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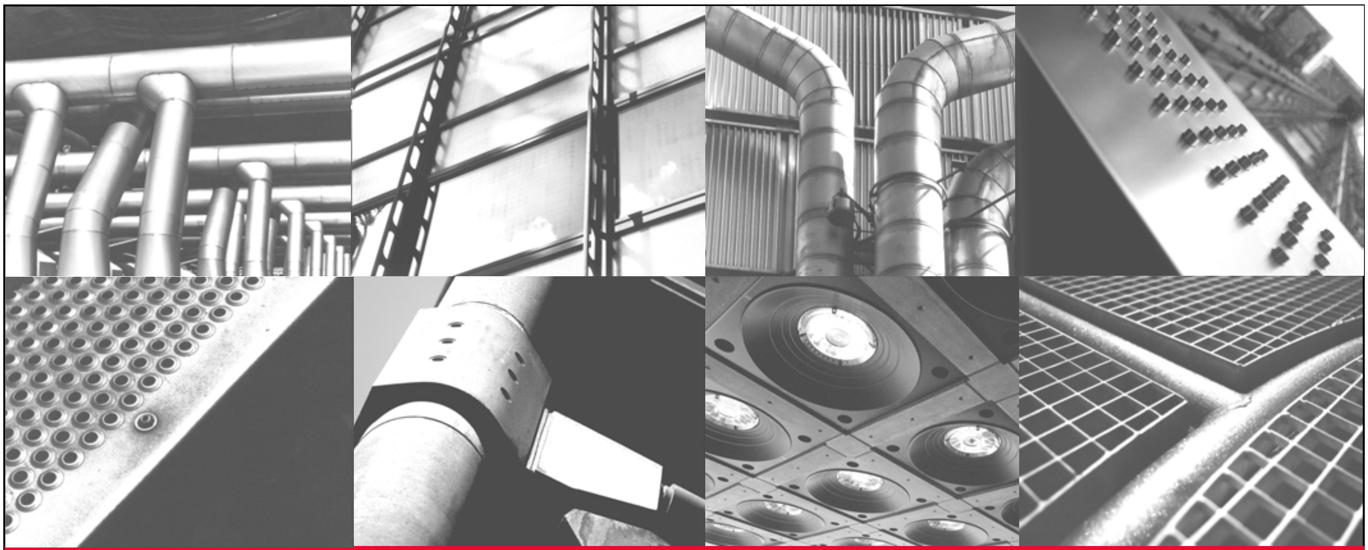

Syndicate 958
Underwriting Year Accounts for the 2012 Year of Account
Closed at 31 December 2014

Canopius Managing Agents Limited
Gallery 9
One Lime Street
London EC3M 7HA

www.canopius.com

CANOPIUS

Contents

Syndicate 958

Directors and Professional Advisors

MANAGING AGENT:

Managing Agent	Canopius Managing Agents Limited ("CMA") *(The management of Syndicate 958 was novated from Omega Underwriting Agents Limited ("OUAL") to Canopius Managing Agents Limited ("CMA") on 20 August 2012)*
Directors	***CMA*** I B Owen *Independent Non-Executive Chairman* I K Beale *(resigned 10 January 2014)* J D Birney *Independent Non-Executive Director* R Bradley *(resigned 25 February 2014)* P D Cooper *Finance Director (appointed 8 April 2013)* M P Duffy *Joint Active Underwriter, Syndicates 4444, 958 and 6115* S J Gargrave *Joint Active Underwriter, Syndicates 4444, 958 and 6115* P F Hazell *Independent Non-Executive Director (appointed 19 November 2014)* J A Giordano *Non-Executive Director (resigned 31 October 2013)* S T Manning *Chief Operating Officer* G E Moss *Actuarial and Risk Director* T P Rolfe *CEO, UK Specialty (appointed 27 June 2014)* M C Watson *Chief Executive Officer (appointed 26 April 2014)* ***OUAL*** J F Powell *Non-Executive Chairman (resigned 5 September 2012)* M I Daly *Director* R A Field *Non-Executive Director (resigned 5 September 2012)* R D Law *(appointed 24 August 2012, resigned 22 February 2013)* S T Manning *(appointed 23 August 2012)* I W Mercer *Non-Executive Director (resigned 5 September 2012)* R G Oakes *Non-Executive Director (resigned 5 September 2012)* R A Pexton *Non-Executive Director (resigned 21 August 2012)* J B Raishbrook *Finance Director* D M Reed *Managing Director (resigned 31 December 2012)* D Vanous *Active Underwriter (resigned 22 August 2012)* M C Watson *(appointed 23 August 2012)*
Company Secretary	J W Greenfield
Managing agent's Registered office	Gallery 9, One Lime Street, London EC3M 7HA
Managing agent's Registered number	1514453

SYNDICATE:

Active Underwriters	M P Duffy *(appointed 21 August 2012)* S J Gargrave *(appointed 21 August 2012)* D Vanous *(resigned 20 August 2012)*
Investment managers	Amundi (UK) Limited *(until 31 December 2012)* ("Amundi"") 41, Lothbury, London, EC2R 7HF Schroder Investment Management *(from 1 January 2013)* ("Schroders") 31, Gresham Street, London, EC2V 7QA SYZ & Co Asset Management LLP *(from 1 January 2013)* ("SYZ & Co") Buchanan House, 3 St James's Square, London, SW1Y 4JU
Auditors	PricewaterhouseCoopers LLP ("PwC") 7, More London Riverside, London, SE1 2RT

Report of the Directors of the Managing Agent

To the members of Syndicate 958 – 2012 Closed Year of Account

The directors of the managing agent present their report at 31 December 2014 for the 2012 closed year of account.

