Important information about Syndicate Reports and Accounts

Access to this document is restricted to persons who have given the certification set forth below. If this document has been forwarded to you and you have not been asked to give the certification, please be aware that you are only permitted to access it if you are able to give the certification.

The syndicate reports and accounts set forth in this section of the Lloyd's website, which have been filed with Lloyd's in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005), are being provided for informational purposes only. The syndicate reports and accounts have not been prepared by Lloyd's, and Lloyd's has no responsibility for their accuracy or content. Access to the syndicate reports and accounts is not being provided for the purposes of soliciting membership in Lloyd's or membership on any syndicate of Lloyd's, and no offer to join Lloyd's or any syndicate is being made hereby. Members of Lloyd's are reminded that past performance of a syndicate in any syndicate year is not predictive of the related syndicate's performance in any subsequent syndicate year.

You acknowledge and agree to the foregoing as a condition of your accessing the syndicate reports and accounts. You also agree that you will not provide any person with a copy of any syndicate report and accounts without also providing them with a copy of this acknowledgment and agreement, by which they will also be bound.

Syndicate 780
Annual Accounts
31 December 2015

Syndicate 780 Annual Accounts

Syndicate 780
Report of the Directors of the Managing Agent

The Directors of the Managing Agent present their report and the Syndicate Annual Accounts for the year ended 31 December 2015.

Directors
The Directors of the Managing Agent who served during the year ended 31 December 2015 were as follows:

T J Ambridge	Chief Financial Officer from 15 July 2015 (previously Chief Risk Officer)
W E Beveridge	Chief Underwriting Officer and Active Underwriter
H H Bohling	Non-Executive Director
J Cloutier	Non-Executive Chairman
N P Fitzgerald	Chief Executive Officer
P J Green	Solvency II Implementation Director from 15 July 2015 (previously Finance Director) (resigned 19 January 2016)
I M Hewitt	Risk and Compliance Director
S P G Lee	Non-Executive Director (appointed 8 May 2015)
N N H Smith	Non-Executive Director

Directors' Interests

No Directors participated directly on the Syndicate in the calendar year.

Further details of Directors' interests in Group companies are described in Note 15 to the Accounts.

Business Review

The principal activity of the Syndicate is the underwriting of general insurance and reinsurance business in the Lloyd's market.

Advent Underwriting Limited (AUL), the Managing Agent of Syndicate 780, is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA. Advent Capital (No.3), a subsidiary of Advent Capital (Holdings) LTD), is the sole provider of capacity for Syndicate 780.

Strategic Report

The key disclosures required by the Strategic Report have been considered in the sections below, being the results of the business for the calendar year, future outlook and principal risks and uncertainties.

Result for the Calendar Year

For the year ended 31 December 2015, the Syndicate had a loss of $38.0 million (2014: profit of $37.2 million), of which $6.6 million was attributable to the technical result. The technical result analysed by year of account was a profit of $23.9 million on the 2013 and prior years of account (YOA), a profit of $4.2 million on the 2014 YOA and a loss of $34.7 million on the 2015 YOA. The investment result on the funds in syndicate (FIS) assets was a loss of $37.3 million, which is included in the non technical result.

The Syndicate seeks to achieve consistent underwriting profitability through the exercise of disciplined underwriting and risk management practices, high degrees of service and professionalism attributable to its claims and other supporting operations, prudent technical reserve standards and valued long standing trading relationships.

The underwriting loss of $4.2 million and combined ratio of 102.5% (2014: $0.3 million underwriting profit and combined ratio of 99.8%) included prior years' reserve releases of $24.0 million (2014: $26.6 million).

Gross premiums written increased 16.1% to $240.5 million in 2015, from $207.1 million in 2014, due to growth in the Accident & Health (A&H) and the new Property Binders classes of business, partially offset by the competitive underwriting environment across many classes, particularly property reinsurance. For the year ended 31 December 2015, the portfolio mix was 76% insurance and 24% reinsurance business (2014: 55% insurance, 45% reinsurance).

For the year ended 31 December 2015, net premiums written increased by 5.9% to $192.1 million from $161.7 million in 2014, as with gross premiums written except that the A&H class of business has quota share reinsurance of up to 75% on business sourced with Fairmont, with $34.2 million of premiums written and $11.9 million of losses ceded (2014: $8.7 million and $1.7 million, respectively). The Wentworth quota share arrangement for the property reinsurance classes was renewed for the 2015 YOA at 75%, up from 50% in prior years. In Q4, the Syndicate decreased the cession to 0% for all classes except for the London market catastrophe account and the Polish Re quota share arrangement for which cessions decreased to 50%, resulting in a reduction of ceded written premium of $4.7m and ceded earned premium of $3.4m. For 2015, written premium of $9.0 million and losses of $2.8 million were ceded in total (2014: $21.6 million and $4.6 million, respectively).

Net premiums earned increased by 18.3% to $170.4 million in 2015 from $144.1 million in 2014, reflecting the maturing of the Syndicate's specialty insurance business. The lower expense ratio results from a stable expense base on higher net earned premiums.

The Syndicate's investments are managed by Hamblin Watsa Investment Counsel (HWIC), an affiliated company. The investment loss of (8.87%) (2014: return of 6.32%) primarily relates to unrealised losses on equity investments.

Investment Return

	2015 $000	2014 $000
Average monthly Syndicate funds available for investment	457,871	537,975
Aggregate net investment return in respect of Syndicate and FIS investments	(40,613)	34,000

2015 net investment yield:		
Sterling	1.05%	(0.92)%
Euro	(56.5%)	23.23%
US dollars	(4.56%)	4.53%
Canadian dollars	0.80%	0.92%
Total yield	**(8.87%)**	**6.32%**

Member's balances

Member's balances have decreased from $211.8 million at 31 December 2014 to $201.3 million at 31 December 2015 due to the loss for the year and the profit distribution on the 2012 YOA, partially offset by the deposit of additional funds into FIS.

Effect of the adoption of FRS 102

During 2015, the Syndicate adopted FRS 102, *The Financial Reporting Standard in the UK*, and FRS 103, *Insurance Contracts*, and restated its 2014 results for the impact of the new accounting policies adopted. FRS 102 requires an entity to translate foreign currency monetary items using the closing rate and non-monetary items using the exchange rate at the date of the transaction. However, FRS 103 requires an entity to treat all assets and liabilities arising from an insurance contract as monetary items. Accordingly, all items that were previously held as non-monetary items have been restated and are now shown as monetary items and translated at closing rates of exchange. For the year ended 31 December 2015, an additional profit of $0.7m (2014: $1.2 million) was recognised in the profit and loss account.

During 2015, the Syndicate also reviewed its determination of functional currency. Based on an analysis of the economic environment in which the Syndicate operates and which most impacts the prices it can charge for its services the functional currency was changed to US Dollars.

2016 Business Plans and Outlook

Syndicate 780's 2016 business plan and SCR have been approved by Lloyd's with gross premiums of $316.4 million. Competitive market conditions prevail across all classes of business, with surplus capacity putting pressure on rates, terms and conditions. In addition, broker portfolio placements and greater cedent risk retention has put pressure on signings. Syndicate 780 views the Fairfax distribution network as a key differentiator in developing new business.

Internal Control and Risk Management

Overview
The Board of Directors of AUL ("Board") is responsible for the oversight of the Syndicate's systems of internal control, for reviewing their effectiveness at least annually and for reporting on the effectiveness of controls in the Annual Accounts. Executive Management is responsible for the implementation and satisfactory maintenance of systems of internal controls over financial reporting and for compliance with laws and regulations.

All employees of Advent are responsible for internal control and are informed of their role through detailed job descriptions, policies, procedures manuals and communications from Business Unit Leaders and the Board.

The Syndicate's systems of internal control consist of a number of interrelated components as outlined below:

Control Environment
The control environment sets the tone of the business influencing the control consciousness of its directors and employees, sometimes referred to as the "tone at the top". It provides structure and discipline for the other four components, incorporating

factors such as integrity, ethical values, management's philosophy and operating style; assignment of authority and responsibility; employee competence; organisational structure; and the attention and direction provided by the Board.

The control environment is communicated to employees of Advent through the following key policies approved by the Board:

- Corporate objectives and risk appetite
- Code of Business Conduct and Ethics
- Whistle Blowing
- Anti-Bribery and Corruption, Confidentiality and Trading Responsibilities regarding Fairfax
- Anti-money laundering and financial crime
- Documented polices and procedures for each Business Unit
- Conduct Policy

As a small organisation, AUL's culture is hands-on with extensive interaction between directors, Business Unit Leaders and employees and one which takes pride in maintaining strong underwriting disciplines throughout the insurance cycle while acknowledging the potential volatility in short term results arising from catastrophe events.

1) Risk Assessment

The Syndicate faces a variety of risks from both internal and external sources that require identification, assessment and management. Risk management is the process that enables a business to:

- Identify and understand the risks that it faces in the pursuit of its business objectives;
- Assess the risks against risk appetite;
- Where possible and commercially desirable, reduce the probability and impact of those risks;
- Regularly review, monitor and report on those risks in order to take informed actions; and
- Ensure that any new risks, or changes to existing risks, are captured and assessed.

