CHUBB CAPITAL LTD

FINANCIAL STATEMENTS

31 DECEMBER 2018

COMPANY REGISTRATION NUMBER: 07128050

Directors

M A Connole
A C Mullins
A M W Shaw

Secretary

Chubb London Services Limited

Registered company number

07128050

Registered office

100 Leadenhall Street
London EC3A 3BP
United Kingdom

CHUBB CAPITAL LTD

CONTENTS

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Board of Chubb Capital Ltd ("the Company") has prepared this report in accordance with Section 414A of the Companies Act 2006.

Overview

The principal activity of the Company is that of a corporate member at Lloyd's. The Company is the sole participant on Chubb Syndicate 1882 ("the syndicate"). The Company is an indirect, wholly-owned subsidiary of Chubb Limited. In 2016 Syndicate 1882 was placed into run-off and its business either lapsed or was renewed into Chubb Syndicate 2488 (on 16 October 2016 the Company sold the renewal rights for Syndicate 1882 to Chubb Capital I Limited for a consideration of £6.5 million). Syndicate 1882 remained in run-off at 31 December 2018 but, with effect from 1 January 2019, the Syndicate completed a reinsurance to close transaction under which all of its outstanding insurance liabilities and assets of an equivalent value transferred into Syndicate 2488.

The Company produced a profit on ordinary activities before tax of £6.8 million (2017: loss of £10.1 million).

The financial statements include both the annual accounting results of Syndicate 1882 and trading operations of the Company in its own capacity.

Risk, uncertainties and capital management

Disclosures regarding risks, uncertainties and capital management are provided in note 3 to the financial statements.

Key performance indicators

The key performance indicators of the Company are shown below:

	2018	2017
Net premiums written	(£2.6m)	£5.2m
Net loss ratio[1]	203.2%	99.0%
Net expense ratio[2]	13.5%	30.7%
Net combined ratio	216.7%	129.7%
Underwriting result	(£6.2m)	(£10.6m)
Profit before tax	£6.8m	(£10.1m)

[1] Net claims incurred as a percentage of net earned premiums.

[2] Net operating expenses incurred as a percentage of net earned premiums.

Results by insurance class

The gross premium written and net underwriting result analysed by the accounting classes defined by UK companies legislation are shown in the table below:

	2018		2017	
	Gross premium written £000	**Net underwriting result £000**	**Gross premium written £000**	**Net underwriting result £000**
Direct insurance:				
Accident and Health	-	6	-	142
Marine, aviation and transport	(1,715)	(826)	(879)	3,789
Fire & other damage to property	862	198	3,424	(2,549)
Third-party liability	(17)	(7,630)	155	(12,946)
	(870)	(8,252)	2,700	(11,564)
Reinsurance acceptances	(1,010)	2,061	6,552	938
	(1,880)	(6,191)	9,252	(10,626)

The syndicate did not underwrite in 2018. Gross written premiums reported for 2018 relate to adjustments made during 2018 to the premium for contracts entered into in prior years. Risks previously written by the syndicate were either renewed into 2488 or non-renewed, reflecting adherence to Chubb Underwriting Agency Limited's ("CUAL") strict underwriting criteria against a backdrop of continued competitive market conditions.

The syndicate purchased reinsurance to mitigate the impact of major events and an undue frequency of smaller losses.

The net loss ratio was high at 203.2% (2017: 99.0%) driven by several new large losses and by the absence of new written premiums and negative adjustments to premiums for contracts underwritten in prior years.

Investments

Total investments at 31 December 2018 were £212.3m (2017: £240.1m). A total of £126.9m (2017: £173.2m) of the portfolio was invested in fixed income government and corporate securities with a rating of AA or better.

The investment management objectives are primarily to achieve a stable investment income stream from a low-risk investment base with sufficient liquidity to meet the ongoing obligations of the insurance operations of the syndicate. As the claims provisions continue to run off, the investment portfolio will continue to decrease.

Approved by the board of directors on 4 September 2019 and signed on its behalf by:

A C Mullins
Director
4 September 2019

CHUBB CAPITAL LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors are pleased to submit their report and the audited financial statements for the year to 31 December 2018.

It should be noted that the Company's financial statements have been prepared in compliance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS102") and Financial Reporting Standard 103 'Insurance Contracts' ("FRS 103"), being applicable United Kingdom Generally Accepted Accounting Practice ("UK GAAP").

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The Company participated exclusively on Syndicate 1882 which, is managed by Chubb Underwriting Agencies Limited. In 2016 Syndicate 1882 was placed into run-off and its business was either renewed into Chubb Syndicate 2488 or lapsed. Syndicate 1882 remained in run-off at 31 December 2018 but, with effect from 1 January 2019, the Syndicate completed a reinsurance to close transaction under which all of its outstanding insurance liabilities and assets of an equivalent value transferred into Syndicate 2488. Following this transaction the Company no longer participates in any underwriting at Lloyd's. The directors do not expect this position to change in the future.

RESULTS AND DIVIDENDS

The profit for the year to 31 December 2018 before taxation amounted to £6.8m (2017: Loss of £10.1m) and the net assets of the Company total £113.5m (2017: £109.6m). The directors do not recommend the payment of a final dividend (2017: £Nil).

DIRECTORS

The following have been directors from 1 January 2018 to the date of signing of this report unless otherwise indicated:

M A Connole	(Appointed 1 March 2019)
M K Hammond	(Resigned 1 March 2019)
A J Kendrick	(Resigned 1 October 2018)
A C Mullins	
A M W Shaw	

Qualifying third-party indemnity provisions (as defined by Section 234 of the Companies Act 2006) are in place for the benefit of the directors and, at the date of this report, are in force in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers or office.