This report is prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005). It accompanies the underwriting year accounts prepared on an underwriting year basis of accounting as required by Statutory Instrument No. 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations ("Lloyd's Regulations 2008").

Principal Activities

The principal activity of Syndicate 958 is the underwriting of insurance and reinsurance business at Lloyd's.

Canopius Group Limited ("CGL") acquired Omega Insurance Holdings Limited ("OIHL") on 20 August 2012 when the management of Syndicate 958 was novated from OUAL to CMA.

Review of the business for the closed 2012 year of account

The syndicate capacity for 2012 was £279.4m. The 2012 year has closed with a profit of £0.4m (0.15% of capacity). The make-up of the result is a combination of the pure year experience which generated a loss of £(22.5)m and an improvement of £22.9m from the 2011 and prior years. The surplus on the old years is due to better than expected claims experience in the 2014 calendar year.

The key performance indicators for the 2012 and prior years are shown in the table below.

	2012 Year of Account £000
Gross premiums written	235,273
Earned premiums, net of reinsurance	171,294
Net operating expenses	(69,123)
Investment return	4,200
Profit for the year	413
Gross claims ratio	54.8%
Net claims ratio	59.8%
Combined operating ratio	102.2%

After the significant catastrophe losses experienced by the 2010 and 2011 years of account most notably in Australia, New Zealand, Japan and Thailand, much of the international catastrophe book was non-renewed with a fresh focus on the syndicate's core territory of the USA. The 2012 year of account was impacted by Superstorm Sandy which made landfall in New Jersey on 30 October 2012.

Syndicate 958 experienced adverse claims activity in its UK Motor XL and US Commercial Liability accounts and was exposed to the Costa Concordia disaster, the cruise ship that capsized and sank after striking an underwater obstruction off the western coast of Italy in January 2012. The net ultimate cost to Syndicate 958 of Superstorm Sandy and the Costa Concordia disaster totals £14.9m of which £12.3m has impacted the 2012 pure year of account.

During 2014, Syndicate 958 has benefitted from positive reserve developments relating to prior periods which have improved the ultimate result for the 2012 and prior years. An improvement in the old years' catastrophe events resulted in reserve releases across the Global Property and Global Specialty business units, which includes favourable developments on Casualty and Motor XL classes on older years of account.

To the members of Syndicate 958 – 2012 Closed Year of Account

Review of the open years of account

The Treaty Property division also saw an improvement driven by benign attritional claims activity along with an improvement in the event ultimates for the Japan Earthquake, Thai Floods and the first New Zealand earthquake.

The 2013 year of account was the first full year to be managed by CMA. The 2013 year was underwritten in conjunction with CMA managed Syndicate 4444, whereby certain classes of business were shared between the two syndicates but to differing degrees. This approach was subsequently simplified in 2014 when all business was shared in the ratio 80:20.

The 2013 year of account of Syndicate 958 is forecast to make a profit in the range 3% to 8% of stamp capacity. For the 2014 year of account, Syndicate 958 is also targeting a profit in the range 3% to 8% of stamp capacity.

Investment Performance for the closed 2012 year of account

The investment portfolios have achieved a return of £4.2m which reflects the focus on high-quality fixed income securities during a protracted period of historically low interest rates and challenging investment conditions. The portfolios were managed by Amundi until 31 December 2012 and thereafter by Schroders and SYZ & Co.

Ownership

The deal to acquire CGL by Sompo Japan Nipponkoa Insurance Inc. ("SJNK"), a wholly-owned direct subsidiary of Sompo Japan Nipponkoa Holdings, Inc. ("SJNK Holdings") was completed on 1 May 2014. SJNK is one of the largest insurance groups in Japan. SJNK Holdings is listed on the Tokyo Stock Exchange. SJNK acquired CGL as a platform for the growth of its international specialty business.

Current trading and future developments

The syndicate's stamp capacity for the 2015 year of account has been increased by 5.7% to £185m. The syndicate is now established as a significant trading partner, and will continue to underwrite on a split stamp basis with Syndicate 4444.

Pricing continues to be under pressure from the additional capital which has entered the industry as a result of investors seeking to benefit from non-correlated investment in the insurance industry. In addition, the sustained period of low interest rates and continued high levels of profitability, in part due to a relatively benign natural catastrophe environment, is adding to this. This has had the inevitable consequence of making the marketplace increasingly competitive. CMA is alive to these challenges and will continue to maintain underwriting discipline, whilst carefully managing premium growth borne from the synergies associated with CGL's positioning within the SJNK group.

In order to help facilitate growth in challenging market conditions, CGL continues to look to develop new products and to expand into attractive markets, while leveraging its position as part of the SJNK Group. CGL is committed to recruiting underwriters who are knowledgeable, experienced and innovative and able to deliver on our ambitions. Innovation, creativity and pragmatism are central to our growth and development. As part of this strategy, CGL has announced at the end of 2014 and start of 2015, a number of new senior appointments demonstrating its commitment to developing the underwriting teams and product offerings.

Syndicate 958, in conjunction with Syndicate 4444, will additionally write the motor insurance and reinsurance book of business previously underwritten by Syndicate 260.

2015 will be impacted by final preparations for Solvency II implementation. Solvency II is an important change for the insurance industry but CMA is well-prepared to meet the challenge and has already embedded many of the requirements into its business.

Report of the Directors of the Managing Agent

To the members of Syndicate 958 – 2012 Closed Year of Account

Risk Management

Following the acquisition of OIHL by CGL in August 2012, the management of Syndicate 958 was novated to CMA which brought the syndicate into CMA's risk management framework.

