BRIT LIMITED
PRESS RELEASE
16 FEBRUARY 2018
FULL YEAR RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

A POSITIVE PERFORMANCE IN A CHALLENGING YEAR

Key points

- Gross written premiums of US$2,057.0m (2016: US$1,912.2m), an increase at constant exchange rates of 8.2%.
- Risk adjusted premium rates on renewal business reduced by 1.3% (2016: 3.3%).
- Combined ratio[1] of 112.4% (2016: 96.4%), including 16.2 percentage points of major losses (2016: 4.5pps) and 0.9pps in respect of the Ogden rate change. Major losses in line with expectations given the nature and scale of the events and our market share.
- Excellent return on invested assets[2] after fees of US$204.2m or 4.9% (2016: US$102.9m or 2.6%).
- Profit after tax of US$21.5m (2016: US$157.6m).
- RoNTA[3] after FX movements of 2.5% (2016: 15.8%) and RoNTA before FX movements of 1.1% (2016: 11.8%).
- Adjusted net tangible assets[4] of US$1,043.7m (2016: US$1,064.8m), after dividends paid of US$45.8m.
- Capital ratio of 136.8% (2016: 125.6%).
- Successful launch of Syndicate 2988 for the 2017 underwriting year, supported by third party capital, with increased capacity for 2018, expanding Brit's current position as the largest Lloyd's only insurer.
- Successful launch of a new Bermuda-domiciled collateralised reinsurance platform, Sussex Capital, with initial funding for 2018 of US$102.5m, further enhancing client and broker proposition.
- Focus on leadership, innovation and distribution, with continued opportunity-driven considered expansion in a number of areas including US programs, US cyber and technology, US Yacht and US Professional Lines.

Matthew Wilson, Group Chief Executive Officer of Brit Limited, commented:

'2017 was dominated by the scale and multiplicity of natural catastrophes from hurricanes, earthquakes and wildfires, resulting in significant human and economic consequences in the regions affected. Our products have responded to these events, supporting numerous businesses and individuals to get back on their feet in these difficult times. Our focus has been on providing an outstanding claims service and we have been pro-active in ensuring our customers' needs have been at the forefront of our actions. The net impact of these events on Brit was US$250.0m, or 16.2pps of our 112.4% combined ratio. This was in line with our expectations given the nature and scale of the events and our market share.

Market conditions have, as expected, remained difficult during 2017, with Brit experiencing an overall rate reduction of 1.3%, albeit lower than the 3.3% reduction in 2016. Against this backdrop, we have maintained our rigorous risk selection in the classes experiencing pressure and continue to focus growth efforts in classes experiencing more favourable rating conditions. This strategy resulted in a respectable attritional ratio of 56.4%.

Our premium written grew by 8.2% at constant exchange rates over 2016, to US$2,057.0m. This was driven by positive back year premium development, our initiatives to broaden our distribution base and ongoing development of our core business. We continue to add specialty underwriting talent in targeted areas and in 2017 have strengthened our US program capability, launched a new US cyber and technology team, and expanded our US Yacht and US Professional Lines offerings.

During 2017, it was particularly pleasing to see our US operation, BGSU, reach the milestone of writing over US$1bn of premium since its formation in 2009. BGSU has reached this milestone by delivering strong, profitable organic growth with a focus on niche areas where it has significant expertise and experience.

The successful launch in 2017 of Brit Syndicate 2988, together with its increased capacity for 2018, reinforces our long-term commitment to the Lloyd's market and ambition to use its infrastructure to expand our current position as the largest Lloyd's only insurer. It will also help us further position Brit as Lloyd's 'underwriting leader of choice', building on our existing strength across underwriting, claims and capital management and track record of delivering attractive returns for capital providers.

In December we launched a new Bermuda-domiciled collateralised reinsurance platform, Sussex Capital, with initial funding of US$102.5m. From 2018, Sussex Capital will write direct collateralised reinsurance while also providing collateralised reinsurance to Brit's Syndicate 2987. Its launch strengthens Brit's reinsurance capability, provides access to a diversified source of capital and further enhances our client and broker proposition.

While the outlook for 2018 is more positive with some encouraging signs of rate improvements in certain classes, we remain in a fiercely competitive market environment. Notwithstanding, we believe that with highly disciplined underwriting and our strategic focus on market leadership, innovation in product and process, and the broadening of local product distribution, we can look to the future with confidence.'

Mark Allan, Chief Financial Officer of Brit Limited, said:

'During 2017, Brit delivered a profit after tax of US$21.5m, against a backdrop of significant catastrophe activity, strong competition and continued pricing pressures. Total value created during the period was US$24.7m.

Claims arising from the major loss activity totalled US$250.0m, increasing the combined ratio by 16.2pps to 112.4%. Our attritional and expense ratios of ratio of 56.4% and 40.4% respectively were relatively stable despite the challenging market conditions, while reserve releases of US$9.6m after incorporating the effects of the Ogden rate change continue to demonstrate our conservative reserving approach.

Our net investment return was an outstanding US$204.2m, representing a return of 4.9%, driven by gains on our equity and fund investments. Foreign exchange gains, net of returns on FX related derivatives, totalled US$12.6m.

The impact of the major losses on market-wide results highlights the thin margins currently available in the specialty market and we remain focused on defending our core business and maintaining a disciplined approach to underwriting.

We increased the level of reinsurance purchased in 2017, with spend increasing from 22.6% to 25.6% of premiums written. Our relationship with the Bermuda domiciled special purpose reinsurer Versutus Limited has continued to grow, with the amount of capital deployed to support Brit increasing to US$187.0m for 2018. We have also expanded the use of quota shares to manage our net exposure and have purchased a two year catastrophe protection, which largely explains the increase in ceded premium in the period. The events of 2017 have illustrated the benefits of these protections.

Our balance sheet remains strong, with adjusted net tangible assets of US$1,043.7m, a small decrease of US$21.1m in the year, after a dividend payment of US$45.8m. This means that we hold a surplus of US$395.1m or 36.8% above the Group's management capital requirement.

Syndicate 2988, Versutus and Sussex are key to Brit's strategy of building long term relationships with the capital markets, and through these platforms we now have access to over US$400m of capacity. The support they provide enables us to strengthen our reinsurance capability and manage our catastrophe risk exposures whilst offering capital market investors attractive, non-correlating returns.

While the outlook remains challenging, there are some positive signs. We believe we are well positioned to navigate the current climate and take advantage of opportunities as they arise.'

Notes

1 The combined ratio excludes the effect of foreign exchange on non-monetary items.
2 Return on invested assets includes return on investment related derivatives and share of net profit of associates and is after deducting investment management fees.
3 RoNTA excludes foreign exchange movements and corporate activity costs and is based on adjusted net tangible assets.
4 Adjusted net tangible assets are defined as total equity, less intangible assets net of the deferred tax liability on those intangible assets.

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About Brit Limited

Brit Limited is a market-leading global specialty insurer and reinsurer, focused on underwriting complex risks. It has a major presence in Lloyd's of London, the world's specialist insurance market provider, with significant US and international reach. We underwrite a broad class of commercial specialty insurance with a strong focus on property, casualty and energy business. Our capabilities are underpinned by strong financials.