The Company also has the benefit of a group insurance company management activities policy effected by Chubb Limited. No charge was made to the Company during the year for this policy.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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 financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who is a director at the date of this report confirms that:

i) So far as each of them is aware, there is no information relevant to the audit of the Company's financial statements for the year ended 31 December 2018 of which the auditors are unaware; and

ii) The director has taken all steps that he/she ought to have taken in his/her duty as a director in order to make him/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

INDEPENDENT AUDITORS

The Company's independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office in accordance with Section 487 of the Companies Act 2006.

A E Amana

for and on behalf of
Chubb London Services Limited
Secretary, 4 September 2019

100 Leadenhall Street
London
EC3A 3BP

Independent auditors' report to the members of Chubb Capital Ltd

Report on the audit of the financial statements

Opinion

In our opinion, Chubb Capital Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the profit and loss account, the statement of other comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Independent auditors' report to the members of Chubb Capital Ltd - continued

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Nick Wilks

Nick Wilks (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
4 September 2019

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2018

		2018	2017
Technical account – general business	**Note**	**£000**	**£000**
Earned premiums, net of reinsurance			
Gross premiums written	4	(1,880)	9,252
Outwards reinsurance premiums		(727)	(4,096)
Net premiums written		(2,607)	5,156
Change in the gross provision for unearned premiums		8,974	31,568
Change in the provision for unearned premiums, reinsurers' share		(1,060)	(922)
Change in unearned premiums, net of reinsurance		7,914	30,646
Earned premiums, net of reinsurance		5,307	35,802
Allocated investment return transferred from non-technical account		116	1,607
Total technical income		5,423	37,409
Claims incurred, net of reinsurance			
Claims paid, gross amount	4	(36,054)	(49,925)
Claims paid, reinsurers' share		1,035	1,502
Net claims paid		(35,019)	(48,423)
Change in the provision for claims, gross amount	4	23,665	17,220
Change in the provision for claims, reinsurers' share		570	(4,231)
Change in the provision for claims, net of reinsurance		24,235	12,989
Claims incurred, net of reinsurance		(10,784)	(35,434)
Net operating expenses	4,6	(715)	(10,994)
Total technical charges		(11,499)	(46,428)
Balance on the general business technical account		(6,076)	(9,019)

PROFIT AND LOSS ACCOUNT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

		2018	2017
Non-technical account	**Note**	**£000**	**£000**
Balance on the general business technical account		(6,076)	(9,019)
Investment return			
Investment income	8	6,098	4,205
Investment expenses and charges	8	(5,205)	(797)
Allocated investment return transferred to technical account	8	(116)	(1,607)
Investment return		777	1,801
Gains / (Losses) on exchange		11,873	(2,909)
Non-technical income / (expenses)		230	(5)
Profit / (Loss) on ordinary activities before tax		6,804	(10,122)
Tax on profit / (loss) on ordinary activities	10	(2,393)	3,187
Profit / (Loss) for the financial year		4,411	(6,935)

The above results are all derived from continuing operations and are attributable to the owners of the Company.

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

		2018	2017
	Note	**£000**	**£000**
Profit / (Loss) for the financial year		4,411	(6,935)
Other recognised gains and losses			
Unrealised (losses) / gains on investments	8	(446)	1,475
Tax credit / (charge) on unrealised losses / gains on investments	10	(82)	(17)
Total recognised gains / (losses) relating to the year		3,883	(5,477)

CHUBB CAPITAL LTD

BALANCE SHEET
AS AT 31 DECEMBER 2018

		2018	2017
Assets	**Note**	**£000**	**£000**
Investments			
Other financial investments	11	212,282	240,142
Reinsurers' share of technical provisions			
Provision for unearned premiums	18	735	1,747
Claims outstanding	18	14,517	13,429
		15,252	15,176
Debtors – amounts falling due within one year			
Arising out of direct insurance operations		3,100	9,150
Arising out of reinsurance operations		2,315	7,714
Other debtors	12	64,315	4,975
		69,730	21,839
Other assets			
Cash at bank and in hand		13,904	15,320
Deferred tax asset	15	2,053	6,823
		15,957	22,143
Prepayments and accrued income			
Accrued interest and rent		1,707	1,811
Deferred acquisition costs		1,462	1,592
Other prepayments and accrued income		-	478
		3,169	3,881
Total assets		316,390	303,181

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2018

		2018	2017
Liabilities	**Note**	**£000**	**£000**
Capital and reserves			
Called up share capital	14	37,837	37,837
Fair value reserve		(905)	(377)
Profit and loss account		76,574	72,163
		113,506	109,623
Technical provisions			
Provision for unearned premiums	18	7,950	15,667
Claims outstanding	18	143,759	164,182
		151,709	179,849
Creditors - amounts falling due within one year			
Arising out of reinsurance operations		1,173	3,847
Bank loans and overdrafts		49,331	4,552
Other creditors including taxation and social security	13	519	4,801
		51,023	13,200
Accruals and deferred income		152	509
Total liabilities		316,390	303,181

The notes on pages 12 to 30 are an integral part of these financial statements.

The financial statements on pages 7 to 30 were approved by the board of directors on 4 September 2019 and were signed on its behalf by:

M A Connole
Director

4 September 2019

COMPANY RESGISTRATION NUMBER: 07128050

CHUBB CAPITAL LTD

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

Changes in 2017	Called up share capital £000	Fair value reserve £000	Profit and loss account £000	Total Equity £000
At 1 January 2017	37,837	(1,835)	79,098	115,100
Total comprehensive (loss) / income for the year	-	1,458	(6,935)	(5,477)
At 31 December 2017	37,837	(377)	72,163	109,623

Changes in 2018	Called up share capital £000	Fair value reserve £000	Profit and loss account £000	Total Equity £000
At 1 January 2018	37,837	(377)	72,163	109,623
Total comprehensive (loss) / income for the year	-	(528)	4,411	3,883
At 31 December 2018	37,837	(905)	76,574	113,506

1 BASIS OF PREPARATION

Chubb Capital Ltd is a limited liability company incorporated in the United Kingdom. The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006, Financial Reporting Standard FRS 102 ("The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102")) and Financial Reporting Standard FRS 103, "Insurance Contracts" ("FRS 103").