CMA's governance structure ensures a clear definition of responsibility for the management and oversight of the many risks faced by the business. CMA has established an Enterprise Risk Management process that is designed to identify, assess, measure and mitigate risk. A description of the principal risks and uncertainties facing the syndicate is set out in the notes to the financial statements (Management of risk).

Directors

None of the directors or their predecessors had an allocated premium limit on the syndicate, on either an unlimited or limited liability basis on the 2012 year of account.

Independent Auditor

The syndicate's auditors are PwC and were first appointed in 2013 replacing Ernst & Young LLP. PwC continues as auditor of the syndicate in accordance with Clause 14(2) of Schedule 1 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulation 2008 (the "Regulations").

Statement of disclosure of information to auditors

Each director of the managing agent has confirmed at the date of this report that in fulfilling their duties as a director:

- they have taken all the necessary steps in order to make themselves aware of any information relevant to the audit and to establish that the auditors are aware of that information; and
- so far as they are aware, there is no relevant audit information of which the auditors have not been made aware.

Statement of Managing Agent's Responsibilities

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare syndicate underwriting year accounts at 31 December 2014 in respect of any underwriting year which is being closed by reinsurance to close which give a true and fair view of the result of the underwriting year at closure. Detailed requirements in respect of the underwriting year accounts are set out in the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

In preparing the syndicate underwriting year accounts, the managing agent is required to:

- select suitable accounting policies which are applied consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable between the members of the syndicate affected. In particular, the amount charged by way of premium in respect of the reinsurance to close shall, where the reinsuring members and reinsured members are members of the same syndicate for different years of account, be equitable between them, having regard to the nature and amount of the liabilities reinsured;
- take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the underwriting year accounts.

Report of the Directors of the Managing Agent

To the members of Syndicate 958 – 2012 Closed Year of Account

Statement of Managing Agent's Responsibilities (continued)

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the syndicate and enable it to ensure that the syndicate underwriting year accounts comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No.8 of 2005). It is also responsible for safeguarding the assets of the syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Report of the directors of the managing agent was approved by the Board of directors of CMA on 13 March 2015 and signed on its behalf by:

Paul Cooper
Finance Director
London
24 March 2015

Independent Auditors’ Report

To the members of Syndicate 958 – 2012 Closed Year of Account

Report on the syndicate underwriting year accounts

Our Opinion

In our opinion the syndicate underwriting year accounts, defined below:

- give a true and fair view of the state of the syndicate’s affairs for the 2012 closed year of account and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 and have been properly prepared in accordance with the Lloyd’s Syndicate Accounting Byelaw (No. 8 of 2005).

What we have audited

The syndicate underwriting year accounts for the 2012 year of account of Syndicate 958 for the three years ended 31 December 2014, which are prepared by the Managing Agent, comprise:

- the Balance Sheet as at 31 December 2014
- the Profit and Loss account for the year then ended;
- the cash flow statement; and
- the notes to the syndicate underwriting year accounts, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the syndicate underwriting year accounts is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Managing Agent has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Other matters on which we are required to report by exception

Under the Lloyd’s Syndicate Accounting Byelaw (No. 8 of 2005) we are required to report to you if, in our opinion:

- the Managing Agent in respect of the syndicate has not kept proper accounting records; or
- the syndicate underwriting year accounts are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Responsibilities for the syndicate underwriting year accounts and the audit

Our responsibilities and those of the Managing Agent

As explained more fully in the Statement of Managing Agent’s Responsibilities set out on pages 6 and 7, the Managing Agent is responsible for the preparation of the syndicate underwriting year accounts, under The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd’s Syndicate Accounting Byelaw (No. 8 of 2005), and for being satisfied that they give a true and fair view.

Independent Auditors’ Report

To the members of Syndicate 958 – 2012 Closed Year of Account

Our responsibility is to audit and express an opinion on the syndicate underwriting year accounts in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland) (“ISAs (UK & Ireland)”). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the syndicate’s members as a body in accordance with The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd’s Syndicate Accounting Byelaw (No. 8 of 2005) 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.

What an audit of syndicate underwriting year accounts involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the syndicate underwriting year accounts sufficient to give reasonable assurance that the syndicate underwriting year accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the syndicate’s circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Managing Agent; and
- the overall presentation of the syndicate underwriting year accounts.

We primarily focus our work in these areas by assessing the Managing Agent’s judgements against available evidence, forming our own judgements, and evaluating disclosures in the syndicate underwriting year accounts.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Report of the Directors of the Managing Agent to identify material inconsistencies with the audited syndicate underwriting year accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Andrew Moore (Senior statutory auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

24 March 2015

Profit and Loss Account: Technical Account – General Business

for the 2012 Closed Year of Account for the three years ended 31 December 2014

	Notes	Cumulative as at 31 December £000
Syndicate allocated capacity		279,364
Earned premiums, net of reinsurance		
Gross premiums written	4	235,273
Outward reinsurance premiums		(63,979)
Earned premiums, net of reinsurance		171,294
Reinsurance to close premium received, net of reinsurance	5	233,761
Allocated investment return transferred from the non-technical account		4,200
Claims incurred, net of reinsurance		
Claims paid		
Gross amount		(129,798)
Reinsurers' share		26,521
		(103,277)
Reinsurance to close premium payable, net of reinsurance	6	(232,998)
		(336,275)
Standard personal expenses		(3,444)
Net operating expenses	7	(69,123)
Balance on the technical account – general business	9	413

Profit and Loss Account: Non-Technical Account

for the 2012 Closed Account for the three years ended 31 December 2014

	Notes	Cumulative as at 31 December £000
Balance on the technical account - general business		413
Investment income	8	3,352
(Losses) on realisation of investments	8	(24)
Unrealised gains on investments	8	1,415
Investment expenses and charges	8	(543)
Allocated investment return transferred to general business technical account		(4,200)
Profit for the 2012 closed year of account		413

There are no recognised gains or losses apart from those included in the profit and loss account above. Accordingly no statement of total recognised gains and losses is presented.

