Antares
A QIC Global company

2019 ANNUAL REPORT AND ACCOUNTS

ANTARES SYNDICATE 1274
FOR THE YEAR ENDED 31 DECEMBER 2019

ANTARES SYNDICATE 1274

SYNDICATE ANNUAL REPORT AND ACCOUNTS
31 DECEMBER 2019

Contents

Directors and Administration

Managing Agent:
Antares Managing Agency Limited

Directors
E H Gilmour*

J A Battle

T A Clegg*

M C Graham

J M Linsao (resigned 20 November 2019)

R A Sutlow*

H E Clarke*

M G Finch

P Grimsey (resigned 28 November 2019)

D Hobbs (resigned 17 September 2019)

Ahmed El Tabbakh*

Alexander Craggs (appointed 15 August 2019)

Meera Shah (appointed 24 February 2020)

* Non-Executive Director

Secretary
C L Sweeney

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

Managing Agent's Registered Number
6646629

Syndicate 1274:

Active Underwriter
A Craggs

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

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

Managing Agent's Report

The Directors of Antares Managing Agency Limited ('the Managing Agent') present their Report for the year ended 31 December 2019.

Directors

The names of the Directors who served during the year can be found in the Directors and Administration information on page 4.

Directors' Interests

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

The Managing Agent

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

Results and Review of the Business

Syndicate 1274 is a provider of global insurance and reinsurance products. The Syndicate is fully aligned with 100% of its capacity provided by QIC Global. The parent company of the QIC Global Group is QIC Global Holdings Limited, a UK registered company. QIC Global Holdings Limited is wholly owned by Qatar Insurance Company QSPC ("QIC" formerly Qatar Insurance Company SAQ), a publicly listed composite insurer listed on the Qatar Exchange.

QIC Global Services Limited ("QGSL" formerly Antares Underwriting Services Limited) provides insurance services to the Syndicate under an outsourcing agreement with AMAL.

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

In 2019, the Syndicate produced a profit of $28.4m (2018: $42.8m loss) as natural catastrophe activity returned close to the 30 year average following the industry's costliest back-to-back years for insured losses in 2017 and 2018.

At 101% (2018: 108%), although much improved, the combined ratio reflects the challenges that persist in the market. With marginal losses in the insurance portfolio, the Syndicate was able to rely on investments for its overall profitable performance.

$000	2019	2018
Gross Premium Written	605,041	586,374
Net Premium Earned	510,943	475,173
Net Claims Incurred	(343,423)	(347,541)
Net Commission	(123,322)	(120,863)
Net Underwriting Result	**44,198**	**6,769**
Operating Expenses	(51,199)	(46,163)
Net Foreign Exchange	(1,174)	(191)
Investment Return	36,624	(3,206)
Net Profit/(Loss)	28,449	(42,791)
Ratios:		
Claims Ratio	67%	73%
Commission Ratio	24%	25%
Expense Ratio	10%	10%
Combined Ratio	101%	108%

Premiums

The whole account grew by 3% to $605m (2018: $586m) through the expansion of growth initiatives in the Specialty division including Cyber & Technology and Motor.

Growth was partially offset by a reduction in the Property division where the Syndicate has shed around a third of its portfolio in its drive for improved profitability.

Market conditions continued to underwhelm, albeit in line with the Syndicate's realistic expectations, with an overall rating improvement of 6%.

Claims
Net claims incurred of $343m (2018: $348m) were better than prior year, with the Claims Ratio decreasing from 73% to 67%.

Claims however were worse than expected and were the cause of the combined ratio being in excess of 100%.

There were no individually significant losses, rather there was an accumulation of attritional and large losses most notably in the Property D&F, Aviation, Hull and Cargo classes.

The Reinsurance division saw windstorms Dorian, Faxai and Hagibis which together accounted for $14m. This was broadly in line with the Syndicate's expectations for annual catastrophe losses and did not therefore impact overall profitability significantly.

Commissions
The Syndicate continued to carefully manage commissions and its active focus succeeded in reducing the ratio to 24% (2018: 25%).

Expenses
Operating expenses of $51.2m (2018: $46.2m) grew only moderately to support the growing business and the expense ratio remained stable at 10% (2018: 10%) as a result.

