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**LIMITED LIABILITY PARTNERSHIP**

**KS Underwriting LLP**

**Annual Report**

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**◆ For the year ended 31 December 2018 ◆**

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**Registered Number: OC348593**

# KS Underwriting LLP

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# **KS Underwriting LLP**

## **General Information**

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### **DESIGNATED MEMBERS**

Argenta Continuity Limited  
Argenta LLP Services Limited

### **MEMBERS' AGENT**

(Regulated by the Financial Conduct Authority)  
Argenta Private Capital Limited

### **AUDITORS**

Mazars LLP  
Tower Bridge House  
St Katharine's Way  
London  
E1W 1DD

### **REGISTERED NUMBER**

OC348593

### **REGISTERED OFFICE**

5th Floor, 70 Gracechurch Street  
London  
EC3V 0XL

## **KS Underwriting LLP**

### **Strategic Report For the year ended 31 December 2018**

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The Members present their Strategic Report for the year ended 31 December 2018.

#### **Business Review**

The Limited Liability Partnership has ceased to write insurance business in the Lloyd's insurance market as a limited liability underwriting Member of Lloyd's.

The Financial Statements incorporate the annual accounting results of the Syndicates on which the Limited Liability Partnership participates for the 2016, 2017 and 2018 years of account, as well as any 2015 and prior run-off years.

#### **Results**

The result for the year is shown in the profit and loss account.

#### **Financial Risk Management Objectives and Policies**

The Limited Liability Partnership is principally exposed to financial risk through its participation on Lloyd's Syndicates. It has delegated sole management and control of its underwriting through each Syndicate to the managing agent of that Syndicate and it looks to the managing agents to implement appropriate policies, procedures and internal controls to manage each Syndicate's exposures to insurance risk, credit risk, market risk, liquidity risk and operational risk. The Limited Liability Partnership is also directly exposed to these risks, but they are not considered material for the assessment of the assets, liabilities, financial position and profit or loss of the Limited Liability Partnership.

Hedge accounting is not used by the Limited Liability Partnership.

Approved by the Members on 26 June 2019 and signed on their behalf by:



**D C BOWLES**  
**ARGENTA LLP SERVICES LIMITED**  
Designated Member

## **KS Underwriting LLP**

### **Members' Report For the year ended 31 December 2018**

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The Members present their report together with the financial statements for the year ended 31 December 2018.

#### **Statement of Members' Responsibilities**

Legislation applicable to Limited Liability Partnerships requires the Members to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that period.

In preparing those financial statements, the Members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departure 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 Partnership will continue in business.

The Members are responsible for ensuring that proper and up to date books of account are maintained in accordance with generally accepted accounting principles, and disclose with reasonable accuracy at any time the financial position of the Partnership and enable them to ensure that the financial statements comply with the Limited Liability Partnership Regulations. They are also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Activities**

The principal activity of the Limited Liability Partnership in the year under review was that of a limited liability underwriting Member of Lloyd's in run – off. The Limited Liability Partnership ceased underwriting at 31 December 2018. The Members do not consider the Limited Liability Partnership to be a going concern and the financial statements have been prepared on a break up basis.

#### **Designated Members**

The Designated Members during the period, and to the date of this report, were as follows:

Argenta Continuity Limited  
Argenta LLP Services Limited

#### **Members' Interests**

The net profit of the Limited Liability Partnership for the financial year is allocated to each Member in accordance with their respective profit shares for the relevant year(s) of account.

The net loss of the Limited Liability Partnership for the financial year is allocated to each Member in accordance with their respective yearly shares for the relevant year(s) of account.

#### **Brexit**

The Brexit talks have now entered the second phase focusing on trade. At present the insurance sector still needs certainty on the UK's future trading relationship with EU. The priority is to ensure mutual insurance and reinsurance market access if the UK leaves the EU. In the meantime Lloyds continue to move ahead with their plans to establish a Lloyd's subsidiary in Brussels, which will provide certainty for the market and Lloyds clients. The Members are monitoring the Lloyd's market's preparations along with general market conditions to identify if it is appropriate to make any changes to the current strategy of the Partnership.

#### **Auditors**

Mazars LLP have signified their willingness to act and continue to be appointed as the auditors to the Limited Liability Partnership.

Approved by the Members on 26 June 2019 and signed on their behalf by:



**D C BOWLES**  
**ARGENTA LLP SERVICES LIMITED**  
Designated Member

# **KS Underwriting LLP**

## **Independent Auditor's Report To the Members of KS Underwriting LLP For the year ended 31 December 2018**

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### **Opinion**

We have audited the financial statements of KS Underwriting LLP (the 'LLP') for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Reconciliation of Member's Interests, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the LLP's affairs as at 31 December 2018 and of its Loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

### **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. We are independent of the LLP 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.

### **Emphasis of Matter – basis of preparation**

We draw attention to page 5 to the financial statements which explains that the Members do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly the financial statements have been prepared on a basis other than going concern. Our opinion is not modified in respect of this matter.

### **The impact of uncertainties due to the United Kingdom exiting the European Union on our audit**

The Members' view on the impact of Brexit is disclosed on page 5.

The terms on which the United Kingdom may withdraw from the European Union are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Partnership's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Partnership as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Partnership's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the Partnership and this is particularly the case in relation to Brexit.

### **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 Members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the LLP'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.

### **Other information**

The Members are responsible for the other information. The other information comprises the information included in the whole financial statements, other than the financial statements themselves and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and 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 we are required to report that fact.

## **KS Underwriting LLP**

### **Independent Auditor's Report (continued) To the Members of KS Underwriting LLP For the year ended 31 December 2018**

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We have nothing to report in this regard.

#### **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 material misstatements in the Strategic Report or the Members' Report

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 as applied to limited liability partnerships 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
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of Members**

As explained more fully in the Statement of Members' Responsibilities set out on page 5, the Members 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 Members 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 Members are responsible for assessing the LLP'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 Members either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

#### **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 [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Use of the Audit Report**

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



**Amanda Barker (Senior Statutory Auditor)**  
for and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor  
Tower Bridge House  
St. Katharine's Way  
London E1W 1DD

26 June 2019

# KS Underwriting LLP

## Statement of Comprehensive Income – Technical Account For the year ended 31 December 2018

	Note	2018 £	2017 £
<b>Premiums</b>			
Gross premiums written	1	2,981,353	3,244,579
Outward reinsurance premiums	1	(801,612)	(748,570)
<b>Net premiums written</b>		<u>2,179,741</u>	<u>2,496,009</u>
<b>Change in the provision for Unearned premiums</b>			
Gross provision	1	41,813	219,274
Reinsurers' share	1	46,318	(25,903)
<b>Earned premiums, net of reinsurance</b>		<u>2,267,872</u>	<u>2,689,380</u>
Allocated investment return transferred from the non-technical account		30,165	48,101
Other technical income, net of reinsurance		-	-
<b>Claims paid</b>			
Gross amount	1	(1,753,402)	(2,016,629)
Reinsurers' share	1	368,334	375,672
<b>Net claims paid</b>		<u>(1,385,068)</u>	<u>(1,640,957)</u>
<b>Change in provision for claims</b>			
Gross amount	1	38,975	(459,461)
Reinsurers' share	1	(10,281)	321,224
<b>Net change in provisions for claims</b>		<u>28,694</u>	<u>(138,237)</u>
<b>Claims incurred, net of reinsurance</b>		<u>(1,356,374)</u>	<u>(1,779,194)</u>
Changes in other technical provisions, net of reinsurance		-	-
Net operating expenses	1, 2	(936,658)	(1,093,112)
Other technical charges, net of reinsurance		-	-
<b>Balance on the technical account for general business</b>		<u>5,005</u>	<u>(134,825)</u>

The accounting policies and notes on pages 14 to 36 form part of these financial statements.



