Antares Managing Agency Limited

Registration: 06646629

Annual Report and Accounts

31 December 2017

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Company Information

Directors
J A Battle
S D Redmond, FCII
J M Linsao, BA, JD

D M Hobbs, BSc, ACA (Appointed 31st May 2017)
P J Grimsey, MMath, FIA (Appointed 4th May 2017)
M G Finch, Bsc, CA (Appointed 4th May 2017)

R A Sutlow, ACII, ACMA (Resigned 4th May 2017)
M C Graham, MSc, FIA (Resigned 4th May 2017)

Non-Executive Directors
H E Clarke*, MSc, FIA
E H Gilmour*, MA, FCA
T A Clegg*, FCII, ACIArb
G Saacke*

R A Sutlow, ACII, ACMA* (Appointed 4th May 2017)
M C Graham, MSc, FIA* (Appointed 4th May 2017)

Secretary
J M Linsao, BA, JD

Registered Office
21 Lime Street
London, EC3M 7HB

Registered Number
06646629

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

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

Solicitors
Clyde & Co
The St Botolph Building
138 Houndsditch
London, EC3M 7AR

Strategic Report

The Directors present their Strategic Report for the year ended 31 December 2017.

Principal Activity, Review of the Business and Future Developments

The principal activity of Antares Managing Agency Limited ("the Company" or "AMAL") is that of Managing Agent for Syndicate 1274 ('the Syndicate').

The Directors are satisfied with the results and performance of the Company during the year.

The future prospects for the Company are favourable, and the Directors expect adequate return from the continued management of Syndicate 1274.

The Managing Agency's key financial performance indicators during the year were as follows:

	2017	2016
	£'000	£'000
Expenses Re-Charged to Syndicate 1274	25,199	29,716
Managing Agency Fee Charged to Syndicate 1274	487	466
Profit Commission	102	34
Profit after Tax for the Financial Year	236	192

Principal Risk and Uncertainties

The Company'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 entirely. However, the AMAL Board seeks to manage risk in line with its risk appetite by maintaining effective systems and controls.

As the main source of income for the Company is derived from the management of the Syndicate, the Syndicate represents the main source of risk for AMAL. 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 the Company's financial position, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which the Company 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 also the risk that the value of AMAL's basic own funds changes unfavourably, due to economic factors such as variations in interest rates.

Strategic Report (continued)

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

Liquidity Risk is defined as the risk of loss due to the 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 the Company'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 strategic business decisions or improper implementation of those decisions. This risk is a function of the compatibility between the Company's strategic goals, the business strategies developed to achieve those goals, the resources deployed towards these goals, the quality of implementation and the 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.

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.

Group Risk is the possibility that the operation of one part of the Group adversely affects another. Group risk includes: negative publicity; inadequate communication within the organisation; undue influence from fellow subsidiaries; holding companies or stakeholders; financial pressures to make funds available to the Group; and financial restraint leading to shortcomings in core activities.

The overall strategy is to minimise Group risk by ensuring that there are clear lines of authority and communication between related parties, and that any intra-Group agreements are formed objectively and clearly understood by all parties.

Reputational Risk
The Company 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 and AMAL directly. 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.

Refer to Note 12 – Risk Management for more information about how Syndicate 1274 monitors, controls, mitigates and manages the risks described above.

By order of the Board

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J M Linsao
Company Secretary

21 May 2018

Directors' Report

The Directors present their report for the year ended 31 December 2017.

Directors

The names of the Directors who served during the year can be found in the Company Information on page 3.

Dividends

The Directors do not recommend the payment of a dividend for the year ended 31 December 2017 (2016: nil).

Events after the Reporting Period

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

Future Developments

The Directors do not anticipate any changes to the Company's strategy which is to act as Managing Agent for Syndicate 1274.

Going Concern

The financial statements have been prepared on a going concern basis. In assessing whether the going concern basis is appropriate, the Directors have considered the information contained in the financial statements, the latest business plan profit forecasts, the latest working capital forecasts and solvency calculations. The Directors are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future.

Statement of Disclosure of Information to the Auditors

Each person who is a Director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditors

The Company intends to reappoint Ernst & Young LLP as the Company's auditors.

By order of the Board

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J M Linsao
Company Secretary

29 May 2018

Directors' Responsibilities Statement

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors 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 financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Antares Managing Agency Limited

Opinion

We have audited the financial statements of Antares Managing Agency Limited for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 14, 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 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 Companies Act 2006.

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 financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements 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.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company'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 financial statements are authorised for issue.