The most significant increase was in the staff bonus provision due to improved profitability. Allowing for this expense ratio decreased year on year as the Syndicate enjoyed economies of scale

Investments
Investments bounced back across all asset classes, contributing $36.6m to profit (2018: $3.2m loss), representing a 5.6% yield. The strong performance was the result of gains generated on the fixed income portfolio due to falling yields across the markets.

The Syndicate crystallised further gains as it exited its global equities positions as concerns for global growth and US/China trade tensions subsided.

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

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

Events after the Reporting Period and Future Developments
There are no events that are material to the operations of the Syndicate that have occurred since the reporting date (Note 22). The directors of the Syndicate do not anticipate any change to its strategy and w ill continue to maintain a balanced portfolio for 2020.

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

Risk Categories
The Syndicate is exposed to risk in the following categories:

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

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

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

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

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

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

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

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

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

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

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

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

Disclosure of Information to the Auditors
The Directors each confirm that:

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

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

By order of the Board

C L Sweeney
Company Secretary

5 March 2020

Statement of Managing Agent's Responsibilities

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

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

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

1. select suitable accounting policies and then apply them consistently;
2. make judgements and estimates that are reasonable and prudent;
3. state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the annual accounts; and
4. prepare the annual accounts on the basis that the syndicate will continue to write future business unless it is inappropriate to presume that the syndicate will do so.

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

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

Independent Auditor's Report to the Members of Syndicate 1274

Opinion

We have audited the syndicate annual accounts of syndicate 1274 ('the syndicate') for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Members' Balances, the Statement of Cash Flows and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

- give a true and fair view of the syndicate's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

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

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

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

We have nothing to report in this regard.

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

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

- the information given in the managing agent's report for the financial year in which the syndicate annual accounts are prepared is consistent with the syndicate annual accounts; and
- the managing agent's report has been prepared in accordance with applicable legal requirements

Matters on which we are required to report by exception

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

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

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

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 8, the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Use of our report

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

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

5 March 2020

Statement of Comprehensive Income For the year ended 31 December 2019

Technical Account – General Business	Notes	2019 $000	2018 $000
Earned Premium, Net of Reinsurance			
Gross Premium Written	4	605,041	586,374
Outward Reinsurance Premium		(102,807)	(88,423)
Net Premiums Written		502,234	497,951
Change in the Provision for Unearned Premium			
Gross Amount		(452)	(29,473)
Reinsurers' Share		9,161	6,695
Net Change in Provision for Unearned Premium		8,709	(22,778)
Earned Premiums, Net of Reinsurance		510,943	475,173
Allocated Investment Return Transferred from the Non-Technical Account		36,624	(3,206)
Claims Incurred, Net of Reinsurance			
Claims Paid			
Gross Amount		(403,547)	(334,700)
Reinsurers' Share		73,834	86,251
Net Claims Paid		(329,713)	(248,449)
Change in the Provision for Claims			
Gross Amount		(2,929)	(4,899)
Reinsurers' Share		(10,781)	(94,193)
Net Change in the Provision for Claims	5	(13,710)	(99,092)
Claims Incurred, Net of Reinsurance		(343,423)	(347,541)
Net Operating Expenses	6	(174,521)	(167,026)
Balance on the Technical Account – General Business		29,623	(42,600)

All the amounts above are in respect of continuing operations.

Statement of Comprehensive Income
For the year ended 31 December 2019

Non - Technical Account	Notes	2019 $000	2018 $000
Balance on General Business Account		29,623	(42,600)
Investment Income	10	18,554	9,274
Unrealised Gains/(losses)	10	19,334	(11,093)
Investment Expenses and Charges	10	(1,264)	(1,387)
Allocated Investment Return Transferred to General Business Technical Account		(36,624)	3,206
Exchange Losses		(1,174)	(191)
Profit/(loss) for the Financial Year		28,449	(42,791)