## KS Underwriting LLP

### Statement of Comprehensive Income – Non Technical Account For the year ended 31 December 2018

	Note	2018 £	2017 £
<b>Balance on general business technical account</b>		5,005	(134,825)
Investment income	3	30,863	48,197
Allocated investment return transferred to the technical account		(30,165)	(48,101)
Other income		-	-
Other charges, including value adjustments		(76,581)	(103,320)
		<hr/>	<hr/>
Loss for the financial period before Members' remuneration and profit shares	4	(70,878)	(238,049)
Members' remuneration charged as an expense	5	-	-
		<hr/>	<hr/>
<b>Loss for the financial period available for discretionary division among Members</b>		(70,878)	(238,049)
Other comprehensive expenditure:			
Currency translation differences		-	-
		<hr/>	<hr/>
<b>Total comprehensive expenditure</b>		(70,878)	(238,049)
		<hr/>	<hr/>

All items derive from discontinued activities.

The accounting policies and notes on pages 14 to 36 form part of these financial statements.

# KS Underwriting LLP

## Statement of Financial Position As at 31 December 2018

		31 December 2018			31 December 2017		
	Note	Syndicate Participation £	Partnership £	Total £	Syndicate Participation £	Partnership £	Total £
<b>Investments</b>							
Other financial investments	6	2,093,249	-	2,093,249	2,562,635	-	2,562,635
Deposits with ceding undertakings		1,531	-	1,531	1,823	-	1,823
		2,094,780	-	2,094,780	2,564,458	-	2,564,458
<b>Reinsurers' share of technical provisions</b>							
Provision for unearned premiums	7	341,948	-	341,948	280,702	-	280,702
Claims outstanding	7	1,032,004	-	1,032,004	1,105,226	-	1,105,226
Other technical provisions		-	-	-	-	-	-
		1,373,952	-	1,373,952	1,385,928	-	1,385,928
<b>Debtors</b>							
Amounts falling due within one year	6	1,438,556	-	1,438,556	1,613,687	-	1,613,687
Amounts falling due after one year	6	118,185	-	118,185	132,038	-	132,038
		1,556,741	-	1,556,741	1,745,725	-	1,745,725
<b>Other assets</b>							
Cash at bank and in hand		22,901	54,372	77,273	48,054	-	48,054
Other		407,042	-	407,042	453,327	-	453,327
		429,943	54,372	484,315	501,381	-	501,381
<b>Prepayments and accrued income</b>							
Accrued interest		-	-	-	-	-	-
Deferred acquisitions costs	7	439,561	-	439,561	435,202	-	435,202
Other prepayments and accrued income		4,025	-	4,025	3,457	-	3,457
		443,586	-	443,586	438,659	-	438,659
<b>Total assets</b>		<b>5,899,002</b>	<b>54,372</b>	<b>5,953,374</b>	<b>6,636,151</b>	<b>-</b>	<b>6,636,151</b>

The accounting policies and notes on pages 14 to 36 form part of these financial statements.

# KS Underwriting LLP

## Statement of Financial Position As at 31 December 2018

		31 December 2018			31 December 2017		
	Note	Syndicate Participation £	Partnership £	Total £	Syndicate Participation £	Partnership £	Total £
<b>Liabilities and Members' interests</b>							
<b>Loans and other debts due to Members</b>							
Syndicate profit and loss		(502,986)	-	(502,986)	(107,055)	-	(107,055)
Corporate profit and loss - Syndicate capacity		-	-	-	-	-	-
Corporate profit and loss - other		-	26,803	26,803	-	(34,497)	(34,497)
		(502,986)	26,803	(476,183)	(107,055)	(34,497)	(141,552)
<b>Technical provisions</b>							
Provision for unearned premiums	7	1,412,235	-	1,412,235	1,404,296	-	1,404,296
Claims outstanding	7	3,951,074	-	3,951,074	4,291,708	-	4,291,708
Other technical provisions		-	-	-	-	-	-
<b>Provisions for other risks</b>							
		-	-	-	-	-	-
<b>Deposit received from reinsurers</b>							
		98,626	-	98,626	3,713	-	3,713
<b>Creditors</b>							
Amounts falling due within one year	6	787,168	-	787,168	934,409	-	934,409
Amounts falling due after one year	6	42,181	-	42,181	29,895	-	29,895
		6,291,284	-	6,291,284	6,664,021	-	6,664,021
<b>Accruals and deferred income</b>							
		110,704	27,569	138,273	79,185	34,497	113,682
<b>Total liabilities</b>							
		5,899,002	54,372	5,953,374	6,636,151	-	6,636,151

The financial statements were approved by the Members of the Limited Liability Partnership and signed on its behalf by:



**D C BOWLES**  
**ARGENTA LLP SERVICES LIMITED**  
26 June 2019

Registered Number: OC348593

The accounting policies and notes on pages 14 to 36 form part of these financial statements.

## KS Underwriting LLP

### Reconciliation of Members' Interests For the year ended 31 December 2018

	Liabilities			
	Partnership profit and loss allocated to Members			
	Syndicate profit and loss allocated to Members £	Syndicate capacity £	Other £	Total £
Members' interests at 1 January 2017	620,471	-	(36,238)	584,233
Allocated Profit 2015 year of account	158,767	-	-	158,767
Allocated Profit 2016 year of account	92,706	-	-	92,706
Allocated (Loss) 2017 year of account	(410,007)	-	(79,515)	(489,522)
Members' interests after Profit for the year	461,937	-	(115,753)	346,184
Reallocate distribution Introduced by Members	(568,992)	-	568,992	-
Repayment of debt (including Members' capital classified as a liability)	-	-	(487,736)	(487,736)
Other movements	-	-	-	-
Members' interests at 31 December 2017	(107,055)	-	(34,497)	(141,552)
Allocated Profit 2016 year of account	201,377	-	-	201,377
Allocated Profit 2017 year of account	57,665	-	-	57,665
Allocated Loss 2018 year of account	(271,939)	-	(57,981)	(329,920)
Members' interests after Loss for the year	(119,952)	-	(92,478)	(212,430)
Reallocate distribution Introduced by Members	(383,034)	-	383,034	-
Repayment of debt (including Members' capital classified as a liability)	-	-	(263,753)	(263,753)
Other movements	-	-	-	-
Members' interests at 31 December 2018	(502,986)	-	26,803	(476,183)

The accounting policies and notes on pages 14 to 36 form part of these financial statements.

## KS Underwriting LLP

### Cash Flow Statement For the year ended 31 December 2018

	2018 £	2017 £
<b>Operating activities</b>		
Loss on ordinary activities before tax	(70,878)	(238,049)
Profit attributable to Syndicate transactions	12,895	158,534
Loss excluding Syndicate transactions	(57,983)	(79,515)
Adjustment for:		
Decrease in debtors	-	-
Decrease in creditors	(6,928)	(1,741)
Profit on disposal of intangible assets	-	-
Amortisation of syndicate capacity	-	-
Realised/unrealised losses on investments	-	-
Investment income	(698)	(96)
Net cash outflow from operating activities	(65,609)	(81,352)
<b>Investing activities</b>		
Investment income	698	96
Purchase of Syndicate capacity	-	-
Proceeds from sale of Syndicate capacity	-	-
Net cash inflow from investing activities	698	96
<b>Financing activities</b>		
Repayment of debt to Members	-	-
Capital introduced by Members	119,283	81,256
Net cash inflow from financing activities	119,283	81,256
Net cash increase in cash and cash equivalents	54,372	-
Effect of exchange rates on cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at the end of the year	54,372	-
Consisting of:		
Cash at bank and in hand	54,372	-
Cash equivalents	-	-
	54,372	-

The Limited Liability Partnership has no control over the disposition of assets and liabilities at Lloyd's. Consequently, the cash flow statement is prepared reflecting only the movement in Limited Liability Partnership funds, which includes transfers to and from the Syndicates at Lloyd's.

The accounting policies and notes on pages 14 to 36 form part of these financial statements.