As the environment in which the Syndicate is operating is constantly changing, the risk assessment process needs to be dynamic and updated on an on-going basis.

The key risks, as assessed by AUL, are set out below:

- **Insurance risk:**
  - ***Underwriting and risk selection:*** The Syndicate is exposed to risk when underwriters select and price insurance and reinsurance business as there is uncertainty over the ultimate loss ratios.
  - ***Extreme losses:*** Insurance costs are not fixed and known at the time a policy is issued, so claims can significantly exceed premiums received in any period. Although the frequency and severity of claims may have been priced accurately, in extreme circumstances, claims may be sufficiently large to threaten the Syndicate's capital base.
  - ***Reserving:*** The Syndicate has a provision on its balance sheet for the estimated ultimate cost of claims. Some of these claims are long tailed in nature and as such, they are susceptible to adverse development (e.g. due to latent exposures, legal reform and unforeseen deterioration of known losses).
- **Other financial risks:**
  - ***Credit risk:*** The Syndicate is exposed to the risk that a counterparty will be unable to pay amounts in full when due. The Syndicate is exposed to credit risk through reinsurance recoverables and amounts due from intermediaries and policyholders. There remains an increased risk of counterparty failure in a challenging economic climate.
  - ***Market risk:***
    - ***Matching*** – Mismatches in the duration of the Syndicate's assets and liabilities due to movements in interest rates may lead to an increase in capital requirements while a mismatch in assets and liabilities denominated in foreign currencies may lead to losses from changes in exchange rates.
    - ***Asset*** – The Syndicate's investments (comprising individual holdings in sovereign and corporate fixed interest securities as well as equities, derivatives, real estate and cash) are also exposed to the risk of default and/or fluctuations in market prices.
    - ***Liquidity risk*** – The Syndicate may not have cash available to pay obligations when due at a reasonable cost, particularly for major catastrophe events where it has to post US situs funds on gross incurred claims or where it has to pay gross claims before collecting the related reinsurance.
- **Operational risk:**
    - The Syndicate is exposed to a range of operational risks, some of which could have a direct financial impact such as:

        - inaccurate **management information** (e.g. through staff error, inadequate processes or loss of IT systems) causing inadequate pricing, reserving or exposure management;
        - loss of office **facilities** (though fire, flood, terrorism, etc.);
        - **outsourcing** issues; and
        - **fraud**.

    - Other operational risks may not have direct financial losses, but may be equally damaging to the Syndicate's business model if not managed effectively. These include:

        - **Reputational**: AUL's business model relies on the maintenance of its good reputation. For example, AUL's ability to attract and retain staff or business from brokers will be undermined if it suffers reputational damage from the actions of AUL itself or indirectly due to the actions of employees.
        - **Conduct**: AUL has a duty to ensure that the process and outcome from doing business with AUL is fair for all policyholders.
        - **Regulatory**: AUL is regulated by the PRA, the FCA and Lloyd's of London. AUL is at risk of censure, fine or restriction of business if it fails to run the business in compliance with the applicable rules and regulations.
        - **Cultural**: There is a risk that AUL fails to ensure it has a culture that promotes an effective and efficient working environment which encourages teamwork from all members of staff.
        - **Political changes**: There is a risk that AUL's business model is impacted by changes to the economic landscape, for example, changes to the tax regime or the legal framework.

- **Other Risks:**
    - **Group** – The risk of the Fairfax group being unable to support the Syndicate, particularly in the provision of new capital if it is required.
    - **Strategic** – The Syndicate faces the risk of loss through the setting of an inappropriate strategy or the ineffective execution of an appropriate strategy.
    - **Capital** – AUL has to ensure that it has sufficient capital from a regulatory perspective in order to trade at Lloyd's within the PRA's regulatory regime.

Ownership of risks and controls within AUL is clearly defined. The Risk Function coordinates an assessment of all risks through a quarterly risk review, carried out in line with policies and procedures, to ensure that risks remain relevant and up-to-date.

All risks have a risk appetite recommended by the Director of Risk & Compliance to the Board for its approval. When any risk falls outside AUL's risk appetite, action plans are agreed, implemented and monitored. Risk mitigation actions have clearly defined owners and implementation timescales.

AUL's risk appetite for extreme losses, its major insurance risk, is to limit the pre tax cost of a single event catastrophe loss, after reinsurance recoveries and reinstatement premiums, to $35 million.

2) Control Activities
Control activities are the policies and procedures that are set by Executive Management to manage risk and support the delivery of AUL's objectives.

AUL maintains and updates policies and procedures addressing all key areas of the business.

3) Information, Communication and Key Performance Indicators
Appropriate information must be identified, captured and communicated in a form and timeframe that enables directors and employees to carry out their responsibilities. AUL has an established management information system for the production of operational, financial and compliance reports which allow the Executive Management and the Board to run and control the business.

AUL has established corporate objectives and risk appetite. The key performance data required for management and control purposes has been identified as the combined ratio, adequacy of reserves, exposure to catastrophe losses on a gross and net basis and performance against the approved business plan. Management reports are produced monthly for Executive Management and reported to the Board quarterly. Decision making is made at the appropriate level, within pre-agreed parameters, and communicated throughout AUL as required.

AUL maintains pro-active channels of communication with all key stakeholders including existing and prospective clients, staff, brokers, reinsurers, the shareholder, and regulators.

Syndicate 780
Report of the Directors of the Managing Agent (Continued)

4) Monitoring
Internal control systems need to be monitored to assess the quality of the system over time. AUL achieves this through a combination of day-to-day operational monitoring conducted by management, such as the review of exception reports, together with a comprehensive risk based internal audit programme.

The audit programme is risk focused with the majority of the activity centered upon those areas which are considered to generate the largest risks namely underwriting, reinsurance and claims.

AUL believes it has implemented an effective system of internal control.

Statement of Disclosure of Information to the auditors
So far as each person who was a Director of the Managing Agent at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with their report, of which the auditors are unaware. Having made enquiries of fellow Directors of the Managing Agency and the Syndicate's auditors, each Director has taken all the steps that he is obliged to take as a Director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Independent auditors
The Managing Agent intends to reappoint PricewaterhouseCoopers LLP as Syndicate auditors. PricewaterhouseCoopers LLP also act as auditors to the Managing Agent, Advent Underwriting Limited.

Syndicate Annual General Meeting
In accordance with the Syndicate Meetings (Amendment No 1) Byelaw (No 18 of 2000) the Managing Agent does not propose holding a syndicate annual general meeting this year.

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

Trevor J Ambridge, FCPA, FCA	**Ian M Hewitt, FCII**
Chief Financial Officer	Risk and Compliance Director

17 February 2016

Syndicate 780
Statement of Managing Agent's Responsibilities

The Managing Agent is responsible for preparing the Managing Agent's Report and the annual accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (IAD) requires the Managing Agent to prepare the annual accounts for each financial year. Under that law the Managing Agent is required to prepare the syndicate accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102) and Financial Reporting Standard 103, Insurance Contracts (FRS 103). Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (IAD) the Managing Agent must not approve the annual accounts unless they are satisfied that they give a true and fair view of the state of affairs of the syndicate and of the profit or loss of the syndicate for that period.

In preparing these syndicate annual accounts, the Managing Agent is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, including FRS 102 and FRS 103, subject to any material departures disclosed and explained in the syndicate annual accounts;
- prepare the syndicate annual accounts on the going concern basis unless it is inappropriate to presume that the syndicate will continue in business.

The Managing Agent is responsible for keeping adequate accounting records that are sufficient to show and explain the syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the syndicate and enable them to ensure that the syndicate annual accounts comply with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. 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.

Approved by the Board and signed on its behalf by:

Trevor Ambridge Ian Hewitt

Trevor Ambridge FCPA, FCA
Chief Financial Officer

Ian M Hewitt, FCII
Risk and Compliance Director

17 February 2016

Independent Auditors' Report to the member of Syndicate 780

Report on the syndicate annual accounts

Our Opinion
In our opinion the syndicate annual accounts, (the "syndicate annual accounts"):
- give a true and fair view of the state of the syndicate's affairs as at 31 December 2015 and of its loss 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

What we have audited
The syndicate annual accounts for the year ended 31 December 2015, included within the Annual Accounts (the "Annual Report"), comprise:
- the statement of financial position as at 31 December 2015;
- the statement of comprehensive income for the year then ended;
- the statement of changes in member's balances
- the statement of cash flows; and
- the notes to the syndicate annual accounts, which include a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the syndicate annual accounts is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (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.

Opinion on matter prescribed by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008

In our opinion the information given in the Managing Agent's Report for the financial year for which the syndicate annual accounts are prepared is consistent with the syndicate annual accounts.

Other matters on which we are required to report by exception

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- the Managing Agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual accounts are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Responsibilities for the syndicate annual 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 8, the Managing Agent is responsible for the preparation of syndicate annual accounts and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the syndicate annual accounts in accordance with applicable law 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 part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 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 annual 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 annual accounts sufficient to give reasonable assurance that the syndicate annual 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;

Independent Auditors' Report to the member of Syndicate 780 (continued)

- the reasonableness of significant accounting estimates made by the Managing Agent; and
- the overall presentation of the syndicate annual 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 the disclosures in the syndicate annual 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 Annual Accounts to identify material inconsistencies with the audited syndicate annual 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.

