ARK

Report & Financial Statements

Ark Corporate Member Limited

Registered number: 6081055

2017

Contents

Directors and administration

Directors

N Bonnar

N Brothers

N Smith

C Watson (Chairman)

Company secretary

J Masson

Registered office

30 Fenchurch Avenue

London

EC3M 5AD

Company registration number

6081055

Bankers

Lloyds Banking Group plc

PO Box 72

Bailey Drive

Gillingham Business Park

Kent

ME8 0LS

Registered auditor

KPMG LLP

15 Canada Square

London

E14 5GL

Directors' report

The directors present their annual report and financial statements for the year to 31 December 2017.

Group structure

The key trading companies within the Ark group ("the group") are as follows:

Company name	Short name	Location	Principal activity / function
Ark Insurance Holdings Limited	AIHL	Bermuda	Ultimate holding company
Ark Syndicate Management Limited	ASML	UK	Managing agent of Syndicate 4020 ("4020"), Syndicate 3902 ("3902") and Special Purpose Syndicate 6105 ("6105")
Ark Corporate Member Limited	ACML	UK	Corporate member, participates on the 2017, 2016 and 2015 years of account ("YOA") of 4020 and 3902
Group Ark Insurance Limited	GAIL	Bermuda	Class III reinsurer, writes 90% quota share of ACML, provides Funds at Lloyd's ("FAL") on behalf of ACML to support 4020 and 3902

Directors and Directors interests

The directors served from 1 January 2017 to the date of this report, unless stated otherwise. Shareholdings in AIHL are stated as at 31 December 2017.

	H Shares (2015) No.	H shares (2016) No.	H shares (2017) No.	H shares (2018) No.
N Bonnar	386,341	494,516	494,516	494,516
N Brothers	1,961	3,456	3,456	4,500
N Smith	10,818	13,847	13,847	13,847
C Watson (Chairman)	-	-	-	-

N Bonnar also holds the following shares in AIHL - 92,230 Preference 1 shares (2016: 92,230), 121,788 Preference 2 shares (2016: 121,788), 100 T shares (2016: 100) and 70 Z shares (2016: 70).

Disclosure of information to auditors

The directors of the company who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Dividends

No dividend was paid in the year (2017: Nil). A dividend of £14.0m is proposed (2016: Nil).

Auditor

KPMG LLP have expressed their willingness to continue in office as auditors to the company. The company has an elective resolution in place under Section 487(2) of the Companies Act 2006 to dispense with the obligation to appoint auditors annually.

By order of the Board

J Masson, Company Secretary

20 September 2018

Strategic report

The Strategic Report has been prepared in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2014.

The principal activity of the company is that of a Lloyd's corporate member and participates on the 2017, 2016 and 2015 YOA of the Syndicate 4020, and the 2017 YOA of Syndicate 3902. The principal activity of the Syndicates is the underwriting of direct and reinsurance business in the Lloyd's market.

The company has entered into a number of whole account quota share reinsurance contracts with third parties, protecting its participation on the Syndicates. The company has also entered into, at arms length, a 90% whole account quota share reinsurance contract with GAIL, protecting its retained participation on the Syndicates. GAIL has provided FAL on behalf of the company in respect of its participation on these years.

Gross written premium income for the year was USD449.4m (2016: USD407.8m). The profit after taxation for the year was USD2.1m (2016: loss of USD0.1m).

The directors believe that the key performance indicators ("KPIs") of the Syndicates best represent the KPIs of the company, as set out below:

	2017 4020	2017 3902	2016 4020
Profit / (loss) for the financial year (£'000)	34,527	(4,380)	(1,122)
Claims ratio (%)	48.6%	61.3%	51.8%
Expenses ratio (%)	42.9%	57.3%	45.6%
Combined ratio (%)	91.5%	118.6%	97.4%

The claims ratio is the ratio of claims incurred net of reinsurance to earned premiums net of reinsurance. The expense ratio is the ratio of operating expenses and acquisition costs (excluding foreign exchange movements) to earned premiums net of reinsurance. The claims ratio for 4020 and 3902 is in line with expectations, given that 3902 commenced underwriting in 2017 and therefore has not fully earned premiums. The expense ratio is broadly in line with expectations.

The main components of the balance sheet are technical provisions and investments and cash. Technical provisions include a provision for outstanding claims of USD638.3m (2016: USD531.4m) and a provision for unearned premiums of USD271.1m (2016: USD244.5m). The reinsurers' share of technical provisions is USD261.6m (2016: USD234.3m) in respect of unearned premiums, and USD611.0m (2016: USD503.8m) in respect of outstanding claims. The provision for outstanding claims is based on evaluations of reported claims and estimates for losses incurred but not reported ("IBNR"). As claims may not be settled for a number of years after they are incurred, the setting of provisions involves a degree of judgement as to the ultimate exposure to losses. Investments and cash total USD529.6m (2016: USD526.0m) and are actively managed by third party investment managers. The Syndicates hold a diversified investment portfolio with a mix of cash, UK property, investment funds and corporate debt securities.

The principal risks and uncertainties of the company are aligned with the Syndicate and are set out in note 2 to the accounts. ASML has developed and maintains a risk register within its risk management framework for the Syndicate. Identified risks are grouped into major risk categories according to their nature, and by whom they are managed. The risk management framework allows risks to be identified and controls to be put in place as necessary, either to prevent the occurrence of the event or to mitigate its impact.