Brit is a member of the Fairfax Financial Holdings Limited group of companies (Fairfax). The Fairfax financial result for the year ended 31 December 2017, which included the Brit Limited financial result, was published on 15 February 2018.

www.britinsurance.com

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Brit at a Glance

We are a market-leading global specialty (re)insurer and the largest business that trades solely on the Lloyd's of London platform, the world's leading specialist commercial insurance market. We provide highly specialised insurance products to support our clients across a broad range of complex risks, with a strong focus on property, energy and casualty business.

We operate globally via a combination of our own international distribution network that benefits from Lloyd's global licences and our broker partners. Our underwriting capabilities are underpinned by a strong financial position and our commitment to deliver superior returns to our shareholders.

We have a strong track record and are passionate about our business, our people and our customers and we have focused on cultivating a franchise that is built on delivering exceptional service. Our culture is centred on achievement and we have established a framework that identifies and rewards strong performance.

The Fairfax Group

Since June 2015, Brit has been a member of the Fairfax Financial Holdings Limited group (Fairfax), a Canadian company whose shares are listed on the Toronto Stock Exchange (www.fairfax.ca). Brit is 72.5% owned by FFHL Group Limited (FFHL), a Fairfax company, while Brit's remaining shares are owned by the Ontario Municipal Employees Retirement System (OMERS), the pension plan manager for government employees in the Canadian province of Ontario. FFHL will have the ability to purchase the shares owned by OMERS over time.

We believe that the Fairfax Group is an excellent partner for Brit, enabling us to enhance our global product offering. It provides us with expanded underwriting opportunities and distribution channels and supports the delivery of our strategy to become a leading global specialty (re)insurer.

2017 underwriting review

2017 has been dominated by the extent and scale of natural catastrophes, with multiple hurricanes, earthquakes and wildfires, resulting in terrible human impact and significant economic consequences in the regions affected. The economic loss estimate from these events is in the region of US$353bn, while the insured loss is estimated at between US$134bn and US$140bn, making it the second most costly year on record after 2011.

Our products are designed to support businesses and individuals in such difficult times and we have focussed on providing an outstanding claims service, ensuring our customers' needs were met. This claims service has included:

- A focus on responding to our customers, managing the expected volume pressures and containment of both indemnity and expense ratios.
- Ongoing monitoring of local resources available to adjust and report claims, given the severity and the number of events hitting the US and Caribbean in sequence.
- 24/7 contact with claims third party administrators (TPAs) and coverholders, managing claims on our behalf, to assess impact and resourcing and to gauge activity and potential issues.
- Extended deployment of Brit claims adjusters from London directly into the TPA and coverholder operations in Texas and Florida, providing an 'on the ground' local Brit presence, ensuring claims were handled in accordance with Brit's standards while favourably impacting accessibility and resolution times.
- Ensuring claims payments were made swiftly by establishing robustly funded claims loss funds, proactively making interim or partial payments whenever possible to support our insureds' recovery efforts.
- Providing via contract endorsement, a number of select TPAs and MGAs with additional claims handling authority, including an increase in the authorised monetary thresholds and a waiver of proofs of loss.
- Successful adoption of satellite technology to capture high resolution images of Northern California wildfire affected Brit insured homes, enabling us to remotely adjust, settle and pay a number of high severity total losses within days.

The net claims incurred by Brit from these events totalled US$250.0m (Hurricane Harvey: US$51.5m; Hurricane Irma: US$110.1m; Hurricane Maria: US$46.4m; Mexico earthquakes: US$6.8m; California wildfires: US$35.2m), or 16.2pps on the combined ratio (2016: US$68.4m/4.5pps). This was in line with our expectations given the nature and scale of the events and our market share.

Our net exposure has been limited by our extensive reinsurance programme, purchased specifically with such extreme events in mind. We continually review our reinsurance protections to ensure effectiveness and have ceded more premiums to reinsurers in recent years as the market has softened. We have increased our use of proportional reinsurance to manage net appetite in a period of very challenging market conditions, while maintaining gross scale and relevance.

Market conditions have, as expected, remained challenging during 2017. Premium rates continued to experience reductions, albeit at a lower rate than in 2016, influenced by low instances of catastrophe losses in recent years, competition from new entrants and additional capacity from existing competitors with an appetite to grow despite rating pressure.

However, during the year the market did show some encouraging signs. A number of our competitors exited underperforming classes, where they had been showing a lack of discipline. This gave us the opportunity to hold the line in those areas and outperform our planned premium. In particular, we were able to retain more premium than planned in the Casualty Treaty and Commercial Worldwide Property accounts. In Cyber, one of our key growth classes, we have continued to support this growth market but increasing competition has led us to be cautious on a number of new and existing accounts.

Following the major losses in the second half of 2017, rates on risks renewed increased across most affected classes, with significant rate rises on impacted risks. Yachts, Cargo, Property Treaty, Commercial North America Open Market, Commercial Worldwide, BGSU E&S and BGSU Property Facultative have benefited from such increases. However, in certain areas (eg Property Treaty, BGSU E&S) rate increases have been limited by surplus capacity remaining in the market. We have also seen continued instances of undisciplined behaviour. We have clear thoughts on our expectations on pricing and appetite post event and remain prepared to walk away from renewals where terms do not meet our appetite and rating criteria.

Overall risk adjusted premium rates reduced by 1.3% (2016: 3.3%), with reductions in our direct business of 1.2% (2016: 2.9%) and reductions in our reinsurance portfolio of 1.7% (2016: 6.9%). Rating pressure was most severe in our Direct Energy (4.7% reduction), BGSU Casualty (3.5%), Property Facultative (2.1%), BGSU Property (2.0%), Property Treaty (2.0%) and Casualty Treaty (2.0%). These reductions were partly offset by rate increases of 3.1% in Specialist Liability and marginal improvements in Accident and Health (A&H) and Specialty Lines.

Our retention rate for the year was 83.6% (2016: 84.3%) which reflects our focus on retaining core accounts and pro-active management of broker relationships. During 2017, we have continued to take a defensive position. We have looked to balance the portfolio by actively defending our core business and modestly expanding in areas where profitable opportunities exist, while contracting in areas where it is felt that profit margins are thinner.

GWP for 2017 totalled US$2,057.0m, an 8.2% increase at constant exchange rates over 2016. This increase was driven by prior year premium development (Property Facilities, Energy, Marine and BGSU), increased contribution from our recent underwriting initiatives (BGSU Cyber, BGSU Programs, BGSU Latin America, Engineering and CPE, China/Singapore and Healthcare) and current year premium growth (A&H, Cyber, D&O WW, Cargo and Specie, BGSU and BGSB). Current year premiums also saw reductions in a number of classes, resulting from active portfolio management (Marine Liability, PI Non US and Aviation) and from market conditions (principally Property Financial).

Our ability to lead business, combined with our innovative approach to underwriting, supports our success in building long-term and dependable market relationships.

Our distribution strategy remains key, especially during a period of intense market competition, and we continue to build and leverage our network. Continued improvement in relationships with the broker and coverholder community, with a clear articulation of our strategy and risk appetite, is a key area of focus.

This is evidenced by the continued contribution from our overseas offices, allowing us to see business not generally accessed in London.

