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SYNDICATE 1176 – 2012 YEAR OF ACCOUNT

UNDERWRITING YEAR ACCOUNTS

31 DECEMBER 2014

**SYNDICATE 1176: 2012 YEAR OF ACCOUNT
CLOSED AT 31 DECEMBER 2014**

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**SYNDICATE 1176: 2012 YEAR OF ACCOUNT
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DIRECTORS AND ADMINISTRATION

Managing Agent

Chaucer Syndicates Limited

Directors of the Managing Agent

The directors set out below held office throughout the year ended 31 December 2014, unless otherwise stated.

C M Stooke, Chairman and Independent Non-executive Director

B P Bartell, Chief Underwriting Officer

T J Carroll, Independent Non-executive Director

D B Greenfield, Non-executive Director

D S Mead, Chief Operating Officer

A S Robinson, Non-executive Director

J G Slabbert, Chief Finance Officer

R A Stuchbery, Chief Executive Officer

P M Shaw, Risk Director (appointed on 12 February 2015)

Managing Agent's company secretary

A J Goodenough (resigned on 1 April 2014)

K S Shallcross (appointed on 1 April 2014)

Managing Agent's registered office

Plantation Place

30 Fenchurch Street

London EC3M 3AD

Managing Agent's registered number

184915

Syndicate 1176 active underwriter

M G Dawson

Syndicate bankers

The custodian of the Syndicate's investment funds is Citibank N.A.

Syndicate investment manager

General Re – New England Asset Management, Inc.

Syndicate auditor

PricewaterhouseCoopers LLP, London

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MANAGING AGENT'S REPORT

The Managing Agent presents its 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 ("the 2008 Regulations").

Please refer to the Directors and Administration section for further information with regards to the Syndicate and Managing Agent.

Review of the business

The gross premiums written for the 2012 year of account were £26.6m within capacity of £31.7m.

The 2012 underwriting year has performed well, reflecting low loss experience and the decision not to buy reinsurance for the Syndicate. This coupled with other improvements has resulted in a profit for the 2012 underwriting year of 62.0% of capacity.

We are holding a reserve in the Reinsurance to Close due to a significant claim to the Hamaoka nuclear plant in Japan. Following the earthquake in Japan, safety tests were undertaken at all sites. At one of the sites, a pipe burst resulting in an inundation of seawater into the reactor systems. The Syndicate has reserved the claim in line with estimates at a cost of Yen 686m. Because the loss is reserved in Yen, which has depreciated against the Pound, the loss has been reduced; this reduction is matched by a loss on Yen cash held to hedge against the claim.

A review of the 2013 and 2014 open years of account and the outlook for the 2015 year of account is included in the Annual Report and Accounts for the year ended 31 December 2014.

I would like to take this opportunity to thank the staff who work on behalf of the Syndicate for their help. It is an efficient team that provides a real level of expertise in a highly specialised segment and I appreciate their support.

Disclosure of information to the auditors

The directors each confirm that:


- So far as they are aware, there is no relevant audit information of which the Syndicate's auditors are unaware, and
- They have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

Auditors

PricewaterhouseCoopers LLP have signified their willingness to continue in office as the independent auditor to the Syndicate.

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Approved by order of the Finance Committee of Chaucer Syndicates Limited on authority from the Board of Chaucer Syndicates Limited



J G Slabbert
Chief Financial Officer

12 March 2015



M G Dawson
Active Underwriter

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**PROFIT AND LOSS ACCOUNT FOR THE CLOSED 2012 YEAR OF ACCOUNT FOR THE 36
MONTHS ENDED 31 DECEMBER 2014**

	Notes	£000
Syndicate allocated capacity		<u>31,662</u>
Technical account – general business		
Earned premiums, net of reinsurance		
Gross premiums written	3	26,648
Outward reinsurance premiums		-
Earned premiums, net of reinsurance		<u>26,648</u>
Reinsurance to close premium received, net of reinsurance	4	<u>20,696</u>
		47,344
Allocated investment return transferred from the non-technical account		823
Claims incurred, net of reinsurance		
Gross claims paid		(1,234)
Reinsurance to close premium payable, net of reinsurance	5	<u>(20,555)</u>
		(21,789)
Net operating expenses	3, 6	(6,747)
Balance on the technical account - general business	10	<u>19,631</u>
Non-technical account		
Investment income	9	906
Investment expenses and charges	9	(128)
Net unrealised gains on investment	9	45
Allocated investment return transferred to the Technical Account – General Business		(823)
Profit for the 2012 closed year of account	16	<u>19,631</u>

There are no recognised gains or losses in the accounting period other than those dealt with in the Profit and Loss Account. Therefore, no Statement of Total Recognised Gains and Losses has been prepared. The underwriting year has closed: all items therefore related to discontinued operations.