Balance Sheet

for the 2012 Closed Year of Account at 31 December 2014

Assets

	Notes	£000	2012 £000
Investments *- other financial investments*	10		126,346
Deposits with ceding undertakings			6
Debtors			
Debtors arising out of direct insurance operations	11	10,700	
Debtors arising out of reinsurance operations	12	8,929	
Other debtors	13	55,562	
			75,191
Reinsurance recoveries anticipated on gross reinsurance to close premium payable to close the account	6		58,109
Other Assets			
Cash at bank and in hand		20,045	
Overseas Deposits	14	13,480	
			33,525
Total assets			293,177

Liabilities

	Notes	2012 £000
Amounts due from members	15	(705)
Reinsurance to close premium payable to close the account – gross amount	6	291,107
Creditors		
Creditors	16	2,775
Accruals and deferred income		-
Total liabilities		293,177

The financial statements on pages 10 to 26 were approved by the Board of CMA on 13 March 2015 and were signed on its behalf by:

Paul Cooper
Finance Director
24 March 2015

Cash Flow Statement

for the 2012 Closed Year of Account for the three years ended 31 December 2014

	Notes	2012 £000
Net cash inflow from operating activities	17	88,400
Financing:		
Members' agents' fees paid on behalf of members		(1,118)
Net cash flows	18	87,282
Cash flows were invested as follows:		
(Decrease) in cash holdings	18	(19,331)
(Decrease) in overseas deposits		(2,546)
Net portfolio investment	19	15,453
Cash consideration from net RITC receivable	17	39,594
Inter-syndicate loan: transfer to Syndicate 4444	17	54,112
Net investment of cash flows		87,282

Notes to the financial statements

for the 2012 Closed Year of Account at 31 December 2014

1. Basis of preparation

These accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, and in accordance with the Syndicate Accounting Byelaw and applicable Accounting Standards in the United Kingdom. They comply with the Statement of Recommended Practice issued by the Association of British Insurers in December 2005 (as amended in December 2006) ("the ABI SORP").

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. There are no comparative figures shown in these accounts.

2. Accounting policies

The underwriting accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of the three year period, outstanding liabilities can normally be determined with sufficient accuracy to permit the year of account to be closed by payment of a reinsurance to close premium to the successor year of account. Where it is not deemed to be possible to determine the outstanding liabilities with sufficient accuracy, the year of account will not be closed by way of reinsurance to close.

Premiums written

Gross premiums are allocated to years of account on the basis of the inception date of the policy. Premiums in respect of insurance contracts underwritten under a binding authority, line slip or consortium arrangement are allocated to the year of account corresponding to the calendar year of inception of the arrangement. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them.

Premiums written are treated as fully earned. Commission and brokerage are charged to the year of account to which the relevant policy is allocated.

Reinsurance premium ceded

Initial reinsurance premiums paid to purchase policies that give excess of loss protection on a risks attaching basis are charged to the year of account in which the protection commences. Premiums for other reinsurances such as proportional treaty and excess of loss on a losses occurring basis are charged to the same year of account as the risks being protected.

Claims paid and related recoveries

Gross claims paid include internal and external claims settlement expenses and, together with reinsurance recoveries less amounts provided for in respect of doubtful reinsurers, are attributed to the same year of account as the original premium for the underlying policy. Reinstatement premiums payable in the event of a claim being made are charged to the same year of account as that to which the recovery is credited.

Reinsurance to close premium payable

The net reinsurance to close premium is determined on the basis of estimated outstanding liabilities and related claims settlement costs (including claims incurred but not reported), net of estimated collectible reinsurance recoveries, relating to the closed year of account and all previous years of account reinsured therein.

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. The provision also includes the estimated cost of claims incurred but not reported ('IBNR') at the balance sheet date based on statistical methods.

2. Accounting policies (continued)

Reinsurance to close premium payable (continued)

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 reinsurers' share of the provisions for claims 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 claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

The directors consider that the provisions for gross claims 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 for 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.

Short Tail Business

Property and accident and health business is generally "short tail", whereby there is not a significant delay between the occurrence of the claim and the claim being reported. The costs of claims notified 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, including IBNR, is projected from this data by reference to statistics, which show how estimates of claims incurred in previous periods have developed over time.

Longer tail business

Liability claims are generally longer tail than for those of the other classes of business described above and so a larger element of the claims provision relates to IBNR claims. Claims estimates for business in this category are derived from a combination of loss ratio based estimates and estimates based upon actual claims experience, using a predetermined formula whereby greater weight is given to actual claims experience as time passes. The initial estimates of the claims provisions are based on the experience of previous years and benchmarks adjusted for factors such as premium rate changes and claims inflation. For liability claims, the assessment of claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. The liability classes of business are also subject to the emergence of new types of latent claims.

Foreign currencies

Transactions other than reinsurance to close in US dollars, Canadian dollars and Euros are translated at the average rates of exchange for the period. Reinsurance to close premiums receivable and payable and underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the transaction date.

2. Accounting policies (continued)

Foreign currencies (continued)

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date or if appropriate at the forward contract rate.

Where US dollars, Canadian dollars or Euros are sold or bought relating to the profit or loss of the closed underwriting account after 31 December, any exchange profit or loss arising is reflected in the underwriting account into which the liabilities of that year have been reinsured.

Investments

Investments are stated at fair value at the balance sheet date. For this purpose listed investments are stated at market value and deposits with credit institutions are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date.

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 gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and purchase price.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the technical account. Investment return has been wholly allocated to the technical account as all investments relate to the technical account.