The company will participate on the 2018 YOA of 4020 and 3902. The capacity of 4020 for the 2018 YOA is £300.0m (2017 YOA: £300.0m). The capacity of 3902 for the 2018 YOA is £100.0m (2017 YOA: £100.0m). ACML has entered into a number of whole account quota share reinsurance contracts with third parties, protecting its participation on the 2018 YOA of the Syndicates. The company has also entered into, at arms length, a 90% whole account quota share reinsurance contract with GAIL.

By order of the Board

J Masson
Company Secretary
20 September 2018

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and 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 they are required to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under 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 its profit or loss for that period. In preparing the 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the balance sheet of the company [and enable them to ensure that its financial statements comply with the Companies Act 2006]. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect 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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Ark Corporate Member Limited

Opinion

We have audited the financial statements of Ark Corporate Member Limited ("the company") for the year ended 31 December 2017 which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state 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 UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page [X], the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

This report is made solely to the 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.

Ben Priestley (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
20 September 2018

Income statement

For the year ended 31 December 2017

	Notes	2017 USD'000	2016 USD'000
Revenue			
Gross premiums written	3	449,445	407,825
Outward reinsurance premiums		(326,124)	(293,404)
Net premiums written		123,321	114,421
Gross premiums earned		428,836	403,387
Premiums ceded to reinsurers		(302,070)	(286,315)
Net premiums earned		126,766	117,072
Investment result	4	581	28
Other revenues		1,893	3,518
Total revenue		129,240	120,618
Expenses			
Claims and claim adjustment expenses		(344,378)	(217,445)
Reinsurance recoveries		336,969	204,231
Claims and claim adjustment expenses, net of reinsurance		(7,409)	(13,214)
Expenses for the acquisition of insurance contracts		(116,727)	(107,561)
Operating expenses	5	(2,561)	(614)
Total expenses		(126,697)	(121,389)
Results of operating activities and profit / (loss) before tax		2,543	(771)
Taxation charge	6	(405)	670
Profit / (loss) for the year after tax		2,138	(101)

Statement of comprehensive income

	Notes	2017 USD'000	2016 USD'000
Profit / (loss) for the year after tax		2,138	(101)
Other comprehensive income - items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation differences		-	-
		2,138	(101)

The notes on pages 11 to 25 form part of these financial statements.

Balance sheet

As at 31 December 2017

	Notes	2017 USD'000	2016 USD'000
Assets			
Financial assets carried at fair value	7	516,504	509,952
Deferred acquisition costs	8	77,819	67,452
Insurance receivables	9	174,726	153,427
Reinsurance assets	10	872,530	738,113
Other receivables		41,488	21,837
Cash and cash equivalents	11	13,125	16,011
Prepayments and accrued income		1,718	2,307
Total assets		1,697,910	1,509,099
Equity and liabilities			
Equity			
Called up share capital	12	-	-
Profit and loss account		25,263	23,125
Total equity		25,263	23,125
Liabilities			
Insurance liabilities	13	909,480	775,908
Other payables	14	749,557	709,553
Deferred taxation	15	831	485
Accruals and deferred income		12,779	28
Total liabilities		1,672,647	1,485,974
Total equity and liabilities		1,697,910	1,509,099

The notes on pages 11 to 25 form part of these financial statements. The financial statements were approved by the Board of Ark Corporate Member Limited on 23 May 2018 and signed on its behalf by

N Smith, Director
20 September 2018

Statement of changes in equity

	Share capital USD'000	Retained earnings USD'000	Total USD'000
At 1 January 2016	-	23,226	23,226
Loss for the year	-	(101)	(101)
At 31 December 2016	-	23,125	23,125
Profit for the year	-	2,138	2,138
At 31 December 2017	-	25,263	25,263

The notes on pages 11 to 25 form part of these financial statements.

Notes to the financial statements

1. Statement of accounting policies

The financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102").

Basis of preparation

The financial statements are prepared using the historical cost convention except that financial investments and derivative financial instruments are stated at their fair value. The financial statements have been prepared on a going concern basis. The directors of the company have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

The company underwrites as a corporate members of Lloyd's on syndicates managed by ASML. In view of the several liability of underwriting members at Lloyd's for the transactions of syndicates in which they participate, only attributable shares of transactions, assets and liabilities of those syndicates are included in the financial statements.

The results of the company are consolidated in the financial statements of AIHL. The financial statements of AIHL can be obtained from the registered office, Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda. No other group financial statements include the results of the company. The immediate parent company of the Company is Group Ark Insurance Holdings Limited ("GAIHL"). The company is considered to be a qualifying entity (for the purposes of FRS) and has applied exemptions available under FRS 102 in respect of the requirement to include a cash flow statement and related notes. The company has taken advantage of the exemption for wholly owned subsidiaries available in FRS 102 and has not disclosed related party transactions between itself and other group companies.

Use of judgements and estimates

In preparing these accounts, the directors have made judgements, estimates and assumptions that affect the application of the Syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The measurement of the provision for claims outstanding involves judgments and assumptions about the future that have the most significant effect on the amounts recognised in the financial statements.