- Brit Global Specialty USA (BGSU) has written US$234.7m of premium, 25.0% of growth over 2016 reflecting the continued development of our US distribution network. This increase has arisen from both recently launched classes and from organic growth as we capitalise on market opportunities.
- Our Bermuda operation, established in late 2013, has selectively written reinsurance business in lines and markets that we believe remain well rated, particularly Casualty Treaty. Premiums generated by our Bermuda office equated to US$83.3m (2016: US$60.5m).
- China and Singapore continue to develop and provide opportunity, we have seen stable levels of premiums (2017: US$15.6m; 2016: US$15.5m).

Overall, the combination of strong portfolio management and underwriting discipline has led to us achieving a 56.4% attritional ratio in 2017 (2016: 55.5%), a solid underwriting performance given the market backdrop and testimony to the strength of our underwriting in such a competitive environment.

Business developments during 2017

During 2017 we have continued to focus on our underwriting strategy. Key developments have included:

- **Syndicate 2988**

  Brit's new syndicate, Syndicate 2988, commenced underwriting in late 2016, for the 2017 underwriting year. The new syndicate is managed by Brit's existing Lloyd's managing agent, Brit Syndicates Limited (BSL). Underwriting is undertaken by Brit's existing teams and the syndicate will write a well-balanced global portfolio of both insurance and reinsurance across a broad range of specialty lines in which Brit already has well established product offerings.

  The first year capacity for Syndicate 2988 was provided solely by external Names and was £55.0m (US$67.0m). For the 2018 year of account, this has increased to £98.5m (US$133.3m), of which £18.2m (US$24.6m) is provided by Brit's corporate member, Brit UW Limited.

  Syndicate 2988 reinforces Brit's long-term commitment to the Lloyd's market and ambition to use its infrastructure to expand our current position as the largest Lloyd's only insurer. It will also help us further position Brit as the specialist underwriter of choice, building on our existing strength across underwriting, claims and capital management and track record of delivering attractive returns for capital providers.

- **Sussex Capital**

  We announced a new Bermuda-domiciled collateralised reinsurance platform, Sussex Capital. Sussex Capital was launched on 1 January 2018 with initial capital of US$102.5m. Sussex Capital, through Sussex Re, a newly established Bermuda-domiciled special purpose reinsurer, writes direct collateralised reinsurance while also providing collateralised reinsurance to Brit's Syndicate 2987.

  The launch of Sussex Capital is the next step in Brit's strategy to build long term relationships with the capital markets. It strengthens Brit's reinsurance capability, provides access to a diversified source of capital to support property catastrophe risk and further enhances our client and broker proposition.

- **Continued development of BGSU**

  - **BGSU milestone – US$1bn written by our US office:** Since it was established in 2009, BGSU has now written over US$1bn in premium. BGSU has reached this milestone by delivering strong, profitable organic growth with a focus on niche areas where it has significant expertise and experience. A significant strategic investment has also been made by adding market leading teams and developing its distribution network and spread of reach. It now offers insurance and reinsurance, backed by the financial strength of Brit Syndicate 2987, with a focus on Specialty Package and Property. Specialties include Public and Non-Profit, Property Direct and Facultative, and Criminal Justice Service Operations.

  - **BGSU Cyber and Technology:** We announced the launch of a new Cyber and Technology team, with the appointment of an experienced Chicago based Senior Vice President to lead the offering. In October we further strengthened this team with the appointment of a New York based Vice President. The launch of a US based Cyber Team complements and enhances Brit's current London based platform by offering local expertise and service to meet the growing demand for cyber and technology products in the US SME sector.

  - **US Yacht Portfolio:** Brit announced that BGSU has reached an agreement with XL Catlin for the exclusive renewal rights for part of its directly written yacht portfolio. BGSU's Yacht team will service existing legacy Catlin policies through to expiration, after which BGSU will provide renewal quotes to eligible customers. The agreement relates to legacy policies written by Catlin, prior to its acquisition by XL. This followed the appointments in 2016 of a Senior Vice President, Marine and a Vice President, Yacht to expand BGSU's marine footprint in the US.

  - **BGSU Professional Lines:** We appointed an Executive Vice President, Professional Lines, for BGSU, with responsibility for establishing and developing Brit's Professional Lines portfolio in the US, with a focus on SME business.

  - **BGSU Excess Casualty:** BGSU also appointed a Senior Vice President, Excess Casualty, to focus on writing excess casualty through wholesale intermediaries.

- **Strengthened Program Capability:** BGSU appointed a Senior Vice President, Programs, based in Alpharetta, GA, to focus on writing Property, Casualty, Package and miscellaneous lines to specialised US based agencies. With a focus on niche Program Managers, written 100% on E&S and admitted paper, the approach differs from, and is complimentary to, Brit's current London based MGA capabilities.

- **Brit Reinsurance (Bermuda) Limited**

  Brit completed the relocation of its Gibraltar based captive reinsurer, Brit Insurance (Gibraltar) PCC Limited, to Bermuda, following which the company was renamed Brit Reinsurance (Bermuda) Limited (Brit Re).

  This is a natural move as we continue to expand our Bermuda platform and highly complementary to our continued focus on the US market. Bermuda is an important hub for Brit, and its combination of a mature regulatory environment, including Solvency II equivalence, and access to highly qualified and experienced people makes it the right home for Brit Re to support the Group's longer term strategy.

- **Scion Underwriting Services Inc**

  The highly experienced US insurance industry veteran Scott Brock joined Brit as President of Scion Underwriting Services Inc (Scion). Scion will partner with Brit and other markets, including third party capital, to support the insurance needs of several targeted industries, both in the US and internationally. It will develop new products that match the needs of those targeted sectors, while leveraging Brit's distribution reach and Scott's proven ability to effectively build-out new businesses.

- **Lutine Yacht Consortium**

  We further strengthen our leading marine offering by announcing the launch of a new Brit-led Lloyd's consortium for Yachts. The consortium has capacity of US$250.0m, offering 100% Lloyd's security to insure motor and sailing vessels valued at over US$10.0m. The consortium also offers worldwide coverage, has global reach through Lloyd's brokers and their agents and clients will be supported by a 24/7 claims service.

- **The Brit 'app'**

  We launched the new Brit 'app', which allows brokers to see the location and availability of our underwriters (particularly when at the Lloyd's 'box') as well as product information for each class of business. Feedback so far has been excellent.

Financial Review

Overview of Results

The Group's income statement, re-analysed to show the key components of our result, is set out below:

	2017 US$m	2016 US$m	2015 US$m	2014 US$m	2013 US$m
Gross written premium	**2,057.0**	1,912.2	1,999.2	2,148.5	1,849.7
Net earned premium (note 1)	**1,540.1**	1,515.1	1,649.6	1,601.1	1,478.4
Underwriting result (note 1)	**(172.8)**	54.6	137.0	168.3	215.9
Underwriting result	**(172.8)**	54.6	137.0	168.3	215.9
Return on invested assets, net of fees	**204.2**	102.9	5.0	124.8	85.3
Corporate expenses	**(24.0)**	(21.3)	(30.0)	(38.8)	(23.2)
Finance costs	**(17.1)**	(18.8)	(20.6)	(22.3)	(23.4)
Other items	**2.6**	1.1	0.3	0.8	6.9
(Loss)/profit on ordinary activities before tax, FX and corporate activity costs	**(7.1)**	118.5	91.7	232.8	261.5
FX movements	**12.6**	41.3	(60.2)	35.8	(90.8)
Corporate activity costs (note 2)	**-**	-	(23.8)	(22.6)	(3.1)
Profit on ordinary activities before tax	**5.5**	159.8	7.7	246.0	167.5
Tax	**16.0**	(2.2)	7.9	(16.7)	(10.1)
Discontinued operations	**-**	-	-	-	(2.2)
Profit for the year after tax	**21.5**	157.6	15.6	229.3	155.2

Note 1: Excluding the effects of foreign exchange on non-monetary items.
Note 2: Corporate activity costs during 2015 relate to costs incurred as a result of the acquisition of Brit by Fairfax. The 2014 corporate activity costs relate to Brit's IPO in April 2014.