Operating expenses

Where expenses are incurred by or on behalf of the managing agent on the administration of managed syndicates, these expenses are apportioned using varying methods depending on the type of expense. Expenses which are incurred by Canopius Services Limited ("CSL") are allocated to the managed syndicates and other companies within CGL on bases depending on the amount of work performed, resources used and the volume of business transacted. Operating expenses are allocated to the year of account for which they are incurred.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, are not intended to be sold in the short term and do not fall into the other categories of financial assets as described above. Loans and receivables are measured at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit and loss account when there is objective evidence that the syndicate will not be able to collect all amounts due according to their original terms. These are reversed if the payment is received. Receivables arising from insurance contracts are classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

2. Accounting policies (continued)

Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax. It is the responsibility of members to agree and settle their individual tax liabilities.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the syndicate during the year have been included in the balance sheet under the heading "other debtors".

No provision has been made for any other overseas tax payable by members on underwriting results.

Pension costs

CSL operates defined contribution pension schemes for the employees of CSL, including those working on the syndicate's affairs. The assets of the schemes are held separately from those of CSL in independently administered funds.

Profit commission

Profit commission is charged by the managing agent at a rate of 20% of profit subject to the operation of a deficit clause. Where profit commission is charged, it is included within members' standard personal expenses within administrative expenses.

3. Management of risk

Insurance Risk

The managing agent manages the following insurance risks on behalf of the syndicate:

- inappropriate underwriting activities and cycle management;
- inadequate catastrophe exposure management;
- inadequate or insufficient reinsurance protection.

The underwriters use their expertise and experience to determine the likely claims cost and, therefore, the premium that should be sufficient (across a portfolio of risks) to cover claims costs, expenses and to produce an acceptable profit in line with the agreed business plan. Due to the nature of insurance risk, however, the premium charged may not be sufficient to cover the cost of claims. The shortfall may result from insufficient premium being calculated and charged or from an unexpected or unprecedented high level of claims.

A number of controls are employed to limit insurance exposures. Each year a business plan is prepared and agreed by the Board which sets the premium income targets and exposures to be written in total and for each class of business. Progress against this plan is monitored by the Board during the year.

Insurance liabilities are assumed through individual risk acceptances, reinsurance treaties or binding authorities. Binding authorities delegate underwriting authority to other underwriters, or agents acting as coverholders, who use their judgement to write risks on Syndicate 958's behalf under clear authority levels. In such situations, the coverholders' activities are closely monitored and reviewed, and periodic on-site audits are carried out to ensure that the terms of the delegated authorities are being adhered to.

3. Management of risk (continued)

Insurance Risk (continued)

The syndicate is also exposed to the risk of:

- inappropriate claims reserves;
- inappropriate payment of claims.

All claims arising are reserved upon notification. The entire portfolio of business is subject to a quarterly reserving process whereby levels of paid and outstanding claims are reviewed. Potential future claims are assessed with a provision for incurred but not reported (IBNR) claims being made. The quarterly review process is overseen by the Reserving Committee. The position is reviewed at the year end by the syndicate's external actuary. Whilst a detailed and disciplined reserving exercise is carried out, known claims can develop beyond the level of reserves held. Furthermore, there is increased uncertainty around the provision for IBNR claims. Consequently, there is a possibility that claims may arise which in aggregate exceed the reserve provision established. In the event that claims do not develop in line with expectations, the Reserving Committee will seek to release any redundant reserves.

The syndicate purchases specific reinsurances to protect against single risk losses. Proportional reinsurance is purchased from Canopius Reinsurance Limited ("CRL") (formerly Omega Specialty Insurance Ltd ("OSIL")) on a whole account basis to reduce exposure on catastrophe exposed accounts. The syndicate also purchases general excess of loss reinsurance to protect from severe losses. The structure of the programme and type of protection bought will vary from year to year depending on the availability and price of cover.

Credit Risk

Credit risk is the risk that the syndicate becomes exposed to loss if a counterparty fails to perform its contractual obligations. Credit risk could, therefore, impact upon the syndicate's ability to meet its claims as they fall due. Credit risk manifests itself through the syndicate's relationship with brokers, coverholders and reinsurers. The syndicate is also exposed to credit risk in its investment portfolio.

The credit risk in respect of reinsurers is primarily managed by Canopius' Reinsurance Support team. Provisions are made against the amounts due from certain reinsurers, depending on the age of the debt and the current rating assigned to the reinsurer. The recovery of debt from reinsurers is administered by the Reinsurance Support team.

Credit risk in respect of premium debt from brokers and coverholders is overseen by Canopius' Credit Management team.

Market Risk

Market risk is derived primarily from the syndicate's investment of trust fund monies but also from currency exposures. The Board has agreed an investment strategy commensurate with the syndicate's risk appetite.

Credit risk within the investment portfolios is managed through research performed by the syndicate's investment managers whose activities are monitored by the Investment Committee. The Investment Committee establishes the investment guidelines. The investment guidelines are designed to mitigate risk by ensuring appropriate diversification of holdings.

3. Management of risk (continued)

Market Risk (continued)

Policyholders' assets are held in the four principal Lloyd's settlement currencies (Sterling, Euros, US dollars and Canadian dollars) which represent the vast majority of the syndicate's liabilities by currency. This limits the underlying foreign exchange risk. Foreign exchange risk also arises when non-sterling profits are converted into Sterling. A significant proportion of the syndicate's business is transacted in US dollars. CMA has a policy to mitigate foreign exchange risk and this policy is managed by the Finance Committee.

For the avoidance of doubt, the syndicate is not positioned to take speculative currency positions to make gains; the purpose of its foreign exchange risk policy is to protect against the downside.

