P Dewey, J E Cadle and M G Caviet (resigned from ASL Board 09 December 2018).

The following directors of ASL during the period were also directors of ASH during the period: P Dewey, J E Cadle and M G Caviet (resigned from ASL Board 09 December 2018).

Member's expenses, being agent's fees and profit commission payable to the Managing Agent, and subscriptions and central fund contributions payable to Lloyd's, are charged on an underwriting year of account, rather than on a calendar year basis. For the 2018 underwriting year of account, ASL charged an agent's fee of 1.0% of stamp capacity (2017: 1.0%). Within the financial statements, fees of £4.3m (2017: £2.0m) have been charged. At 31 December 2018 there are no unpaid fees (2017: £nil).

The Syndicate acts as consortium leader, with ASL as the consortium manager, for a number of consortia participated upon by Syndicate 5820, another syndicate managed by ASL and whose capital is predominantly provided by AmTrust Corporate Member Limited and ANV Corporate Member Limited, both subsidiaries of AmTrust Lloyd's Holdings Limited a common intermediate parent company with ASL. During the period £8.7m (2017: £54.1m) was written by the Syndicate as consortium leader on behalf of Syndicate 5820. Fees are charged by ASL as the consortium manager on behalf of the Syndicate to the other consortium members. At 31 December 2018 the Syndicate had accrued income of £2.9m (2017: £2.5m) due from Syndicate 5820 in this respect.

The Syndicate participated on a Marine Hull consortium on which Syndicate 1206, another Syndicate managed by ASL whose capital is provided by AmTrust Corporate Member Limited, is the consortium leader and ASL is the consortium manager. During the period £(0.4)m of premium adjustments (2017: £13.3m) were processed by the Syndicate as a participant on this consortium.

A proportion of the business written by the Syndicate is sourced from companies within the AmTrust Group, and, prior to the acquisition of ANV, the ANV Group. These include:

- ANV Global Services Inc.; and
- ANV Global Services Ltd

Transactions with the above entities are as set out below (£m):

2018	ANV Global Services Inc.	ANV Global Services Ltd.	Assure Space, LLC	AmTrust Underwriting Limited	AMT Warranty Corp of Canada
Gross premium written	13.6	16.3	6.8	1.0	0.7
Commission	1.8	2.4	0.6	0.4	0.4
Receivable at 31 December 2018	3.8	2.7	5.6	0	0.4

2017	ANV Global Services Inc.	ANV Global Services Ltd.	Assure Space, LLC	AmTrust Underwriting Limited	AMT Warranty Corp of Canada
Gross premium written	6.0	13.2	1.1	0.0	0.0
Commission	0.5	2.2	0.1	0.0	0.0
Receivable at 31 December 2017	0.9	3.0	0.4	0.0	0.0

The directors of ASL consider the commissions charged to the Syndicate by these companies to be consistent with those payable to a third party for similar services.

At the Statement of Financial Position date, the Syndicate has amounts due to AmTrust Group companies, which are included as follows in 'Other debtors' or 'Other creditors' on the Statement of Financial Position:

	2018 £'000	2017 £'000
Other debtors		
AmTrust Syndicate Holdings Ltd	-	-
AmTrust Syndicates Ltd	68	494
ANV Central Bureau of Services Ltd	89	-
ANV Corporate Name Ltd	639	620
	796	1,114
Other creditors		
AmTrust Syndicates Ltd	1,967	467
AmTrust Syndicate Holdings Ltd	272	-
ANV Central Bureau of Services Ltd	3,368	2,408
ANV Global Services Ltd	-	25
	5,607	2,900

Syndicate capital

2016 Year of Account
ANV Corporate Name Limited, a 100% subsidiary of AmTrust Lloyd's Holdings (UK) Ltd (an indirect, wholly owned subsidiary of AmTrust Financial Services, Inc.) provides 100% of the capacity for the 2016 year of account of Syndicate 1861.

2017 & 2018 Years of Account
AmTrust Corporate Member Limited, a 100% owned AmTrust group company, provides 100% of the capacity for the 2017 and 2018 years of account.

The following directors of ASL during the period were also directors of ANV Corporate Name Limited during the period: P Dewey and J E Cadle.

The following directors of ASL during the period were also directors of AmTrust Corporate Member Ltd during the period: P Dewey and J E Cadle.

Directors' interests

None of the directors nor the active underwriter participate on the Syndicate.

Nicholas Pawson, a non-executive director of ASL is a non-executive director of Starr Managing Agents Limited (SMAL). SMAL is a member of the Starr group, which includes Starr Underwriting Agents Limited, a company which has delegated underwriting authority for specific classes of business for Syndicate 1861. There are a number of contracts between companies in the ASL group and companies in the SMAL group. All such contracts are negotiated on an arm's length basis. Both the boards of SMAL and ASL have been advised of the potential conflict of interest. Nicholas Pawson provided capital through a corporate entity to support underwriting on the 2016 year of account of Syndicate 5820, another syndicate managed by ASL and a participant on a number of consortia led by Syndicate 1861. The consortia agreements were negotiated on an arm's length basis. The board of ASL has been advised of the potential conflict of interest.

Reinsurance to close

The Board authorised the closure of the 2016 year of account by way of reinsurance to close into Syndicate 2008, a syndicate whose capital is provide by SGL No.1 Limited, a 100% owned indirect subsidiary of Enstar Group Limited. The Syndicate is managed by Starstone Underwriting Limited, an indirectly held 59.0% owned subsidiary of Enstar Group Limited. Enstar Group Limited, through its affiliates Kayla Re Limited, and Enstar Holdings Limited, holds a 7.36% interest in Evergreen Parent GP, LLC and its subsidiary Evergreen Parent LP, the ultimate parent of AFSI and shares a common investor in Stone Point Capital LLC.

25. Post balance sheet events

On 14 February 2019 the Board of the Managing Agent authorised the closure of the 2016 year of account by way of a reinsurance to close into Syndicate 2008, a syndicate managed by StarStone Underwriting Limited. The net reinsurance to close premium payable by the 2016 year of account is £153.0m.

On the closure of the 2016 year of account an amount of £3.9m will be called from the member.

On 13th February 2019, AmTrust and Canopius signed a letter of intent to merge their respective Lloyd's operations to create a stronger, market-leading Lloyd's franchise with a broader product offering and increased value to clients and brokers. The process is ongoing at the time of signing these financial statements. There can be no assurance at this stage that a deal will be consummated.

26. Ultimate parent company

ASL's immediate parent is ANV Syndicate Management Limited ("ASML"), a company registered in England and Wales. Until 29 November 2019 the company's ultimate holding company was AmTrust Financial services, Inc. (AFSI) a company incorporated in Delaware, USA. On 29 November 2018 a merger transaction was completed in which Evergreen Parent, L.P., an entity formed by private equity funds managed by Stone Point Capital LLC ("Stone Point"), together with Barry Zyskind, Chairman and CEO of AmTrust, George Karfunkel and Leah Karfunkel (collectively, the "Karfunkel-Zyskind Family"), acquired the approximately 45% of AFSI's issued and outstanding common shares that the Karfunkel-Zyskind Family and certain of its affiliates and related parties did not already own or control.

AmTrust Syndicates Limited

AmTrust at Lloyd’s
An AmTrust Financial Company