Insurance contracts

Insurance contracts (including inwards reinsurance contracts) are defined as those containing significant insurance risk. Insurance risk is considered significant if, and only if, an insured event could cause Ark to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire.

Premiums written and earned

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 years. Premiums are shown gross of acquisition costs such as brokerage payable and taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due but not yet notified.

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. The provision is calculated on a policy by policy basis.

Reinsurance premiums ceded

Outwards reinsurance premiums are accounted for in the same accounting year as the premiums for the direct or inwards business being reinsured.

Claims provisions and related recoveries

The provision for claims comprises amounts set aside for claims notified and claims incurred but not yet reported ("IBNR").

Claims incurred comprise claims and claims handling expenses paid in the year and the movement in provision for outstanding claims and future claims handling expenses. Recoverable amounts arising out of subrogation and salvage together with reinsurance recoveries are deducted from the cost of gross claims.

1. Statement of accounting policies (continued)

Outstanding claims consist of amounts set aside for notified claims and a provision for IBNR claims. The amount included in respect of IBNR is arrived at by considering the actuarially calculated provision, using techniques that generally involve statistical techniques of estimation applied by ASML's actuaries and reviewed by external consulting actuaries, as well as the opinion of the class underwriters and executive management. The actuarial techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting having regard to variations in the business accepted and the underlying terms and conditions. Large claims are generally assessed individually, being calculated on a case by case basis or projected separately to allow for the possible distortive effects of the developments of these claims on the balance of the data. The provision for claims also includes amounts in respect of internal and external claims handling costs.

The reinsurers' share of provisions for claims is based on calculated 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. The Syndicate uses a number of statistical techniques to assist in making these estimates.

Accordingly the two most critical assumptions as regards 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. 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 amount of claims provisions established in prior years are reflected in the financial statements for the year in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

Acquisition costs

Acquisition costs, comprising brokerage and taxes and duties levied on them are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements are measured using the US dollar, the currency of the primary economic environment in which the company operates (the "functional currency"). The financial statements are presented in US dollars, being the functional and presentation currency of the company.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using average exchange rates applicable to the period in which the transactions take place and where the company considers these to be a reasonable approximation of the transaction rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation at the period end of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss. Non-monetary items recorded at historical cost in foreign currencies are translated using the exchange rate on the date of the initial transaction. For the purposes of foreign currency translation, unearned premiums and deferred acquisition costs are treated as if they are monetary items.

Financial assets

Financial assets are recognised in the balance sheet at such time as the company becomes a party to the contractual provisions of the asset. Purchases and sales of financial assets are recognised on the trade date, which is the date the company commits to purchase or sell the asset. A financial asset is derecognised when the contractual rights to receive cash flows from the financial assets expire, or where the financial assets have been transferred, together with substantially all the risks and rewards of ownership. Financial liabilities are derecognised if the company's obligations specified in the contract expire, are discharged or cancelled.

On acquisition of a financial asset, the company is required to classify the asset into one of the following categories: financial assets at fair value through the statement of profit or loss, loans and receivables, assets held to maturity and assets available for sale. The company has classified its investments as fair value through the statement of profit or loss because they are managed and their performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the company's key management. The company's investment strategy is to invest and evaluate their performance with reference to their fair values.

1. Statement of accounting policies (continued)

Fair value is the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. When available, the company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a market for a financial instrument is not active, the company establishes fair value using a valuation technique. Valuation techniques include using recent orderly transactions between market participants (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Upon initial recognition, attributable transaction costs relating to financial instruments at fair value through profit or loss are recognised in the statement of profit or loss when incurred. Financial assets at fair value through profit or loss are continually measured at fair value, and changes therein are recognised in the statement of profit or loss. Net changes in the fair value of financial assets at fair value through profit or loss exclude interest and dividend income, as these items are accounted for separately as set out below.

Insurance receivables and payables

Insurance receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. Insurance receivables are classified as 'loans and receivables' as they are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Insurance receivables are measured at amortised cost less any impairment losses. Insurance payables are stated at amortised cost.

Other receivables

Other receivables are carried at amortised cost less any impairment losses.

Investment income

Investment income consists of dividends, interest, realised and unrealised gains and losses and foreign exchange gains and losses on financial assets at fair value through the statement of profit or loss. Dividends on equity securities are recorded as revenue on the ex-dividend date. Interest is recognised separately on an amortised cost basis using the effective interest rate method for financial assets at fair value through the statement of profit or loss. The realised gains or losses on disposal of an investment are the difference between the proceeds and the original cost of the investment. Unrealised investment gains and losses represent the difference between the carrying value at the reporting date, and the carrying value at the previous period end or purchase value during the period.

Other payables

Other payables are stated at amortised cost determined on the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand, deposits held at call with banks and other short-term highly liquid investments with maturities of three months or less from the date of acquisition. Cash and cash equivalents are classified as loans and receivables and carried at amortised cost less any impairment losses.

1. Statement of accounting policies (continued)

Taxation

The company is taxed in the UK on its share of the underwriting results declared by the Syndicate and these are deemed to accrue evenly over the calendar year in which they are declared. The results of the Syndicate included in the financial statements relate to the open years of account and will only be declared for tax purposes in the year following the closure of the year of account. Other profits arising in the UK are assessable to tax in the same year as they are recognised for accounting purposes, after adjustment in accordance with tax legislation.