Mark Bolton

Mark Bolton (Senior statutory auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
18 February 2016

Syndicate 780
Statement of Comprehensive Income: Technical Account – General Business
Year ended 31 December 2015

	Note	2015 $000	2014 $000 (restated)
Earned premiums, net of reinsurance			
Gross premiums written	5	240,488	207,141
Outward reinsurance premiums		(48,426)	(45,464)
Net premiums written		192,062	161,677
Change in the provision for unearned premiums			
– gross amount		(30,347)	(20,805)
– reinsurers' share		8,687	3,260
Change in the net provision for unearned premiums		(21,660)	(17,545)
Earned premiums, net of reinsurance		**170,402**	**144,132**
Allocated investment return transferred from the non-technical account		(2,361)	23,373
Total technical income		**168,041**	**167,505**
Claims incurred, net of reinsurance			
Claims paid			
– gross amount		(116,238)	(142,120)
– reinsurers' share		23,158	35,903
Net claims paid		(93,080)	(106,217)
Change in the provision for claims			
– gross amount		15,485	59,767
– reinsurers' share		(7,756)	(27,987)
Change in the net provision for claims		7,729	31,780
Claims incurred, net of reinsurance		**(85,351)**	**(74,437)**
Net operating expenses	7, 8	(89,245)	(69,500)
Total technical charges		**(174,596)**	**(143,937)**
Balance on the technical account for general business and (loss) profit for the year		**(6,555)**	**23,568**

All operations are continuing.
The Notes on pages 17 to 41 are an integral part of these financial statements.

Syndicate 780
Statement of Comprehensive Income: Non-Technical Account
Year ended 31 December 2015

	Note	2015 $000	2014 $000 (restated)
Balance on the technical account for general business and (loss) profit for the year		**(6,555)**	**23,568**
Investment income	9	19,703	34,187
Unrealised gains on investments		3,610	39,746
Unrealised losses on investments		(62,413)	(38,418)
Investment management expenses	9	(1,513)	(1,515)
Allocated investment return transferred to the general business technical account		2,361	(23,373)
Other income		6,766	2,976
(Loss) profit for the year		**(38,041)**	**37,171**

The Syndicate has no recognised gains or losses other than the reported loss for the year.

All operations are continuing.
The Notes on pages 17 to 41 are an integral part of these financial statements.

Syndicate 780
Statement of Financial Position: Assets
As at 31 December 2015

	Note	2015 $000	2014 $000 (restated)
Investments			
Financial investments	6	489,687	498,212
		489,687	**498,212**
Reinsurers' share of technical provisions			
Provision for unearned premiums		15,930	7,399
Claims outstanding		59,285	70,046
		75,215	**77,445**
Debtors			
Debtors arising out of direct insurance operations	10	59,056	38,025
Debtors arising out of reinsurance operations	11	38,869	50,549
Other debtors		6,607	7,902
		104,532	**96,476**
Other assets			
Cash at bank and in hand		23,648	9,411
		23,648	**9,411**
Prepayments and accrued income			
Accrued interest		1,654	1,553
Deferred acquisition costs		28,575	19,379
		30,229	**20,932**
Total assets		**723,311**	**702,476**

The Notes on pages 17 to 41 are an integral part of these financial statements.

Syndicate 780
Statement of Financial Position: Liabilities
As at 31 December 2015

	Note	2015 $000	2014 $000 (restated)
Member's balances		**201,259**	**211,794**
Technical provisions			
Provision for unearned premiums		109,299	80,562
Claims outstanding		348,483	374,617
		457,782	**455,179**
Creditors			
Creditors arising out of direct insurance operations	12	9,433	3,619
Creditors arising out of reinsurance operations	13	30,442	26,336
Other creditors including taxation and social security		23,877	5,138
		63,752	**35,093**
Accruals and deferred income		518	410
Total liabilities		**723,311**	**702,476**

The Syndicate Financial Statements on pages 11 to 41 were approved by the Board of Advent Underwriting Limited on 17 February 2016 and were signed on its behalf by:

Trevor J Ambridge, FCPA, FCA Director

Ian M Hewitt, FCII Director

Syndicate 780
Statement of Changes in Member's Balances
Year ended 31 December 2015

	2015 $000	2014 $000 (restated)
Member's balances at 1 January	211,794	203,225
Profit for the financial year	(38,041)	37,171
(Profit release) Loss Call	(48,624)	66,814
Injection (release) of FIS	80,648	(91,465)
Exchange difference on member's balances	(4,518)	(3,951)
Member's balances carried forward at 31 December	201,259	211,794

The corporate member participates on the Syndicate by reference to YOA and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that YOA.

Syndicate 780
Statement of Cash Flows
Year ended 31 December 2015

	Note	2015 $000	2014 $000 (restated)
Operating (loss) profit		**(38,041)**	**37,171**
Increase (decrease) in technical provisions		2,603	(66,744)
(Increase) decrease in reinsurers' share of technical provisions		2,231	28,988
(Increase) in debtors		(8,056)	(17,272)
Increase in creditors		28,660	5,472
Movement in other assets (liabilities)		(9,090)	13,590
Investment (loss) return		39,100	(35,515)
Foreign exchange (gains) losses		(6,477)	888
Net cash inflow (outflow) from operating activities		**10,930**	**(33,422)**
Cash flows from investing activities			
Purchase of equity and debt instruments		(513,654)	(517,457)
Sale of equity and debt instruments		476,257	539,879
Investment income received		9,075	9,995
Cash flows from financing activities			
(Profit distribution) loss call		(48,624)	66,814
Injection (release) of FIS		80,648	(91,465)
Net increase (decrease) in cash and cash equivalents		**14,632**	**(25,656)**

Cash and cash equivalents at beginning of year	9,411	36,049
Exchange (losses) gains on cash and cash equivalents	(395)	(982)
Cash and cash equivalents at end of year	**23,648**	**9,411**

The Notes on pages 17 to 41 are an integral part of these financial statements.

1. General Information

The Syndicate participates in the general insurance market at Lloyd's of London (Lloyd's). The assets and liabilities arising as a result of the underwriting activities are held under various Lloyd's trust deeds for the benefit of policyholders.

2. Statement of compliance

The individual financial statements of the Syndicate have been prepared in compliance with regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("Lloyd's Regulations 2008") and applicable Accounting Standard in the United Kingdom, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and Financial Reporting Standard 103, Insurance Contracts.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Syndicate has adopted FRS 102 and FRS 103 in these financial statements. Details of the transition to FRS 102 and FRS 103 are disclosed in note 16.

(a) Basis of Preparation

These financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Syndicate's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

(b) Going concern

The Syndicate meets its day-to-day working capital requirements through its underwriting activities. Competitive market conditions continue to prevail across the insurance market with surplus capacity putting pressure on rates, terms and conditions. The Syndicate's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Syndicate should be able to operate and have the resources available to meet members' and Lloyd's capital requirements. After making enquiries, the directors have a reasonable expectation that the Syndicate has adequate resources to continue in operational existence for the foreseeable future. The Syndicate therefore continues to adopt the going concern basis in preparing its financial statements.

(c) Foreign currency

(i) Functional and presentation currency

The Syndicate's functional and presentational currency is US Dollars. This is a change from the prior year, when the functional currency was considered to be GBP Sterling, following a review of the primary economic environment in which the Syndicate operates.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using an average rate of exchange for the year. At each period end foreign currency monetary and non-monetary items are translated using the closing rate. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary and non-monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Foreign exchange gains and losses are presented in the profit and loss account within the non-technical account for general business.

The Syndicate uses forward exchange contracts to mitigate the exchange risk associated with claims in currencies other than its principal settlement currencies and to manage its currency balance sheet. Gains or losses on forward exchange contracts are recorded in the profit and loss account within claims incurred, to the extent that they are used to hedge claims costs in non-settlement currencies. All other gains or losses are recorded within profit on exchange. The fair value of the forward exchange contracts is determined by reference to quoted period end exchange rates.

3. Summary of significant accounting policies (continued)

(d) General insurance business

The results for general insurance business written are determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance, as follows:

(i) Premiums written relate to business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified to the syndicate, less an allowance for cancellations.

(ii) Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the balance sheet date. The unearned premium reserve is translated to US Dollars at closing rates of exchange.

(iii) Acquisition costs, which represent commission and other related expenses, are allocated over the period in which the related premiums are earned.

(iv) Reinsurance premium costs of "losses occurring during" policies are charged over the period for which coverage is provided. Other reinsurance premium costs are expensed over the period in which the premiums relating to business written are earned.

(v) Claims incurred comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported (IBNR) and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

(vi) Claims outstanding represent the ultimate cost of settling all claims (including direct and indirect claims settlement costs) arising from events which have occurred up to the balance sheet date, including provision for IBNR, less any amounts paid in respect of those claims. Claims outstanding are reduced by anticipated salvage and other recoveries.

(vii) Provision is made at the year-end for the estimated costs of claims incurred but not settled at the balance sheet date, including the cost of IBNR to the Syndicate. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the value of salvage and other recoveries. The Syndicate takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

(e) 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.