Liquidity Risk

All valid claims must be paid as they fall due and, therefore, it is essential that the syndicate maintains an appropriate level of liquidity at all times. As a consequence, cash is managed closely by the Treasury team.

In addition, the duration of assets is maintained at a level to match liability durations and in recognition of the syndicate's catastrophe exposures. Greater levels of cash and/or liquid assets may be held when determined by market conditions and is considered appropriate by the Treasury team.

Liquidity in the event of a major disaster is regularly tested using internal cash flow forecasts and realistic disaster scenarios.

Regulatory Risk

Regulatory risk is the risk that the syndicate fails to meet the regulatory requirements of the Prudential Regulation Authority ("PRA"), the Financial Conduct Authority ("FCA"), Lloyd's and those of overseas regulators in jurisdictions where Lloyd's syndicates are licensed to trade.

Operational Risk

Operational risk is the risk that the failure of people, systems or processes has an adverse impact on the business. The syndicate manages these risks through internal compliance monitoring and a framework of robust systems and controls. CMA's objective for operational risk management is to identify, assess and manage risks and to reduce any failures or inadequacies in systems and controls. To this end, CMA has established key policies and controls that include:

- regular meetings of the Board of directors at which key aspects of the managing agent's and syndicate's businesses are reviewed, including review of reports from various sub-committees of the Board
- underwriting guidelines and controls that cover, inter alia, aggregate and individual limits on exposure by territory and risk, adequacy of premium for insured risks, and reinsurance programmes
- claims management policies and guidelines
- risk registers which are reviewed and signed off by the risk and control owners on a regular basis
- a suite of risk policies for major risk categories relating to the activities of the syndicate
- an internal audit function whose audit plan is aligned with CMA's risk register
- human resources policies and guidelines designed to ensure that the operations are adequately resourced by sufficiently skilled and trained people, who are appropriately remunerated

3. Management of risk (continued)

Operational Risk (continued)

- financial policies and controls that cover:
  - maintaining segregated funds for the syndicate's assets
  - investment of funds
  - expense management
  - establishing adequate provisions for unpaid claims
  - credit risk, including debt collection and managing counter-party exposures
  - cash flow and other financial projections
  - regular review and reconciliation of the entity's financial records.

In addition, the managing agent has an established and integrated capital and planning cycle. This provides an assessment of the significant financial and non-financial risks, as identified by the managing agent's risk management framework. The capital requirement is assessed in accordance with the PRA's and Lloyd's guidance through the use of stochastic modelling and further challenged using a comprehensive validation process which includes the use of stress and scenario tests. This process assesses the capital required to meet a 1 in 200 level extreme outcome from the aggregation of all recognised sources of insurance, market, credit and operational risk.

Group Risk

Group risk arises from the potential impact of risk events, of any nature, arising in or from membership of a corporate group. CGL is the global specialty lines platform of SJNK, an A+ rated company with US$80bn total assets and one of the top three Japanese insurers.

Whilst SJNK has applied its Global Business Governance Structure to CGL, the autonomy of the CGL management team and its governance system remains in place.

4. Segmental analysis

An analysis of the underwriting results before investment return is set out below:

	Gross written premiums (Note a)	*Gross claims incurred (Note b)*	*Gross operating expenses*	*Reins. Balance (Note c)*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
Direct Insurance:					
Accident and health	757	(1,410)	(535)	18	(1,170)
Motor (third party liability)	37	(4)	17	(1)	49
Motor (other classes)	1,189	(674)	(433)	(43)	39
Marine, aviation and transport	9,331	(155)	(2,324)	(2,187)	4,665
Fire & other damage to property	57,515	(31,817)	(23,026)	(6,359)	(3,687)
Third party liability	39,403	(32,250)	(16,711)	193	(9,365)
Miscellaneous	4,200	(2,511)	(1,933)	(156)	(400)
	112,432	(68,821)	(44,945)	(8,535)	(9,869)
Reinsurance:	119,025	(86,892)	(26,100)	(22,891)	(16,858)
	231,457	(155,713)	(71,045)	(31,426)	(26,727)
RITC received	295,860	(265,191)	(1,892)	(5,837)	22,940
Total	527,317	(420,904)	(72,937)	(37,263)	(3,787)

a. Gross premiums earned are identical to gross premiums written.

b. Gross claims incurred includes gross claims paid and gross reinsurance to close premium payable.

4. Segmental analysis (continued)

c. The reinsurance balance includes reinsurance premiums ceded and reinsurance recoveries anticipated on reinsurance to close receivable less reinsurance recoveries on claims paid and reinsurance recoveries anticipated on reinsurance to close payable. Also included within this balance are reinsurers' commissions and profit participations.

d. All premiums were concluded in the UK.

5. Reinsurance to close premium received from the 2011 year of account

	2012 ***£000***
Gross reinsurance to close receivable	292,044
Reinsurance recoveries anticipated	(58,283)
Reinsurance to close premium receivable, net of reinsurance	233,761

6. Reinsurance to close premium payable

	£000	***2012*** ***£000***
Gross notified outstanding claims	173,182	
Reinsurance recoveries anticipated	(35,067)	
Net notified outstanding claims		138,115
Provision for claims incurred but not reported	117,924	
Reinsurance recoveries anticipated	(23,041)	
		94,883
Reinsurance to close payable net of reinsurance		232,998

The reinsurance to close of the 2012 year of account is effected to the 2013 year of account of Syndicate 958.

7. Net operating expenses

	2012 ***£000***
Acquisition costs	51,275
Reinsurers' commissions and profit participations	(370)
	50,905
Other administrative expenses	13,654
Loss on exchange	4,564
	69,123

Other administrative expenses include the following amounts paid to the syndicate auditor:

	2012 ***£000***
Audit of the syndicate accounts	140
Other services pursuant to Regulations and Lloyd's Byelaws	129
	269

PwC are the syndicate's auditors and were first appointed in 2013 replacing Ernst & Young LLP.