The Company is a wholly owned subsidiary within the Chubb Limited group and is included in the consolidated financial statements of Chubb Limited, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement and disclosing details of key management personnel and related party transactions under the terms of FRS102.

The principal accounting policies, which are set out below, have been applied consistently to all the years presented unless otherwise stated.

2 ACCOUNTING POLICIES

Premiums written

Premiums written, which are stated gross of brokerage but exclusive of premium taxes, relate to business incepted during the year, together with adjustments made in the year to premiums written in prior accounting periods. Estimates are made of pipeline premiums, representing amounts due but not yet received or notified to the Company by intermediaries.

Unearned premiums

Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the balance sheet date, calculated on the basis of established risk profiles or time apportionment as appropriate.

Acquisition costs

Acquisition costs comprise brokerage, commissions and other related costs, and are deferred over the period in which the related premiums are earned.

Claims incurred

Claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect expenses and adjustments to claims outstanding from previous years. Where applicable, deductions are made for reinsurance, salvage and other recoveries.

Provision for claims outstanding and related reinsurance recoveries

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

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

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

The two most critical assumptions as regards the provision for claims outstanding 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.

2 ACCOUNTING POLICIES - continued

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

When calculating the provision for claims outstanding, the reported business segments are subject to specific issues, as set out below:

Fire and other damage to property; marine; accident and health

These business segments are predominantly "short tail"; that is there is not a significant delay between the occurrence of the claim and the claim being reported to the Company. The costs of claims notified to the Company at the balance sheet date are estimated on a case by case basis to reflect the individual circumstances of each claim. The ultimate expected cost of claims is projected from this data by reference to statistics, which show how estimates of claims incurred in previous periods have developed over time to reflect changes in the underlying estimates of the cost of notified claims and late notifications.

Third party liability

Liability claims are longer tail than the classes of business described above and so a larger element of the provision for claims outstanding relates to IBNR. Claims estimates for the Company's liability business are derived from a combination of loss ratio based estimates and an estimate based upon actual claims experience using a predetermined formula whereby greater weight is given to actual claims experience as time passes. The initial estimate of the loss ratio based on the experience of previous years adjusted for factors such as premium rate changes and claims inflation, and on the anticipated market experience, is an important assumption in this estimation technique. In respect of liability claims, the assessment of claims inflation and anticipated market experience is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. The liability class of business is also subject to the emergence of new types of latent claims but no allowance is included for this as at the balance sheet date.

Reinsurance acceptances

This business segment includes both short tail and longer tail business, and is subject to the issues laid out in the preceding two sections.

Unexpired risks provision

A provision for unexpired risks is made where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred. The provision for unexpired risks is calculated by reference to classes of business which are managed together, after taking into account relevant investment return.

Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest. Realised investment gains and losses are included as part of investment return in the profit and loss account. Dividends receivable are accounted for by reference to the date on which the price of the investment is quoted ex-dividend. Interest and expenses are accounted for on an accruals basis.

Realised gains and losses on investments carried at bid value are calculated as the difference between net sale proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their purchase price or, if they have previously been revalued, their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting underwriting business. Other than investment return on Funds in Syndicate retained within the Company, all investment return has been wholly allocated to the technical account.

2 ACCOUNTING POLICIES - continued

Investments

Investments in marketable securities are stated at bid value on the balance sheet date. For quoted investments where there is an active market, this is their quoted bid price at the balance sheet date. For quoted investments where there is no active market, the bid value is determined by reference to prices for similar assets in active markets.

Overseas deposits are stated at market value, as notified by Lloyd's.

Investments – fair value through statement of comprehensive income

Investments in bonds, short term deposits and unit trusts that invest predominantly in bonds and short term deposits are classified as available for sale financial assets. Bond purchases and sales are recognised at trade date.

Available for sale financial assets are subsequently re-appraised to their fair value at each balance sheet date. Where there is an active market for these investments, fair value is based upon quoted prices using bid price. Where there is not an active market, but other market data is observable for these investments, fair value is based upon that market data using expected bid price.

The fair value adjustments for these available for sale financial assets are shown as unrealised gains and losses in the statement of comprehensive income.

Impairment losses on available for sale financial assets are recognised in the income statement if there has been an event that has had a negative impact on the expected future cash flows of the asset and the fair value of the asset is below its amortised cost.

Insurance and other receivables

Insurance and other receivables are recognised at fair value less any provision for impairment. Any impairment of a receivable will be recognised if there is evidence that the Company will not be able to collect the amounts receivable according to the original terms of the receivable.

Insurance and other payables

Payables arising from insurance contracts, creditors and deposits received from reinsurers, are initially measured at cost, which is equal to fair value, net of transaction costs.

Taxation

UK taxation in the profit and loss account is based on the underwriting result and other income and charges of the year as determined in accordance with the relevant tax legislation, together with adjustments for prior years.

Deferred tax

Deferred tax has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more tax in future, or a right to pay less tax in future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

Foreign currencies

Foreign currency transactions are converted to sterling using the rate for the month in which the transaction is recorded. Foreign exchange gains and losses arising from the settlement of transactions, and from the retranslation of monetary assets and liabilities to rates prevailing at the balance sheet date, are recognised in the non-technical part of the profit and loss account.