Independent Auditor's Report (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of 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 Companies Act 2006

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

- the information given in the Strategic Report and the Director's Report for the financial year for which the financial statements are prepared are consistent with the financial statements; and
- the Strategic Report and the Director's Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company'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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report (continued)

Auditor's responsibilities for the audit of the financial statements

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 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 financial statements.

A further description of our responsibilities for the audit of the 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.

E. J

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

30 May 2018

Statement of Comprehensive Income

for the year ended 31 December 2017

	Notes	2017 £000	2016 £000
Turnover	2	25,788	30,216
Administration Expenses		(25,506)	(29,983)
Operating Profit	3	**282**	**233**
Interest Payable		(105)	(113)
Interest Receivable		114	128
Profit on Ordinary Activities before Taxation		**291**	**248**
Taxation on Profit on Ordinary Activities	9	(55)	(56)
Profit for the Financial Year		**236**	**192**

The Statement of Comprehensive Income relates to continuing operations. There is no difference between the profit on ordinary activities after tax and the retained profit for the period and their historical cost equivalent. The Company has no other recognised gains or losses.

Statement of Financial Position
at 31 December 2017

	Notes	2017 £000	2016 £000
Current Assets			
Debtors	6	5,009	13,776
Cash at Bank and in Hand		1,419	1,186
		6,428	**14,962**
Creditors: Amounts Falling Due within One Year	7	(658)	(9,428)
Net Current Assets		**5,770**	**5,534**
Creditors: Amounts Falling Due after One Year	8	(3,000)	(3,000)
Net Assets		**2,770**	**2,534**
Capital and Reserves			
Called up Share Capital	10	700	700
Profit and Loss Account		2,070	1,834
Equity Shareholder's Funds		**2,770**	**2,534**

The financial statements on pages 11 to 24 were approved and authorised for issue by the Board of Directors on 29 May 2018 and signed on its behalf by:

M G Finch

Finance Director
Antares Managing Agency Limited
Company registration: 06646629

29 May 2018

Statement of Changes in Equity
at 31 December 2017

	Called-Up Share Capital	Profit and Loss Account	Total Equity
	£000	£000	£000
At 1 January 2016	700	1,642	2,342
Profit for the Year	-	192	192
At 31 December 2016	700	1,834	2,534
Profit for the Year	-	236	236
At 31 December 2017	**700**	**2,070**	**2,770**

Notes to the Annual Accounts

at 31 December 2017

1. Accounting Policies

Statement of Compliance

Antares Managing Agency Limited is a limited liability company incorporated in England. The Registered Office is 21 Lime Street, London EC3M 7HB.

These annual accounts have been prepared under the historical cost convention and in accordance with 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").

Under FRS 102, Antares Managing Agency Limited has taken advantage of the cash flow exemption available in the financial statements.

Basis of Preparation of Financial Statements

The annual accounts of Antares Managing Agency Limited were authorised for issue by the Board of Directors on 29 May 2018. The annual accounts are prepared in Sterling, which is the functional currency of the Company.

The financial statements have been prepared on a going concern basis. The Directors are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future.

Expenses

All expenses are accounted for on an accruals basis.

The Company acts as a Managing Agent for Syndicate 1274 and outsources various aspects of the management of Syndicate 1274 to Antares Underwriting Services Limited. The expenses of these outsourced activities incurred by Antares Underwriting Services Limited are charged against the result of the Syndicate.

Cash at Bank and in Hand

Cash at bank and in hand are carried in the Statement of Financial Position at cost and include cash in hand and deposits held on call with banks.

Interest income earned on cash at bank and in hand are recognised using the effective interest rate method. The carrying value of accrued interest income approximates to fair value due to its short term nature and high liquidity.

Turnover

Turnover represents fees charged in respect of insurance services rendered during the year. This also includes profit commission due from the members of Syndicate 1274 when the individual underwriting years are closed.

Revenue is measured at the fair value of the consideration received or receivable. The fee revenue is recognised when the amount can be measured reliably; it is probable that the future economic benefit associated with transactions will flow to the entity; and the stage of completion can be measured reliably.

Foreign Currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary and non-monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the Statement of Financial Position date. Gains and losses on translation are included in the Income Statement. Sterling is the functional and presentational currency of Antares Managing Agency Limited.

Notes to the Annual Accounts
at 31 December 2017

1. Accounting Policies (continued)

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the Statement of Financial Position date.

Provision is made for all taxation expected to be payable on the taxable profits of the year.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed at the Statement of Financial Position date.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Going Concern

The financial statements have been prepared on a going concern basis. The Directors are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future.

2. Turnover

During the year the Company received the following fees in respect of:

	2017	2016
	£000	£000
Antares Syndicate 1274 Recharge	25,686	30,182
Third Party Profit Commission	102	34
Total Turnover	**25,788**	**30,216**

The Company's turnover is derived wholly from fees receivable in respect of insurance services within the United Kingdom.