Group performance and total value added

Brit's result for the year ended 31 December 2017 reflects significant major loss activity, a solid attritional performance, a very strong investment return and favourable FX movements.

The result on ordinary activities for the year before tax, FX and corporate activity costs was a loss of US$7.1m (2016: profit of US$118.5m), profit before tax was US$5.5m (2016: US$159.8m) and profit after tax was US$21.5m (2016: US$157.6m). Return on adjusted net tangible assets (RoNTA), excluding the effects of FX on non-monetary items and corporate activity costs, decreased to 1.1% (2016: 11.8%). RoNTA for 2017 after including foreign exchange movements was 2.5% (2016: 15.8%) and total value created for the year was US$24.7m (2016: US$139.0m).

Our adjusted net tangible assets at 31 December 2017 totalled US$1,043.7m (2016: US$1,064.8m), after 2017 dividend payments of US$45.8m.

We measure our performance using our key performance indicators (KPIs).

	2017	2016
Return on net tangible assets before FX movements (RoNTA)	1.1%	11.8%
Total value created	US$24.7m	US$139.0m
Combined ratio	112.4%	96.4%
Investment return (net of external investment related expenses)	4.9%	2.6%
Capital ratio	136.8%	125.6%
Ratio of front office employees to back office employees	163.8%	180.7%

In 2017, we delivered a RoNTA of 1.1% in a year with significant major loss events and challenging insurance and investment market conditions. This performance, driven by a strong investment return, resulted in a five year average RoNTA of 13.4%. RoNTA for 2017 after foreign exchange movements was 2.5% (2016: 15.8%). The company has generated a total value of US$551.7m over the past five years, an average of US$110.3m per annum.

The combined ratio is our key underwriting metric. Our combined ratio in 2017 was 112.4% (2016: 96.4%), including 16.2pps (2016: 4.5pps) in respect of major losses and 0.6pps (2016: 3.5pps) of reserve releases. Over the past five years, we have delivered an average combined ratio of 95.1%.

The return on our invested assets was 4.9% or US$204.2m (2016: 2.6%/US$102.9m). This was a combination of US$48.2m (2016: US$73.7m) of investment income, US$170.4m of mark-to-market gains (2016: gains of US$72.3m) and return on associated undertakings of US$5.1m (2016: US$3.6m), less losses on investment related derivatives of US$6.4m (2016: US$32.9m) and fees of US$13.1m (2016: US$13.8m).

Our balance sheet remains strong. At 31 December 2017, after dividends paid during the year of US$45.8m, Group capital resources totalled US$1,468.5m which equated to 136.8% of our Group capital requirement of US$1,073.4m.

The ratio of front office employees to back office employees monitors the efficiency of our business model. At 31 December 2017, the ratio was 163.8%, reflecting that we had approximately 1.64 front office employees for every back office employee.

In addition to these KPIs, we have other measures that offer further insight into the detail of our performance. These measures are:

- Premium related: Risk adjusted rate change; Retention rate;
- Claims related: Claims ratio; Attritional loss ratio; Major claims ratio; Reserve release ratio; and
- Underwriting expense related: Underwriting expense ratio; Commission ratio; Operating expense ratio.

Underwriting

Our underwriting result for the year amounted to a loss of US$172.8m (2016: profit of US$54.6m) and our combined ratio, which excludes the effect of foreign exchange on non-monetary items, was 112.4% (2016: 96.4%). The premiums, claims and expenses components of this result are examined below.

Premiums written

Premium growth	2017 US$m	2016 US$m	Growth %	Growth at constant FX rates %
Brit Global Specialty Direct	1,675.0	1,546.6	8.3	9.0
Brit Global Specialty Reinsurance	383.3	365.8	4.8	4.6
Other underwriting	(1.3)	(0.2)	-	-
Group	2,057.0	1,912.2	7.6	8.2

Gross written premium (GWP) increased by 7.6% to US$2,057.0m (2016: US$1,912.2m). At constant exchange rates the increase was 8.2%. Direct business increased by 8.3% to US$1,675.0m (2016: US$1,546.6m), while reinsurance increased by 4.8% to US$383.3m (2016: US$365.8m).

The drivers of the 7.6% increase in Group GWP, which was in line with expectations, are as follows:

- Prior year premium development: The book again experienced favourable development on prior years, resulting in an increase of US$71.2m over 2016. The main contributors were our Property Facilities, Energy, Marine and BGSU divisions.
- Underwriting initiatives: The Group's underwriting initiatives, launched from 2013 onwards, resulted in a US$42.8m increase in GWP. The largest increases were seen in BGSU (Cyber, Programs and Latin America business), Engineering and CPE, China/Singapore and Healthcare.
- Current year premiums: Current year premiums, excluding those derived from the underwriting initiatives highlighted above, increased by US$41.8m over 2016. Growth was primarily experienced in A&H, Cyber, D&O WW, Cargo and Specie, BGSU and BGSB. Contraction was seen in a number of classes, resulting from active portfolio management (Marine Liability, PI Non US and Aviation) and from market conditions (principally Property Financial).
- Foreign exchange: The impact of foreign exchange resulted in a US$11.0m year on year reduction in premium, which reflects the movement during 2017 of the US dollar against a number of currencies in which the Group writes business.

Premium ratings

Measure	Commentary	Track record
Risk adjusted rate change	Although we continue to see rate decreases, the overall risk adjusted premium rate decrease for renewal business during 2017 slowed to 1.3% (2016: 3.3%). Direct business decreased by 1.2% (2016: 2.9%) and reinsurance by 1.7% (2016: 4.8%). The reduction in the rate of decrease was influenced by rate improvements in Q4 2017 across the major loss affected classes, including Commercial North America Open Market, Commercial Worldwide, BGSU Property Facilities, Cargo, Hull and Treaty Catastrophe North America.	2017 (1.3)% 2016 (3.3)% 2015 (4.1)% 2014 (2.9)% 2013 0.3 %

Retention rates

Measure	Commentary	Track record
Retention rate	Our retention rate for the period was 83.6% (2016: 84.3%). The retention rates we achieved in 2016 and 2017 reflect the successful renewal of a profitable book of business, following the re-underwriting of the book that occurred between 2008 and 2012, through which we rebalanced our book and non-renewed around half of our underwriting portfolio. The slight reduction in 2017 results from active decisions not to renew underperforming accounts in certain divisions, such as Aviation.	2017 83.6% 2016 84.3% 2015 82.4% 2014 83.0% 2013 83.0%

Outwards reinsurance

Our reinsurance expenditure in 2017 was US$526.2m or 25.6% of GWP (2016: US$432.0m/22.6%), an increase of US$94.2m.