3 CAPITAL MANAGEMENT & FINANCIAL RISK MANAGEMENT

Capital management

Chubb Underwriting Agency Limited ("CUAL") assesses the capital needs on a risk management basis to maintain an efficient capital structure consistent with the risk profile of the Company and business requirements, and to meet regulatory requirements. The Company then seeks to maintain financial strength and capital adequacy to support business growth and meet the requirements of policyholders, rating agencies and regulators, whilst retaining financial flexibility by ensuring substantial levels of liquidity. Once the capital needs have been met, it is the policy of the Company to distribute any surplus capital through dividends to its ultimate parent company.

From a prudential perspective, the Lloyd's market is regulated by the PRA and is subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held. In line with regulatory requirements CUAL manages its capital levels in 2018 in the context of Solvency II and the Funds at Lloyd's requirement.

The Company's regulatory capital requirement is set according to the Solvency II Internal Model. The Company performs tests and controls to ensure continuous and full compliance with the Solvency II regulations.

The primary objectives of the Company in managing capital can be summarised as follows:

- to satisfy the requirements of its policyholders, regulators and rating agencies;
- to match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- to manage exposures to key risks;
- to retain financial flexibility by maintaining strong liquidity.

Insurance risk

Insurance risk arises from fluctuations in the frequency and/or severity of claims. The Company mitigates this risk by maintaining underwriting discipline throughout its operations. The Company also uses a reinsurance programme to manage its insurance risk by providing cover against certain large exposures.

Sensitivity to insurance risk

As highlighted in note 2, there is inherent uncertainty in the ultimate cost of claims for which the Company uses a variety of different actuarial techniques to estimate the provision for claims outstanding. If the net claims ratio for the year had been higher by 1%, then the profit for the financial year would have been lower by £0.1 million (2017: £0.4 million increase in loss) and net assets would have been lower by £0.1 million (2017: £0.4 million). If the net claims ratio had been lower by 1%, then the profit for the financial year would have been higher by £0.1 million (2017: £0.4 million reduction in loss) and net assets would have been higher by £0.1 million (2017: £0.4 million).

Concentrations of insurance risk

Prior to the syndicate moving into run-off it wrote a balanced portfolio of risks to avoid a concentration of exposures to one or a small number of risk classes.

3 CAPITAL MANAGEMENT & FINANCIAL RISK MANAGEMENT – continued

Financial risk management objectives

The Company is exposed to a range of financial risks through its financial assets and financial liabilities. The most important components of this financial risk are market risk (including interest rate risk and currency risk), liquidity risk and credit risk.

These financial risks principally arise from the investment activity of the business and consequent holdings in fixed income investments, all of which are exposed to general and specific market movements. The prior and unearned underwriting activity of the business also generates financial risk, particularly in the form of currency risk as well as liquidity and credit risk through its insurance and reinsurance receivables and payables. The notes below explain how financial risks are managed. The processes used to manage these risks are unchanged from previous periods, and cover areas such as investment activity through stochastic modelling of the portfolio, within its internal capital model and consequent capital requirements.

Investment activity governance

The Company's managing agent, (CUAL), operates an Investment Committee which functions under terms of reference determined by the Management Committee of the Board of CUAL (the Committee). The Committee is charged with establishing and effecting an appropriate investment policy for the Company having regard to the financial risk appetite. In addition, the Committee has responsibility for recommending the appointment and removal of investment managers, for reviewing the managers' performance and for reporting on all other material aspects of the investment function.

The Investment Committee comprises senior Chubb management and is chaired by the Regional Chief Financial Officer, Chubb Europe. The Committee also includes the Regional President, Chubb Europe, Group Chief Investment Officer and Regional Treasurer.

Asset allocation policy

The Investment Committee has established a broad asset allocation policy which defines the limits for different asset types. The asset allocation policy cites two major asset classes: investment grade fixed income securities and alternative assets. Alternative assets can include equities, illiquid debt, high yield and emerging market instruments. The policy stipulates a target range of between 80% and 100% for investment grade fixed income securities and a range of between 0% and 20% for alternative asset classes. The Company held no alternative assets in 2018.

Investment guidelines

Investment management agreements have been established with the external investment managers. The agreements include specific guidelines for each individual portfolio in order to limit risks arising from duration, currency, liquidity, credit and counterparty exposures. The managers provide quarterly affirmation of compliance with these guidelines.

Interest rate risk

The Company is exposed to interest rate risk primarily through its investments in fixed interest securities and, to the extent that claims inflation is correlated to interest rates, its liabilities to policyholders. Interest rate risk arises in the fixed income investment portfolio primarily through instrument duration. Accordingly, the investment guidelines include restrictions relating to the maximum weighted average duration of the portfolio.

The restriction is stated by reference to the permissible duration variance compared to the customised benchmark index by which the external investment managers' performance is assessed.

Sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. To illustrate the downside risk within the fixed interest portfolio of £208.2 million with external managers as at 31 December 2018 (2017: £234.6 million), an increase of 50 basis points in interest yields across all portfolios consecutively (principally sterling, euro and US dollars) has been calculated. Such an increase would decrease the market value of the investment portfolio and lead to a decrease in the total investment return of £3.7 million (2017: £4.0 million) and accordingly decrease total shareholders' funds by £3.7 million (2017: £4.0 million).

3 CAPITAL MANAGEMENT & FINANCIAL RISK MANAGEMENT – continued

Equity price risk

The Company held no equities in 2018 (2017: Nil) and as a result the Company is not susceptible to equity price risk.