# KS Underwriting LLP

## Notes to the Financial Statements For the year ended 31 December 2018

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### General information

The Partnership is a Limited Liability Partnership incorporated in the United Kingdom.

The financial statements have been presented in Pounds Sterling ("Sterling") as this is the Limited Liability Partnership's functional currency, being the primary economic environment in which the Limited Liability Partnership operates.

### Basis of preparation

These financial statements have been prepared in accordance with:

- FRS 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* ("FRS 102");
- FRS 103 *Insurance Contracts*;
- The requirements of the Statement of Recommended Practice *Accounting by Limited Liability Partnerships* ("LLP SORP"); and
- Applicable legislation, as set out in the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("SI 2008/410") as modified by the Large and Medium-sized Limited Liability Partnerships (Accounts) Regulations 2008 ("SI 2008/1913").

These financial statements have been prepared under the historical costs convention as modified for certain financial instruments held at fair value.

### Recognition of insurance transactions

The Limited Liability Partnership recognises its proportion of all the transactions undertaken by the Lloyd's Syndicates in which it participates ("the Syndicates") in aggregation with the transactions undertaken by the Limited Liability Partnership at entity level ("the Partnership").

The financial statements are prepared using the annual basis of accounting. Under the annual basis of accounting a result is determined at the end of each accounting period reflecting the profit or loss from providing insurance coverage during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods.

Amounts reported in the general business technical account relate to movements in the period in respect of all relevant years of account of the Syndicates on which the Limited Liability Partnership participates.

For each such Syndicate, the Limited Liability Partnership's proportion of the underwriting transactions, investment return and operating expenses has been reflected within the Limited Liability Partnership's profit and loss account. Similarly, its proportion of the Syndicate's assets and liabilities has been reflected in its balance sheet (under the column heading "Syndicate Participation"). The Syndicate's assets are held subject to trust deeds for the benefit of the Limited Liability Partnership's insurance creditors.

The proportion referred to above is calculated by reference to the Limited Liability Partnership's participation as a percentage of the Syndicate's total capacity.

The Limited Liability Partnership has delegated sole management and control of its underwriting through each Syndicate to the managing agent of the Syndicate ("the Managing Agent") and it has further undertaken not to interfere with the exercise of such management and control. The Managing Agents of the Syndicates are therefore responsible for determining the insurance transactions to be recognised by the Limited Liability Partnership.

### Sources of data

The information used to compile the technical account and the "Syndicate" balance sheet is based on returns prepared for this purpose by the Managing Agents of the Syndicates ("the Returns"). These Returns have been subjected to audit by the Syndicate auditors and are consistent with the audited annual reports to Syndicate Members.

The format of the Returns is established by Lloyd's. Lloyd's collate this data at a Syndicate level analysing it into corporate member level results which reflects the relevant data in respect of all the Syndicates in which the Limited Liability Partnership participates.

## KS Underwriting LLP

### Notes to the Financial Statements For the year ended 31 December 2018

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#### Accounting policies

##### i. Going concern

As at 31 December 2018 the partnership had net members' capital of -£476,183 (2017: -£141,552). The Members do not consider the Limited Liability Partnership (LLP) to be a going concern as the LLP has sold or returned all the capacity and will not be underwriting on any new years of account going forward. Accordingly the Financial Statements have been prepared on a break up basis.

##### ii. Premiums

Premiums written comprise the total premiums receivable for the whole period of cover provided by the contracts incepting during the financial year, together with any adjustments arising in the year to such premiums receivable in respect of business written in prior years. Premiums are shown gross of commission payable to intermediaries and exclude insurance premium tax. Gross premiums written may include "reinsurance to close" premiums receivable (see vi below). Outward reinsurance premiums may include "reinsurance to close" premiums payable (see vi below). Premiums written by a Syndicate may also include the reinsurance of other Syndicates on which the Partnership participates. No adjustments have been made to gross premiums written or outward reinsurance premiums (or to gross and reinsurers' claims) to remove this inter Syndicate reinsurance. Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

##### iii. Claims incurred

Claims incurred include the costs of claims handling expenses. Recoverable amounts arising out of subrogation or salvage are deducted from the cost of claims. Claims incurred comprise amounts paid or provided in respect of claims occurring during the year to 31 December, together with the amount by which settlement or reassessment of claims from prior years differ from the provision at the beginning of the year.

##### iv. Provision for claims outstanding

Claims outstanding comprise amounts set aside for claims notified and claims incurred but not yet reported (IBNR). Provision is made for claims incurred but not paid in respect of events up to 31 December. The provision is based on the Returns and reports from the Managing Agents and the Limited Liability Partnership's licensed adviser or Members' Agent. When appropriate, statistical methods have been applied to past experience of claims frequency and severity.

The two most critical assumptions with regard to claims provisions are that the past is a reasonable predictor of the likely level of claims development, and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred. The Members consider the provision for gross claims and related reinsurance recoveries, as based on the Returns to be fairly stated. However, 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 amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made.

##### v. Unexpired risk provision

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

## KS Underwriting LLP

### Notes to the Financial Statements For the year ended 31 December 2018

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#### Accounting policies (continued)

##### vi. Reinsurance to close

A reinsurance to close is a particular type of reinsurance contract entered into by Lloyd's Syndicates. Under it, underwriting Members (the reinsured Members) who are Members of a Syndicate for a year of account (the closed year), agree with underwriting Members who comprise that or another Syndicate for a later year of account (the reinsuring Members) that the reinsuring Members will indemnify, discharge or procure the discharge, of the reinsured Members against all known and unknown liabilities of the reinsured Members arising out of insurance business undertaken through that Syndicate and allocated to the closed year in consideration of:

- (1) a premium; and
- (2) either:

- a) the assignment, or agreement to assign, to the reinsuring Members of all the rights of the reinsured Members arising out of, or in connection with, that insurance business (including without limitation the right to receive all future premiums, reinsurances and other monies receivable in connection with that insurance business); or
- b) an agreement by the reinsured Members that the reinsuring Members shall collect on behalf of the reinsured Members the proceeds of all such rights and retain them for their own benefit so far as they are not applied in discharges of the liabilities of the reinsured Members.

Where the reinsurance to close is between Members on successive years of account of the same Syndicate, the Managing Agent has a duty to ensure both sets of Members are treated equitably and to set the reinsurance to close with the intention that neither a profit nor a loss accrues to either group of Members. To the extent that the Limited Liability Partnership participates on successive years of account of the same Syndicate and there is a reinsurance to close between those years, the Limited Liability Partnership has offset its share of the reinsurance to close received against its share of the reinsurance to close paid.

If the Limited Liability Partnership has increased its participation from one year of account to the next, the reinsurance to close paid is eliminated, as a result of this offset, leaving an element of the reinsurance to close received. This reflects the fact that the Limited Liability Partnership has assumed a greater proportion of the business of the Syndicate. If the Limited Liability Partnership has reduced its participation from one year of account to the next, the reinsurance to close received is eliminated, leaving an element of the reinsurance to close paid. This reflects the reduction in the Limited Liability Partnership's exposure to risks previously written by the Syndicate. The reinsurance to close is technically a reinsurance contract and, as such, the payment of a reinsurance to close does not remove from Members of that year of account ultimate responsibility for claims payable on risks they have written. If the reinsuring Members under the reinsurance to close become insolvent and the other elements of the Lloyd's chain of security also fail, the reinsured Members remain theoretically liable for the settlement of any outstanding claims. However, payment of a reinsurance to close is conventionally accepted as terminating a reinsured Member's participation on a Syndicate year of account and it is treated for accounts purposes as settling all the Limited Liability Partnership's outstanding gross liabilities in respect of the business so reinsured.



## KS Underwriting LLP

### Notes to the Financial Statements For the year ended 31 December 2018

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#### Accounting policies (continued)

##### vii. Financial instruments

The Limited Liability Partnership has chosen to apply the provisions of Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instruments* in full.