8. Investment return

	2012 £000
Investment income	
Income from investments	3,352
Gains on realisation of investments	2,024
Unrealised gains on investments	4,285
Unrealised (losses) on investments	(2,870)
Investment expenses and charges	
(Losses) on realisation of investments	(2,048)
Investment management expenses	(543)
Investment return	4,200

9. Balance on technical account

Balance excluding investment return and operating expenses other than acquisition costs	*2011 & prior years of account £000*	*2012 pure year of account £000*	*Total 2012 £000*
Technical account balance before allocated investment return and net operating expenses	23,894	44,886	68,780
Brokerage and commissions on gross premiums	(954)	(49,951)	(50,905)
	22,940	(5,065)	17,875

10. Investments

	2012 after three years	
	Market Value £000	*Cost £000*
Shares and other variable yield securities	60,419	59,580
Debt securities and other fixed income securities	47,912	48,009
Participation in investment pools	17,904	17,904
Deposits with credit institutions	111	111
	126,346	125,604

11. Debtors arising out of direct insurance operations

	2012 £000
Due within one year	
Due from intermediaries	10,700
	10,700

12. Debtors arising out of reinsurance operations

	2012
	£000
Due within one year	
Ceding undertakings	4,865
Intermediaries	4,064
	8,929

13. Other debtors

	2012
	£000
Inter-syndicate loan with Syndicate 4444	54,112
Other	1,450
	55,562

Syndicate 958 held an inter-syndicate loan balance at 31 December 2014 of £54.1m due from Syndicate 4444. The loan is wholly unsecured and repayable on demand. These funds are invested on Syndicate 958's behalf by Schroders in high quality short dated bonds with performance monitored against short term government indices.

14. Other assets

These include overseas deposits which are lodged as a condition of conducting underwriting business in certain countries.

15. Amounts due from members

	2012
	£000
Profit for the 2012 closed year of account	413
Members' agents' fee advances	(1,118)
Amounts due from members at 31 December 2014	(705)

16. Creditors

	2012
	£000
Arising out of direct insurance operations	1,298
Arising out of reinsurance operations	1,404
Other	73
	2,775

17. Reconciliation of profit to net cash outflow from operating activities

	2012 ***£000***
Profit for the year of account	413
Unrealised investment losses including foreign exchange	(1,089)
Decrease in debtors, prepayments and accrued interest	54,205
(Decrease) in creditors	(3,960)
Non-cash consideration for net RITC receivable	(194,167)
Net reinsurance to close premium payable	232,998
Net cash outflow from operating activities	88,400

Consideration for net RITC receivable comprised:	
Non-cash consideration:	
Portfolio investments	109,906
Overseas deposits	15,712
Debtors	75,284
Creditors	(6,735)
Cash	39,594
	233,761

18. Movement in opening and closing portfolio investments net of financing

i) Cash flows on portfolio investments

	Cumulative as at 31 December ***£000***
Net cash outflow from the three years	(19,331)
Cash flow	
(Decrease) in overseas deposits	(2,546)
Net portfolio investment	15,453
Inter-syndicate loan: transfer to Syndicate 4444	54,112
Movement arising from cash flows	47,688
Received as consideration for net RITC receivable	
Overseas deposits	15,712
Portfolio investments	109,906
Cash	39,594
Changes in market value and exchange rates	1,089
Total movement in portfolio investments	213,989
Portfolio at 1 January 2012	-
Portfolio at 31 December 2014	213,989

18. Movement in opening and closing portfolio investments net of financing (continued)

ii) Cash flows on portfolio investments

	At 1 January 2012 £000	*Cash Flow £000*	*Received as consideration for net RITC receivable £000*	*Changes to market value and currencies £000*	*At 31 December 2014 £000*
Cash at bank and in hand	-	(19,331)	39,594	(218)	20,045
Overseas deposits	-	(2,546)	15,712	314	13,480
Inter-syndicate loan: transfer to Syndicate 4444	-	54,112	-	-	54,112
Portfolio investments					
Shares and other variable yield securities	-	19,075	40,147	1,197	60,419
Debt securities and other fixed income securities	-	(6,011)	52,521	1,402	47,912
Participation in investment pools	-	2,389	17,115	(1,600)	17,904
Deposits with credit institutions	-	(16)	123	4	111
Deposits with ceding undertakings	-	16	-	(10)	6
Total portfolio investments	-	15,453	109,906	993	126,352
Total cash, portfolio investments and financing	-	47,688	165,212	1,089	213,989

19. Net cash inflow on portfolio investments

	Cumulative as at 31 December £000
(Purchase) of shares and other variable yield securities	(19,075)
(Purchase) of debt securities and other fixed income securities	(53,658)
Sale of deposits with credit institutions	16
Investment in Investment pools	(2,389)
Sale of debt securities and other fixed income securities	59,669
Purchase of deposits with credit institutions	(16)
Net cash inflow on portfolio investments	(15,453)

20. Related parties

No profit commission is payable by the syndicate to CMA in respect of the 2012 closed year of account.

Managing agency fees for the 2012 year of account of £1,046,000 were paid to CMA and £1,046,000 to its predecessor, OUAL.

Employment of staff, provision of accommodation and related services are provided by CSL, which is owned by Canopius Holdings UK Limited ("CHUKL"). This service was provided by Omega Administration Services Limited until 20 August 2012. Expenses of £13,872,000 have been recharged to the 2012 year of account of Syndicate 958. At 31 December 2014, Syndicate 958's 2012 year of account owed CSL £83,000.