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

Statement of Financial Position - Assets
at 31 December 2019

	Notes	2019 $000	2018 $000
Investments			
Financial Investments	9	599,691	572,125
Deposits with Ceding Undertakings		2,451	1,609
Reinsurers' Share of Technical Provisions			
Provision for Unearned Premiums	15	53,190	43,930
Claims Outstanding	15	308,966	312,216
		362,156	356,146
Debtors			
Debtors Arising out of Direct Insurance Operations	12	252,800	247,772
Debtors Arising out of Reinsurance Operations		62,268	72,092
Other Debtors		9,156	5,406
		324,224	325,270
Other Assets			
Cash at bank and in hand	13	19,778	30,176
Overseas Deposits	14	49,604	39,681
Prepayments and Accrued Income			
Other Prepayments and Accrued Income		2,902	2,355
Deferred Acquisition Costs	16	77,229	78,059
		80,131	80,414
Total Assets		1,438,035	1,405,421

Statement of Financial Position – Liabilities at 31 December 2019

	Notes	2019 $000	2018 $000
Capital and Reserves			
Members' Balances		(36,128)	(73,291)
Technical Provisions			
Provision for Unearned Premiums	15	296,046	294,589
Claims Outstanding	15	1,009,562	995,162
		1,305,608	1,289,751
Deposits Received from Reinsurers		1,351	1,301
Creditors			
Creditors Arising out of Direct Insurance Operations	17	52,570	54,221
Creditors Arising out Reinsurance Operations		98,735	120,714
Other Creditors		3,483	4,412
		154,788	179,347
Accruals and deferred income		12,416	8,313
Total Liabilities		1,438,035	1,405,421

The annual accounts on pages 11 to 39 were approved by the Board of Antares Managing Agency Limited on 20 February 2020 and signed on its behalf by:

M G Finch
Finance Director

5 March 2020

Statement of Changes in Members' Balances Year ended 31 December 2019

	2019 $000	2018 $000
Members' Balances Carried Forward at 1 January	(73,291)	13,819
Settlement of Year of Account Profit/(loss)	8,714	(44,319)
Financial Year Profit/(loss)	28,449	(42,791)
Members' Balances Carried Forward at 31 December	(36,128)	(73,291)

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

Statement of Cash Flows
at 31 December 2019

	Notes	2019 $000	2018 $000
Operating Result		28,449	(42,791)
Adjustments for non-cash items			
Unrealised Gains/(losses) on investments		(19,334)	11,093
Changes in working capital			
Increase in gross technical provisions		3,381	349,411
Decrease/(increase) in reinsurers' share of gross technical provisions		1,621	(213,736)
Decrease/(increase) in debtors		6,851	(49,681)
Increase/(decrease) in creditors		(26,050)	52,313
Movement in other assets/liabilities		(9,380)	(491)
Investment return		(17,289)	(7,887)
Net cash flows from operating activities		(31,751)	98,231
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equity and debt instruments		(587,409)	(473,386)
Sale of equity and debt instruments		582,562	413,298
Purchase of derivatives		(4,390)	(20,653)
Sale of derivatives		4,504	19,242
Investment income received		18,554	9,274
Other		(1,264)	(875)
Net cash flows from investing activities		12,557	(53,100)
CASH FLOWS FROM FINANCING ACTIVITIES			
Profit distribution		8,714	(44,319)
Net cash flows from financing activities		8,714	(44,319)
Cash and cash equivalents at beginning of year		33,688	33,009
Effect of exchange rate fluctuations on cash and cash equivalents		(105)	(133)
Cash and cash equivalents at end of year		23,103	33,688
Cash at bank and in hand		19,778	30,176
Short term deposits with credit institutions		3,325	3,512
Cash and cash equivalents at end of year	13	23,103	33,688

NOTES TO THE ANNUAL ACCOUNTS AT 31 DECEMBER 2019

1. Managing Agent and Syndicate Information

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

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

2. Basis of Preparation

The accounts for the year ended 31 December 2019 were approved by the Antares Managing Agency Board of directors on 20 February 2020.

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

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

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

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

3. Accounting Policies

(a) Premiums written

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

(b) Unearned premiums

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

(c) Reinsurance premium ceded

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

(d) Significant accounting judgements, estimates and assumptions

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

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

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

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

(d) (i) Claims provisions and related recoveries

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

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

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

The reinsurers' share of provisions for claims is based on the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. A number of statistical methods are used to assist in making these estimates.