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the UK taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2. Management of risk

Approach to risk management

Ark's core business relies on the assumption of internal and external risk within the appetites and tolerances established by the Board. Primarily Ark's business is the assumption of Insurance Risk and Market Risk, with the additional categories of Credit Risk, Liquidity Risk, Operational Risk and Group Risk. Managing these risks in a manner that is consistent with the strategy, appetites and tolerances established by the Board requires that Ark has in place a systematic, objective, and robust set of governance arrangements and processes for identifying and quantifying the risks to which it is exposed. This enables Ark to determine appropriate strategies and approaches for prevention and mitigation.

The effectiveness with which Ark manages risk is a key determinant of the level of capital resources required to run the business and its ability to achieve its strategic objectives including, in relation to capital efficiency and the production of acceptable levels of return.

Insurance risk

This is the risk arising from the uncertainties in timing, frequency and severity of insured losses, relative to the expectations made at the time of business planning or underwriting. Ark's business is based on the seeking and assumption of insurance risk. The company writes a balanced and diversified book of business through a team of experienced underwriters with the objective of charging appropriate premiums to cover claims and operational costs whilst optimising the expected return on equity. Target returns are assessed each year, taking into account the insurance market outlook and realistic expectations of return on equity. Insurance risk comprises the following elements:

a) Exposure management risk

This is the risk of exposure to an event, or a series of events, which causes a potential financial loss that exceeds expectations. The nature of Ark's business and underwriting portfolio includes the assumption of a high degree of catastrophe, non-catastrophe and accumulative exposure to different events. This is managed through the purchase of reinsurance and diversification of business lines and geographical areas to balance exposures, with the aim of reducing the risk that one event, or a series of events, will cause unacceptable loss to the business. Ark's catastrophe and non-natural catastrophe modelling processes incorporate Ark-specific disaster scenarios, aggregate caps and cross-class modelling which reflect the diversity of the portfolio.

2. Management of risk (continued)

b) Underwriting quality risk

This is the risk of inappropriate underwriting or the inadequate pricing of risks which can lead to unprofitable business or inefficient line utilisation and risk selection. The management of underwriting quality can be difficult in a competitive market where underwriters are often under pressure to meet premium and pricing targets. Ark operates an underwriting controls framework which includes individual underwriting authorities, continual quality monitoring and peer review of risks. The framework aims to ensure a high quality of underwriting through monitoring of pricing and rate change, contract certainty and agreement of appropriate terms and conditions.

c) Delegated underwriting quality risk

This is the risk of exposure to inappropriate risks through the delegation of underwriting authorities to third parties or the delegation of authority to inappropriate third parties. The nature of delegated underwriting naturally increases the risk of underwriting, through the ability of third parties being able to bind the company to risks without detailed review of the risk involved. This risk is mitigated through the application of strict guidelines, managed by a dedicated team within the Compliance department. This team reviews coverholder and third party authority ("TPA") approvals pre-bind and monitors a programme of audits to ensure compliance with regulations and guidelines.

d) Claims management risk

This is the risk that claims made are not managed in an appropriate manner, leading to material adverse results through an increase in claims, payments or exposure to legal issues. The management of claims is conducted in accordance with claims procedures, which are, in turn, in line with the Lloyd's Minimum Standards. This includes the management of claims workflows and response times, reviews of major claims to ensure accurate estimates, regular reserving reviews and management of complaints. These processes are enhanced through communication with underwriting teams to understand the policy or portfolio and with the Compliance department to manage coverholders and TPAs.

e) Reserving risk

This is the risk that the estimated claims reserves differ materially from the ultimate cost of the claim or event. Reserving risk is the second largest risk category in the Internal Model and has the potential to significantly impact profitability. The potential impact is controlled through the use of a mix of actuarial models and methods, industry data and underwriter experience to produce reliable estimates that are based on up to date information, and consistently applied over time and across classes of business. These estimates are subject to an external review each year.

f) Reinsurance purchasing

This is the risk of purchasing insufficient or inappropriate reinsurance, or the exhaustion of reinsurance, leading to excessive or unexpected losses. The process of reinsurance purchasing forms a major part of Ark's business planning process and includes the use of the Internal Model as a tool for decision making. Reinsurance is purchased for a mixture of risk and event losses across the majority of classes, in a mixture of excess of loss and proportional cover, dependent on the scale and characteristics of the class or treaty concerned. Ark also employs controls and monitoring around the use of insurers, credit ratings and concentration risk.

g) Underwriting management

This is the risk that returns from the policies written are different from expectations or are not in line with the business plan. Examples include a failure to reduce or exit from unprofitable business or a failure of underwriters to follow the business plan which sets out the parameters, classes, limitations and profitability expectation of underwriting teams for the forthcoming year. Communication of the business plan to the underwriting teams is therefore imperative. The performance of each class and the syndicate portfolio as a whole is reviewed against the business plan on a regular basis by the Board and various committees using information available from the management information portal. Various controls are in place to ensure constant vigilance including underwriting authorities, monitoring of risk codes, geographical aggregates and data quality.