The Limited Liability Partnership holds both basic and non-basic financial instruments. The Limited Liability Partnership's financial instruments comprise of cash and cash equivalents, trade and other debtors, trade and other creditors and investments in a variety of basic and non-basic financial instruments, through both the Limited Liability Partnership and through the Syndicates.

Financial assets and liabilities are recognised when the Limited Liability Partnership becomes party to the contractual provisions of the financial instrument.

Basic financial instruments are initially recognised at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method, less any provision for impairment in the case of financial assets. Amounts that are receivable/payable within one year are measured at the undiscounted amount of the cash expected to be received/settled. Financial instruments are subsequently measured at amortised cost include cash, debtors and creditors.

Where a financial instrument constitutes a financing transaction, it is initially measured at the present value of the future payments, discounted at a market rate of interest, and subsequently measured at amortised cost using the effective interest rate method.

All other financial instruments are measured at fair value through profit or loss.

At the end of each reporting year, the Limited Liability Partnership assesses whether there is objective evidence that any financial asset may be impaired. A provision for impairment is established when there is objective evidence that the Limited Liability Partnership will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised immediately in profit or loss.

Investment income is initially recorded in the non-technical account. All investment income arising on Syndicate participations is allocated to the technical account.

Interest income is recognised as it accrues using the effective interest method.

Dividend income receivable is recognised when the rights to receive the distributions have been established.

##### viii. Derivative financial instruments

The Limited Liability Partnership uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Limited Liability Partnership does not hold or issue derivative financial instruments for speculative purposes. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately.

##### ix. Derecognition of financial assets

A financial asset or, when applicable, a part of a financial asset is derecognised when:

- The rights to the cash flows from the asset have expired; or
- The Limited Liability Partnership retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Limited Liability Partnership has transferred substantially all the risks and rewards of the asset; or (b) the Limited Liability Partnership has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Limited Liability Partnership has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards nor transferred control of the asset, the asset is recognised to the extent of the Limited Liability Partnership continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Limited Liability Partnership could be required to repay. In that case, the Limited Liability Partnership also recognises an associated liability.

# KS Underwriting LLP

## Notes to the Financial Statements For the year ended 31 December 2018

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### Accounting policies (continued)

#### x. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if there is a currently enforceable legal right to offset the recognised amounts; and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

#### xi. Net operating expenses

Operating expenses are recognised when incurred. They include the Limited Liability Partnership's share of Syndicate operating expenses, the remuneration payable to Managing Agents (and the Partnership's Members' Agent/licensed adviser) and the direct costs of Membership of Lloyd's.

#### xii. Deferred acquisition costs

Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned.

#### xiii. Foreign currencies

Transactions in United States Dollars, Canadian Dollars and Euros are translated at the rates of exchange ruling at the date the transaction is processed or at an appropriate average rate. Unless otherwise stated, transactions in currencies other than United States Dollars, Canadian Dollars and Euros are translated at the rate of exchange ruling at the date the transaction is processed. Monetary assets and liabilities are retranslated into Sterling at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities at the balance sheet date are maintained at the rate of exchange ruling when the contract was entered into except for non-monetary assets and liabilities arising out of insurance contracts which are treated as monetary items in accordance with FRS 103 *Insurance Contracts* ("FRS 103"). Exchange differences arising on translation to the functional currency are dealt with through the non-technical account in the profit and loss account.

#### xiv. Insurance contracts – product classification

Insurance contracts are those contracts when the Limited Liability Partnership (the insurer/reinsurer) has accepted significant insurance risk from another party (the policyholder/reinsured) by agreeing to compensate the policyholder if a specified uncertain future event (the re/insured event) adversely affects the policyholder. As a general guideline, the Limited Liability Partnership determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Any separable embedded derivatives within an insurance contract are separated and accounted for in accordance with sections 11 and 12 of FRS102 unless the embedded derivative is itself an insurance contract (i.e. the derivative is not separated if the policyholder benefits from the derivative only when the insured event occurs).

#### xv. Members' participation rights and remuneration

Members' participation rights are the rights of a Member against the Limited Liability Partnership that arise under the Members' Agreement.

Members' participation rights in the earnings or assets of the Limited Liability Partnership are analysed between those that are, from the Limited Liability Partnership's perspective, either a financial liability or equity, in accordance with Section 22 *Liabilities and Equity*. A Member's participation right results in a liability where there is a contractual obligation on the part of the Limited Liability Partnership to deliver cash, or other financial assets, to the Member.

Amounts subscribed or otherwise contributed by Members, for instance Members' capital, are classified as equity where the Limited Liability Partnership has an unconditional right to avoid delivering cash or other assets to the Member (i.e. the right to any payment or repayment is discretionary on the part of the Limited Liability Partnership). If the Limited Liability Partnership does not have such an unconditional right, such amounts are classified as liabilities.

## KS Underwriting LLP

### Notes to the Financial Statements For the year ended 31 December 2018

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#### Accounting policies (continued)

##### xv. Members' participation rights and remuneration (continued)

The net profit of the Limited Liability Partnership for the financial year is allocated to each Member in accordance with their respective profit shares for the relevant year(s) of account.

The net loss of the Limited Liability Partnership for the financial year is allocated to each Member in accordance with their respective yearly shares for the relevant year(s) of account.

Loans and other debts due to Members rank *pari passu* with other unsecured creditors on the winding up of a partnership.

The key management personnel of the Limited Liability Partnership are considered to be the Members. The Members are not employees of the Limited Liability Partnership, and consequently the total remuneration of the Members' consists of the allocated profit/(loss) for the year.

##### xvi. Taxation

Income tax payable on the Limited Liability Partnership's profits is solely the personal liability of the Members and consequently is not dealt with in these financial statements.

##### xvii. Critical accounting judgements and key sources of estimation uncertainty

In applying the Limited Liability Partnership's accounting policies, the Members are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The Members' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ. The estimates and underlying assumptions are reviewed on an ongoing basis.

The management and control of each Syndicate is carried out by the managing agent of that Syndicate, and the Limited Liability Partnership looks to the managing agent to implement appropriate policies, procedures and internal controls to manage each Syndicate. The critical accounting judgements and key sources of estimation uncertainty set out below therefore relate to those made by the Members in respect of the Partnership only, and do not include estimates and judgements made in respect of the Syndicates.

The critical judgements that the Members have made in the process of applying the Limited Liability Partnership's accounting policies and that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below.

###### *Assessing indicators of impairment*

In assessing whether there have been any indicators of impairment assets, the Members have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability. There have been no indicators of impairments identified during the current financial year.

###### *Key sources of estimation uncertainty*

The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

###### *Impairment review*

The impairment of the Syndicate Assets is performed by the Syndicate themselves. The Members perform an impairment review when indications of impairment arise.

###### *Recoverability of receivables*

The Limited Liability Partnership establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability the Members consider factors such as the aging of the receivables, past experience of recoverability, and the credit profile of individual or groups of customers.