Dividends are recorded on the date on which the shares are quoted ex-dividend. Interest income is recognized using the effective interest rate method.

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

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the technical account of the investment return on investments supporting the insurance technical provisions and related member's balances.

3. Summary of significant accounting policies (continued)

(f) Taxation

Under Schedule 19 of the Finance Act 1993 Managing Agents are not required to deduct basic rate income tax from trading income, including capital appreciation, of the Syndicate. Furthermore, all UK basic rate income tax deducted from Syndicate investment income is recoverable by the Managing Agents; therefore, the distribution made to members is gross of tax.

It remains the responsibility of the member to agree its corporation tax liabilities with the Inland Revenue.

The Syndicate is required to fund on account assessments of tax on US dollar and Canadian dollar source income and these amounts are then recovered by reimbursement from the Members Services Unit (MSU). At the balance sheet date such Syndicate fundings are included within other debtors. The final assessments are charged direct to the underwriting members.

(g) Impairment of non-financial assets

At each balance sheet date, non-financial assets not carried at fair-value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

(h) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(i) Financial Instruments

The Syndicate has chosen to adopt IFRS 9 and the disclosure requirements of Sections 11 and 12 of FRS 102 in respect of financial instruments.

i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognized at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest rate method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognized in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognized the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognized. The impairment reversal is recognized in profit or loss.

3. Summary of significant accounting policies (continued)

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value whereby:

a) listed investments are stated at market value on the balance sheet date;
b) unlisted investments for which a market exists are stated at the average price at which they were traded on the balance sheet date or the last trading day before that date; and
c) for investments where market quotes are unavailable, the Syndicate uses estimation techniques to determine fair value.

Changes in fair value are recognized in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

ii) Financial liabilities

Basic financial liabilities, including trade and other payables are initially recognised at transaction price.

Creditors arising out of reinsurance operations, amounts due to other group companies and other creditors are obligations to pay for services that have been acquired in the ordinary course of business. These obligations are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Derivatives, including forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognized in profit or loss in finance costs or income as appropriate.

The Syndicate does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

Financial liabilities are derecognized when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

4. Critical accounting judgements and estimation uncertainty

The Syndicate makes estimates and assumptions concerning the future. The resulting accounting estimates will, be definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

i) Claims reserves

The establishment of claims reserves represents the area of greatest uncertainty in preparing the Syndicate accounts. Reserves for future anticipated claims are made based on information available at the time of preparation of the accounts. Any "best estimate" of ultimate claims needs to be viewed as a point value within a likely range of outcomes. The nature of each insurer's business, and the reinsurance arrangements in place, influence how wide that likely range of outcomes will be.

The estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Syndicate, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insured until many years after the event giving rise to the claims has happened. Classes of business where the IBNR proportion of the total reserve is high, such as casualty, will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the Syndicate uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience.

4. Critical accounting estimates and judgements (continued)

Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in the Syndicate's underwriting and claims processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous years;
- changes in the legal environment;
- the effects of inflation;
- changes in mix of business;
- the impact of large losses; and
- movements in industry benchmarks.

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these claims the Syndicate has regard to the claim circumstance as reported, any information available from cedants and information on the cost of settling claims with similar characteristics in previous years.

Large claims impacting each relevant business class are generally assessed separately, being measured on a case-by-case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

For major natural catastrophe events, the original loss estimate for all 'on risk' exposures is analysed using computer simulation to ascertain those accounts likely to be impacted. From the initial output, modelled loss estimates, per account, are generated. An underwriting review of the account, by cedant, is then conducted to validate the individual loss estimates and, where applicable, amend the model driven estimates with underwriter input relevant to the particular features of the loss and its anticipated impact on an account. Where accounts cannot be analysed, using catastrophe-modelling software, benchmark analysis is conducted, again on an account-by-account basis, to generate loss estimates. As more specific client information becomes available the ultimate loss estimates are updated from the initial forecast to reflect the client specific data.

Where possible, the Syndicate adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections resulting from the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

Actual claims experience will always differ from projected estimates. Such differences in relation to risks previously earned are recognised in the income statement in the accounting period during which the difference is identified.

The Syndicate's claims reserves are calculated by the Syndicate's Head of Reserving with input from the Head of Claims and Reinsurance Administration and underwriters. These reserves are reviewed and approved monthly by the Reserve Group and quarterly by the Board. Annually, the reserves of the Syndicate are reviewed by external actuaries who issue a valuation opinion on the adequacy of reserves.

5. Insurance risk management

The Syndicate is exposed to insurance risk through its underwriting activities. Insurance risk includes the risks that a policy will be written for too low a premium or provide inappropriate cover (underwriting risk), that the frequency or severity of insured events will be higher than expected (claims risk), or that estimates of claims subsequently prove to be insufficient (reserving risk). The Board sets the Syndicate's overall risk appetite for insurance and catastrophe risk with specific parameters for risk set out in the approved annual business plan. Management of insurance risk on an operational basis is the responsibility of the Chief Underwriting Officer of Advent Underwriting (AUL).

The Syndicate writes property insurance and reinsurance business, including catastrophe-exposed business, and specialised lines including energy, marine, marine excess of loss and accident & health (A&H). The Syndicate manages its underwriting activities on a line of business basis with the four segments having the following insurance risk characteristics:

a) The Reinsurance segment consists of the Syndicate's property and casualty treaty reinsurance classes. The property treaty class offers property catastrophe and individual risk cover for insurance and reinsurance contracts written predominantly on a "losses occurring during policy period" basis with generally no risks in excess of 12 months and with a large proportion of risks expiring at 31 December each year. The casualty treaty class provides excess of loss coverage for general casualty

5. Insurance risk management (continued)

classes such as auto liability, medical malpractice, workers compensation and associated exposures, with an emphasis on clash business. The majority of the account is written in the United States and no business is written on an unlimited basis.

b) The Marine Insurance segment includes a broad range of products including marine, offshore energy portfolios with coverage provided for individual risk and catastrophe accumulations and marine hull & machinery, liability and cargo insurance. The energy portfolio consists of short tail offshore physical damage and operator's extra expense cover written on a direct basis. Most risks are written on an excess or limited conditions basis with the objective of avoiding exposure to attritional losses. The marine hull & machinery, liability and cargo accounts are written on both a primary and excess direct basis, as well as through binding authorities.

c) The Non-Marine Insurance segment comprises the Syndicate's property, terrorism and A&H insurance classes. The property classes include commercial property, personal lines and commercial automobile physical damage insurance written in the open market on both a lead and following basis, either through underwriting facilities or on an individual risk basis. The Terrorism account, which is written on both a direct basis and through binding authorities, provides cover for the risk of terrorist attacks and political violence on property throughout the world. The A&H account provides a wide range of medical and accident coverage, primarily through binding authorities.

d) The discontinued segment includes classes of business written prior to 2012.

The Board sets the Syndicate's overall risk appetite for insurance and catastrophe risk with specific parameters for risk set out in the approved annual business plan. Management of insurance risk on an operational basis is the responsibility of the Chief Underwriting Officer of AUL.

i) Segmental analysis

The tables below detail the Syndicate's underwriting performance by segment. Acquisition costs, consisting of direct brokerage commissions, are allocated to each segment on a direct basis while operating costs, including underwriting costs, where they cannot be specifically attributed, are either allocated based on gross premiums written or gross premiums earned. The Syndicate does not prepare a segmented balance sheet by line of business and accordingly, has presented key insurance account balances only.

	Gross premiums written $000	Gross premiums earned $000	Gross claims incurred $000	Gross operating expenses $000	Reinsurance balance $000	Total $000
2015						
Direct insurance						
Accident and health	51,320	34,901	(17,653)	(20,972)	(2,439)	(6,163)
Motor (third party liability)	-	-	(2)	-	(5)	(7)
Motor (other classes)	46	10	(50)	-	(9)	(49)
Marine aviation and transport	32,554	32,523	(18,500)	(15,836)	(3,526)	(5,339)
Fire and other damage to property	72,627	54,537	(27,164)	(22,895)	(13,793)	(9,315)
Third party liability	407	453	(224)	(234)	(339)	(344)
	156,954	122,424	(63,593)	(59,937)	(20,111)	(21,217)
Reinsurance acceptances	83,534	87,717	(37,160)	(31,697)	(1,837)	17,023
Net technical result	**240,488**	**210,141**	**(100,753)**	**(91,634)**	**(21,948)**	**(4,194)**
Investment return						(2,361)
Balance on technical account						**(6,555)**

5. Insurance risk management (continued)

	Gross premiums written $000	Gross premiums earned $000	Gross claims incurred $000	Gross operating expenses $000	Reinsurance balance $000	Total $000
2014 (restated)						
Direct insurance						
Accident and health	13,221	4,836	(4,085)	(3,959)	(280)	(3,488)
Motor (third party liability)	59	58	41	(21)	-	78
Motor (other classes)	(61)	(30)	395	-	-	365
Marine aviation and transport	37,247	31,374	(23,341)	(14,801)	(4,655)	(11,423)
Fire and other damage to property	35,701	32,455	(18,141)	(11,974)	(3,485)	(1,145)
Third party liability	532	204	(1,046)	(138)	(143)	(1,123)
	86,699	**68,897**	**(46,177)**	**(30,893)**	**(8,563)**	**(16,736)**
Reinsurance acceptances	120,442	117,439	(36,176)	(42,527)	(21,805)	16,931
Net technical result	**207,141**	**186,336**	**(82,353)**	**(73,420)**	**(30,368)**	**195**
Investment return						23,373
Balance on technical account						**23,568**

All premiums were concluded in the UK.