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

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

(d)(ii) Financial investments

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

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

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

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

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

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

Derivative financial instruments

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

(e) Unexpired Risks Provision

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

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

(f) Deferred Acquisition Costs

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

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(g) Financial Assets/Liabilities

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

(h) Foreign Currencies

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

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

Exchange differences are recorded in the non-technical account.

(i) Investment Return

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

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

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

(j) Taxation

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

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate are included in the balance sheet under the heading "other debtors".

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

(k) Pension Costs

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

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4. Segmental Analysis

An analysis of the underwriting result before investment return for 2019 and 2018 is set out below:

2019	Gross Written Premiums	Gross Premiums Earned	Gross Claims Incurred	Gross Operating Expenses	Reinsurance Balance	Total	Net Technical Provisions
	$000	$000	$000	$000	$000	$000	$000
Marine, Aviation and Transport	211,357	220,047	(149,600)	(68,990)	(11,008)	(9,551)	(313,022)
Reinsurance	99,055	99,389	(62,326)	(23,628)	(7,316)	6119	(171,960)
Specialty	233,691	221,619	(152,766)	(63,208)	(1,302)	4,343	(397,804)
Property	53,436	60,683	(53,357)	(17,997)	1,942	(8,729)	(56,136)
Motor	7,502	2,851	11,573	(698)	(12,909)	817	(4,530)
	605,041	604,589	(406,476)	(174,521)	(30,593)	(7,001)	(943,452)

2018	Gross Written Premiums	Gross Premiums Earned	Gross Claims Incurred	Gross Operating Expenses	Reinsurance Balance	Total	Net Technical Provisions
	$000	$000	$000	$000	$000	$000	$000
Marine, Aviation and Transport	199,927	196,317	(148,425)	(64,438)	(14,332)	(30,879)	(326,211)
Reinsurance	107,242	107,711	(77,491)	(26,817)	(18,785)	(15,382)	(176,424)
Specialty	222,388	195,335	(119,439)	(58,141)	(5,536)	12,218	(371,486)
Property	56,843	57,565	(45,647)	(17,472)	(1,955)	(7,509)	(52,024)
Motor	(26)	(26)	51,403	(158)	(49,063)	2,156	(7,459)
	586,374	556,901	(339,599)	(167,026)	(86,670)	(39,394)	(933,605)

The above segmental analysis is broken down into the divisional structure by which management views the

business. For the purpose of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations, the Specialty division consists of Third Party Liability insurance.

Commissions on direct insurance gross premiums earned were $123,382,296 during 2019 and $125,228,125 during 2018. Gross Operating Expenses include reinsurance commission's receivable.

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

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

	2019	2018
	$000	$000
UK	161,698	163,461
Other EU Countries	52,423	37,388
US	179,640	202,433
Central & South America	14,299	16,615
Japan	15,567	14,929
Australia	17,036	15,865
Other	164,378	135,683
Total	605,041	586,374

5. Change in Net Provision for Claims

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

	2019	2018
	$000	$000
Outstanding Claims	3,096	77,831
Claims Incurred but not Reported	11,208	21,634
Claims Handling Expenses Provision	(594)	(373)
Change in Net Provision for Claims	13,710	99,092

The movement in the net provision for claims includes a deterioration of ($11,141,881) in respect of claims outstanding at the previous year end (2018: deterioration $10,701,262). The deterioration comprises net claims including the change in claims incurred but not reported ('IBNR').

6. Net Operating Expenses

	2019	2018
	$000	$000
Acquisition costs	138,807	138,276
Change in deferred acquisition costs	(6,662)	(15,904)
Acquisition costs – other	11,609	15,092
Change in deferred acquisition costs – other	–	(575)
Administrative expenses	38,159	31,646
	181,913	168,535
Reinsurance commissions receivable	(7,392)	(1,509)
Net operating expenses	174,521	167,026

Administrative Expenses Include:	2019	2018
	$000	$000
Auditors' Remuneration		
Audit Services	400	420
Members' Standard Personal Expenses (Lloyd's Subscription, New Central Fund Contributions, Managing Agent's Fees and Profit Commission)	4,283	4,769

7. Staff Costs

The Syndicate and its Managing Agent have no employees. The following amounts were recharged to the Syndicate in respect of salary and related costs:

	2019	2018
	$000	$000
Wages and Salaries	17,772	20,235
Social Security Costs	3,549	2,629
Other Pension Costs	1,504	1,559
Other Staff Costs including Recruitment, Training and Medical Insurance	4,103	2,290
	26,928	26,713

8. Emoluments of the Directors of Antares Managing Agency Limited

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

	2019	2018
	$000	$000
Total Emoluments	2,166	3,298

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

	2019	2018
	$000	$000
Total Emoluments	220	597

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

9. Financial Investments

	Market Value		Cost	
	2019	2018	2019	2018
	$000	$000	$000	$000
Shares and Other Variable Yield Securities and Units in Unit Trusts	22,889	93,530	16,365	94,315
Debt Securities and other Fixed Income Securities	523,340	430,513	513,852	438,756
Derivatives	212	410	212	410
Participation in Investment Pools	53,250	47,672	53,591	47,582
	599,691	572,125	584,020	581,063

10. Investment Income and Expenses

	2019	2018
	$000	$000
Investment Income	17,772	20,235
Income from Investments	15,954	13,105
Realised Gains/(losses) on Investments	2,600	(3,831)
Unrealised Gains/(losses) on Investments	19,334	(11,093)
	37,888	(1,819)
Investment Expenses and Charges		
Investment Management Expenses	(1,264)	(1,387)

11. Calendar Year Investment Yield

The average amount of syndicate funds available for investment during 2019 and the investment return and yield for that calendar year was as follows:

	2019	2018
	$000	$000
Average Fund	655,373	624,527
Investment Return	37,888	(1,819)
Calendar Year Investment Yield	5.8%	(0.5%)
Average Funds Available for Investment by Currency		
United States Dollars and Other	$485,136	$472,608
Sterling	£71,385	£80,867
Canadian Dollars	C$50,924	C$49,950
Analysis of Calendar Year Investment Yield by Fund	%	%
United States Dollars and Other	6.9	(0.3)
Sterling	3.0	(0.8)
Canadian Dollars	3.1	1.1

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

12. Debtors Arising out of Direct Insurance Operations

	2019	2018
	$000	$000
Due from Intermediaries	252,800	247,772

There were no balances due from policyholders arising out of direct insurance operations as at 31 December 2019 (2018: $nil).

13. Cash and Cash Equivalents

	2019	2018
	$000	$000
Cash at bank and in hand	19,778	30,176
Short term deposits with credit institutions	3,325	3,512
	23,103	33,688

14. Overseas Deposits

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

15. Insurance Contracts and Reinsurance Contracts

	2019			2018		
	Insurance contract liabilities	Reinsurance Contracts Assets	Net	Insurance contract liabilities	Reinsurance Contracts Assets	Net
	$000	$000	$000	$000	$000	$000
Claims Outstanding	1,009,562	308,966	700,596	995,162	312,216	682,946
Provision for Unearned Premiums	296,046	53,190	242,856	294,589	43,930	250,659
	1,305,608	362,156	943,452	1,289,751	356,146	933,605
Contracts due no more than 12 months after the reporting date	431,355	90,162	341,193	443,211	82,078	361,133
Contracts due more than 12 months after the reporting date	874,253	271,994	602,259	846,540	274,068	572,472
	1,305,608	362,156	943,452	1,289,751	356,146	933,605

(a) Movement in Claims Outstanding

	2019			2018		
	Insurance contract liabilities	Reinsurance Contracts Assets	Net	Insurance contract liabilities	Reinsurance Contracts Assets	Net
	$000	$000	$000	$000	$000	$000
Balance at 1 January	995,162	312,216	682,946	701,294	117,666	583,628
Movements During the Year	2,929	(10,781)	13,710	4,899	(94,193)	99,092
Motor RITC 1/1/18	-	-	-	317,390	303,482	13,908
Impact of Foreign Exchange	11,471	7,531	3,940	(28,421)	(14,739)	(13,682)
Balance at 31 December	1,009,562	308,966	700,596	995,162	312,216	682,946