# KS Underwriting LLP

## Notes to the Financial Statements For the year ended 31 December 2018

### 1. Class of Business

2018	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
<b>Direct Insurance</b>						
Accident and health	226,311	254,761	(142,699)	(99,823)	(6,298)	5,941
Motor – third party liability	39,224	44,792	(24,442)	(13,989)	(6,549)	(188)
Motor – other classes	109,090	112,416	(68,853)	(39,971)	(9,036)	(5,444)
Marine, aviation and transport	330,912	361,050	(158,912)	(126,067)	(73,030)	3,041
Fire and other damage to property	1,135,460	1,133,300	(787,592)	(306,114)	(138,374)	(98,780)
Third party liability	663,931	645,637	(433,163)	(244,411)	(3,127)	(35,064)
Credit and suretyship	138,383	134,596	(51,889)	(27,957)	(34,178)	20,572
Legal expenses	20,004	21,103	(7,138)	(14,175)	117	(93)
Assistance	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
	2,663,315	2,707,655	(1,674,688)	(872,507)	(270,475)	(110,015)
<b>Reinsurance</b>	318,038	315,511	(39,739)	(64,151)	(126,766)	84,855
<b>Total</b>	<b>2,981,353</b>	<b>3,023,166</b>	<b>(1,714,427)</b>	<b>(936,658)</b>	<b>(397,241)</b>	<b>(25,160)</b>

  

2017	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
<b>Direct Insurance</b>						
Accident and health	292,967	324,418	(169,728)	(135,103)	(8,227)	11,360
Motor – third party liability	39,184	52,745	(49,056)	(17,069)	2,551	(10,829)
Motor – other classes	134,562	124,811	(113,292)	(42,887)	4,854	(26,514)
Marine, aviation and transport	399,817	455,776	(247,913)	(154,942)	(34,535)	18,386
Fire and other damage to property	1,160,949	1,269,607	(964,084)	(374,661)	3,581	(65,557)
Third party liability	718,638	718,966	(426,481)	(261,588)	(51,066)	(20,169)
Credit and suretyship	134,681	135,691	(114,463)	(26,993)	(1,568)	(7,333)
Legal expenses	18,375	20,531	(9,929)	(10,907)	160	(145)
Assistance	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
	2,899,173	3,102,545	(2,094,946)	(1,024,150)	(84,250)	(100,801)
<b>Reinsurance</b>	345,406	361,308	(381,144)	(68,962)	6,673	(82,125)
<b>Total</b>	<b>3,244,579</b>	<b>3,463,853</b>	<b>(2,476,090)</b>	<b>(1,093,112)</b>	<b>(77,577)</b>	<b>(182,926)</b>

All insurance business is underwritten in the United Kingdom in the Lloyd's insurance market. Consequently all insurance contracts are deemed to be concluded in the United Kingdom.

## KS Underwriting LLP

### Notes to the Financial Statements For the year ended 31 December 2018

#### 2. Net Operating Expenses

	2018 £	2017 £
Acquisition costs	898,548	983,508
Change in deferred acquisition costs	10,291	57,695
Administrative expenses	184,383	189,691
Reinsurance commissions and profit participations	(215,499)	(202,243)
Personal expenses	58,935	64,461
	<u>936,658</u>	<u>1,093,112</u>

#### 3. Investment Income

	2018 £	2017 £
Financial instruments held at fair value through profit or loss:		
Interest and dividend income	43,495	48,182
Realised gains and losses	(5,234)	4,389
Unrealised gains and losses	(4,371)	(252)
Other	-	-
	<u>33,890</u>	<u>52,319</u>
Financial instruments held at amortised cost:		
Interest	698	96
Other	-	-
	<u>698</u>	<u>96</u>
Investment management expenses, including interest	(3,725)	(4,218)
	<u>(3,725)</u>	<u>(4,218)</u>
Total	<u>30,863</u>	<u>48,197</u>

#### 4. Profit/(Loss) on Ordinary Activities before Taxation

	2018 £	2017 £
Operating profit/(loss) is stated after charging:		
Amortisation of Syndicate capacity	-	-
Profit on disposal of intangible fixed assets	-	-
Loss on exchange	12,254	45,941

The Limited Liability Partnership has no employees.

The auditors charge a fixed fee to Argenta Private Capital Limited of £230 for the provision of the statutory audit, they also provide non-audit services through an outsourcing arrangement of approximately £515.

#### 5. Members' Remuneration

The key management personnel of the Limited Liability Partnership are considered to be the Members. The Members are not employees of the Limited Liability Partnership, and consequently the total remuneration of the Members consists of the allocated profit/(loss) for the year.

The average number of Members during the year was 23.

# KS Underwriting LLP

## Notes to the Financial Statements For the year ended 31 December 2018

### 6. Financial Instruments and Financial Risk Management

#### 6.1 Financial Investments

##### Other financial investments – Syndicate participation

	2018 Market Value £	2017 Market Value £
Shares and other variable yield securities and units in unit trusts	587,467	656,488
Debt securities and other fixed income securities	1,491,263	1,889,016
Participation in investment pools	-	-
Loans with credit institutions	-	-
Derivative financial instruments	1,093	1,734
Other investments	-	-
Deposits with credit institutions	13,426	15,397
Other	-	-
	<u>2,093,249</u>	<u>2,562,635</u>

#### 6.2 Debtors

	Syndicate Participation £	Corporate £	2018 Total £	Syndicate Participation £	Corporate £	2017 Total £
<b>Amounts falling due within one year:</b>						
Arising out of direct insurance operations	932,391	-	932,391	996,335	-	996,335
Arising out of reinsurance operations	473,525	-	473,525	562,385	-	562,385
<b>Other Debtors:</b>						
Amounts due from group undertakings	-	-	-	-	-	-
Other	32,640	-	32,640	54,967	-	54,967
Total Amounts falling due within one year	1,438,556	-	1,438,556	1,613,687	-	1,613,687
<b>Amounts falling due after one year:</b>						
Arising out of direct insurance operations	20,693	-	20,693	20,058	-	20,058
Arising out of reinsurance operations	81,326	-	81,326	70,510	-	70,510
<b>Other Debtors:</b>						
Amounts due from group undertakings	-	-	-	-	-	-
Other	16,166	-	16,166	41,470	-	41,470
Total Amounts falling due after one year	118,185	-	118,185	132,038	-	132,038
	<u>1,556,741</u>	<u>-</u>	<u>1,556,741</u>	<u>1,745,725</u>	<u>-</u>	<u>1,745,725</u>

## KS Underwriting LLP

### Notes to the Financial Statements For the year ended 31 December 2018

#### 6. Financial Instruments and Financial Risk Management

##### 6.3 Creditors

	2018			2017		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
<b>Amounts falling due within one year:</b>						
Arising out of direct insurance operations	167,246	-	167,246	256,086	-	256,086
Arising out of reinsurance operations	568,639	-	568,639	572,736	-	572,736
Amounts owed to credit institutions	-	-	-	-	-	-
<b>Other creditors:</b>						
Corporation tax	-	-	-	-	-	-
Members loan accounts	-	-	-	-	-	-
Third party funds	-	-	-	-	-	-
Other creditors	51,283	-	51,283	105,587	-	105,587
Amount due to group undertakings	-	-	-	-	-	-
<b>Total Amounts falling due within one year</b>	<b>787,168</b>	<b>-</b>	<b>787,168</b>	<b>934,409</b>	<b>-</b>	<b>934,409</b>
<b>Amounts falling due after one year:</b>						
Arising out of direct insurance operations	6,045	-	6,045	4,093	-	4,093
Arising out of reinsurance operations	35,580	-	35,580	21,123	-	21,123
Amounts owed to credit institutions	-	-	-	-	-	-
<b>Other creditors:</b>						
Corporation tax	-	-	-	-	-	-
Members loan accounts	-	-	-	-	-	-
Third party funds	-	-	-	-	-	-
Other creditors	556	-	556	4,679	-	4,679
Amount due to group undertakings	-	-	-	-	-	-
<b>Total Amounts falling due after one year</b>	<b>42,181</b>	<b>-</b>	<b>42,181</b>	<b>29,895</b>	<b>-</b>	<b>29,895</b>
	<b>829,349</b>	<b>-</b>	<b>829,349</b>	<b>964,304</b>	<b>-</b>	<b>964,304</b>

# KS Underwriting LLP

## Notes to the Financial Statements For the year ended 31 December 2018

### 6. Financial Instruments and Financial Risk Management (continued)

#### 6.4 Classification of Financial Instruments

The tables below set out the Limited Liability Partnership's financial instruments by classification.