This additional expenditure is driven by the increased use of quota shares, increased collateralised reinsurance cessions and the recognition of the full premium relating to a two year reinsurance contract. These additional protections were purchased to effectively manage our net exposures in the current soft market conditions and provide additional protection to our capital base.

Net earned premium

Net earned premium (NEP) in 2017, excluding the effects of foreign exchange on non-monetary items, increased by 1.7% to US$1,540.1m (2016: US$1,515.1m, decrease of 8.2%). At constant exchange rates the increase was 2.2% (2016: decrease of 6.1%). Direct business increased by 0.5% to US$1,214.9m (2016: US$1,208.6m, decrease of 8.9%), while reinsurance increased by 4.3% to US$297.8m (2016: US$285.5m, decrease of 3.0%).

Growth in the direct portfolio is largely driven by BGSU, partially offset by contractions in the other portfolios, reflecting a reduction in premiums written over preceding financial years, and by the decision to cede a greater proportion of business. The increase in the reinsurance portfolio is principally related to BGSB, reflecting year on year premium increases.

Claims

The claims ratio and its components are set out below:

Year	Attritional loss ratio	Major claims ratio	Reserve release ratio	Claims ratio
2017	56.4%	16.2%	(0.6)%	72.0%
2016	55.5%	4.5%	(3.5)%	56.5%
2015	55.2%	-	(1.7)%	53.5%
2014	51.0%	2.3%	(3.3)%	50.0%
2013	51.3%	3.2%	(6.0)%	48.5%

Our underlying claims experience in 2017 was in line with expectations, with a small increase in our attritional loss ratio to 56.4% (2016: 55.5%).

2017 saw a significant increase in catastrophe activity and the Group incurred major claims of US$250.0m (2016: US$68.4m), as set out below. Major claims are defined as claims in excess of US$15.0m, incurred from natural or man-made catastrophes, or from large single risk loss events (net of reinsurance and allowing for reinstatements).

Major losses	**2017**		**2016**	
	US$m	**CoR%**	**CoR%**	**CoR%**
Hurricane Harvey	51.5	3.3	-	-
Hurricane Irma	110.1	7.2	-	-
Hurricane Maria	46.4	3.0	-	-
Mexican earthquake	6.8	0.4	-	-
California wildfires	35.2	2.3	-	-
Alberta wildfires	-	-	19.2	1.3
Louisiana floods	-	-	10.9	0.7
Hurricane Matthew	-	-	26.3	1.7
Other (note 1)	-	-	12.0	0.8
Group	250.0	16.2	68.4	4.5

Note 1: 'Other' includes Japan earthquake, Houston floods and Gatlinburg wildfire.

As part of our standard reserving process, we released US$9.6m of claims reserves established for prior year claims, the equivalent of a combined ratio reduction of 0.6pps (2016: US$53.5m/3.5pps). Releases were most significant in Casualty Treaty and Energy, with releases also seen in Property (Direct and Treaty). These releases were partially offset by a strengthening in Long Tail Direct and a US$13.1m strengthening as a result of the Ogden rate change, which impacted Specialist Liability and Professional Lines. Our statement of financial position remains strong and we continue to operate a robust reserving process.

Underwriting expenses

Our underwriting expense ratio was 40.4% (2016: 39.9%). Its components are set out below:

Year	Commission ratio	Operating expense ratio	Underwriting expense ratio
2017	27.6%	12.8%	40.4%
2016	27.2%	12.7%	39.9%
2015	26.0%	12.2%	38.2%
2014	27.5%	12.0%	39.5%
2013	24.9%	12.0%	36.9%

Commission costs were US$425.9m and the commission expense ratio was 27.6% (2016: US$411.6m/27.2%). The small increase in the ratio principally reflects changes in business mix and an increase in NEP.

Our operating expenses are analysed below.

Expenses

Our operating expense ratio was stable at 12.8% (2016: 12.7%). Operating expenses for the period were as follows:

Expense analysis	2017 US$m	2016 US$m
Underlying operating expenses including bonus provisions	220.0	217.1
Project costs, timing differences and other expense adjustments	0.5	-
Total operating expenses	220.5	217.1

Underlying operating expenses during 2017 increased by 1.3% to US$220.0m (2016: US$217.1m). The movement at constant exchange rates was an increase of 7.3%, reflecting our predominantly Sterling expense base. This increase relates to targeted expansion and investment in growth areas, increased regulatory levies, depreciation charges and IT costs.

As the majority of Brit's business is in US dollars and the majority of the operating expenses are in Sterling, Brit made the decision to effectively hedge the Sterling proportion of the Group's expenses. This decision was driven by the weakness in Sterling against the US dollar. To effect this, Brit purchased Sterling in the spot and forward market. The benefit of this derivative contract, US$6.7m, is recognised within the underwriting result, but excluded from the combined ratio.

The allocation of operating expenses within the consolidated income statement and the segmental information is as follows:

Disclosure of operating expenses	2017 US$m	2016 US$m
Acquisition costs	110.6	112.3
Other insurance related expenses	85.9	83.5
Total insurance related expenses	196.5	195.8
Other operating expenses	24.0	21.3
Total operating expenses	220.5	217.1

Return on invested assets

The investment portfolio is managed for the most part by Hamblin Watsa Investment Counsel Limited, a Fairfax subsidiary with an excellent long-term track record, whose sole business is managing investment portfolios of Fairfax group companies. They are supported by a number of external managers across core fixed income and a small allocation to specialised credit.

The return on our invested assets was US$204.2m or 4.9% (2016: US$102.9m/2.6%). This was a combination of US$48.2m (2016: US$73.7m) of investment income, US$170.4m of mark-to-market gains (2016: gains of US$72.3m) and return on associated undertakings of US$5.1m (2016: US$3.6m), less losses on investment related derivatives of US$6.4m (2016: US$32.9m) and fees of US$13.1m (2016: US$13.8m).

Return on invested assets	2017 US$m	2016 US$m
Income	48.2	73.7
Released gains	2.9	62.3
Unrealised gains	167.5	10.0
Investment return before fees	218.6	146.0
Investment management fees	(13.1)	(13.8)
Investment return net of fees	205.5	132.2
Investment related derivative return	(6.4)	(32.9)
Return on associated undertakings	5.1	3.6
Total return	204.2	102.9

Return on invested assets (net of fees)	
Year	**%**
2017	4.9
2016	2.6
2015	0.1
2014	2.9
2013	2.1

A key driver of return has been the strong growth in equity markets. Over the year, Brit has increased its allocation to equities which now represents 16.1% of our total portfolio. Holdings within funds, which represent 3.0% of the portfolio, also produced a very significant return (US$47.3m or 59.6%). The Group's fixed income investments (governments and corporates), which represent 44.0% of the portfolio, contributed US$38.7m to the result.

At the start of 2017, markets and investors balanced improving economic conditions with increased focus on political risk. Scepticism around the US Presidency and the potential longer term impact of the US policies on global trade, growth and monetary policy resulted in declines in government bond yields combined with equity markets grinding higher as core economic data improved.