Currency risk

The Company is primarily exposed to currency risk in respect of assets and liabilities under policies of insurance denominated in currencies other than sterling. The Company maintains various currency balances generated through regular business activity but the majority of the funds held are denominated in Euros and US dollars. The Company's policy seeks to ensure that a currency match of assets and liabilities is maintained. Any component of the members' funds denominated in currencies other than sterling gives rise to currency risk due to exchange rate volatility relative to sterling. The accounting policy for foreign currencies is stated in note 2 to the financial statements. Balance sheet components (monetary assets and liabilities) are translated to sterling using the rates of exchange at year end.

Currency risk can arise where assets and liabilities are expected to be settled in differing currencies. The Company largely mitigates this risk by matching assets with liabilities in the same currency subject to any regulatory funding requirements. In particular, the Company has significant amounts of US Dollar and Euro transactions. If the US Dollar and Euro had weakened by 5% against Sterling, then the Company's net assets would have been reduced by £6.7 million (2017: £1.8 million).

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due. To counter this risk, the Company aims to maintain funds in the form of cash or cash equivalents to meet known cash flows. In addition, the asset allocation policy and the investment guidelines are structured in order to ensure that funds are predominantly held in investment grade fixed income securities, the proceeds of which are readily realisable.

However, a significant share of the Company's investments are held to meet regulatory deposit requirements which may not be available to meet recommended liquidity needs.

CUAL participates in a notional pooling programme with other Chubb group companies under a facility operated by Bank Mendes Gans, a subsidiary of ING, which specialises in global liquidity management. The facility operates by the notional pooling of designated balances of the Chubb group participants in order to provide additional liquidity. Chubb group participants may overdraw individual account balances to fund immediate short term needs against credit balances held elsewhere within the pool. On this basis, CUAL maintained an overdraft of £49.3 million at year end, of which £9.3million in relation to Syndicate 1882 (2017: £4.6million, of which all relating to Syndicate 1882).

As indicated in the balance sheet, the Company's financial liabilities are all payable within one year. Non-derivative financial liabilities with contractual maturities are payable when agreed. Non-derivative financial liabilities with contractual maturities are limited to reinsurance premiums payable and expense accruals.

3 CAPITAL MANAGEMENT & FINANCIAL RISK MANAGEMENT – continued

The table below shows the contractual maturity for financial liabilities.

£000 **31 December 2018**	**No Stated Maturity**	**0-1 year**	**1-3 years**	**3-5 years**	**>5 years**	**Total**
Claims outstanding	-	50,137	52,851	23,239	17,532	143,759
Creditors	-	51,023	-	-	-	51,023
Total	-	101,160	52,851	23,239	17,532	194,782

£000 **31 December 2017**	**No Stated Maturity**	**0-1 year**	**1-3 years**	**3-5 years**	**>5 years**	**Total**
Claims outstanding	-	52,543	61,779	27,267	22,593	164,182
Creditors	-	13,200	-	-	-	13,200
Total	-	65,743	61,779	27,267	22,593	177,382

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The Company is exposed to credit risk through its investment activity and its insurance operations.

The Company is exposed to investment credit and price risk as a result of its holdings in fixed income. The risk in respect of fixed income investments is moderated by the application of detailed investment guidelines which limit the size of holdings with individual issuers, restrict duration and dictate minimum credit quality, both for individual holdings and for the aggregate weighted portfolio.

The average credit quality of investment portfolios using Standard & Poor's ratings remained high throughout the year and at year end was "AA" (2017: "AA").

The investment guidelines seek to limit the credit risk of each of the portfolios through specifying eligible/ineligible investments; setting maximum counterparty exposures and minimum weighted credit quality and individual issuer credit quality.

Credit risk – insurance operations

The Company is exposed to credit risk as a result of its regular insurance and reinsurance activity. The areas of key exposure are:

- reinsurers' share of provision for claims outstanding;
- debtors arising from reinsurers in respect of claims already paid;
- amounts due from direct insurance and reinsurance policyholders; and
- amounts due from direct insurance and reinsurance intermediaries.

Ceded reinsurance is used to manage and mitigate inwards direct insurance and reinsurance risk. Ceded reinsurance does not discharge the Company's liability as primary insurer. If a ceded reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder. A Reinsurance Security Committee is operated by the Chubb group which analyses the creditworthiness of ceded reinsurers on a quarterly basis by reviewing their financial strength. In addition, the recent payment history of ceded reinsurers is used to update the reinsurance purchasing strategy.

3 CAPITAL MANAGEMENT & FINANCIAL RISK MANAGEMENT – continued

With regard to direct insurance and reinsurance receivables, CUAL on behalf of the Company operated a Broker Review Committee until 31 December 2018 to review broker security, a process for monitoring arrangements with managing general agents, and, in certain circumstances, the requirement for collateral to be posted by the policyholder to the benefit of the Company. The Broker Review Committee was disbanded on 31 December 2018 and from 1 January 2019 such responsibilities are now considered by the Finance, Capital and Credit Committee.

The assets bearing credit risk are summarised below:

	2018 £000	2017 £000
Other financial investments	212,282	240,142
Reinsurers' share of technical provisions	15,252	15,176
Debtors arising out of direct insurance operations	3,100	9,150
Debtors arising out of reinsurance operations	2,315	7,714
Total assets bearing credit risk	232,949	272,182

Other financial investments are designated as fair value through other comprehensive income at inception, and their performance evaluated on a fair value basis, in accordance with a documented investment accounting policies as detailed in note 2.

The Moody's credit rating for other financial investments is detailed below.

	2018 £000	2017 £000
AAA	8,323	45,003
AA	118,529	128,244
A	41,908	37,287
BBB	41,935	26,731
Below BBB or not rated	1,587	2,877
Other financial investments bearing credit risk	212,282	240,142

Other financial investments are neither past due nor impaired.