Total commissions for direct insurance accounted for in the year amounted to $47.3 million (2014: $22.4 million).

The geographical analysis of gross premiums written by destination is as follows:

	2015 $000	2014 $000
UK	58,624	48,538
Other EU	17,609	25,342
US and Canada	126,297	99,053
Other	37,958	34,208
	240,488	207,141

ii) Catastrophe Exposure

Lloyd's defines its own set of Realistic Disaster Scenarios (RDS) events for which all syndicates must report their exposures. The Syndicate's exposure, before and after reinsurance, to its major RDS scenarios are set out below:

Catastrophe event	Industry Loss US$Bn	1 January 2016 Gross loss $m	1 January 2016 Net loss $m	1 January 2015 Gross loss $m	1 January 2015 Net loss $m
Florida Windstorm – Miami	125	72.8	24.0	63.3	23.3
Florida Windstorm – Pinellas	125	75.1	23.5	71.7	26.8
Gulf of Mexico Windstorm	112	78.8	21.9	79.8	30.4
USA North East Windstorm	78	52.2	21.1	54.8	29.4
Los Angeles Earthquake	78	94.4	27.8	76.3	32.8
European Windstorm	30	10.3	6.6	11.5	7.5
Japan Earthquake	65	13.3	9.2	14.0	10.0

5. Insurance risk management (continued)

As the catastrophe element of the underwriting portfolio remains Property Insurance biased, we maintain a more traditional Catastrophe excess of loss reinsurance structure for the 2016 underwriting year.

Our largest net wind scenario is a Florida (wind) event, driven mainly by the property open market and property binder portfolios, and would result in an estimated after tax loss of $19.2 million or 10.9% of required capital (2015: USA North East Windstorm catastrophe event : $29.4 million and 15.5% respectively).

The Syndicate's approach to underwriting is governed by key principles which run throughout the underwriting units and are continuously monitored by management. Strict underwriting guidelines are adopted in terms of class of business, line size and in terms of policy periods, which are preferably limited to 12 months (plus odd time). The Syndicate's policy is that it does not write excess of loss reinsurance contracts on an unlimited basis in any business segment. Any risk outside agreed guidelines must be approved by the Chief Underwriting Officer before the risk is underwritten and is reported to the Executive Committee. The Chief Underwriting Officer reports regularly to the Executive Committee and the Board on underwriting results against the approved business plan.

The Syndicate uses reinsurance, including excess of loss and quota share reinsurance, to reduce the impact of probable maximum losses following major catastrophe events to levels within the Syndicate's risk appetite for exposure to such catastrophe losses. The reinsurance programme is determined predominantly using the Syndicate's 1:100 and 1:250 Exceedance Probability curves as a guide to the amount of cover required along with the Syndicate's own perception of risk for the key areas and considers number of other factors including reinsurance security, availability of reinsurers and retrocessional reinsurers, pricing, terms and conditions and commercial relationships are reviewed prior to purchase. The key catastrophe protection is validated against prior year losses and the Solvency II Internal model to assess cost, benefits and efficiency of recoveries before confirming final purchase to the broker.

Specific protections are purchased to cover the major classes written and the programme is designed to provide significant vertical cover for major losses. The Syndicate records all of its exposures and uses RDS analysis and industry accepted third party catastrophe modelling software to monitor and analyse its peak exposures and estimated losses, based on key concentrations of risk. For worldwide territories where catastrophe modelling software is not available, the Chief Underwriting Officer is responsible for reviewing and approving probable maximum loss estimates to ensure any catastrophe loss will be within the Syndicate's approved risk appetite for that territory.

iii) Claims outstanding

The movement in the Syndicate's claims reserves for the year ended 31 December 2015 is set out below:

31 December 2015	**Provision for unearned premiums**	**Claims outstanding**	**Total**
	$000	**$000**	**$000**
Gross			
At 1 January 2015	80,562	374,617	455,179
Exchange adjustments	(1,610)	(9,655)	(11,265)
Movements in provisions			
- Current year	30,347	132,948	163,295
- Prior year	-	(32,195)	(32,195)
- Paid claims	-	(117,232)	(117,232)
At 31 December 2015	**109,299**	**348,483**	**457,782**
Reinsurers' share			
At 1 January 2015	7,399	70,046	77,445
Exchange adjustments	(156)	(3,005)	(3,161)
Movements in provisions			
- Current year	8,687	23,006	31,693
- Prior year		(7,605)	(7,605)
- Paid recoveries		(23,157)	(23,157)
At 31 December 2015	**15,930**	**59,285**	**75,215**
Net			
At 31 December 2015	**93,369**	**289,198**	**382,567**

5. Insurance risk management (continued)

31 December 2014 (restated)	**Provision for unearned premiums**	**Claims outstanding**	**Total**
	$000	**$000**	**$000**
Gross			
At 1 January 2014	60,543	445,846	506,389
Exchange adjustments	(786)	(11,414)	(12,200)
Movements in provisions			
- Current year	20,805	118,554	139,359
- Prior year	-	(36,249)	(36,249)
- Paid claims	-	(142,120)	(142,120)
At 31 December 2014	**80,562**	**374,617**	**455,179**
Reinsurers' share			
At 1 January 2014	4,268	102,114	106,382
Exchange adjustments	(129)	(4,080)	(4,209)
Movements in provisions			
- Current year	3,260	18,430	21,690
- Prior year	-	(10,514)	(10,514)
- Paid recoveries	-	(35,904)	(35,904)
At 31 December 2014	**7,399**	**70,046**	**77,445**
Net			
At 31 December 2014	**73,163**	**304,571**	**377,734**

For the year ended 31 December 2015, improvement in prior years' claims, net of reinstatement premiums and reinsurance recoveries, amounted to $24.0 million (2014: $25.7 million).

The claims balance is further analysed between notified outstanding claims and IBNR below:

	2015		**2014**	
	Gross	**Net**	**Gross**	**Net**
	$000	**$000**	**$000**	**$000**
Notified outstanding claims	132,745	109,037	165,423	129,685
IBNR	215,738	180,161	209,194	174,886
Outstanding claims	**348,483**	**289,198**	**374,617**	**304,571**
Percentage of IBNR to notified outstanding claims	163%	165%	126%	135%

The breakdown of the gross and net claims reserves by category of claims is set out below.

	2015		**2014**	
	Gross	**Net**	**Gross**	**Net**
	$000	**$000**	**$000**	**$000**
Large catastrophe provisions	48,505	20,903	76,613	36,937
All other short tail provisions	164,732	133,049	173,230	142,860
Long-tail casualty provisions	135,246	135,246	124,774	124,774
Total	**348,483**	**289,198**	**374,617**	**304,571**

Large catastrophe provisions include major hurricanes and earthquakes. All other short tail provisions represent coverages where the majority of claims are expected to be reported within two years of the occurrence of the claim. Long tail provisions consist of casualty and personal accident accounts.

The projected payout of the ultimate gross and net claims reserves at 31 December 2015 is as follows:

Payment within	**1 year**	**2 years**	**3 years**	**4 years**	**5 years**	**More than 5 years**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Gross	134,033	71,185	40,449	26,794	18,457	57,469
Net	110,131	59,438	33,774	22,373	15,487	47,985

5. Insurance risk management (continued)

The payout patterns have been estimated based on the historical payment patterns at a class of business level. Future payment patterns are inherently uncertain.

The following table shows the adverse or favourable development of claims, on a gross and net basis, determined on a year of account basis, from the amounts originally estimated at the end of the preceding year. Claims in currencies other than US dollars have been reconverted at 31 December 2015 exchange rates for all years.

Syndicate 780
Notes to the Accounts continued
Year ended 31 December 2015

5. Insurance risk management (continued)

Earned gross claims

Year of account	At the end of calendar year $000	One year later $000	Two years later $000	Three years later $000	Four years later $000	Cumulative payments $000	Estimated balance to pay $000
2010 & prior	-	-	-	-	-	-	89,477
2011	241,898	273,675	271,086	258,337	255,730	(218,915)	36,815
2012	108,080	143,551	134,331	124,949	-	(90,546)	34,403
2013	87,421	123,086	114,824	-	-	(68,453)	46,371
2014	75,551	130,878	-	-	-	(55,247)	75,631
2015	75,192	-	-	-	-	(9,406)	65,786
Total gross claims outstanding	-	-	-	-	-	-	**348,483**

Earned net claims

Year of account	At the end of calendar year $000	One year later $000	Two years later $000	Three years later $000	Four years later $000	Cumulative payments $000	Estimated balance to pay $000
2010 & prior	-	-	-	-	-	-	68,179
2011	154,758	182,118	177,655	171,944	170,461	(141,129)	29,332
2012	92,987	125,263	117,115	111,635	-	(79,971)	31,664
2013	75,712	114,898	108,486	-	-	(64,453)	44,003
2014	59,378	106,082	-	-	-	(41,694)	64,388
2015	60,925	-	-	-	-	(9,293)	51,632
Total gross claims outstanding	-	-	-	-	-	-	**289,198**

5. Insurance risk management (continued)

iv) Outwards reinsurance

Ceded reinsurance written:

The Syndicate's reinsurance costs as a percentage of gross written premiums is set out below:

	2015 $000	2014 $000
Gross premiums written (GPW)	240,488	207,141
Ceded reinsurance premiums (third party)	(19,664)	(21,956)
Ceded reinsurance premiums (affiliate)	(46,064)	(31,589)
Ceding commissions	17,302	8,082
Total reinsurance premiums	(48,426)	(45,463)
Net premiums written	192,062	161,678
Third party reinsurance premiums as a percentage of GPW	8.2%	10.6%

The security of the Syndicate's proposed and existing reinsurers is reviewed and approved by the Outwards Reinsurance Committee, to ensure that the outward placements are with reinsurers of an acceptable level of security. The core list of approved reinsurers currently consists of 14 (2014: 28) Lloyd's syndicates and 14 (2014: 34) reinsurance companies all of which are rated A- or higher, or where policy limits are fully collateralised.