##### Other financial investments – Syndicate participation.

	2018			2017		
	At fair value through profit or loss £	At amortised cost £	Total £	At fair value through profit or loss £	At amortised cost £	Total £
<b>Financial assets</b>						
Investments	2,093,249	-	2,093,249	2,562,635	-	2,562,635
Deposits with ceding undertakings	-	1,531	1,531	-	1,823	1,823
Insurance debtors	-	953,084	953,084	-	1,016,393	1,016,393
Reinsurance debtors	-	554,851	554,851	-	632,895	632,895
Other debtors	-	48,806	48,806	-	96,437	96,437
Cash at bank and in hand	-	22,901	22,901	-	48,054	48,054
Other assets	407,042	-	407,042	453,327	-	453,327
	<b>2,500,291</b>	<b>1,581,173</b>	<b>4,081,464</b>	<b>3,015,962</b>	<b>1,795,602</b>	<b>4,811,564</b>
<b>Financial liabilities</b>						
Borrowings	-	-	-	-	-	-
Derivative financial instruments	116	-	116	1,466	-	1,466
Insurance creditors	-	173,291	173,291	-	260,179	260,179
Reinsurance creditors	-	604,219	604,219	-	593,859	593,859
Amounts owed to credit institutions	-	-	-	-	-	-
Other creditors	-	-	-	-	-	-
	<b>116</b>	<b>777,510</b>	<b>777,626</b>	<b>1,466</b>	<b>854,038</b>	<b>855,504</b>

##### Other financial investments – Partnership

	2018			2017		
	At fair value through profit or loss £	At amortised cost £	Total £	At fair value through profit or loss £	At amortised cost £	Total £
<b>Financial assets</b>						
Investments	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
Cash at bank and in hand	-	54,372	54,372	-	-	-
Other assets	-	-	-	-	-	-
	<b>-</b>	<b>54,372</b>	<b>54,372</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>						
Other creditors	-	-	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



## KS Underwriting LLP

### Notes to the Financial Statements For the year ended 31 December 2018

#### 6. Financial Instruments and Financial Risk Management (continued)

##### 6.4 Classification of Financial Instruments (continued)

The table below sets out details of the Limited Liability Partnership's derivative financial instruments.

	2018		2017	
	Notional amount £	Fair value £	Notional amount £	Fair value £
Foreign exchange forward contracts	(226,503)	1,093	216,625	1,645
Interest rate future contracts	-	-	-	-
Foreign exchange options	-	-	-	-
Equity options	-	-	-	-
Foreign exchange contract for difference	-	-	-	-
Other	-	-	-	89
	(226,503)	1,093	216,625	1,734

##### 6.5 Financial Instruments held at fair value through profit or loss

The assets and liabilities carried at fair value through profit or loss have been categorised between the three levels of the fair value hierarchy that reflects the observability and significance of inputs used when establishing the fair value. The categorisation of these instruments is based on the lowest level input that is significant to the fair value measurement in its entirety.

Level (a) in the fair value hierarchy consists of assets and liabilities valued using unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an on-going basis.

Level (b) in the fair value hierarchy consists of assets and liabilities that do not have directly quoted market prices available from active markets. Instead the price of a recent transaction for an identical asset or liability is used, provided that there has not been a significant change in economic circumstances or a significant lapse of time since the recent transaction.

Level (c) in the fair value hierarchy consists of those types of assets and liabilities for which fair values cannot be obtained directly from quoted market prices in active markets or in a recent transaction. These assets and liabilities are measured using a valuation technique to estimate what the transaction price would have been in an arm's length transaction.

# KS Underwriting LLP

## Notes to the Financial Statements For the year ended 31 December 2018

### 6. Financial Instruments and Financial Risk Management (continued)

#### 6.5 Financial Instruments held at fair value through profit or loss (continued)

The tables below set out the Limited Liability Partnership's financial instruments held at fair value through profit or loss by level of hierarchy.

#### Other financial investments – Syndicate participation

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
<b>2018</b>						
<b>Financial assets</b>						
Shares and other variable yield securities and units in unit trusts	-	587,467	-	587,467	-	587,467
Debt securities and other fixed income securities	512,340	978,923	-	1,491,263	-	1,491,263
Participation in investment pools	-	-	-	-	-	-
Loans and deposits with credit institutions	13,426	-	-	13,426	-	13,426
Overseas deposits	244,696	162,346	-	407,042	-	407,042
Derivatives	1,093	-	-	1,093	-	1,093
Other investments	-	-	-	-	-	-
Financial assets classified as held for sale	-	-	-	-	-	-
	771,555	1,728,736	-	2,500,291	-	2,500,291
<b>Financial liabilities</b>						
Borrowings	-	-	-	-	-	-
Derivative liabilities	116	-	-	116	-	116
Financial liabilities classified as held for sale	-	-	-	-	-	-
	116	-	-	116	-	116

## KS Underwriting LLP

### Notes to the Financial Statements For the year ended 31 December 2018

#### 6. Financial Instruments and Financial Risk Management (continued)

##### 6.5 Financial Instruments held at fair value through profit or loss (continued)

###### Other financial investments – Syndicate participation (continued)

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
<b>2017</b>						
<b>Financial assets</b>						
Shares and other variable yield securities and units in unit trusts	-	656,488	-	656,488	-	656,488
Debt securities and other fixed income securities	560,692	1,328,324	-	1,889,016	-	1,889,016
Participation in investment pools	-	-	-	-	-	-
Loans and deposits with credit institutions	15,397	-	-	15,397	-	15,397
Overseas deposits	272,081	181,246	-	453,327	-	453,327
Derivatives	1,734	-	-	1,734	-	1,734
Other investments	-	-	-	-	-	-
Financial assets classified as held for sale	-	-	-	-	-	-
	849,904	2,166,058	-	3,015,962	-	3,015,962
<b>Financial liabilities</b>						
Borrowings	-	-	-	-	-	-
Derivative liabilities	1,466	-	-	1,466	-	1,466
Financial liabilities classified as held for sale	-	-	-	-	-	-
	1,466	-	-	1,466	-	1,466

At the Partnership level the Limited Liability Partnership does not hold any financial investments. Consequently investment tables have not been presented for the Partnership.

#### 6.6 Financial Risk Management

The Limited Liability Partnership is a financial institution and therefore provides the following disclosures in respect of the financial instruments it holds. The Limited Liability Partnership holds only cash and cash equivalents in respect of financial instruments.

The Limited Liability Partnership is exposed to the following financial risks in the course of its operating and financing activities:

- Credit risk
- Liquidity risk
- Interest rate risk
- Equity price risk; and
- Currency risk

The management and control of each Syndicate is carried out by the managing agent of that Syndicate, and the Limited Liability Partnership looks to the managing agent to implement appropriate policies, procedures and internal controls to manage each Syndicate, including those in respect of financial risk management. The following qualitative risk management disclosures made by the Members therefore relate to the Partnership only. The quantitative disclosures are made in respect of both the Partnership and the Syndicates.

## KS Underwriting LLP

### Notes to the Financial Statements For the year ended 31 December 2018

#### 6. Financial Instruments and Financial Risk Management (continued)

##### 6.6 Financial Risk Management (continued)

###### Credit risk

Credit risk is the risk that a counterparty to the Limited Liability Partnership's financial instruments will cause a loss to the Limited Liability Partnership through failure to perform its obligations. The key areas of exposure to credit risk for the Limited Liability Partnership result through its reinsurance programme, investments, bank deposits and policyholder receivables.

The Limited Liability Partnership manages credit risk at the Limited Liability Partnership level by ensuring that investments and cash and cash equivalent deposits are placed only with highly rated credit institutions.

The carrying amount of the Limited Liability Partnership's financial assets represents the Limited Liability Partnership's maximum exposure to credit risk.

The tables below show the credit quality of financial assets that are neither past due nor impaired.