Sensitivity to movement in net claims liabilities	2017 Impact on profit after tax USD'000	2016 Impact on profit after tax USD'000	2017 Impact on net assets USD'000	2016 Impact on net assets USD'000
5% increase in total net claim liabilities	(1,095)	(1,101)	(1,095)	(1,101)
5% decrease in total net claim liabilities	1,095	1,101	1,095	1,101

2. Management of risk (continued)

Credit risk

Credit risk arises when counterparties fail to meet their obligations in full as they fall due. The key areas where credit risk can arise include reinsurers, brokers, coverholders and investment counterparties.

The probability of reinsurer default is modelled by the Actuarial team as part of the Internal Model. Ark seeks to reduce this risk by avoiding over-reliance on specific reinsurers through the application of concentration limits and thresholds. This is monitored by the Security Advisory Committee (SAC). Prior to the transaction of business, broker and coverholder default is mitigated through the application of due diligence on new and existing counterparties, and a rolling audit schedule post-bind. Overdue premium is also monitored by class, broker and age of debt. The investment portfolio is managed in line with asset allocation guidelines which are monitored by type, counterparty, quality and duration. Ark outsources the management of a significant proportion of its investment portfolio to managers who monitor and report on performance and adherence to guidelines on a regular basis.

2017 – credit risk analysis	A or better USD'000	BBB USD'000	Lower than BBB USD'000	Unrated USD'000	Total USD'000
Financial assets at fair value	78,603	3,858	309	433,734	516,504
Reinsurance assets	406,034	-	-	204,927	610,961
Cash and cash equivalents	13,125	-	-	-	13,125
	497,762	3,858	309	638,661	1,140,590

2016 – credit risk analysis	A or better USD'000	BBB USD'000	Lower than BBB USD'000	Unrated USD'000	Total USD'000
Financial assets at fair value	182,165	378	3,889	323,520	509,952
Reinsurance assets	301,749	-	-	202,084	503,833
Cash and cash equivalents	16,011	-	-	-	16,011
	499,925	378	3,889	525,604	1,029,796

Insurance receivables and other receivables balances held by the company have not been impaired, based on all evidence available, and no impairment provision has been recognised in respect of these assets. Inwards premium receivables are credit controlled by third-party managers. Ark monitors third party coverholders' performance and their financial processes through the coverholder management team. A provision for doubtful debts is included within reinsurance receivables of USD0.2m (2016: USD0.1m).

Market risk

This is the risk that the value of assets and liabilities changes as a result of market movements or events e.g. foreign exchange rates, interest rates and market prices.

a) Foreign exchange risk

The functional currency of the company and its main trading entities is the US dollar and the presentation currency in which the company reports its results is the US dollar. Therefore the company is exposed to fluctuations in exchange rates for non-dollar denominated transactions.

2. Management of risk (continued)

The company operates in five main currencies: US dollars, Sterling, Canadian dollars, Australian dollars and Euros. The underwriting capital is matched by currency to the principal underlying currencies of its written premiums. This helps to mitigate the risk that the capital required to underwrite business is materially affected by any future movements in exchange rates.

2017 – currency analysis	Sterling USD'000	Euros USD'000	Canadian dollars USD'000	Australian dollars USD'000	US dollars USD'000	Total USD'000
Assets	(1,331)	4,976	3,033	1,420	1,689,812	1,697,910
Liabilities	16,492	2,900	2,389	1,115	1,649,751	1,672,647
Net assets	(17,823)	2,076	644	305	40,061	25,263

2016 – analysis by currency	Sterling USD'000	Euros USD'000	Canadian dollars USD'000	Australian dollars USD'000	US dollars USD'000	Total USD'000
Assets	241	4,534	2,707	1,511	1,500,106	1,509,099
Liabilities	14,774	2,772	2,121	1,139	1,465168	1,485,974
Net assets	(14,533)	1,762	586	372	34,938	23,125

Sensitivity to foreign exchange risk	2017 Impact on profit after tax USD'000	2016 Impact on profit after tax USD'000	2017 Impact on net assets USD'000	2016 Impact on net assets USD'000
USD weakens by 5% against other currencies	204	136	204	136
USD strengthens by 5% against other currencies	(204)	(136)	(204)	(136)

b) Interest rate risk

Some of the financial instruments, including certain financial assets at fair value, cash and cash equivalents and borrowings, are exposed to movements in market interest rates. The group manages interest rate risk by primarily investing in short-duration financial assets and cash and cash equivalents. The duration of assets is monitored on a regular basis. The duration of assets exposed to movements in market interest rates is 0.81 (2016: 1.29). Changes in interest rates, with all other variables constant, would result in changes in the capital value of debt securities and borrowings as well as subsequent interest receipts and payments.

Sensitivity to interest rate risk	2017 Impact on profit after tax USD'000	2016 Impact on profit after tax USD'000	2017 Impact on net assets USD'000	2016 Impact on net assets USD'000
50 basis point increase in interest rates	(28)	(25)	(28)	(25)
50 basis point decrease in interest rates	28	25	28	25

c) Price risk

Financial assets recognised at fair value are exposed to movements in market prices.