3. Operating Profit

	2017	2016
	£000	£000
The Operating Profit is stated after charging:		
Auditors' Remuneration		
Audit of the Financial Statements	10	10

4. Staff Costs

All UK staff are employed by Antares Underwriting Services Limited, a wholly owned subsidiary of Antares Holdings Limited and the full staff cost disclosures are included in the financial statements of that company.

Notes to the Annual Accounts
at 31 December 2017

5. Directors' Remuneration

The aggregate emoluments of the Non-Executive Directors were £148,000 (2016: £140,000). These Directors did not receive any pension contributions.

The aggregate emoluments of the highest paid Non-Executive Director were £64,000 (2016: £60,000).

The aggregate remuneration of the Directors of the Company was £3,226,000 (2016: £3,719,000). These directors received aggregate contributions to their pension schemes of £29,000 (2016: £19,000).

R Sutlow and M Graham resigned as Directors and appointed as Non-Executive Directors on 22nd November 2017 and 16th October 2017 respectively. These Non-Executive Directors received emoluments disclosed in the financial statements of Antares Underwriting Services Limited.

The aggregate remuneration of the highest paid Director was £1,266,000 (2016: £1,167,000). The highest paid Director received contributions to his pension scheme during the year of £nil (2016: £nil).

6. Debtors

	2017	**2016**
	£000	£000
Deferred tax asset	100	121
Corporation Tax Asset	11	19
Amounts Owed from Group Entities:		
Antares Syndicate 1274	1,403	10,404
Antares Underwriting Services Limited	104	-
Antares Capital I Limited	2,925	2,766
Antares Capital IV Limited	6	6
Qatar Reinsurance Company Limited	460	460
	5,009	**13,776**

7. Creditors: Amounts Falling Due within One Year

	2017	**2016**
	£000	£000
Amounts Owed to Group Entities:		
Antares Underwriting Services Limited	-	8,893
Qatar Reinsurance Company Limited	165	85
Group Relief Payable	353	309
Accruals and Deferred Income	140	141
	658	**9,428**

Notes to the Annual Accounts
at 31 December 2017

8. Creditors: Amounts Falling Due after One Year

On 28 June 2013 the Company entered into an agreement with its then immediate parent company, Antares Reinsurance Limited, for the provision of a £3,000,000 unsecured loan. Following a restructure of the wider QIC Group, Antares Reinsurance Limited was subsequently merged with Qatar Reinsurance Company Limited.

This loan is provided to the Company for a minimum period of 2 years at an interest charge of 3% over LIBOR to be paid quarterly in arrears. During 2017 the interest payable was £98,000 (2016: £105,000).

The loan is expected to be repaid subject to PRA approval.

9. Taxation

a) Analysis of tax charge for the year

	2017	**2016**
	£000	£000
Corporation Tax		
UK Corporation Tax at 19.25% (2016: 20%)	12	72
Group Relief Payable	44	-
Adjustment in Respect of Prior Periods	(23)	-
Total Current Tax	**33**	**72**
Deferred Tax		
Current Year Deferred Tax Credit	-	(22)
Impact of change in tax charge	-	6
Adjustment in Respect of Prior Periods	22	-
Total Deferred Tax Arising on the Origination and Reversal of Timing Differences	22	(16)
Total Tax Charge	**55**	**56**

The Company will be able to claim group relief from Antares Capital I Limited, Antares Capital IV Limited and Antares Group Holdings Limited. The Company will pay 19.25p for every 100p of group relief received.

Notes to the Annual Accounts
at 31 December 2017

9. Taxation (continued)

b) Total Tax

The tax assessed on ordinary activities for the period is different from the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are reconciled below:

	2017	2016
	£000	£000
Total Tax Reconciliation		
Profit on Ordinary Activities before Taxation	291	248
Profit on Ordinary Activates Multiplied by the Blended Main Rate of Corporation Tax in the UK of 19.25% (2016: 20%)	56	50
Effects of:		
Impact of change in tax rate	-	6
Adjustment in Respect of Prior Periods	(1)	-
Total Tax Charge	**55**	**56**

The deferred tax asset comprises of short term timing differences of £100,000 (2016: £121,000).