In the second half of the year, greater confidence in the ability to drive US economic policy through the legislative system resulted in political risks receding and greater focus on the positive data coming through in jobs, consumer confidence and output across the US and most developed economies, albeit with the UK lagging behind as Brexit anxieties prevailed.

At 31 December 2017, the running yield (expressed as yield as a % of invested assets) of our total portfolio was 1.3% (2016: 0.9%), reflecting the high proportion of our portfolio invested in cash and cash equivalents. This increased over the year as the US Federal reserve increased the Fed Funds rate for the third time, responding to positive growth data, a fall in unemployment and the prospect of these factors feeding through to higher levels of inflation, despite the conundrum of lower levels of productivity.

The income on our portfolio was lower in 2017, reflecting the decision to move to a short duration, lower yielding allocation in Q4 2016 to avoid the risk associated with interest rates moving higher as economic growth returned. As a result, our portfolio generated income of US$48.2m during the year, lower than the previous year where the fixed income portfolio was invested at the longer part of the curve (2016: US$73.7m).

Our two associated undertakings produced a positive return of US$5.1m (2016: US$3.6m).

- Ambridge Partners LLC, a leading managing general underwriter of transactional insurance products of which Brit has a 50% share, contributed US$4.4m to this return (2016: US$3.4m); and
- Camargue Underwriting Managers Proprietary Limited, a leading managing general underwriter of a range of specialised insurance products and specialist liability solutions in South Africa of which a 50% share was acquired on 30 August 2016, contributed US$0.7m to this return (2016: US$0.2m).

Foreign exchange

We manage our currency exposures to mitigate the impact on solvency rather than to achieve a short-term impact on earnings. We experienced a total foreign exchange gain of US$12.6m in 2017 (2016: gain of US$41.3m), reflecting the movement of the US dollar against other currencies in which we trade and hold assets. This total foreign exchange related gain comprised:

- An unrealised revaluation gain of US$1.8m (2016: gain of US$61.2m), primarily relating to the mark to market of the capital we hold in non-US dollar currencies to match our risk exposures. The gain primarily results from the weakening of the US dollar against the core currencies of Sterling, Euro and Canadian dollar, where the gain on our long Canadian dollar position has largely been offset by losses on short Sterling and Euro positions. In addition, a small gain on revaluation of non-core currency positions, including Australian dollar, has been recorded;
- Gains of US$4.9m (2016: losses of US$19.9m) on derivative contracts which were entered into to help manage our monetary FX exposures and therefore should be viewed in conjunction with our monetary FX movements. This excludes the gain on the derivative contract entered into to effectively hedge the Sterling proportion of the Group's expenses, as explained in the 'Expenses' section above; and
- Gain of US$5.9m (2016: no overall gain or loss), as a result of the IFRS requirement to recognise non-monetary assets and liabilities at historic exchange rates. This adjustment is essentially a timing difference. The adjustment for the full year 2017 comprises the un-wind of the credit carried on the balance sheet at 31 December 2016 (US$3.6m), plus the debit balance established during 2017 (US$2.3m).

The allocation of the FX result within the consolidated income statement is as follows:

Foreign exchange gains and (losses)	**2017 US$m**	**2016 US$m**
Net change in unearned premium provision - non-monetary FX effect	(3.3)	19.0
Acquisition costs - non-monetary FX effect	1.3	(10.0)
Net foreign exchange losses - non-monetary (Note 1)	7.9	(9.0)
	5.9	-
Net foreign exchange gains – monetary (Note 1)	1.8	61.2
Return on derivative contracts - FX related instruments (Note 2)	4.9	(19.9)
	6.7	41.3
Total gain/(loss)	12.6	41.3

Note 1: The sum of these two amounts, US$9.7m (2016: US$52.2m), is the 'Net foreign exchange gains' figure per the consolidated income statement.
Note 2: Excludes the gain on the derivative contract entered into to effectively hedge the Sterling proportion of the Group's expenses.

Tax

Our tax on ordinary activities for 2017 resulted in a tax credit of US$16.0m (2016: tax expense US$2.2m), based on a group profit before tax of US$5.5m (2016: US$159.8m).

The Group is liable to taxes on its corporate income in a number of jurisdictions, in particular the UK, Gibraltar and the US, where its companies carry on business. A tax charge is calculated in each legal entity across the Group and then consolidated. Therefore, the Group's effective rate is sensitive to the location of profits and is a composite tax rate reflecting the mix of tax rates charged in those jurisdictions.

The 2017 Group rate varies from the weighted average rate in those jurisdictions for a number of factors. The principal factor is the impact of income not subject to tax such as underwriting results and investment income arising in Bermuda. An additional factor is the future reduction in the UK corporation tax rate to 17% in 2020 and its effect on deferred tax liabilities and prior year adjustments, relating primarily to the syndicate's underwriting results which are taxed in later years.

In 2017 the effective rate was further distorted by major underwriting losses arising in the UK which are subject to tax on a declaration basis and so will be tax effected in 2020. This gives rise to a tax credit in the year and a deferred tax asset carried forward.

Financial position and capital Strength

Overview

Our business is underwritten exclusively through our wholly-aligned Lloyd's Syndicate 2987, which benefits from Lloyd's ratings of A (Excellent) from A.M. Best, AA- (Very Strong) from Fitch and A+ (Strong) from Standard & Poor's.

Our capabilities and ambition are underpinned by our strong financial position. At 31 December 2017, our adjusted net tangible assets totalled US$1,043.7m (2015: US$1,064.8m). At 31 December 2017, Group capital resources totalled US$1,468.5m, giving surplus management capital of US$395.1m or 36.8% (2016: US$297.1m/25.6%) over our Group capital requirement of US$1,073.4m. The position at 31 December is after dividends paid during the year of US$45.8m.

Our revolving credit facility (RCF) remains at US$360.0m with an expiry date of 31 December 2020. At 31 December 2017, the cash drawings on the facility were US$45.0m (2016: undrawn) and a US$80.0m uncollateralised letter of credit (LoC) was in place (31 December 2016: US$80.0m/uncollateralised) to support our underwriting activities. At the date of this report, 14 February 2018, there were no cash drawings on the facility and the US$80.0m uncollateralised LoC remained in place.

At 31 December 2017, our gearing ratio was 24.6% (2016: 18.9%).

Asset allocation

Brit's invested assets (financial investments, investment in associates, cash and cash equivalents and derivative contracts) at 31 December 2017 were US$4,316.1m (31 December 2016: US$3,971.5m). This increase reflects favourable exchange rates, increased premium and the high level of return during 2017.

The Brit portfolio saw limited change in its fixed income holdings in 2017. The portfolio remained defensively positioned from both an interest rate and credit perspective, being short duration to protect against rising rates combined with low exposure to corporate credit with a focus on high quality issuers. The year-end allocation reflected cash and cash equivalents (2017: US$1,573.5m/36.5%; 2016: US$1,027.3m/25.9%) with a reduced holding in fixed income securities (2017: US$1,891.3m/43.8%; 2016: US$2,425.4m/61.1%). Brit's equity allocation increased to US$820.5m/19.0% (2016: US$492.0m/12.4%) through a combination of new purchases and strong investment return.