Sensitivity to price risk	2017 Impact on profit after tax USD'000	2016 Impact on profit after tax USD'000	2017 Impact on net assets USD'000	2016 Impact on net assets USD'000
5% increase in FTSE 100 and S&P 500	176	188	176	188
5% decrease in FTSE 100 and S&P 500	(172)	(183)	(172)	(183)

2. Management of risk (continued)

Liquidity risk

Liquidity risk arises where cash may not be available to pay obligations when they fall due without incurring unreasonable penalties or expense costs. The company participates as a corporate member on the Syndicate and is therefore not exposed to the liquidity risk associated with large and unexpected claim payments. The financial assets of the company are primarily held within syndicate trust funds. There is a charge over these assets in order to satisfy Lloyd's obligations and they are not readily available to the company. Therefore, the key liquidity risk to the company is that funds are not available, either through retained earnings or through support from the parent company, to meet its operating expense obligations as they fall due.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes or systems. Risks are identified within the risk register and are modelled via operational scenarios. Ark aims to minimise its exposure to operational risk by monitoring controls and management information in the form of key indicators that indicate changes to the risk profile.

Ark outsources a number of key functions, such as investment management, inwards premium credit control and human resources. This introduces the risk that the company may be exposed to liability or may fail to achieve its objectives due to inappropriately arranged, or a failure of, outsource arrangements. This risk is mitigated through pre-contract due diligence and performance review throughout the contract life cycle.

Ark recognises that the success of a business depends on the ability to retain the services of existing key staff and to attract and retain additional people in the future, both in underwriting and support functions. This risk is managed through the provision of sufficient education and development, support for qualifications and competitive remuneration packages.

Ark is also impacted by the risk of information technology system failure or disruption. This is mitigated through a control framework which includes network security, data, hardware and applications and is complimented by detailed planning around back-ups, contingency and disaster recovery, all of which are monitored and tested on a regular basis.

Regulatory risk

Regulatory risk is the risk of censure following a breach of regulatory or legal requirements, or a failure to respond to deadlines or information requests from regulators in a satisfactory and timely manner. Ark is regulated, overseen or required to report to the PRA, FCA, Lloyd's and other overseas regulators. Each body requires adherence to specific requirements and guidelines. In order to mitigate this, Ark seeks to conform to the regulations as they apply to each functional area. Much of this is operated through training and awareness to promote correct behaviour at source, as opposed to corrective action at a later stage. The overall risk is managed by the Compliance department which seeks to ensure that deadlines are met and changes in regulation are communicated in a timely manner.

Capital management risk

Capital is primarily required to support underwriting at Lloyd's. Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II, and beyond that to meet its own financial strength, licence and ratings objectives. In order to meet Lloyd's requirements, each syndicate is required to calculate its Solvency Capital Requirement ("SCR") for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.

Each member of a syndicate is liable for its own share of underwriting liabilities on the syndicate(s) on which it is participating. Each member's SCR is determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, an uplift is applied by Lloyd's to the member's capital requirement, known as the Economic Capital Assessment ("ECA").

The Syndicate is required to produce an individual capital assessment ("ICA") which sets out the amount of capital that is required to reflect the risks contained within the business. Lloyd's reviews this assessment to ensure that ICAs are consistent across the market. The current capital assessment has been established using our Solvency II internal model which has been run within the ICA regime as prescribed by Lloyd's.

3. Segmental analysis

Ark management considers that it has one segment, being insurance and reinsurance risks underwritten at Lloyd's in the United Kingdom.

4. Investment result

	2017 USD'000	2016 USD'000
Income on financial investments at fair value	245	801
Interest on cash and cash equivalents	85	206
Realised gains on investments	181	360
Unrealised gains on investments	616	711
Realised losses on investments	(36)	(176)
Unrealised losses on investments	(249)	(1,844)
Investment management charges	(261)	(30)
	581	28

5. Operating expenses

	2017 USD'000	2016 USD'000
Administrative expenses	1,460	1,508
Managing agency fee	171	120
Personal expenses	323	88
Loss / (gain) on foreign exchange	607	(1,102)
	2,561	614

Operating expenses include amounts receivable by the auditor in respect of:

	2017 USD'000	2016 USD'000
Audit fees	19	27

All staff are remunerated by ASML. The directors do not receive any remuneration in respect of their services to the company.

6. Taxation

	2017 USD'000	2016 USD'000
Expense for the year	483	2,209
Adjustment in respect of prior years	(424)	(510)
Total current tax	59	1,699
Deferred tax	346	(2,369)
Total tax charged to the income statement	405	(670)

There are no known factors that would significantly impact the future tax charge of the company.

6. Taxation (continued)

A reconciliation of the tax charge is set out below:

	2017 USD'000	2016 USD'000
Expense for the year	483	2,209
Adjustment in respect of prior years	(424)	(510)
Total current tax	59	1,699
Deferred tax	346	(2,369)
Total tax charged to the income statement	405	(670)

There are no known factors that would significantly impact the future tax charge of the company. A reconciliation of the tax charge is set out below:

	2017 USD'000	2016 USD'000
Profit / (loss) on ordinary activities	2,543	(771)
UK corporation tax at 19.0% (2016: 20.0%)	483	(154)
Taxation effect of:		
Prior year adjustment	(424)	(510)
Expenses not deductible for tax purposes	-	(6)
Underwriting profits not taxable in the current year	346	(2,369)
Tax charge for the period	405	(670)

7. Financial assets

Financial assets at fair value	2017 USD'000	2016 USD'000
Shares and other variable yield securities	399,124	372,517
Debt and other fixed income securities	96,323	108,118
Other investments	21,057	29,317
	516,504	509,952
The amount expected to mature before and after one year is:		
Before one year	480,590	437,624
After one year	35,914	72,328
	516,504	509,952

Fair value measurement

The fair values of financial assets are based on prices provided by investment managers who obtain market data from numerous independent pricing services. The pricing services used by the investment manager obtain 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. Level 1 includes fair values measured using quoted prices (unadjusted) in active markets for identical instruments.