The amount of change, during the period and cumulatively, in the fair value of receivables that is attributed to changes in credit risk is represented by the provision for impairment against receivables past due.

Reinsurers' share of technical provisions includes claims outstanding, related claims handling costs and IBNR. This is described along with the valuation methods in note 2.

Debtors arising out of direct and reinsurance operations are held at fair value less any provision for impairment as described in note 2. They include 0.0% (2017: 0.0%) that have been impaired and 47.1% (2017: 29.0%) that are past due, but not impaired. The latter is aged 9.2% up to six months (2017: 7.1%), 6.4% six months to a year (2017: 3.1%) and the remaining 31.5% is older than a year (2017: 18.8%).

The Standard and Poor's credit rating for reinsurers' share of claims provisions and debtors arising out of reinsurance that are neither past due nor impaired are detailed on the following page.

3 CAPITAL MANAGEMENT & FINANCIAL RISK MANAGEMENT – continued

	2018	2017
	£000	£000
AA	4,902	7,055
A	9,210	6,463
Below BBB or not rated	710	2
Reinsurers' share of technical provisions bearing credit risk	14,822	13,520

4 SEGMENTAL ANALYSIS

Segmental information in the format required by Schedule 3 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 is as follows:

Year to 31 December 2018	Gross premiums written £'000	Gross premiums earned £'000	Gross Claims Incurred £'000	Gross Operating Expenses £'000	Reinsurance balance £'000
Direct Insurance					
Fire and other damage to property	862	3,743	(4,338)	(138)	931
Marine, aviation and transport	(1,715)	386	(1,076)	(26)	(110)
Accident and health	-	-	6	-	-
Third party liability	(17)	1,320	(8,205)	(181)	(564)
Reinsurance acceptances	(1,010)	1,645	1,224	(370)	(438)
TOTAL	(1,880)	7,094	(12,389)	(715)	(181)

Year to 31 December 2017	Gross premiums written £'000	Gross premiums earned £'000	Gross Claims Incurred £'000	Gross Operating Expenses £'000	Reinsurance balance £'000
Direct Insurance					
Fire and other damage to property	3,424	8,173	7,611	2,651	(460)
Marine, aviation and transport	(879)	8,529	1,918	3,012	190
Accident and health	-	12	(131)	1	-
Third party liability	155	4,972	12,337	1,519	(4,062)
Reinsurance acceptances	6,552	19,134	10,970	3,811	(3,415)
TOTAL	9,252	40,820	32,705	10,994	(7,747)

The reinsurance balance represents the charge to the technical account from the aggregate of all items relating to outwards reinsurance. All business is completed in the United Kingdom.

4 SEGMENTAL ANALYSIS - continued

Gross written premium information by destination (location of risk) as required by Schedule 1, Regulations 2015 (Part V, 84) is as follows:

	2018	2017
	£'000	£'000
United Kingdom	292	2,199
United States of America	(1,407)	2,415
Continental Europe	121	1,747
Africa and Middle East	149	506
Asia Pacific	(1,135)	1,233
Americas	100	1,152
	(1,880)	9,252

5 MOVEMENT IN PRIOR YEAR'S PROVISION FOR CLAIMS OUTSTANDING

The prior year's net provision for claims outstanding generated a deficit for 2018 (2017: deficit) as detailed below:

	2018	2017
	£'000	£'000
Direct		
Fire and other damage to property	760	(386)
Marine, Aviation and transport	(921)	3,104
Accident and health	6	82
Third party liability	(7,908)	(13,296)
Reinsurance Acceptances	2,886	(268)
	(5,177)	(10,764)

6 NET OPERATING EXPENSES

	2018	2017
	£'000	£'000
Acquisition costs	(76)	1,656
Change in deferred acquisition costs	(209)	9,302
Administrative expenses	1,092	238
Reinsurance commission	(92)	(202)
	715	10,994

7 EMPLOYEES AND DIRECTORS

The Company has no employees (2017: £Nil). The directors received no emoluments for their services to the Company (2017: £Nil) as the amount of time spent performing their duties was incidental to their roles as key management across the group. Details of the directors' emoluments can be found Note 8 of the Chubb European Group SE financial statements and Note 7 of the ACE Europe Life Se financial statements.

All executive directors are entitled to shares in Chubb Limited under long-term incentive plans. During the year, four directors received shares in Chubb Limited under long-term incentive plans and no directors exercised options over the shares of Chubb Limited.

8 INVESTMENT RETURN

	2018 £'000	2017 £'000
Investment Income		
Investment income	6,014	4,041
Gains on the realisation of investments	84	164
	6,098	4,205
Investment expenses and charges		
Investment management expenses	(362)	(335)
Losses on the realisation of investments	(4,843)	(462)
	(5,205)	(797)
Unrealised gains and losses		
Unrealised gains on investments	352	1,475
Unrealised losses on investments	(798)	-
	(446)	1,475
TOTAL INVESTMENT RETURN	447	4,883

Investment return is analysed between:

	2018 £'000	2017 £'000
Allocated investment return transferred to the general business technical account	116	1,607
Net Investment return included in the non-technical account	777	1,801
Net Investment return included in the other comprehensive income	(446)	1,475
	447	4,883

9 AUDITORS' REMUNERATION

Non-technical expenses include fees payable to the Company's auditors and their associates for the following services:

	2018 £'000	2017 £'000
Fees payable to the Company's auditors and their associates for the audit of the Company's financial statements	8	8

10 TAX ON LOSS ON ORDINARY ACTIVITIES

(a) The tax charge is made up as follows:

	2018 £'000	2017 £'000
Current taxation:		
UK corporation tax on profits / (losses) for the period	(2,792)	(1,228)
Prior period adjustments	497	(1,300)
Total current taxation	(2,295)	(2,528)
Deferred taxation (note 16):		
Origination and reversal of timing differences	4,355	(689)
Effect of change in tax rates	-	30
Prior period adjustments	333	-
Total deferred tax charge / (credit)	4,688	(659)
Tax charge / (credit) on profit / (loss) on ordinary activities	2,393	(3,187)

Tax included in the statement of comprehensive income
The tax charge is made up as follows:

	2018	2017
Origination and reversal of timing differences	82	17
Tax charge to other comprehensive income	82	17

(b) Factors affecting tax charge for period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 19.0% (2017: 19.25%). The differences are reconciled below:

	2018 £'000	2017 £'000
Profit / (Loss) on ordinary activities before taxation	6,804	(10,122)
Profit / (Loss) on ordinary activities multiplied by standard rate of UK corporation tax of 19.0% (2017: 19.25%)	1,293	(1,948)
Expenses not deductible for tax purposes	274	25
Overseas tax	(4)	(13)
Change in tax rates	-	30
Rate difference on deferred tax and current tax	-	(19)
Tax over provided in previous years	830	(1,300)
Total tax charge / (credit) for period	2,393	(3,187)

11 OTHER FINANCIAL INVESTMENTS

	2018	2017
	£'000	£'000
Market value:		
Debt securities and other fixed interest securities	205,167	228,598
Overseas deposits	3,077	6,049
Shares and other variable yield securities	4,038	5,495
	212,282	240,142
Cost:		
Debt securities and other fixed interest securities	207,078	231,899
Overseas deposits	3,012	5,834
Shares and other variable yield securities	4,038	5,495
	214,128	243,228

£96.9m (2017: £134.1m) of the total market value relates to Funds in Syndicate, as explained in note 14; this is analysed as follows:

	2018	2017
	£'000	£'000
Market value:		
Debt securities and other fixed interest securities	93,905	131,504
Shares and other variable yield securities	2,979	2,609
	96,884	134,113
Cost:		
Debt securities and other fixed interest securities	95,668	132,071
Shares and other variable yield securities	2,979	2,609
	98,647	134,680

Fair Value Hierarchy

FRS 102 requires the Company to classify financial instruments into a fair value hierarchy as follows:

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

An analysis of financial instruments at 31 December 2018 by fair value hierarchy is set out below:

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Debt securities and other fixed income securities	77,117	128,051	-	205,168
Shares and other variable yield securities	3,161	876	-	4,037
Overseas deposits	808	2,269	-	3,077
Total	81,086	131,196	-	212,282

11 OTHER FINANCIAL INVESTMENTS (CONTINUED)

An analysis of financial instruments at 31 December 2017 by fair value hierarchy is set out below:

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Debt securities and other fixed income securities	224	228,374	-	228,598
Shares and other variable yield securities	5,495	-	-	5,495
Overseas deposits	1,349	4,700	-	6,049
Total	7,068	233,074	-	240,142

Debt securities and other fixed interest securities' with active markets such as Government securities are classified within Level 1, as fair values are based on quoted market prices. For debt securities and other fixed interest securities that trade in less active markets, including corporate securities, fair values are based on the output of pricing models, the significant inputs into which include, but are not limited to, yield curves, credit risks and spreads, measures of volatility, and prepayment speeds. These debt securities and other fixed interest securities are classified within Level 2. For debt securities and other fixed interest securities and debt securities and other fixed interest securities for which pricing is unobservable, these are classified within Level 3.

Shares and other variable yield securities include short term investments, such as liquidity funds. Where such securities are traded in active markets, they are classified within Level 1, as fair values are based on quoted market prices. Where no active market exists for such securities they are typically classified within Level 2 and where pricing is unobservable, Level 3.

During the period no investments were transferred between Level 2 and Level 3.

12 OTHER DEBTORS

	2018	2017
	£'000	£'000
Amounts falling due within one year:		
Corporation tax	2,792	2,395
Other debtors	61,523	2,580
Total	64,315	4,975

In December 2018 the Company made a loan of $72.0 million to Chubb Capital I Limited in order to fund a projected Funds at Lloyd's shortfall in the capital required on Syndicate 2488. The Loan Agreement provided for a three-year term, annual interest of 2.99% and for the loan to be repayable on demand.

13 OTHER CREDITORS

	2018	2017
	£'000	£'000
Amounts falling due within one year:		
Other creditors	519	4,801
	519	4,801

14 CALLED UP SHARE CAPITAL

	2018	2017
	£'000	£'000
Allotted, called-up and fully paid:		
37,837,209 (2017: 37,837,209) Ordinary shares of £1 each	37,837	37,837

There are no rights, preferences or restrictions in respect to allotted share capital.

The Company's assets at 31 December 2018 include £97.8m (2017: £135.4) designated as FIS; this includes the balance of the profit distribution for all the closed years of account, which was retained to meet an increase in the FIS requirement and is included in the following asset headings:

	2018	2017
	£'000	£'000
Other financial investments (note 11)	96,884	134,113
Deposits with credit institutions	-	115
Accrued interest	872	1,219
Total assets designated as Funds in Syndicate	97,756	135,447

15 DEFERRED TAX ASSET

The deferred tax included in the balance sheet is as follows:

	2018	2017
	£'000	£'000
Included in provisions for liabilities and charges	2,053	6,823
Total recognised deferred tax asset	2,053	6,823
Technical results not declared	2,053	6,823
Total recognised deferred tax asset	2,053	6,823

15 DEFERRED TAX ASSET (CONTINUED)

An analysis of the movement is deferred tax is as follows:

	2018 £'000	2017 £'000
At 1 January	6,823	6,181
Deferred tax (charge) / credit to profit and loss account	(4,688)	689
Deferred tax charge to other comprehensive income	(82)	(17)
Change in tax rate	-	(30)
At 31 December	2,053	6,823

The amount of the net reversal of deferred tax assets and liabilities expect to occur in 2019 is a credit of £2,053k (2018: £4,770k), in respect of the reversal of timing differences on funded business.