20. Related parties (continued)

Canopius Reinsurance Limited

CRL (formerly OSIL) is a wholly owned subsidiary of Canopius Holdings Limited (Bermuda) – its ultimate parent undertaking is SJNK Holdings. CRL is a registered Class 3B Bermuda Insurer.

Syndicate 958 placed a gross whole account 20% quota share contract with CRL for the 2012 year of account. This provided the syndicate with proportional reinsurance protection across its whole account. These arrangements were provided on a full "follow the fortunes" basis and as such had no event or occurrence limits. The syndicate benefits from an overriding commission of 4% and a 20% profit commission on these arrangements.

For the 2012 year of account, Syndicate 958 has ceded £47,763,000 of gross net written premium, £15,174,000 of net losses, commissions of £10,831,000 and overrider expenses of £1,477,000 to CRL under the quota share contract. At 31 December 2014 the syndicate was due a refund from CRL of £154,000 of net premium and £470,000 for net claims. The syndicate has accrued reinsurance recoverables due from CRL on incurred claims of £15,643,000.

Omega Dedicated Limited ("ODL")

ODL is a wholly-owned subsidiary of CGL. The company is a Lloyd's corporate member supplying capacity exclusively to Syndicate 958. ODL had a syndicate premium limit of £142,610,000 for the 2012 year of account.

21. Ultimate parent undertaking and controlling party

Syndicate 958 is managed by CMA and CMA's immediate UK parent is CHUKL, which is registered in England and Wales.

At 1 January 2014 and up until 30 April 2014, 95.1% of the Ordinary shares in issue in CGL at those respective dates were held by seven funds managed by Bregal Capital LLP. The funds, as investment vehicles, and Bregal Capital LLP, as manager of the funds, were not controlling parties or parent undertakings of CGL.

On 1 May 2014, SJNK, which is a wholly-owned direct subsidiary of SJNK Holdings, incorporated in Japan, signed an agreement with, amongst others, funds managed by Bregal Capital LLP to acquire 100 percent of the issued shares of CGL.

SJNK Holdings is the ultimate parent undertaking and controlling party of CMA.

The following is provided by way of additional information and does not form part of these accounts. The Seven Year Summary is unaudited.

Seven Year Summary of Results of Closed Years at 31 December 2014

	2006 £000	2007 £000	2008 £000	2009 £000	2010 £000	2011 £000	2012 £000
Syndicate allocated capacity	248,783	273,358	248,894	249,209	279,807	279,813	279,364
Number of underwriting members	1,447	1,418	1,453	1,449	1,302	1,329	1,324
Aggregate net premiums	172,478	163,433	180,760	178,175	164,329	111,677	122,956

Results for an Illustrative Share (£10,000)

	£	£	£	£	£	£	£
Gross premiums	10,311	10,001	11,570	11,565	9,392	7,239	6,691
Net premiums	6,933	5,979	7,260	7,150	5,873	3,991	4,401
Premiums for the reinsurance to close an earlier year of account	5,016	4,580	5,443	5,579	6,112	7,656	8,368
Net claims	(4,231)	(3,657)	(6,442)	(4,460)	(4,939)	(4,022)	(3,697)
Premium for the reinsurance to close the year of account	(5,445)	(4,909)	(5,567)	(6,862)	(7,656)	(8,354)	(8,340)
(Loss)/ profit on exchange	273	26	65	76	(353)	104	(163)
Syndicate operating expenses	(339)	(345)	(441)	(483)	(499)	(542)	(581)
Balance on technical account	2,207	1,674	318	1,000	(1,462)	(1,167)	(12)
Investment return	833	504	274	188	123	115	150
(Loss)/ profit before personal expenses	3,040	2,178	592	1,188	(1,339)	(1,052)	138
Illustrative profit commission	(470)	(330)	(70)	(167)	-	-	-
Illustrative managing agent's fee	(75)	(68)	(75)	(75)	(75)	(75)	(75)
Other illustrative personal expenses	(150)	(137)	(99)	(114)	(91)	(71)	(48)
Illustrative personal expenses	(225)	(205)	(174)	(189)	(166)	(146)	(123)
(Loss)/profit after illustrative profit commission and personal expenses	2,345	1,643	348	832	(1,505)	(1,198)	15
Aggregate annual fee, profit commission and syndicate expenses	(884)	(743)	(586)	(725)	(574)	(617)	(656)

Underwriting Ratios

	%	%	%	%	%	%	%
Gross premium as a percentage of allocated capacity	103.1	100.0	115.7	115.6	93.9	72.4	66.9
Net premium as a percentage of allocated capacity	69.3	59.8	72.6	71.5	58.7	39.9	44.0
Balance on technical account as a percentage of gross premiums	21.4	16.7	2.7	8.6	(15.6)	(16.1)	(0.2)

Notes to the Seven Year Summary

1. *The seven year summary has been prepared on the accounting basis used before the adoption of UK GAAP Accounting. Prior to 1 January 2005, the syndicate accounts were prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (No. 18 of 1994). Syndicate results were reported on the three year basis whereby each underwriting year of account was normally kept open for three years. The result was ascertained at the end of the third year when the year of account was closed by reinsurance, normally to the syndicate's following year of account. Under the three year basis, premiums were recognised net of brokerage.*

2, *The illustrative profit commissions and personal expenses are estimates of amounts which are charged on an illustrative share of £10,000.*

3. *Under the standard agency agreement in force, an underwriting member who dies during the calendar year does not participate in that underwriting year of account.*

4. *All prior year figures are derived from previously audited reports.*

5. *The syndicate allocated capacity for the 2007 year of account has been grossed up for the qualifying quota share.*