7. Financial assets (continued)

Level 2 includes fair values measured using directly or indirectly observable inputs or other similar valuation techniques for which all significant inputs are based on market observable data. Level 3 includes fair values measured using valuation techniques for which significant inputs are not based on market observable data. All financial assets and borrowings are considered by management to be Level 2. Level 2 of the hierarchy contains corporate securities, asset backed securities and mortgage-backed securities. The fair value of these assets is based on the prices obtained from both investment managers and investment custodians.

8. Deferred acquisition costs

	2017 USD'000	2016 USD'000
Balance at 1 January	67,452	68,257
Additions	122,336	108,744
Amortisation charge	(116,727)	(107,561)
Net exchange differences	4,758	(1,988)
Balance at 31 December	77,819	67,452

9. Insurance receivables

	2017 USD'000	2016 USD'000
Arising out of direct insurance operations	133,384	121,262
Arising out of reinsurance operations	41,342	32,165
	174,726	153,427

	2017 USD'000	2016 USD'000
Due within one year	169,296	152,864
Due after one year	5,430	563
	174,726	153,427

10. Reinsurance assets

	2017 USD'000	2016 USD'000
Reinsurers' share of claims reported and loss adjustment expenses	300,971	243,857
Reinsurers' share of claims incurred but not reported	309,990	259,976
Reinsurers' share of claims liabilities	610,961	503,833
Unearned premiums	261,569	234,280
	872,530	738,113

11. Cash and cash equivalents

	2017 USD'000	2016 USD'000
Cash at bank and in hand	13,125	16,011

12. Share capital

	2017 Authorised Number	2017 Authorised USD'000	2017 Allotted, issued and fully paid Number	2017 Allotted, issued and fully paid USD'000
Ordinary shares of £1 each	1,000	2	1	-

There has been no change to share capital in the year.

13. Insurance liabilities

	2017 USD'000	2016 USD'000
Claims reported and loss adjustment expenses	309,988	252,183
Claims incurred but not reported	328,342	279,188
Gross claims liabilities	638,330	531,371
Unearned premiums	271,150	244,537
	909,480	775,908

Movements in insurance liabilities and reinsurance assets are as follows:

Claims and loss adjustment expenses	2017 Gross USD'000	2017 Reinsurance USD'000	2017 Net USD'000	2016 Gross USD'000	2016 Reinsurance USD'000	2016 Net USD'000
At 1 January	531,371	503,833	27,538	617,819	563,522	54,297
Claims paid	(259,085)	(250,939)	(8,146)	(203,592)	(195,959)	(7,633)
Movement arising from current years	343,882	336,969	6,913	217,023	204,231	12,792
Movement arising from prior years	496	-	496	422	-	422
Net exchange differences	21,666	21,098	568	(100,301)	(67,961)	(32,340)
At 31 December	638,330	610,961	27,369	531,371	503,833	27,538

Unearned premiums	2017 Gross USD'000	2017 Reinsurance USD'000	2017 Net USD'000	2016 Gross USD'000	2016 Reinsurance USD'000	2016 Net USD'000
At 1 January	244,537	234,280	10,257	243,564	234,237	9,327
Increase in the year	449,445	326,124	123,321	407,825	293,404	114,421
Release in the year	(428,836)	(302,070)	(126,766)	(403,387)	(286,315)	(117,072)
Net exchange differences	6,004	3,235	2,769	(3,465)	(7,046)	3,581
At 31 December	271,150	261,569	9,581	244,537	234,280	10,257

Assumptions and processes

a) The reserving process

Ark uses a quarterly process to set its reserves. Several actuarial and statistical methods are used to estimate the ultimate premium and claims costs, with the most appropriate method selected depending on the nature of each class of business. In addition, the underwriting teams review the development of the incurred loss ratio over time, work with the claims team to set reserve estimates for identified claims and utilise their detailed understanding of both risks underwritten and the nature of the claims to establish an alternative estimate of ultimate claims cost, which is compared to the actuarially established figures.

13. Insurance liabilities (continued)

The Reserving Committee determines the reserves held for accounting purposes. An annual independent actuarial review is undertaken to ensure that the reserves established are not lower than an independently established best estimate.

Chain-ladder techniques are applied to premiums, paid claims and incurred claims (i.e. paid claims plus case estimates). The basic technique involves the analysis of historical claims development factors and the selection of estimated development factors based on historical patterns. The selected development factors are then applied to cumulative claims data for each underwriting year that is not yet fully developed to produce an estimated ultimate claims cost for each underwriting year. The Bornhuetter-Ferguson method uses a combination of a benchmark / market-based estimate and an estimate based on claims experience. The former is based on a measure of exposure such as premiums; the latter is based on the paid or incurred claims observed to date. The two estimates are combined using a formula that gives more weight to the experience-based estimate as time passes.