Our asset allocation, on both a look-through basis and statutory disclosure basis, is set out in the tables below:

31 December 2017		Statutory basis						**Total invested assets** (look through)
		Equity securities	**Debt securities**	**Specialised investment funds**	**Cash and cash equivalents**	**Associated undertakings**	**Derivative assets**	
		US$m	**US$m**	**US$m**	**US$m**	**US$m**	**US$m**	**US$m**
Look through	Government debt securities	-	1,254.6	5.3	-	-	-	**1,259.9**
	Corporate debt securities	-	631.3	0.1	-	-	-	**631.4**
	Structured products	-	0.2	15.3	-	-	-	**15.5**
	Equity securities	686.7	-	93.4	-	40.4	-	**820.5**
	Alternative investments	-	-	10.6	-	-	-	**10.6**
	Cash and cash equivalents	-	-	1.9	1,571.6	-	-	**1,573.5**
	Investment related derivatives	-	-	-	-	-	4.7	**4.7**
Total invested assets (statutory)		**686.7**	**1,886.1**	**126.6**	**1,571.6**	**40.4**	**4.7**	**4,316.1**

31 December 2016		Statutory basis						**Total invested assets** (look through)
		Equity securities	**Debt securities**	**Specialised investment funds**	**Cash and cash equivalents**	**Associated undertakings**	**Derivative assets**	
		US$m	**US$m**	**US$m**	**US$m**	**US$m**	**US$m**	**US$m**
Look through	Government debt securities	-	1,829.3	1.6	-	-	-	1,830.9
	Corporate debt securities	-	594.4	0.1	-	-	-	594.5
	Structured products	-	1.0	13.0	-	-	-	14.0
	Equity securities	399.8	-	55.6	-	36.6	-	492.0
	Alternative investments	-	-	7.3	-	-	-	7.3
	Cash and cash equivalents	-	-	1.8	1,025.5	-	-	1,027.3
	Investment related derivatives	-	-	-	-	-	5.5	5.5
Total invested assets (statutory)		399.8	2,424.7	79.4	1,025.5	36.6	5.5	3,971.5

Our investments in specialised investment funds account for US$126.6m or 2.9% (2016: US$79.4m/2.0%) of our invested assets on a statutory reporting basis. The increase in 2017 is driven by increased allocation to specialist funds and strong growth on these positions over the year as equity markets rallied. The remaining specialised funds in this category cover small allocations to US and European credit.

The duration of our portfolio at 31 December 2017 was 0.5 years (2016: 1.1 years), which is shorter than the duration of our liabilities. This positioning is driven by the positive macro-economic environment and the risk that government spending plans and fiscal policy in the US could result in significant increases in yields over the short to medium term.

At 31 December 2017, 79.9% of our invested assets were investment grade quality (2016: 82.7%), with the reduction reflecting the increased allocation to equity and funds.

Outlook

As expected, 2017 saw a further softening of rates, albeit at a reduced pace, and a continued challenging underwriting environment, combined with exceptionally low interest rates, geopolitical uncertainty, global growth concerns and market volatility.

There are however some encouraging signs. We have seen a number of our competitors exit underperforming classes where they had been showing a lack of discipline. Furthermore, following the major losses, rates on risks renewed have shown increases across most affected classes, with significant rate rises on impacted risks. However, in certain areas rate increases have been limited by surplus capacity remaining in the market and we have seen continued instances of undisciplined behaviour.

The outlook for investment markets, given the stronger economic growth numbers generated in most economies, is also more promising than in recent times, especially as cash rates start to rise for yield starved investors. However, rich valuations in both equity and credit markets require caution as the economic outlook evolves through the next stage of the business cycle.

While there are some encouraging signs, the outlook remains challenging. However, we maintain focus on our core fundamentals of underwriting discipline, risk selection and capital management and continue to make good progress with the selective expansion of our global distribution capability, capitalising on our initiatives of recent years. We have clear thoughts on our expectations on pricing and appetite post event and remain prepared to walk away from renewals where terms do not meet our appetite and rating criteria.

Directorate Changes

On 1 January 2017, Richard Ward stepped down from his role as Chairman, but remains on the Board as Senior Independent Director. On the same date, Mark Cloutier, formerly Group Chief Executive Officer, became Group Executive Chairman, with Matthew Wilson replacing him as Group Chief Executive Officer, and Gordon Campbell joining the Board as a non-executive Director.

Principal risks and risk management

Overview

There are a number of risks and uncertainties which could impact the Group’s future performance.

The Board monitors the key risks that the Company is exposed to against its tolerance level through the quarterly ‘own risk and solvency assessment’ (ORSA) process. This includes both the qualitative assessment of the risk control environment and capital assessment using a stochastic model.

The key categories of risk include:

- Overarching risk: earnings, solvency and liquidity; and
- Individual risk categories: insurance, market, credit and operational and group.

The key risks and uncertainties are set out in the following table and the principal risks in the current environment are set out below.

Risk category	Risk	Description
Insurance	Underwriting – pricing	Emerging experience is inconsistent with the assumptions and pricing models used.
	Underwriting – catastrophe	Premiums are insufficient to meet the long-term profitability expected.
	Reserving	Prior year reserves are insufficient to cover claims (net of reinsurance).
Investment	Investment market risk	Invested assets adversely affected by changes in economic variables, such as interest rates, bond yields, equity returns, credit spreads, credit ratings.
Operational and group	People	Failure to attract, motivate and retain key Directors, senior underwriters, senior management and other key personnel, on whom our future success is substantially dependent.

United Kingdom's exit from the EU (Brexit)

Following the triggering of article 50 of the Treaty of Lisbon on 29 March 2017, we continue to monitor the ensuing negotiations and other developments. Our focus remains on putting our clients first. We will continue to work to minimise the impact on Brit and our clients and to take advantage of opportunities as they arise.

Lloyd's implementation plan for its new Brussels-based European insurer is progressing. It has commenced an on-boarding programme for managing agents to ensure the necessary operational changes are implemented to allow business to be written through its Brussels subsidiary from 1 January 2019. Brit is supportive of Lloyd's proposals and looks forward to participating on the new platform.

Financial information and availability of accounts

The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 December 2017 or 2016, but is derived from those accounts. Statutory accounts for 2016 have been delivered to the Registrar of Companies and the statutory accounts for 2017 will be delivered following the Company's annual general meeting. The auditor has reported on those accounts; their reports were unqualified and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

The audited Annual Report and Accounts for 2017 are expected to be available on the Company's website no later than 16 March 2017. An announcement will be made when they are available.

The preliminary results were approved by the Board on 14 February 2018.