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BALANCE SHEET AT 31 DECEMBER 2014

	Notes	£000
Assets		
Investments	11	32,176
Cash at bank and in hand		3,190
Debtors arising out of direct insurance operations		464
Debtors arising out of reinsurance operations		982
Other debtors	12	2,473
Other assets		265
Prepayments and accrued income		225
Total Assets		<u>39,775</u>
Liabilities		
Amounts due to members	14	14,705
Reinsurance to close premium's payable to close the account – gross	5	20,555
Creditors	15	4,515
Total Liabilities		<u>39,775</u>

The underwriting year accounts on pages 6 to 18 were approved by the Finance Committee of Chaucer Syndicates Limited on authority from the Board of Chaucer Syndicates Limited on 12 March 2015 and were signed on its behalf by:



J G Slabbert
Chief Finance Officer

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STATEMENT OF CASH FLOWS FOR THE 36 MONTHS ENDED 31 DECEMBER 2014

	Notes	£'000
Net cash inflow from operating activities	16	20,884
Transfer to members in respect of underwriting participations	14	(4,926)
		<u>15,958</u>
 Cash flows were invested as follows:		
Increase in cash holdings		3,190
Decrease in overseas deposits	17	(12)
Net increase on portfolio investments	17, 18	12,780
Net investment of cash flows		<u>15,958</u>

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NOTES TO THE UNDERWRITING YEAR ACCOUNTS

1. Basis of preparation

These underwriting year accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and applicable law and Accounting Standards in the United Kingdom and comply with the Statement of Recommended Practice on Accounting for Insurance Business issued in December 2005 by the Association of British Insurers (as amended in December 2006), except that exchange differences are dealt with in the technical account.

Members participate on a Syndicate by reference to a year of account and each Syndicate year of account is a separate annual venture. These accounts relate to the 2012 year of account which has been closed by reinsurance to close as at 31 December 2014. Consequently the Balance Sheet represents the assets and liabilities of the 2012 year of account at the date of closure. The Profit and Loss Account and the Statement of Cash Flows reflect the transactions for that year of account during the three year period until closure.

These accounts cover the three years from the date of inception of the 2012 year of account to the date of closure. Accordingly, this is the only reporting period and so corresponding amounts as required by FRS 28 'Corresponding Amount' are not shown.

2. Accounting policies

The 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.

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.

Reinsurance premium ceded

Initial reinsurance premiums paid to purchase policies which give excess of loss protection are charged to the year of account in which the protection commences. Premiums for other reinsurances 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 estimate of 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. It also includes

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2. Accounting policies (continued)

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

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

The reinsurers' share 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 estimates 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 estimates of gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, it is implicit in the estimation procedure that the ultimate liabilities will be at variance from the reinsurance to close premium so determined.

Foreign currencies

Transactions in US dollars and Canadian dollars are translated at the closing rates of exchange for the period. Underwriting transactions denominated in other foreign currencies, are included at the rate of exchange ruling at the date transaction is processed.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date.

Exchange differences are included in the technical account.

Where 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. Where United States dollars relating to the profit or loss of a closed underwriting account are bought or sold by members on that year, any exchange profit or loss accrues to those members.

Investments

Investments are stated at current value at the balance sheet date. For this purpose listed investments are stated at market value (bid price). Deposits with credit institutions are stated at cost and overseas deposits are stated at market value (per Lloyd's valuation). 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. The returns on the overseas deposits are allocated to the year of account as notified by Lloyd's. The returns on other assets arising in a calendar year are apportioned to years of account open during the calendar year in proportion to the average funds available for investment on each year of account.

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

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2. Accounting policies (continued)

the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

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

Operating expenses

Syndicate operating expenses are allocated to the year of account for which they are incurred and are primarily comprised of a fixed fee paid to the Managing Agency to cover the Managing Agent's fee and the running costs of the Syndicate.