Reinsurers are selected depending on their rating by either AM Best or Standard & Poors. No reinsurer is selected with a rating below A except in specific circumstances and with the prior approval of the Advent's Outwards Reinsurance Committee or where the policy limits are fully collateralised by acceptable security, currently US Treasury bills or equivalent funds. For the extension of the 2015 reinsurance programme to 31 March 2016, the Syndicate's reinsurance exposure is provided by reinsurers rated as follows:

Reinsurers	Exposure $000
A++	10,000
A+ Companies	40,585
A+ Lloyd's syndicates	30,207
A Companies	64,416
Not rated – fully collateralised limits	15,000
Total exposure	**160,208**

The Syndicate reviews amounts due from reinsurers on paid losses, amounts recoverable from reinsurers on outstanding losses and amounts in dispute to determine if a provision for bad debts is required. The Syndicate's policy is to provide for reinsurer bad debts in situations where it does not expect to collect the full amount outstanding due to the financial position of the reinsurer or due to disputes over coverage.

Reinsurance recoverable:

At 31 December 2015, the Syndicate's reinsurance recoverable on outstanding claims amounted to $59.3 million with reinsurers who had the following risk ratings by AM Best (or equivalent S&P rating in the absence of an AM Best rating):

Risk Rating	$000	%
A+	9,146	15.4%
Lloyd's	3,985	6.7%
A	5,427	9.2%
Affiliates	40,727	68.7%
Total	**59,285**	**100.0%**

Trust funds of $34.2 million are held as security for certain balances due from affiliates.

5. Insurance Risk Management (continued)

v) Debtors arising from insurance and reinsurance operations

The table below sets out the analysis of the debtors arising from insurance and reinsurance operations, at cost and fair value.

	2015	2014
	$000	$000
Insurance and reinsurance premiums due	20,224	13,089
Pipeline premium	73,664	69,145
Reinsurance recoveries on paid claims	4,037	6,340
	97,925	88,574

Pipeline premium represents amounts receivable in respect of premiums incepted typically on delegated authority business for which notification from the broker has not yet been received, together with reinstatement premiums on claims. The estimate of the likely settlement date for reinstatement premiums due is intrinsically related to the estimate of the likely settlement dates for the major losses. Almost all of this balance would generally be expected to be recovered within one year. A provision of $0.6 million (2014: $0.6m) has been recorded against a debt due from an insured where currency controls put in place after the inception of the risk have prevented the payment of the debt.

The reinsurance recoveries accrued on paid claims is further analysed below:

	2015	2014
	$000	$000
Fully performing	4,037	6,340
Past due	-	-
	4,037	6,340

Of the remaining debtor balances, it is expected that substantially all of the insurance and reinsurance premiums due and approximately 90% of the deferred acquisition costs will be received or expensed within one year. Other than reinsurance recoveries as noted above all of these debtors are fully performing.

iii) Sensitivity analysis

The Syndicate is subject to Insurance risk from three sources, underwriting risk, claims risk and reserve risk.

Underwriting risk:

There is the risk that a policy will be written for too low a premium or provide inappropriate cover. The Syndicate is exposed to general market trends around the pricing of (re)insurance, consequently premiums received for a given level of cover can vary from plan.

The table below shows the impact on the Syndicate's result further to the general pricing environment varying by 5% and 10% compared to actual experience. This impact is assumed to result in net earned premiums increasing or decreasing in proportion to the pricing variance, whilst claims experience remains constant.

31 December 2015	-10%	-5%	Actual result	+5%	+10%
	$000	$000	$000	$000	$000
Net earned premiums	153,362	161,882	170,402	178,922	187,442
Net claims incurred	(85,351)	(85,351)	(85,351)	(85,351)	(85,351)
Profit (loss)	**(48,242)**	**(42,314)**	**(36,386)**	**(30,456)**	**(24,528)**
Combined ratio	**110.5%**	**106.3%**	**102.5%**	**99.0%**	**95.9%**
31 December 2014					
Net earned premiums	129,719	136,925	144,132	151,339	158,545
Net claims incurred	(74,437)	(74,437)	(74,437)	(74,437)	(74,437)
Profit (loss)	**26,165**	**31,668**	**37,171**	**42,674**	**48,177**
Combined ratio	**108.3%**	**103.9%**	**99.8%**	**96.2%**	**92.9%**

Syndicate 780
Notes to the Accounts (continued)
Year ended 31 December 2015

5. Insurance Risk Management (continued)

Claims risk:

There is the risk that the frequency or severity of insured events will be higher than expected.

The table below shows the impact on the Syndicate' s results further to claims experience in the year varying by 5% and 10% compared to actual experience. This impact is assumed to result in net claims incurred increasing or decreasing proportionately, whilst all other balances remain constant.

31 December 2015	-10% $000	-5% $000	Actual result $000	+5% $000	+10% $000
Net earned premiums	170,402	170,402	170,402	170,402	170,402
Net claims incurred	(76,816)	(81,083)	(85,351)	(89,619)	(93,886)
(Loss) profit	**(29,851)**	**(34,119)**	**(38,386)**	**(42,654)**	**(46,921)**
Combined ratio	**97.5%**	**100.0%**	**102.5%**	**105.0%**	**107.5%**
31 December 2014					
Net earned premiums	144,132	144,132	144,132	144,132	144,132
Net claims incurred	(66,993)	(70,715)	(74,437)	(78,159)	(81,881)
Profit	**44,615**	**40,893**	**37,171**	**33,449**	**29,727**
Combined ratio	**94.7%%**	**97.3%**	**99.8%**	**102.4%**	**105.0%**

Reserve risk:

There is the risk that estimates of claims subsequently prove to be insufficient.

The table below shows the impact on the Syndicate's results further to an additional deterioration or improvement in the Syndicate's opening net reserves of 5% and 10% compared to actual experience.

31 December 2015	-10% $000	-5% $000	Actual result $000	+5% $000	+10% $000
Net earned premiums	170,402	170,402	170,402	170,402	170,402
Net claims incurred	(122,813)	(104,082)	(85,351)	(66,620)	(47,890)
(Loss) profit	**(87,705)**	**(63,046)**	**(38,386)**	**(13,727)**	**10,933**
Combined ratio	**124.4%**	**113.5%**	**102.5%**	**91.5%**	**80.5%**
31 December 2014					
Net earned premiums	144,132	144,132	144,132	144,132	144,132
Net claims incurred	(119,022)	(96,729)	(74,737)	(52,145)	(29,852)
(Loss) profit	**(7,414)**	**14,879**	**37,171**	**59,463**	**81,756**
Combined ratio	**130.8%**	**115.3%**	**99.8%**	**84.4%**	**68.9%**

6. Financial assets at fair value through profit and loss

i) Financial Instruments

	Market value		Cost	
	2015 $000	**2014 $000**	**2015 $000**	**2014 $000**
Equities	94,989	80,491	167,230	102,184
Debt securities and other fixed income securities	341,894	367,326	327,438	345,299
Other investments	4,750	3,474	22,245	22,245
Overseas deposits	13,822	20,316	13,822	20,318
Investment pools	34,232	26,605	35,203	26,848
	489,687	**498,212**	**565,938**	**516,894**

6. Financial assets at fair value through profit and loss (continued)

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries.

The Syndicate has investments in certain Kennedy Wilson real estate partnerships and HWIC Asia unit trusts. These investments are classified as participations in investment pools. Deflation derivatives and forward exchange contracts are classified as other investments.

At 31 December 2015, Syndicate investments of $122.9 million (2014: $119.4 million) were held in US situs and other regulatory deposits available for the payment of claims in those jurisdictions and are not available for the payment of other claims and obligations.

At 31 December 2015, cash and investments of $253.5 million (2014: $199.4 million) were held within FIS to support the Syndicate 780's underwriting activities and for uncalled losses.

The Syndicate enters into forward exchange contracts to mitigate the exchange rate risk on its balance sheet. At 31 December 2015 the outstanding contracts mature within 6 months (2014: 6 months) of the year end. The Syndicate is committed purchase NZ$15.5 million and CAD$10.0 million for exchange of GBP sterling and US Dollars respectively.