10. Share Capital

	2017	2016
	£000	£000
Authorised, Issued and Fully Paid:		
700,000 Ordinary Shares of £1.00	700	700

Notes to the Annual Accounts
at 31 December 2017

11. Related Party Transactions

During the year, the Company entered into transactions in the ordinary course of business with other group companies. The transactions entered into during the year and trading balances outstanding at 31 December 2017 are as follows:

2017	Loan	Interest on Loan	Expenses Recharged	Settlements Received	Group Relief	Other	Balance at Year End
	£000	£000	£000	£000	£000	£000	£000
Qatar Reinsurance Company Limited	-	(80)	-	-	-	-	(2,705)
Antares Capital I Limited	-	59	-	-	(7)	100	2,857
Antares Capital III Limited	-	-	-	-	-	-	(9)
Antares Capital IV Limited	-	-	-	-	(2)	-	(4)
Antares Syndicate 1274	-	30	25,686	(34,717)	-	-	1,403
Antares Group Holdings Limited	-	-	-	-	(37)	-	(37)
Antares Underwriting Services Limited	-	-	(25,364)	34,442	-	(81)	104
Antares Underwriting Limited	-	-	-	-	-	-	(229)

2016	Loan	Interest on Loan	Expenses Recharged	Settlements Received	Group Relief	Other	Balance at Year End
	£000	£000	£000	£000	£000	£000	£000
Qatar Reinsurance Company Limited	-	(85)	-	-	-	-	(2,625)
Antares Capital I Limited	-	65	-	-	5	-	2,705
Antares Capital III Limited	-	-	-	-	8	-	(9)
Antares Capital IV Limited	-	-	-	-	1	-	(2)
Antares Syndicate 1274	-	33	30,182	(28,522)	-	-	10,404
Antares Underwriting Services Limited	-	-	(29,872)	28,172	-	(10)	(8,893)
Antares Underwriting Limited	-	-	-	-	-	-	(229)

Please note that the related party transactions include Group relief (note 7) applicable to that entity.

Notes to the Annual Accounts
at 31 December 2017

12. Risk Management

Principal Risk and Uncertainties

The Company'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 entirely. However, the AMAL Board seeks to manage risk in line with risk appetite by maintaining effective systems and controls.

The main source of income for the Company is derived from the management of the Syndicate and therefore the Syndicate represents the main source of risk for AMAL.

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 Company to reduce exposure to Underwriting Risk. Reinsurance strategy is developed as part of the planning process and the Annual Business Plan, with reference to the overall risk appetite of the Syndicate and the Company, 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.

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 with assistance of 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.

Insurance Risk: 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".

The Reserving Policy and Technical Provisions Framework 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 controlled 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.

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

Notes to the Annual Accounts
at 31 December 2017

12. Risk Management (continued)

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.

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 Company's financial position, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which the Company is exposed, in the form of counterparty default risk, spread risk, or market risk concentrations.

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

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

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

All commutation agreements are approved by the Finance Committee.

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 Sterling, 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.

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. 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.

Interest Risk: is the risk that the value and/or future cash flows of a financial instrument will fluctuate due to changes in interest rates. AMAL'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.

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12. Risk Management (continued)

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.

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 monthly basis by the Finance Committee.

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."

The 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.

Cash flow projections, in each of the underlying main operating currencies, are prepared quarterly, reviewed against available liquid funds and used in the quarterly asset liability matching exercise. The review recognises the restrictions placed on funds committed to meet Lloyd's trust fund requirements. Liquidity requirements for all accounts and respective currency amounts are determined periodically via a process of analysis of historic daily settlements.

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

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 Company'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 Company mitigates this risk through a variety of 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.

Reputational Risk
The Company recognises reputational risk as a by-product of inappropriate/inadequate management and mitigation of all other risk categories.

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12. Risk Management (continued)

Risk Governance
The AMAL Board is ultimately responsible for ensuring the effective management and control of risk affecting the Syndicate and AMAL itself. 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 the Managing Agency 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 AMAL Board, Audit Committee together with Internal Audit.

The majority of risk reporting is undertaken 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.

In addition to the risks associated with the Syndicate noted above, the Company itself is exposed to the following risks detailed below:

Credit and Liquidity Risk - due to the nature of the Company's business and the assets contained within the Company's Statement of Financial Position, the risks the Directors consider relevant to the Company are credit and liquidity. These risks are effectively mitigated as the majority of turnover is due from group companies, and cash deposits are only placed within limits with pre-approved counter-parties.

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13. Ultimate Parent Company

The Immediate Parent Company is Antares Group Holdings Limited, a company incorporated and registered in the United Kingdom, which has a 100% shareholding.

The Ultimate Parent Company is Qatar Insurance Company SAQ, an insurance group incorporated in the State of Qatar and listed on the Qatar Exchange. Consolidated accounts are prepared by Qatar Insurance Company SAQ and copies of these are available from the registered office at Tamin Street, West Bay, PO Box 666, Doha, Qatar.

14. Events after the Reporting Period

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