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.

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 are included in the balance sheet under the heading 'members' balances'.

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

Pension costs

Chaucer Syndicates Limited operates a defined benefit and a defined contribution scheme. Pension contributions relating to Syndicate staff are charged to the Syndicate and included within net operating expenses.

Profit commission

Profit commission is charged by the Managing Agent at a rate of 15% 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.

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NOTES TO THE UNDERWRITING YEAR ACCOUNTS

3. Segmental analysis

An analysis of the underwriting result by class of business is set out below:

2012 YEAR OF ACCOUNT	Gross premiums written¹	Gross claims incurred²	Net operating expenses	Reinsurance balance³	Total
	£000	£000	£000	£000	£000
Direct insurance:					
Fire and Other damage	4,263	(419)	(962)	-	2,882
Third Party Liability	3,953	(950)	(976)	-	2,027
	<u>8,216</u>	<u>(1,369)</u>	<u>(1,938)</u>	<u>-</u>	<u>4,909</u>
Reinsurance acceptances					
Reinsurance	17,667	(2,946)	(4,800)	-	9,921
RITC received	20,696	(16,709)	(9)	-	3,978
Total	<u>46,579</u>	<u>(21,024)</u>	<u>(6,747)</u>	<u>-</u>	<u>18,808</u>

1. Gross premiums earned are identical to gross premiums written.
2. Gross claims incurred comprise gross claims paid and gross reinsurance to close premium payable.
3. The reinsurance balance comprises reinsurance premiums ceded less reinsurance recoveries on claims paid and reinsurance recoveries anticipated on reinsurance to close payable.

All premiums are concluded in the UK.

Geographical origin of gross premiums written:

An analysis of gross premiums written by reference to the location of the risk is provided below:

	£000
UK	2,730
Americas (including US)	3,371
Other	20,547
Gross premiums written	<u><u>26,648</u></u>

4. Reinsurance to close premium received

	£000
Gross reinsurance to close premium receivable	20,696
Reinsurance to close premium received, net of reinsurance	<u><u>20,696</u></u>

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NOTES TO THE UNDERWRITING YEAR ACCOUNTS

5. Reinsurance to close premium payable

	£000
Gross outstanding claims	6,272
	<u>6,272</u>
Provision for gross claims incurred but not reported	14,283
Reinsurance to close premium payable, net of reinsurance	<u>20,555</u>

The reinsurance to close is effected with the 2013 year of account of Syndicate 1176.

6. Net operating expenses

	£000
Acquisition costs - brokerage	919
Administrative expenses:	
Foreign exchange loss	239
Standard personal expenses	5,009
Members' Agents' fees	132
Other expenses	448
	<u>6,747</u>

7. Staff costs

All staff are employed by the Managing Agent.

Syndicate expenses, including the audit fee, are incurred by Chaucer Syndicates Limited and recharged to the Syndicate as a flat fee included in administrative expenses.

The average number of employees employed by the Managing Agent but working for the Syndicate during the three years was as follows:

	Number
Administration and finance	5
Underwriting	1
Investments	1
	<u>7</u>

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NOTES TO THE UNDERWRITING YEAR ACCOUNTS

8. Emoluments of the directors of the Managing Agent

The directors of Chaucer Syndicates Limited were not remunerated in respect of their services to the Syndicate.

The active underwriter received the following remuneration, incurred by Chaucer Syndicates Limited and recharged to the Syndicate within Managing Agency fees in relation to the 2012 year of account.

	£000
Active underwriter	<u>153</u>

9. Investment return

	£000
Investment income	
Income from investments	894
Gains on the realisation of investments	<u>12</u>
	906
Investment expenses and charges	
Losses on the realisation of investments	(116)
Net unrealised gains on investments	45
Investment management charges	<u>(12)</u>
Total investment return	<u>823</u>

10. Balance on technical account

	£000
Balance excluding investment return and operating expenses (other than acquisition costs):	
Profit attributable to business allocated to the 2012 pure year of account	20,658
Profit attributable to business reinsured into the 2012 year of account	<u>3,978</u>
	24,636
Allocated investment return transferred from the non-technical account	823
Net operating expenses other than acquisition costs	<u>(5,828)</u>
	<u>19,631</u>

11. Investments

	Market Value £000	Cost £000
Shares and other variable yield securities and units in unit trusts	6,903	8,342
Debt securities and other fixed income securities	25,273	25,359
	<u>32,176</u>	<u>33,701</u>

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12. Other Debtors

	£000
Advance profit commission paid in respect of 2012	2,473
	<u>2,473</u>

13. Other assets

Other assets comprise overseas deposits which are lodged as a condition of conducting underwriting business in certain countries. The funds are required in order to protect policyholders and enable the Syndicate to operate in those markets. The Syndicate has only restricted access to these funds and no influence over their investment.