The forward exchange contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward exchange rates for USD:CAD and NZD:GBP.

ii) Fair value estimation

FRS 102 requires the Syndicate to categorise its investment portfolio in terms of the quality of the pricing information used to value the individual assets. The different levels have been defined as follows:

All short dated government debt is categorised as Level 1, as there is an active market and prices are available from multiple sources. The Syndicate has also designated its equity portfolio as Level 1 as all holdings are listed on recognised exchanges with observable prices. The Syndicate's participation in overseas deposits is split between Levels 1 and 2 based upon information provided by Lloyd's.

Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement. Included in the Level 3 classification are deflation derivatives and investments in convertible debentures. The Syndicate has categorised the deflation derivatives as Level 3 due to the pricing being model derived from a single broker. The Syndicate has categorised the convertible debentures as Level 3 as they are unrated and not frequently traded.

The remainder of the portfolio is considered to be Level 2, as these assets are valued based upon prices quoted for a similar asset in an active market..

6. Financial assets at fair value through profit and loss (continued)

The following table presents the Syndicate's assets that are measured at fair value, together with an analysis of when they mature.

At 31 December 2015	Total $000	Less than 1 year $000	1 to 2 Years $000	2 to 3 Years $000	More than 3 years $000
Level 1					
Equities	84,651	-	-	-	-
Debt securities and other fixed income securities	199,457	199,457	-	-	-
Overseas deposits	8,075	2,342	4,239	1,143	351
	292,183	**201,799**	**4,239**	**1,143**	**351**
Level 2					
Equities	10,338	-	-	-	-
Debt securities and other fixed income securities	128,065	-	-	-	128,065
Overseas deposits	5,747	1,962	1,186	1,411	1,188
Forward exchange contracts	1,104	1,104	-	-	-
Investment pools	32,395	-	-	-	-
	177,649	**3,066**	**1,186**	**1,411**	**129,253**
Level 3					
Deflation derivatives	3,646	-	-	-	3,646
Convertible debentures	14,372	-	-	-	14,372
Investment pools	1,837	-	-	-	-
	19,855	-	-	-	**18,018**
	489,687	**204,865**	**5,425**	**2,554**	**147,622**

At 31 December 2014	Total $000	Less than 1 year $000	1 to 2 Years $000	2 to 3 Years $000	More than 3 years $000
Level 1					
Equities	80,491	-	-	-	-
Debt securities and other fixed income securities	193,732	193,732	-	-	-
Overseas deposits	9,346	5,088	115	3,105	1,038
	283,569	**198,820**	**115**	**3,105**	**1,038**
Level 2					
Debt securities and other fixed income securities	162,738	5,999	-	-	156,739
Overseas deposits	10,969	963	3,045	4,156	2,805
Investment pools	26,605	26,605	-	-	-
Deposits with credit institutions	149	149	-	-	-
	200,461	**33,716**	**3,045**	**4,156**	**159,544**
Level 3					
Deflation derivatives	3,474	-	-	-	3,474
Convertible debenture	10,708	-	-	-	10,708
	14,182	-	-	-	**14,182**
	498,212	**232,536**	**3,160**	**7,261**	**174,764**

6. Financial assets at fair value through profit and loss (continued)

At 31 December 2015 and 2014, the Level 3 investments comprised of an investment in Euro deflation derivatives with a notional amount of €1.3 billion as well as convertible debentures and a Real Estate investment partnership. The maximum loss to the Syndicate in relation to the deflation derivative investments is the market value of $3.6 million at 31 December 2015 (2014: $3.5 million).

Level 3 investment movements are summarised as follows:

	2015 $000	2014 $000
Balance at 1 January	14,182	1,388
Purchase of investments	5,597	11,500
Profit recognised in the income statement	76	1,294
Balance at 31 December	19,855	14,182

iii) Interest rate risk

The table below sets out the sensitivity of the Syndicate's fixed income portfolio to unexpected changes in interest rates, by currency of the investment.

Change in Interest rates (Basis points)	$000
+200	(32,012)
+100	(17,615)
-100	48,584
-200	21,694

iv) Liquidity Risk

Liquidity risk is the risk that cash may not be available to pay obligations when due. The Syndicate monitors its liquidity needs through daily monitoring and monthly cash flow forecasts.

v) Credit Risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Syndicate is exposed to credit risk are:

- amounts due from corporate bondholders;
- amounts due from reinsurers on paid and outstanding losses;
- amounts due from policyholders and intermediaries; and
- counterparty risk with respect to derivative transactions.

The Syndicate places limits on its exposure to any single counterparty for investments and reinsurers and to geographical and industry segments. The tables below summarise the assets subject to credit risk by Standard & Poors (S&P) credit rating, or equivalent where no S&P rating is available.

Syndicate 780
Notes to the Accounts (continued)
Year ended 31 December 2015

6. Financial assets at fair value through profit and loss (continued)

At 31 December 2015	AAA $000	AA $000	A $000	BBB $000	Below BBB $000	Not Rated $000	Total $000
Debt securities and other fixed income securities	217,664	91,622	3,779	22,713	6,116	-	341,894
Investment pools	-	-	-	-	-	34,232	34,232
Overseas deposits	8,416	3,125	1,926	323	16	16	13,822
Other investments	-	-	-	-	-	4,750	4,750
Reinsurers' share of claims outstanding	-	-	59,285	-	-	-	59,285
Other debtors	-	-	-	-	-	6,607	6,607
Cash at bank, deposit institutions and in hand	-	1,840	21,808	-	-	-	23,648
	226,080	**96,587**	**86,798**	**23,036**	**6,132**	**45,605**	**484,238**

At 31 December 2014	AAA $000	AA $000	A $000	BBB $000	Below BBB $000	Not Rated $000	Total $000
Debt securities and other fixed income securities	28,630	209,576	72,454	25,440	18,430	12,796	367,326
Investment pools	-	12	73	-	-	26,520	26,605
Overseas deposits	10,312	6,979	2,864	161	-	-	20,316
Other investments	-	-	-	-	-	3,474	3,474
Reinsurers' share of claims outstanding	-	12,362	57,480	-	-	203	70,045
Other debtors	-	-	-	-	-	7,899	7,899
Cash at bank, deposit institutions and in hand	-	859	8,553	-	-	-	9,412
	38,942	**229,788**	**141,424**	**25,601**	**18,430**	**50,892**	**505,077**

Collateral is provided to the Syndicate as security over reinsurance recoverable balances due from some reinsurers. At 31 December 2015, collateral totalling $34.2 million was available to the Syndicate (2014: $26.9 million). No other collateral is provided for the benefit of the Syndicate.

Debtors arising from insurance and reinsurance operations comprise premiums due from insureds and reinsureds, but not paid at 31 December 2015. The balance includes reinstatement premiums due on losses, which will be collected when the associated claims are paid.

No financial assets are past due or impaired at the reporting date and management expects no significant losses from non-performance by these counterparties.

vi) Foreign Exchange Risk

The Syndicate's operations are conducted in a number of currencies, the principal ones of which are US$, £, CDN$ and Euro. The Syndicate's policy is that it is not in the business of taking or speculating on foreign currency risk. Its objective is to match each principal currency position.

On a monthly basis, Advent reviews its consolidated foreign currency balance sheet, prepared in its principal currencies. Action is taken to reduce or mitigate foreign currency mismatches through the purchase or sale of the appropriate currencies or the use of forward exchange transactions where necessary.

The Syndicate, in common with many Syndicates, makes use of a currency translation service from Xchanging, whereby premiums and claims receivable in currencies outside the Syndicate's settlement currencies (currently US$, £, CDN$ and Euro) are translated at the spot rate of exchange to Sterling (or in some cases US$) at the date of payment of the claim or receipt of the premium. The Syndicate has used forward exchange contracts to hedge the expected settlement cost of claims in these currencies where required.

6. Financial assets at fair value through profit and loss (continued)

The principal exchange rates used in translating foreign currency assets, liabilities, income and expenditure in the preparation of these accounts were:

	2015		2014	
	Period average Rate	Period end Rate	Period average Rate	Period end Rate
	$	$	$	$
Sterling	0.6543	0.6785	0.6069	0.6413
Euro	0.9017	0.9206	0.7526	0.8264
Canadian dollar	1.2772	1.3891	1.1041	1.1582

The Syndicate's gross premiums were written in the following currencies:

	2015		2014	
	$000	%	$m	%
US dollar	191,783	79.8	168,923	81.5
£ sterling	29,868	12.4	10,852	5.3
Canadian dollar	4,582	1.9	7,574	3.6
Euro	14,255	5.9	19,792	9.6
	240,488	100.0	207,141	100.0

The Syndicate's asset and liability positions in its major foreign currencies were as follows:

31 December 2015	US$000	£000	CAD$000	€000	NZ$000	JPY000	AU$000
Total assets	545,201	57,410	31,221	57,416	5,152	68,243	12,042
Total liabilities	(346,494)	(61,518)	(17,131)	(47,908)	(23,984)	(300,629)	(9,489)
Net assets (net liabilities)	198,707	(4,108)	14,090	9,508	(18,832)	(232,386)	2,553

31 December 2014	US$000	£000	CAD$000	€000	NZ$000	JPY000	AU$000
Total assets	532,062	48,759	24,652	46,013	6,028	265,526	18,579
Total liabilities	(320,307)	(61,634)	(18,607)	(40,168)	(28,654)	(234,595)	(9,332)
Net assets (net liabilities)	211,755	(12,875)	6,045	5,845	(22,626)	(30,931)	9,247

At 31 December 2015, the Syndicate had outstanding sterling forward foreign exchange contracts to purchase NZ$15.5 million and JPY150.0 million to reduce its currency exposures. Post year end the Syndicate entered into a US dollar forward foreign exchange contract for the sale of CAN$5.0 million to reduce its currency exposures.