The choice of selected results for each underwriting year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combinations of techniques have been selected for individual underwriting years or groups of underwriting years within the same class of business. As such, there are many assumptions used to estimate insurance liabilities.

Triangulations of the paid / outstanding claim ratios are used as a way of monitoring changes in the strength of the outstanding claim estimates between underwriting years so that adjustments can be made to mitigate any subsequent over / (under)reserving. Where significant losses impact an underwriting year, the development is usually very different from the attritional losses. In these situations, the large loss total is extracted from the remainder of the data and analysed separately by the respective claims managers using exposure analysis of the policies in force in the areas affected. Further assumptions are required to convert gross of reinsurance estimates of ultimate claims cost to a net of reinsurance level and to establish reserves for unallocated claims handling expenses and reinsurance bad debt.

b) Major assumptions

The main assumption underlying these techniques is that the Syndicate's past claims development experience (with appropriate adjustments for known changes) can be used to project future claims development and hence ultimate claims costs. As such these methods extrapolate the development of premiums, paid and incurred losses, average costs per claim and claim numbers for each underwriting year based on the observed development of earlier years. Throughout, judgement is used to assess the extent to which past trends may not apply in the future; for example, to reflect changes in external or market factors such as economic conditions, public attitudes to claiming, levels of claims inflation, premium rate changes, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

The loss development tables below provide information about historical claims development at a whole account level. The tables are by underwriting year which in our view provides the most transparent reserving basis. The top part of the table illustrates how the estimate of claims for each underwriting year has changed at successive year ends. The bottom half of the table reconciles the gross and net claims to the amount appearing in the balance sheet. While the information in the table provides a historical perspective on the adequacy of the claims liabilities established in previous years, users of these financial statements are cautioned against extrapolating past redundancies or deficiencies on current claims liabilities. The company believes that the estimate of total claims liabilities selected is adequate. However, due to inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

Gross claims, syndicate	2017 USD'000	2016 USD'000	2015 USD'000	2014 USD'000	2013 USD'000	2012 USD'000	2011 USD'000	2010 and prior USD'000
1 year	220,654	101,804	112,785	116,812	143,277	147,344	130,968	751,491
2 years	-	216,365	227,643	228,277	275,117	225,100	232,282	950,161
3 years	-	-	251,437	251,516	287,509	232,916	249,044	984,528
4 years	-	-	-	254,657	281,135	231,648	244,107	973,379
5 years	-	-	-	-	283,126	232,090	242,905	966,475
6 years	-	-	-	-	-	225,550	247,916	957,777
7 years	-	-	-	-	-	-	246,287	955,791
8 years	-	-	-	-	-	-	-	961,059

13. Insurance liabilities (continued)

Net claims, syndicate	2017 USD'000	2016 USD'000	2015 USD'000	2014 USD'000	2013 USD'000	2012 USD'000	2011 USD'000	2010 and prior USD'000
1 year	73,017	96,636	89,797	112,948	138,932	137,823	209,432	824,698
2 years	-	175,334	177,770	217,065	242,686	219,506	213,271	850,667
3 years	-	-	198,832	235,153	254,686	225,370	201,900	836,528
4 years	-	-	-	232,781	248,131	219,820	199,131	824,800
5 years	-	-	-	-	249,102	218,620	199,083	813,340
6 years	-	-	-	-	-	212,995	196,478	810,358
7 years	-	-	-	-	-	-	196,478	807,207
8 years	-	-	-	-	-	-	-	816,967

	Gross All years USD'000	Net All years USD'000
Total claims	2,659,135	2,155,506
Less paid claims	(1,942,117)	(1,645,752)
Claims liabilities, syndicate	717,018	509,754
Less unaligned share	(78,688)	(482,385)
Claims liabilities, company	638,330	27,369

On a whole account basis, the claims experience in 2017 has been better than expected based on the prior year reserves.

14. Other payables

	2017 USD'000	2016 USD'000
Creditors arising out of direct insurance operations	4,354	1,822
Creditors arising out of reinsurance operations	738,856	701,235
Other creditors	6,347	6,496
	749,557	709,553

	2017 USD'000	2016 USD'000
Due within one year	520,649	467,288
Due after one year	228,908	242,265
	749,557	709,553

15. Deferred taxation

	2017	2016
	USD'000	USD'000
Provision at 1 January	485	3,154
Underwriting results taxable on closure of the 2017, 2016 and 2015 YOA (2016: 2016, 2015 and 2014 YOA)	346	(2,669)
At 31 December	831	485

The UK corporation tax rate is 19.0% for the year ended 31 December 2017 (2016: 20.0%). The Finance Bill 2016 confirmed a reduction to the corporation rate to 17% from April 2020. In accordance with accounting standards the effect of these rate reductions on deferred tax balances have been reflected in these accounts as the relevant legislation in relation to the reduction in the UK corporation tax rate has been substantively enacted at the balance sheet date.

16. Syndicate assets

Investments and cash of USD529.6m (2016: USD526.0m) are held within syndicate trust funds. There is a charge over these assets in order to satisfy Lloyd's obligations. Assets held within syndicate trust funds are not readily available to the company.