14. Amounts due to members

	£000
Profit for the 2012 closed year of account	19,631
Transfers to members' personal reserve funds	(4,926)
	<u>14,705</u>

15. Creditors

	£000
Profit commission payable	3,484
Other creditors	1,031
	<u>4,515</u>

16. Reconciliation of profit for the year of account to net cash inflow from operating activities

	£000
Profit for the closed year of account	19,631
Unrealised investment losses excluding foreign exchange	1,525
Net reinsurance to close premium payable	20,555
Increase in debtors and prepayments and accrued income, excluding those received as consideration for RITC receivable	(2,094)
Decrease in creditors and accruals, excluding those received as consideration for RITC receivable	(5,704)
Non cash consideration for net RITC receivable	(12,926)
Foreign exchange movement	(103)
Net cash inflow from operating activities	<u>20,884</u>

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NOTES TO THE UNDERWRITING YEAR ACCOUNTS

**16. Reconciliation of profit for the year of account to net cash inflow from operating activities
(Continued)**

Consideration for net RITC receivable comprised:

Portfolio investments	20,655
Overseas deposits	270
Debtors	2,069
Creditors	(10,068)
	<u>12,926</u>
Cash and amounts due to members	7,783
	<u>20,709</u>
Foreign exchange movement on RITC	(13)
	<u>20,696</u>

17. Movement in cash, portfolio investments and financing

	£000
Net cash inflow from the three years	(7,189)
Cash flow	
Decrease in overseas deposits	(12)
Increase in portfolio investments	12,780
Movement arising from cash flows	<u>5,579</u>
Received as consideration for net RITC receivable	
Cash at bank and in hand	10,379
Overseas deposits	270
Portfolio investments	20,657
Changes in market value and exchange rates	(1,254)
Total movement in portfolio investments	<u>35,631</u>
Portfolio at 1 January 2012	-
Portfolio at 31 December 2014	<u>35,631</u>

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NOTES TO THE UNDERWRITING YEAR ACCOUNTS

17. Movement in cash, portfolio investments and financing (Continued)

	At 1 January 2012	Cash flow	Received as consideration for net RITC receivable	Changes to market value and currencies	At 31 December 2014
	£000	£000	£000	£000	£000
Cash at bank and in hand	-	(7,189)	10,379	-	3,190
Overseas deposits	-	(12)	270	7	265
Total cash and cash equivalents	-	(7,201)	10,649	7	3,455
Shares and other variable yield securities	-	(2,360)	8,999	264	6,903
Debt securities and other fixed income securities	-	15,140	11,658	(1,525)	25,273
Total portfolio investments	-	12,780	20,657	(1,261)	32,176
Total cash, portfolio investments and financing	-	5,579	31,306	(1,254)	35,631

18. Net cash outflow to portfolio investments

	£000
Sale of shares and other variable yield securities	(32,833)
Sale of debt securities and other fixed income securities	(18,658)
Purchases of shares and other variable yield securities	30,473
Purchases of debt securities and other fixed income securities	33,798
	12,780

19. Related Parties

Chaucer Syndicates Limited is the Managing Agent of the Syndicate. The Syndicate has incurred the following expenses from Chaucer Syndicates Limited during the 36 month period:

Year of Account	2012 £000
Managing agency fees	1,362
Profit commission payable as at 31 December 2014	3,484

Chaucer Syndicates Limited is part of The Hanover Insurance Group of companies. The Hanover Insurance Group, Inc. is the ultimate controlling party.

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19. Related Parties (Continued)

The Syndicate is supported by Chaucer Holdings Limited (formally Chaucer Holdings PLC) group companies who provide underwriting capacity as follows:

Year of Account	2012 £000
Chaucer Corporate Capital (No. 3) Limited	<u>17,594</u>

Syndicate 1176 is the leading participant of the British Nuclear Pool, NRI Limited, and owns a share of the associated management company in proportion to its share (approximately 40%) of the Pool. Any profit or loss from these operations is paid to the Syndicate. The Pool underwrote premium of £21.4m on behalf of the Syndicate. The year-end balance due from the Pool is £1.1m and is included within debtors arising out of direct insurance operations.