(b) Movement in Unearned Premium

	2019			2018		
	Insurance contract liabilities	Reinsurance Contracts Assets	Net	Insurance contract liabilities	Reinsurance Contracts Assets	Net
	$000	$000	$000	$000	$000	$000
Balance at 1 January	294,589	43,930	250,659	269,900	37,885	232,015
Premiums Written During the Year	605,041	102,807	502,234	586,374	88,422	497,952
Premiums Earned During the Year	(604,589)	(93,646)	(510,943)	(556,901)	(81,728)	(475,173)
Impact of Foreign Exchange	1,005	99	906	(4,784)	(649)	(4,135)
Balance at 31 December	296,046	53,190	242,856	294,589	43,930	250,659

16. Deferred Acquisition Costs

	2019 $000	2018 $000
Balance as 1 January	78,059	63,103
Charges during the year	6,662	16,480
Impact of Foreign Exchange	(7,492)	(1,524)
Deferred Acquisitions Costs	77,229	78,059

17. Creditors Arising out of Direct Insurance Operations

	2019 $000	2018 $000
Due to Intermediaries	52,570	54,221

There were no balances due to policyholders arising out of direct insurance operations as at 31 December 2019 (2018: £nil).

18. Related Parties

a) Related party insurance and reinsurance transactions with Syndicate 1274

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

	2019			2018		
	Qatar Insurance Company	Qatar Reinsurance Company Limited	Total	Qatar Insurance Company	Qatar Reinsurance Company Limited	Total
	$000	$000	$000	$000	$000	$000
Gross Written Premium	1,903	817	2,721	6,406	130	6,536
Reinsurance Written Premium	1,151	23,896	25,047	12,158	742	12,900
Gross Claims Paid	1,971	-	1,971	759	-	759
Reinsurance Recoveries	20,419	5,438	25,858	4,371	5,720	10,091
Gross Claims Outstanding	2,437	86	2,523	1,174	-	1,174
Reinsurance Claims Outstanding	59,253	9,038	68,290	51,189	5,587	56,776
Due from Related Party	136	1,863	1,999	10	138	148
Due to Related Party	296	-	296	-	22	22

b) Other related transactions with Syndicate 1274

During 2019, managing agency fees were charged to the Syndicate as follows:

	2019 $000	2018 $000
Antares Managing Agency Limited	461	482

Antares Managing Agency Limited also charged the Syndicate $40,316,000 (2018: $36,728,222) for expenses paid on its behalf. A balance of $nil was due to Antares Managing Agency Limited at 31 December 2019 (2018: nil), due from Antares Managing Agency Limited $9,055,444 (2018:£5,406,000), $223,124 (2018: $197,000) was due to Antares Underwriting Asia PTE Ltd, $nil (2018:nil) was due to Antares Underwriting Limited (AUL) and $509,614 was due to Antares Capital I Limited (2018: $486,888).

19. Funds at Lloyd's

Every member at Lloyd's is required to hold capital which is held in trust and known as Funds at Lloyd's (FAL). These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on FCA/PRA requirements and resource criteria. The amount of FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the Managing Agent, no amount has been shown in these annual accounts by way of such capital resources. However, the Managing Agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses.

20. Risk Management

Principal Risk and Uncertainties

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

The Syndicate is exposed to risk in the following categories:

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

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

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

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

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

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

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

	2019			2018		
	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net
	$000	$000	$000	$000	$000	$000
Marine, Aviation and Transport	229,710	6,552	223,158	234,745	6,853	227,892
Reinsurance	157,199	8,744	148,455	162,522	14,390	148,132
Specialty	393,190	100,606	292,584	336,768	63,959	272,809
Property	54,987	22,954	32,033	58,324	31,669	26,654
Motor	174,476	170,110	4,366	202,804	195,345	7,459
Total	1,009,562	308,966	700,596	995,162	312,216	682,946

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

	2019			2018		
	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net
	$000	$000	$000	$000	$000	$000
UK	407,270	208,818	198,452	423,687	227,924	195,763
Other EU Countries	53,247	8,854	44,393	50,522	7,452	43,070
US	288,294	47,937	240,357	273,544	40,347	233,197
Central & South America	23,663	3,935	19,728	22,452	3,312	19,140
Japan	21,262	3,535	17,727	20,174	2,976	17,198
Australia	22,595	3,757	18,838	21,439	3,162	18,277
Other	193,231	32,130	161,101	183,344	27,043	156,301
Total	1,009,562	308,966	700,596	995,162	312,216	682,946

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

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

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

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

The claims liabilities are sensitive to a number of assumptions. A key, quantifiable, assumption is the average claim cost. If the average claim cost were to increase by 1%, Profit and Members' Balances would be impacted by $7m (2018: $6.8m).