Syndicate participation	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
<b>2018</b>						
Shares and other variable yield securities and units in unit trusts	73,960	-	-	-	513,507	587,467
Debt securities and other fixed income securities	561,942	444,356	463,992	17,827	3,146	1,491,263
Participation in investment pools	-	-	-	-	-	-
Loans secured with credit institutions	-	-	-	-	-	-
Deposits with credit institutions	-	-	13,426	-	-	13,426
Overseas deposits	184,670	100,424	51,396	69,712	840	407,042
Derivative investments	-	-	-	1,093	-	1,093
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	-	-	-	-	1,531	1,531
Reinsurers share of claims outstanding	-	168,563	582,978	5	280,458	1,032,004
Reinsurance debtors	-	7,501	44,353	-	41,535	93,389
Cash at bank and in hand	-	-	16,822	6,079	-	22,901
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	820,572	720,844	1,172,967	94,716	841,017	3,650,116

# KS Underwriting LLP

## Notes to the Financial Statements For the year ended 31 December 2018

### 6. Financial Instruments and Financial Risk Management (continued)

#### 6.6 Financial Risk Management (continued)

Syndicate participation	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
<b>2017</b>						
Shares and other variable yield securities and units in unit trusts	51,577	-	-	-	604,911	656,488
Debt securities and other fixed income securities	823,261	503,924	519,750	29,415	12,666	1,889,016
Participation in investment pools	-	-	-	-	-	-
Loans secured with credit institutions	-	-	-	-	-	-
Deposits with credit institutions	-	-	15,397	-	-	15,397
Overseas deposits	202,008	99,953	62,102	88,812	452	453,327
Derivative investments	-	-	-	1,734	-	1,734
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	-	-	-	-	1,823	1,823
Reinsurers share of claims outstanding	-	167,731	691,211	283	246,001	1,105,226
Reinsurance debtors	-	13,755	44,928	-	52,506	111,189
Cash at bank and in hand	-	-	39,400	7,991	663	48,054
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	1,076,846	785,363	1,372,788	128,235	919,022	4,282,254

The tables below show the ageing and impairment of financial assets by class of instruments.

#### Syndicate participation

	Neither due nor impaired £	Less than 6 months £	Between 6 months and 1 year £	Greater than 1 year £	Impaired £	Total past due or impaired £
<b>2018</b>						
Shares and other variable yield securities and units in unit trusts	587,467	-	-	-	-	587,467
Debt securities and other fixed income securities	1,491,263	-	-	-	-	1,491,263
Participation in investment pools	-	-	-	-	-	-
Loans secured with credit institutions	-	-	-	-	-	-
Deposits with credit institutions	13,426	-	-	-	-	13,426
Overseas deposits	407,042	-	-	-	-	407,042
Derivative investments	1,093	-	-	-	-	1,093
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	1,531	-	-	-	-	1,531
Reinsurers share of claims outstanding	1,032,004	-	-	-	-	1,032,004
Reinsurance debtors	80,692	11,673	341	683	-	93,389
Cash at bank and in hand	22,901	-	-	-	-	22,901
Insurance debtors	853,169	24,247	22,517	53,151	-	953,084
Other debtors	1,269,843	-	-	-	-	1,269,843
	5,760,431	35,920	22,858	53,834	-	5,873,043

## KS Underwriting LLP

### Notes to the Financial Statements For the year ended 31 December 2018

#### 6. Financial Instruments and Financial Risk Management (continued)

##### 6.6 Financial Risk Management (continued)

Syndicate participation	Neither due nor impaired £	Less than 6 months £	Between 6 months and 1 year £	Greater than 1 year £	Impaired £	Total past due or impaired £
<b>2017</b>						
Shares and other variable yield securities and units in unit trusts	656,488	-	-	-	-	656,488
Debt securities and other fixed income securities	1,889,016	-	-	-	-	1,889,016
Participation in investment pools	-	-	-	-	-	-
Loans secured with credit institutions	-	-	-	-	-	-
Deposits with credit institutions	15,397	-	-	-	-	15,397
Overseas deposits	453,327	-	-	-	-	453,327
Derivative investments	1,734	-	-	-	-	1,734
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	1,823	-	-	-	-	1,823
Reinsurers share of claims outstanding	1,105,226	-	-	-	-	1,105,226
Reinsurance debtors	102,591	6,074	2,094	430	-	111,189
Cash at bank and in hand	48,054	-	-	-	-	48,054
Insurance debtors	868,459	16,039	24,851	107,044	-	1,016,393
Other debtors	1,305,828	-	-	-	-	1,305,828
	<b>6,447,943</b>	<b>22,113</b>	<b>26,945</b>	<b>107,474</b>	<b>-</b>	<b>6,604,475</b>

At the Partnership level the Limited Liability Partnership is not exposed to significant credit risk. Consequently a sensitivity analysis for credit risk has not been presented for the Partnership.

#### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.

The following tables detail the Limited Liability Partnership's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date of which the Partnership can be required to pay.

Syndicate participation	No stated maturity £	Less than 1 year £	1 to 3 years £	3 to 5 years £	Greater than 5 years £	Total £
<b>2018</b>						
Derivative financial instruments	-	116	-	-	-	116
Deposits received from reinsurers	-	98,626	-	-	-	98,626
Provisions for other risks and charges	-	-	-	-	-	-
Claims outstanding	-	1,544,822	1,326,551	559,868	519,833	3,951,074
Creditors	-	753,434	41,551	34,364	-	829,349
Other	-	-	-	-	-	-
	<b>-</b>	<b>2,396,998</b>	<b>1,368,102</b>	<b>594,232</b>	<b>519,833</b>	<b>4,879,165</b>

## KS Underwriting LLP

### Notes to the Financial Statements For the year ended 31 December 2018

#### 6. Financial Instruments and Financial Risk Management (continued)

##### 6.6 Financial Risk Management (continued)

Syndicate participation	No stated maturity £	Less than 1 year £	1 to 3 years £	3 to 5 years £	Greater than 5 years £	Total £
<b>2017</b>						
Derivative financial instruments	-	1,466	-	-	-	1,466
Deposits received from reinsurers	-	3,713	-	-	-	3,713
Provisions for other risks and charges	-	-	-	-	-	-
Claims outstanding	-	1,754,391	1,490,401	559,503	487,413	4,291,708
Creditors	-	899,605	25,229	39,470	-	964,304
Other	-	-	-	-	-	-
	-	2,659,175	1,515,630	598,973	487,413	5,261,191

#### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rates.

The Limited Liability Partnership is exposed to the risk of interest rate fluctuations in respect of cash and cash equivalents and other interest bearing securities.

At the Partnership level the Limited Liability Partnership manages interest rate risk by maintaining an appropriate mix between fixed and floating rate financial instruments.

The table below shows the impact of changes in interest rates on the profit or loss for the period and on the equity of the Limited Liability Partnership.

Syndicate participation	2018 £	2017 £
Impact of 50 basis point increase on profit or loss	(17,158)	(19,610)
Impact of 50 basis point decrease on profit or loss	17,915	21,142
Impact of 50 basis point increase on equity	(17,158)	(19,610)
Impact of 50 basis point decrease on equity	17,915	21,142

At the Partnership level the Limited Liability Partnership is not exposed to significant cash flow interest rate risk as all of the financial instruments attract fixed rates of interest. Consequently a sensitivity analysis for interest rate risk has not been presented for the Partnership.

#### Equity price risk

Equity price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices.

The Limited Liability Partnership is exposed to equity price risk in respect of its equity investments.

## KS Underwriting LLP

### Notes to the Financial Statements For the year ended 31 December 2018

#### 6. Financial Instruments and Financial Risk Management (continued)

##### 6.6 Financial Risk Management (continued)

The table below shows the impact of changes in equity prices on the profit or loss for the period and on the equity of the Limited Liability Partnership.

##### Syndicate participation

	2018 £	2017 £
Impact on profit or loss of 5% increase in Stock Market Prices	-	-
Impact on profit or loss of 5% decrease in Stock Market Prices	-	-
Impact on equity of 5% increase in Stock Market Prices	-	-
Impact on equity of 5% decrease in Stock Market Prices	-	-

At the Partnership level the Limited Liability Partnership is not exposed to significant cash flow equity price risk. Consequently a sensitivity analysis for equity price risk has not been presented for the Partnership.