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SEVEN YEAR SUMMARY

at 31 December 2014

	2006	2007	2008	2009	2010	2011	2012
Syndicate allocated capacity (£000)	22,499	27,509	27,509	31,506	31,666	31,648	31,662
Number of underwriting members	189	202	203	222	225	236	245
Aggregate net premiums (£000)	21,741	20,279	21,661	21,716	21,535	26,611	26,648
Results for an illustrative share of £10,000	£	£	£	£	£	£	£
Gross premiums	11,774	8,871	9,251	8,181	8,459	8,408	8,416
Net premiums	9,663	7,372	7,875	6,893	6,801	7,276	8,416
Premium for the reinsurance to close an earlier year of account	5,413	5,212	5,939	3,788	3,823	5,989	6,537
Net claims	(371)	(158)	(846)	(49)	(134)	(4,195)	(390)
Premium for the reinsurance to close the year of account	(6,368)	(5,917)	(4,341)	(3,852)	(6,008)	(6,544)	(6,492)
Profit/(loss) on exchange	23	20	51	2	4	(211)	(75)
Syndicate operating expenses	(250)	(263)	(277)	(292)	(315)	58	(432)
Balance on technical account	8,110	6,266	8,401	6,490	4,171	2,373	7,564
Investment return	1,100	638	580	179	123	129	260
Profit for the closed year	9,210	6,904	8,981	6,669	4,294	2,502	7,824
Illustrative profit commission -Managing agent's share	(1,294)	(960)	(1,281)	(928)	(570)	(301)	(1,100)
Illustrative personal expenses ^{1,2}	(613)	(531)	(481)	(527)	(538)	(536)	(523)
Profit after illustrative profit commission and illustrative personal expenses	7,303	5,413	7,219	5,214	3,186	1,665	6,201
Percentage applicable for an illustrative share of £10,000	%	%	%	%	%	%	%
Gross premiums	117.7	88.7	92.5	81.8	84.6	84.1	84.2
Net premiums	96.6	73.7	78.8	68.9	68.0	72.8	84.2
Balance on technical account to gross premiums	68.9	70.6	90.8	79.3	49.3	28.2	89.9

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NOTES TO THE SEVEN YEAR SUMMARY

1. Illustrative personal expenses comprise managing agent's fee, Lloyd's subscription, and contribution to Lloyd's Central Guarantee Fund. The managing agent's fee, where applicable, has been calculated so as to disregard the minimum charge to any member underwriting for less than a certain premium limit.
2. Illustrative personal expenses have been shown for individual Names and MAPAs.

Under the standard agency agreements in force an underwriting member who dies prior to 31 December in any year does not participate in that year; if death occurs on 31 December the underwriting member participates fully in that year.

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CLOSED AT 31 DECEMBER 2014**

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The managing agent is responsible for preparing Syndicate Underwriting Year Accounts in accordance with applicable law and Lloyd's Syndicate Accounting Byelaw.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Syndicate Accounting Byelaw (No. 8 of 2005) (the "Lloyd's Regulations") require the managing agent to prepare Syndicate Underwriting Year Accounts for each Syndicate in respect of any underwriting year which is being closed by reinsurance to close at 31 December.

The managing agent must prepare Syndicate Underwriting Year Accounts which give a true and fair view of the result of the closed year of account.

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 as 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 as between them, having regard to the nature and amount of the liabilities reinsured;
- make judgements and estimates that are reasonable and prudent;
- take into account all income and charges relating to a closed year of account in the underwriting account prepared in respect of that year of account, without regard to the date of receipt or payment; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the underwriting year accounts.

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 2008 Regulations. 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNDICATE 1176 – 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 1176 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 three years then ended;
- the cash flow statement; and
- the Notes to the Syndicate annual accounts, which include a summary of significant accounting policies and 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 page 21, 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.

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.

**SYNDICATE 1176: 2012 YEAR OF ACCOUNT
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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 underwriting year accounts 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.



Thomas Robb (Senior statutory auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
12 March 2015