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

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

Claims development tables are shown on an underwriting year basis; these set out the development of claims over time on a gross and net of reinsurance basis (without any adjustment for any impact from changes to projected premiums). These claims are shown on an earned basis for each successive development year. Balances have been translated at exchange rates prevailing at 31 December 2019 in all cases.

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Whole Account Underwriting Year	2010 & prior	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Gross Claims											
Estimate of incurred gross claims											
At the end of underwriting year		97,040	103,804	104,480	103,209	103,450	114,636	210,196	167,534	155,589	
One year later		155,428	160,656	173,235	195,663	193,875	269,396	384,546	374,222		
Two years later		167,582	176,926	186,774	206,541	216,431	553,694	440,934			
Three years later		174,480	177,931	183,582	204,275	221,973	495,458	-			
Four years later		177,928	188,193	183,852	226,538	227,613	-	-			
Five years later		181,600	188,808	183,246	220,668	-	-	-			
Six years later		179,793	186,072	179,369	-	-	-	-			
Seven years later		175,479	184,320	-	-	-	-	-			
Eight years later		176,567									
2010 & prior years	602,757										
Gross paid claims position											
At the end of underwriting year		11,939	10,120	18,072	11,783	6,819	9,686	20,940	15,414	17,072	
One year later		56,949	64,211	63,918	61,860	56,865	86,687	142,384	140,146		
Two years later		100,590	106,251	106,448	102,451	111,243	203,545	270,959			
Three years later		122,080	131,149	126,541	140,993	139,882	218,189	-			
Four years later		137,259	141,215	140,672	154,870	163,974	-	-			
Five years later		153,492	155,768	150,767	176,693	-	-	-			
Six years later		158,256	164,925	163,378	-	-	-				
Seven years later		163,152	168,937	-	-	-	-				
Eight years later		167,776									
2010 & prior years	560,811										
Gross claims reserve	41,946	8,791	15,383	15,991	43,975	63.639	277,269	169,975	234,076	138,517	1,009,562

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Whole Account Underwriting Year	2010 & prior	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Net Claims											
Estimate of ultimate gross claims											
At the end of underwriting year		81,853	70,903	160,822	93,583	96,513	105,162	149,341	153,610	133,854	
One year later		135,448	124,219	164,030	183,703	187,260	246,001	300,311	327,749		
Two years later		142,404	142,069	180,852	194,268	213,000	279,830	342,662			
Three years later		146,603	144,214	178,834	191,982	216,426	271,000	-			
Four years later		150,290	154,816	179,507	215,374	222,068	-	-			
Five years later		154,834	155,338	179,069	209,200	-	-	-			
Six years later		153,011	153,821	176,202	-	-	-	-			
Seven years later		148,670	152,146	-	-	-	-	-			
Eight years later		149,857									
2010 & prior years	453,059										
Net paid claims position											
At the end of underwriting year		11,939	10,120	17,588	11,783	6,745	9,684	20,794	15,260	15,799	
One year later		52,482	52,109	62,887	61,859	56,783	84,086	114,193	128,302		
Two years later		87,504	85,612	104,146	102,348	111,198	147,915	212,326			
Three years later		101,363	106,205	124,197	132,900	139,817	182,449	-			
Four years later		113,936	114,786	138,354	153,013	161,933	-	-			
Five years later		128,832	127,790	148,423	168,381	-	-	-			
Six years later		133,128	135,630	161,033	-	-	-	-			
Seven years later		137,666	138,618	-	-	-	-	-			
Eight years later		142,163									
2010 & prior years	426,197										
Net claims reserve	26,862	7,694	13,528	15,169	40,819	60,135	88,551	130,336	199,447	118,055	700,596