The Finance Act 2015 enacted a reduction in corporation tax rates to 19% from 1 April 2017 and 17% from 1 April 2020, as a result of which the relevant deferred tax balances have been re-measured.

16 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption provided in FRS 102 from disclosing related party transactions with Chubb Limited and its other wholly-owned subsidiary undertakings.

17 CLAIMS DEVELOPMENT TABLES

The following tables show the development of claims over a period of time on both a gross and net of reinsurance basis. FRS 103 requires that claims development shall go back to the period when the earliest claim arose for which there is still uncertainty about the amount and timing of the claims payment, but need not go back more than 10 years. When adopting FRS 103 for the first time, the standard allows the Company to disclose information in relation to claims development occurring up to 5 years from the first year of adoption which was 2015. The top half of the table shows how the estimates of total claims for each underwriting year develop over time. The lower half of the table reconciles the cumulative claims to the amount appearing in the balance sheet.

The cumulative claims estimates and payments for each underwriting year are translated into sterling at the current year-end rates.

Claims development as at 31 December 2018 – Gross

	2011	2012	2013	2014	2015	2016	Total
	£000	£000	£000	£000	£000	£000	£000
Estimate of ultimates:							
End of underwriting year	36,554	48,835	33,392	35,199	44,929	29,415	
One Year Later	77,222	68,303	53,620	58,526	79,929	43,751	
Two Years Later	98,927	71,798	49,321	64,239	89,676	50,352	
Three Years Later	111,308	73,855	53,984	67,417	87,493		
Four Years Later	121,639	76,638	57,870	75,091			
Five Years Later	121,684	76,557	56,086				
Six Years Later	123,489	79,712					
Seven Years Later	120,679						
Current estimate of ultimate claims	120,679	79,712	56,086	75,091	87,493	50,352	
Cumulative payments	107,440	58,911	40,286	42,521	53,730	25,097	
In balance sheet	13,239	20,801	15,800	32,570	33,763	25,255	141,428
Provision for prior financial years							2,331
Liability in the balance sheet							143,759

17 CLAIMS DEVELOPMENT TABLES - continued

Claims development as at 31 December 2018 - Net

	2011	2012	2013	2014	2015	2016	Total
	£000	£000	£000	£000	£000	£000	£000
Estimate of ultimates:							
End of underwriting year	34,604	39,446	30,004	32,119	43,671	27,108	
One Year Later	65,211	55,284	49,671	56,420	76,036	40,362	
Two Years Later	67,979	67,297	47,345	61,650	85,019	46,785	
Three Years Later	70,695	65,873	53,165	66,162	84,775		
Four Years Later	75,981	68,916	57,512	70,381			
Five Years Later	78,967	69,095	55,853				
Six Years Later	85,043	72,442					
Seven Years Later	79,551						
Current estimate of ultimate claims	79,551	72,442	55,853	70,381	84,775	46,785	
Cumulative payments	70,175	51,659	40,287	42,521	53,695	24,561	
In balance sheet	9,376	20,783	15,566	27,860	31,080	22,224	126,889
Provision for prior financial years							2,353
Liability in the balance sheet							129,242

18 RECONCILIATION OF INSURANCE BALANCES

The reconciliation of opening and closing deferred acquisition costs is as follows:

	2018	2017
	£000	£000
At 1 January	1,592	10,687
Increase / (Decrease) in provision	209	(9,302)
Foreign exchange movement	(339)	207
At 31 December	1,462	1,592

The reconciliation of opening and closing unearned premium provision is as follows:

	Gross		Reinsurers' share	
	2018	2017	2018	2017
	£000	£000	£000	£000
At 1 January	15,667	47,941	1,747	2,700
Decrease in provision	(8,974)	(31,568)	(1,060)	(922)
Foreign exchange movements	1,257	(706)	48	(31)
At 31 December	7,950	15,667	735	1,747

18 RECONCILIATION OF INSURANCE BALANCES - continued

The reconciliation of opening and closing provision for claims is as follows:

	Gross		Reinsurers' share	
	2018	2017	2018	2017
	£000	£000	£000	£000
At 1 January	164,182	188,563	13,429	18,759
(Decrease)/Increase in provision	(23,665)	(17,220)	570	(4,231)
Foreign exchange movements	3,242	(7,161)	518	(1,099)
At 31 December	143,759	164,182	14,517	13,429

19 PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent company is Chubb INA International Holdings Ltd, a company registered in the United States of America.

The ultimate parent company and ultimate controlling party is Chubb Limited, a company registered in Switzerland. Copies of Chubb Limited's consolidated financial statements may be obtained from Investor Relations at Chubb's executive offices at 17 Woodbourne Avenue, Hamilton HM08, Bermuda.

20 POST BALANCE SHEET EVENTS

Chubb Underwriting Agencies Limited (CUAL) agreed terms to reinsure to close the liabilities of Syndicate 1882 into Syndicate 2488's 2017 year of account with effective date 1 January 2019. Syndicate 2488 is also under the management of CUAL. This transaction resulted in the transfer to Syndicate 2488 of gross and net technical provisions of £150.2 million and £135.0 million, respectively.

As a result, the capital provided by the Company to support Syndicate 1882 was no longer required and on 30 July 2019 the board of the Company approved the payment of an interim dividend of £75 million to its immediate parent, Chubb INA International Holdings Ltd. The dividend was paid on 31 July 2019.