Responsibility statement of the Directors

The Directors confirm that, to the best of their knowledge:

- The consolidated financial statements, contained within the 2017 Company's statutory accounts, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group; and
- The Strategic Report, contained within the 2017 Company's statutory accounts, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Matthew Wilson
Group Chief Executive Officer
14 February 2018

Mark Allan
Chief Financial Officer
14 February 2018

Consolidated Income Statement
For the year ended 31 December 2017

	Year ended 31 December 2017 US$m	Year ended 31 December 2016 US$m
Revenue		
Gross premiums written	**2,057.0**	1,912.2
Less premiums ceded to reinsurers	**(526.2)**	(432.0)
Premiums written, net of reinsurance	**1,530.8**	1,480.2
Gross amount of change in provision for unearned premiums	**(54.3)**	21.4
Reinsurers' share of change in provision for unearned premiums	**60.3**	32.5
Net change in provision for unearned premiums	**6.0**	53.9
Earned premiums, net of reinsurance	**1,536.8**	1,534.1
Investment return	**205.5**	132.2
Return on derivative contracts	**5.2**	(52.8)
Other income	**13.9**	1.1
Net foreign exchange gains	**9.7**	52.2
Total revenue	**1,771.1**	1,666.8
Expenses		
Claims incurred:		
Claims paid:		
Gross amount	**(1,068.4)**	(874.9)
Reinsurers' share	**206.7**	140.7
Claims paid, net of reinsurance	**(861.7)**	(734.2)
Change in the provision for claims:		
Gross amount	**(619.0)**	(183.9)
Reinsurers' share	**372.4**	62.0
Net change in the provision for claims	**(246.6)**	(121.9)
Claims incurred, net of reinsurance	**(1,108.3)**	(856.1)
Acquisition costs	**(535.4)**	(530.9)
Other operating expenses	**(109.9)**	(104.8)
Total expenses excluding finance costs	**(1,753.6)**	(1,491.8)
Operating profit	**17.5**	175.0
Finance costs	**(17.1)**	(18.8)
Share of net profit of associates	**5.1**	3.6
Profit on ordinary activities before tax	**5.5**	159.8
Tax income/(expense)	**16.0**	(2.2)
Profit for the year	**21.5**	157.6

All profits arise from continuing operations.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2017

	Year ended 31 December 2017 US$m	Year ended 31 December 2016 US$m
Profit attributable to owners of the parent	**21.5**	157.6
Other comprehensive income		
Items not to be reclassified to profit or loss in subsequent periods:		
Actuarial losses on defined benefit pension scheme	**(1.9)**	(5.4)
Deferred tax gain relating to actuarial gains on defined benefit pension scheme	**0.3**	0.9
Items that may be reclassified to profit or loss in subsequent periods:		
Change in unrealised foreign currency translation losses on foreign operations	**7.4**	(13.7)
Total other comprehensive income	**5.8**	(18.2)
Total comprehensive income recognised for the year	**27.3**	139.4

Consolidated Statement of Financial Position
At 31 December 2017

	31 December 2017 US$m	31 December 2016 US$m
Assets		
Intangible assets	**97.8**	93.9
Property, plant and equipment	**21.3**	22.9
Deferred acquisition costs	**235.7**	219.6
Investments in associated undertakings	**40.4**	36.6
Reinsurance contracts	**1,349.5**	884.1
Employee benefits	**48.6**	42.5
Deferred taxation	**20.4**	0.4
Current taxation	**13.7**	15.3
Financial investments	**2,699.4**	2,903.9
Derivative contracts	**18.3**	12.6
Insurance and other receivables	**908.3**	718.3
Cash and cash equivalents	**1,571.6**	1,025.5
Total assets	**7,025.0**	5,975.6
Liabilities and Equity		
Liabilities		
Insurance contracts	**5,027.3**	4,243.5
Borrowings	**219.8**	157.5
Other financial liabilities	**82.1**	-
Deferred taxation	**-**	25.8
Provisions	**2.4**	2.4
Current taxation	**21.1**	4.6
Derivative contracts	**12.5**	11.8
Insurance and other payables	**529.5**	382.0
Total liabilities	**5,894.7**	4,827.6
Equity		
Called up share capital	**6.4**	6.4
Capital redemption reserve	**0.2**	0.2
Foreign currency translation reserve	**(83.6)**	(91.0)
Retained earnings	**1,207.3**	1,232.4
Total equity attributable to owners of the parent	**1,130.3**	1,148.0
Total liabilities and equity	**7,025.0**	5,975.6

Approved by the Board of Directors on 14 February 2018 and signed on its behalf by:

Matthew Wilson
Group Chief Executive Officer

Mark Allan
Chief Financial Officer

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Year ended 31 December 2017 US$m	Year ended 31 December 2016 US$m
Cash flows from operating activities		
Cash generated from operations	**532.3**	579.4
Tax paid	**(12.0)**	(3.4)
Interest received	**42.3**	57.8
Dividend received	**6.4**	17.5
Net cash inflows from operating activities	**569.0**	651.3
Cash flows from investing activities		
Purchase of intangible assets	**(7.4)**	(6.3)
Purchase of property, plant and equipment	**(0.9)**	(8.3)
Investment in associated undertaking	**1.6**	(4.9)
Net cash outflows from investing activities	**(6.7)**	(19.5)
Cash flows from financing activities		
Drawdown on revolving credit facility	**45.0**	-
Purchase of class A shares for cancellation	**-**	(58.1)
Purchase of shares for share-based payment schemes	**(11.6)**	(3.4)
Interest paid	**(13.6)**	(15.4)
Dividend paid	**(45.8)**	(90.8)
Net cash outflows from financing activities	**(26.0)**	(167.7)
Net increase in cash and cash equivalents	**536.3**	464.1
Cash and cash equivalents at beginning of the year	**1,025.5**	581.0
Effect of exchange rate fluctuations on cash and cash equivalents	**9.8**	(19.6)
Cash and cash equivalents at the end of the year	**1,571.6**	1,025.5

Consolidated Statement of Changes in Equity
For the year ended 31 December 2017

	Called up share capital US$m	Capital redemption reserve US$m	Foreign currency translation reserve US$m	Retained earnings US$m	Total equity US$m
At 1 January 2017	**6.4**	**0.2**	**(91.0)**	**1,232.4**	**1,148.0**
Total comprehensive income recognised	**-**	**-**	**7.4**	**19.9**	**27.3**
Share-based payments	**-**	**-**	**-**	**0.8**	**0.8**
Dividend	**-**	**-**	**-**	**(45.8)**	**(45.8)**
At 31 December 2017	**6.4**	**0.2**	**(83.6)**	**1,207.3**	**1,130.3**

Consolidated Statement of Changes in Equity
For the year ended 31 December 2016

	Called up share capital US$m	Own shares US$m	Foreign currency translation reserve US$m	Retained earnings US$m	Total equity US$m
At 1 January 2016	6.6	-	(77.3)	1,227.2	1,156.5
Total comprehensive income recognised	-	-	(13.7)	153.1	139.4
Repurchase of class A shares	-	-	-	(58.1)	(58.1)
Cancellation of share capital	(0.2)	0.2	-	-	-
Share-based payments	-	-	-	1.0	1.0
Dividend	-	-	-	(90.8)	(90.8)
At 31 December 2016	6.4	0.2	(91.0)	1,232.4	1,148.0

Nature and Purpose of Group Reserves

Own shares: Own shares represents the cost of shares held in trust for settling share-based payments and shares held in treasury.

Capital Redemption Reserve: The balance represents the amount by which share capital is diminished in the event of a share cancellation and is required to be recognised in a legal reserve so as to maintain the Group's capital.

Foreign currency translation reserve: The balance on this reserve represents the foreign exchange differences arising from the translation of financial statement information of entities within the Group from functional currencies to the presentational currency of the Group.

Retained earnings: Retained earnings represents the cumulative comprehensive income retained by the Group after taxation and after any distributions made from this account.