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

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

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

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

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

As at 31 December 2019	AAA	AA	A	BBB & Below	Lloyd's syndicates	Unrated	Total
	$000	$000	$000	$000	$000	$000	$000
Financial investments (Including Overseas deposits)	55,506	168,544	134,831	225,506	-	64,908	649,295
Cash at bank and in hand	97	1,360	11,916	148	-	6,257	19,778
Insurance and other receivables	-	-	-	-	-	2,451	2,451
Reinsurance contracts assets	-	118,322	112,226	-	60,207	28,377	319,132
	55,603	288,226	258,973	225,654	60,207	101,993	990,656

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

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

Overdue Reinsurance Receivable	0-1 month	2-3 months	4-6 months	7-12 months	Total
	$000	$000	$000	$000	$000
At 31 December 2019	1,531	(1,822)	(852)	(519)	(1,661)
At 31 December 2018	1,268	956	1,155	(182)	3,197

Notes to the Annual Accounts
At 31 December 2019

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

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

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

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

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

The syndicate uses derivative financial instruments as an economic hedge for the risk of revaluation of net monetary assets denominated in non-functional currency. The syndicate does not apply hedge accounting. The marked to market value of open contracts at 31 December 2019 is ($99k) (2018: $252k).

If the Sterling and the Euro were to weaken against the US Dollar by 10%, with all other variables constant, loss would be lower by an estimated $1.4m (2018: $0.1m). This analysis is based on the current information available and the assumptions in making this assessment are:

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

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

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

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

Duration is a commonly used measure of risk and gives an indication of the likely sensitivity of the Syndicate's portfolio of fixed interest securities to changes in interest rates. The average duration for investment assets is 3.6 years (2018: 20.7 years).

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

An increase of 50 basis points in interest rates, with all other variables constant, would decrease the valuation of the Syndicate's investments by an estimated 262 basis points. Therefore if interest rates were to increase by 0.5%, with all other variables constant, profit would be lower by an estimated $17m (2018: $7.4m).

A comparable decrease in interest rates would increase the valuation by an estimated 122 basis points.

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

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

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

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

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

At 31 December 2019	Level 1	Level 2	Level 3	Total
	$000	$000	$000	$000
Financial investments (Including Overseas deposits)	461,768	160,709	26,509	648,986

At 31 December 2018	Level 1	Level 2	Level 3	Total
	$000	$000	$000	$000
Financial investments (Including Overseas deposits)	345,654	263,614	2,380	611,649

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

There have been no transfers between level 1 and level 2 in either direction in 2019 or 2018.

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

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

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

At 31 December 2019:	0-1years	1-3 years	3-5 years	> 5 years	Total
	$000	$000	$000	$000	$000
Financial investments	137,928	221,886	191,901	47,976	599,691
Cash at bank and in hand	19,778	-	-	-	19,778
Overseas Deposits	49,604	-	-	-	49,604
Insurance and other receivables	394,748	-	-	-	394,748
Reinsurance contracts assets	90,164	96,563	145,628	29,801	362,156
Other assets	12,058	-	-	-	12,058
Total assets	704,280	318,449	337,529	77,777	1,438,035
Insurance contracts liabilities	431,356	400,187	391,606	82,459	1,305,608
Provisions, reinsurance and other payables	168,555	-	-	-	168,555
Total liabilities	599,911	400,187	391,606	82,459	1,474,163
Net assets	104,369	(81,738)	(54,077)	(4,682)	(36,128)

At 31 December 2019:	0-1years	1-3 years	3-5 years	> 5 years	Total
	$000	$000	$000	$000	$000
Financial investments	131,588	211,686	183,080	45,771	572,125
Cash at bank and in hand	30,176	-	-	-	30,176
Overseas Deposits	39,681	-	-	-	39,681
Insurance and other receivables	399,532	-	-	-	399,532
Reinsurance contracts assets	82,078	101,499	43,139	29,262	356,147
Other assets	7,760	-	-	-	7,760
Total assets	690,815	313,185	326,388	75,033	1,405,421
Insurance contracts liabilities	443,211	399,859	369,660	77,021	1,289,751
Provisions, reinsurance and other payables	188,961	-	-	-	188,961
Total liabilities	632,172	399,859	369,660	77,021	1,478,712
Net assets	58,643	(86,674)	(43,272)	(1,988)	(73,291)

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

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

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

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

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

Risk Governance

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

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

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

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

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

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

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

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

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

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

21. Off-Balance Sheet Items

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

22. Events After the Reporting Period

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

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