##### Currency risk

The Limited Liability Partnership holds both assets and liabilities denominated in currencies other than Sterling, its functional currency. It is therefore exposed to currency risk as the value of the foreign currency assets and liabilities will fluctuate in line with changes in foreign exchange rates.

At the Partnership level the Limited Liability Partnership manages currency risk by ensuring that exchange rate exposures are managed within approved policy parameters.

The table below considers financial assets and financial liabilities denominated in the currencies of the Limited Liability Partnership's principal foreign exchange exposures in aggregate.

##### Net assets and liabilities

	2018		2017	
	Syndicate Participation £	Partnership £	Syndicate Participation £	Partnership £
Sterling	(745,258)	26,803	(855,237)	(34,497)
United States Dollar	(829,194)	-	(483,459)	-
Euro	461,771	-	526,401	-
Canadian Dollar	353,473	-	436,548	-
Australian Dollar	127,298	-	127,591	-
Japanese Yen	-	-	-	-
Other	106,989	-	112,882	-



## KS Underwriting LLP

### Notes to the Financial Statements For the year ended 31 December 2018

#### 6. Financial Instruments and Financial Risk Management (continued)

##### 6.6 Financial Risk Management (continued)

The Limited Liability Partnership has delegated sole management and control of its underwriting through each Syndicate to the managing agent of the Syndicate and it has further undertaken not to interfere with the exercise of such management and control. The managing agents of the Syndicates are therefore responsible for determining the insurance transactions to be recognised. As such, disclosures in respect of the assumptions and judgements made, and the objectives, policies and processes for managing currency risk arising from assets and liabilities are only presented for the Partnership in these financial statements.

The Limited Liability Partnership's assets are held in various currencies but are all cash. As such, any exchange movement would be accounted for in the profit and loss.

	Partnership Profit and loss			
	31 December 2018		31 December 2017	
	Increase	Decrease	Increase	Decrease
Effect of Sterling exchange movement by 10%	£	£	£	£
United States Dollar	-	-	-	-
Euro	-	-	-	-
Canadian Dollar	-	-	-	-
Australian Dollar	-	-	-	-
Japanese Yen	-	-	-	-
Other	-	-	-	-

##### 6.7 Capital Management

###### Lloyd's capital setting process

In order to meet Lloyd's requirements, each Syndicate is required to calculate its Standard 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 Syndicate Member is liable for its own share of underwriting liabilities on the Syndicate on which it participates but not other Members' shares.

Accordingly, the capital requirement that Lloyd's sets for each Member operates on a similar basis. Each Member's SCR shall thus be determined by the sum of the Member's share of the Syndicate SCR "to ultimate".

Over and above this, Lloyd's applies a capital uplift to the Member's capital requirement, the ECA. The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives.

Effective 1 January 2016, Lloyd's is subject to the Solvency II capital regime and the Solvency I figures are no longer applicable from that date. Although the capital regime has changed, this has not significantly impacted the solvency capital requirement of the Syndicate, since this has been previously calculated using Solvency II principles.

The total Members' interests represent the capital which allows the Limited Liability Partnership to participate on the Syndicates.

The Partnership has complied with all externally imposed capital requirements during the year.

# KS Underwriting LLP

## Notes to the Financial Statements For the year ended 31 December 2018

### 7. Insurance Contracts

The following reconciliation shows the movement in the provision for claims outstanding during the year.

	2018			2017		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	4,291,708	1,105,226	3,186,482	4,166,553	870,958	3,295,595
Movements in the year	(38,975)	(10,281)	(28,694)	459,461	321,224	138,237
Exchange differences	(301,659)	(62,941)	(238,718)	(334,306)	(86,956)	(247,350)
At 31 December	3,951,074	1,032,004	2,919,070	4,291,708	1,105,226	3,186,482

The following reconciliation shows the movement in the provision for unearned premium during the year.

	2018			2017		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	1,404,296	280,702	1,123,594	1,710,706	326,322	1,384,384
Movements in the year	(41,813)	46,318	(88,131)	(219,274)	(25,903)	(193,371)
Exchange differences	49,752	14,928	34,824	(87,136)	(19,717)	(67,419)
At 31 December	1,412,235	341,948	1,070,287	1,404,296	280,702	1,123,594

The following reconciliation shows the movement in deferred acquisition costs during the year.

	2018 £	2017 £
At 1 January	435,202	518,129
Movements in the year	(10,291)	(57,695)
Exchange differences	14,650	(25,232)
At 31 December	439,561	435,202

### 7.1 Risks arising from Insurance Contracts

The Limited Liability Partnership has delegated sole management and control of its underwriting through each Syndicate to the managing agent of the Syndicate and it has further undertaken not to interfere with the exercise of such management and control. The managing agents of the Syndicates are therefore responsible for determining the insurance transactions to be recognised by the Limited Liability Partnership. As such, disclosures in respect of the assumptions and judgements made, and the objectives, policies and processes for managing risk arising from insurance contracts, are not presented in these financial statements.

The development of insurance liabilities provides a measure of the managing agent's ability to estimate the ultimate value of claims. The top half of each table below illustrates how the estimate of total claims outstanding for each accident year has changed at successive year ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the balance sheet.

# KS Underwriting LLP

## Notes to the Financial Statements For the year ended 31 December 2018

### 7.1 Risks arising from Insurance Contracts (continued)

#### Claims development - gross

	At end of reporting year	One year later	Two years later	Three years later	Four years later	Five years later	Six years later	Seven years later
2011	960,727	1,743,475	1,742,802	1,717,420	1,672,150	1,648,443	1,626,477	1,621,437
2012	1,175,232	1,874,569	1,931,188	1,922,072	1,919,595	1,900,149	1,881,338	
2013	804,239	1,649,811	1,703,289	1,684,855	1,654,404	1,628,012		
2014	862,760	1,676,074	1,725,270	1,727,964	1,704,911			
2015	720,771	1,623,283	1,660,910	1,672,560				
2016	920,595	2,059,924	2,166,533					
2017	1,411,462	2,316,149						
2018	969,932							
	Cumulative payments to date	Estimated balance to pay	Profit/(loss) on RITC received					
2011	1,564,593	56,844						
2012	1,755,522	125,816						
2013	1,489,180	138,832						
2014	1,378,881	326,031						
2015	1,243,393	429,167	(216,994)					
2016	1,416,930	749,603						
2017	1,157,304	1,158,845						
2018	200,236	769,695						

#### Claims development – net

	At end of reporting year	One year later	Two years later	Three years later	Four years later	Five years later	Six years later	Seven years later
2011	747,358	1,470,865	1,525,049	1,446,944	1,405,567	1,384,328	1,365,632	1,362,174
2012	840,768	1,462,157	1,495,678	1,485,013	1,478,214	1,461,035	1,448,696	
2013	665,276	1,360,684	1,395,324	1,374,565	1,361,332	1,333,519		
2014	659,380	1,373,843	1,417,614	1,389,251	1,370,342			
2015	628,240	1,387,528	1,423,253	1,441,048				
2016	738,231	1,675,924	1,755,582					
2017	927,036	1,666,645						
2018	676,794							
	Cumulative payments to date	Estimated balance to pay	Profit/(loss) on RITC received					
2011	1,318,599	43,576						
2012	1,354,137	94,559						
2013	1,206,699	126,820						
2014	1,142,863	227,479						
2015	1,088,283	352,765	(104,148)					
2016	1,165,639	589,944						
2017	846,670	819,975						
2018	148,732	528,062						

## **KS Underwriting LLP**

### **Notes to the Financial Statements For the year ended 31 December 2018**

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#### **8. Related Party Disclosure**

There are no related party transactions other than those disclosed in the members interest statements. Related party loans and balances do not attract interest and are repayable on demand.

#### **9. Ultimate Controlling Party**

There is no ultimate controlling party of the Partnership.