The effect on profit before tax of a 5% increase or decrease in the closing exchange rates on the foreign currency balance sheet at 31 December 2015 is approximately $0.1 million (2014: $0.8 million) given the Syndicate's policy of minimising foreign currency mismatches on a monthly basis.

7. Net Operating Expenses

	2015 $000	2014 $000
Gross acquisition costs	65,175	45,483
Change in gross deferred acquisition costs	(10,958)	(7,492)
Administrative expenses	37,417	35,429
Gross operating expenses	91,634	73,420
Reinsurance commission and profit participation	(2,523)	(3,981)
Change in reinsurance deferred acquisition costs	134	61
Net operating expenses	**89,245**	**69,500**
Administrative expenses include:		
Auditors' remuneration		
– audit services – fees payable for audit of Syndicate accounts and Lloyd's returns	215	244
– non audit services valuation and actuarial services	180	270
– other services	86	105

Other services relate to Solvency II including the review of the Syndicate's Solvency II balance sheet.

Member's standard personal expenses are included within administrative expenses.

8. Employees and Directors

The Syndicate does not have any employees. The employees are engaged by Advent. The Syndicate is charged a single management charge based on the total actual expenses of the group companies, which is included in net operating expenses. The specific element of the costs of employees or Directors are therefore not identified. The Executive Directors comprise the key management emoluments as disclosed in Advent's financial statements.

The average number of employees who have worked on the Syndicate during the year was as follows:

	2015	2014
Underwriting	46	41
Claims and reinsurance	5	5
Finance	15	14
Management	5	5
Compliance	5	5
IT	9	9
Administration	10	10
	95	89

8. Employees and Directors (continued)

Emoluments of the Directors of Advent Underwriting Limited

The Active Underwriter received the following remuneration charged as a Syndicate expense:

	2015 $000	2014 $000
Emoluments:		
William Beveridge	531	486
Contributions to defined contribution pension schemes:		
William Beveridge	67	72

9. Investment Income and expenses

Financial assets investment income and realised gains	2015 $000	2014 $000
Investment income		
Income from investments	9,174	9,995
Net gains on the realisation of investments	10,529	24,192
	19,703	34,187
Investment management expenses	(1,513)	(1,515)

10. Debtors Arising out of Direct Insurance Operations

	2015 $000	2014 $000
Due within one year from intermediaries	58,975	32,750
Due after one year from intermediaries	81	5,275
	59,056	38,025

11. Debtors Arising out of Reinsurance Operations

	2015 $000	2014 $000
Due within one year from intermediaries	38,849	36,921
Due after one year from intermediaries	20	13,628
	38,869	50,549

12. Creditors Arising out of Direct Insurance Operations

	2015 $000	2014 $000
Due within one year to intermediaries	9,433	3,619

13. Creditors Arising out of Reinsurance Operations

	2015 $000	2014 $000
Due within one year to intermediaries	30,442	25,898
Due after one year to intermediaries	-	438
	30,442	26,336

Syndicate 780
Notes to the Accounts (continued)
Year ended 31 December 2015

14. Related Parties

The immediate parent undertaking of AUL is Advent Capital (Holdings) LTD. The ultimate parent undertaking and controlling party is Fairfax Financial Holdings Limited (Fairfax), a company incorporated in Canada. The consolidated financial statements of Fairfax are available from 95 Wellington Street, Suite 800, Toronto, Canada, M5J 2N7.

Advent Capital (No. 3) Limited, a subsidiary of Advent Capital (Holdings) LTD, the sole capital provider, has provided $253.5 million of FIS to support the 2016 underwriting year (2015 $199.4 million).

Total fees payable to AUL in respect of services provided to the Syndicate amounted to $11.4 million (2014: $12.2 million).

AUL manages the expenses of the group through one entity, Advent. In 2015, expenses totalling $45.8 million (2014: $44.2 million) were recharged to the Syndicate from Advent.

Amounts due to Advent Capital (Holdings) LTD at 31 December 2015 totalled $55.1 million (2014: $11.6 million).

The Syndicate accepts inwards reinsurance business from and places outwards reinsurance business with, companies that are deemed to be related parties of AUL by virtue of the shareholding of Fairfax and certain of its subsidiaries in Advent. All transactions with these entities were conducted at arm's length and at normal commercial terms.

Syndicate 780 accepted inwards reinsurance premiums from related parties of $9.9 million in 2015 (2014: $9.8 million) as set out below:

	2015 $000	2014 $000
Polish Re	7,943	9,438
Crum and Forster	44	–
Northbridge Financial Corporation	-	140
Zenith Insurance Syndicate	161	110
Hudson	443	470
Fairfax Brazil	-	(318)
Brit Insurance	1,316	-
	9,907	9,840

The Fairfax Brazil negative premium amount relates to adjustments to prior years premium estimates.

Syndicate 780 ceded outwards reinsurance premiums and related reinsurance recoveries to / from related parties as set you in the table below.

	Reinsurance Premiums		Reinsurance Recoveries	
	2015 $000	2014 $000	2015 $000	2014 $000
Wentworth	8,994	21,578	2,892	4,590
Polish Re	237	891	(106)	1,256
Odyssey Re	2,791	873	499	–
United States Fire	34,042	8,247	11,971	1,684
Riverstone Insurance Ltd	-	-	57	
	46,064	31,589	15,313	7,530

H H Bohling is the principal of the law firm CityNet Law which received £nil (2014: $5,193) for services rendered to the Managing Agency and other Advent group entities.

The Syndicate incurred investment management fees to HWIC $1.5 million (2014: $1.6 million).

All transactions with these parties were conducted at arms length and at normal commercial terms.

15. Disclosure of Interests

T J Ambridge, N P Fitzgerald and J Cloutier are Directors of Advent Capital (Holdings) LTD.

T J Ambridge and I M Hewitt are directors of Advent Capital (No. 3) Limited.

T J Ambridge and I M Hewitt are Directors of Advent Group Services Limited.

T J Ambridge and P J Green were directors of Advent Re Holdings Limited until it was liquidated during 2014.

P J Green was a director of Advent Capital (Holdings) LTD, Advent Capital (No. 3) Limited and Advent Group Services Ltd until his resignation on 31 December 2015, 19 January 2016 and 19 January 2016 respectively.

H H Bohling is a Director of Market Insurance Brokers Limited and Pool Re (Nuclear) Limited.

N H H Smith is a Director of Great Lakes Reinsurance (UK) PLC and The UK P&I Club (Europe)

S P G Lee is a Director of Brit Syndicates Limited and Polish Re S.A

J Cloutier is a Director of a number of affiliated companies of the Fairfax group.

16. Transition to FRS 102

This is the first year that the Syndicate has presented its results under FRS 102. The last financial statements under the old UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. Set out below are the changes in accounting policies which reconcile profit for the year ended 31 December 2014 and the total equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS 102.

Profit for the financial year	2014	2014
	£'000	$000
UK GAAP – as previously reported	**28,437**	**46,856**
A - Foreign currency translation – Non-monetary to monetary items		1,026
B - Foreign currency translation – Functional currency change		(10,711)
Total profit for the year - restated		**37,171**

Total member's balance	1 January 2014	31 December 2014
	$000	$000
UK GAAP – as previously reported – USD equivalent	**200,926**	**214,075**
A - Foreign currency translation – Non-monetary to monetary items	(364)	663
B - Foreign currency translation – Functional currency change	2,663	(2,944)
FRS 102	**203,225**	**211,794**

Foreign currency translation

A - FRS 102 requires an entity to translate foreign currency monetary items using the closing rate and non-monetary items using the exchange rate at the date of the transaction. However FRS 103 *Insurance Contracts* requires an entity to treat all assets and liabilities arising from an insurance contract as monetary items. As a result all items that were previously held as non monetary items and were recorded at transaction rates of exchange have been restated and are now shown as monetary items and are recorded at closing rates of exchange. For the year ended 31 December 2014 an increase in profit before tax of $1,026,000 was recognised in the profit and loss account and the member's balance at 31 December 2014 was increased by $663,000.

B – FRS 102 provides more explicit guidance on the functional currency of an entity. An entity's functional currency is mainly determined by the currency of the primary economic environment in which it operates. For the Syndicate, as of 1 January 2014 this is deemed to be the US Dollar, where in prior years it was considered to be GBP Sterling. As a result all profit and loss and balance sheet items are converted to US Dollars at average and closing rates of exchange respectively. For the year ended 31 December 2014, a reduction in profit for the year of $10,711,000 was recognised in the profit and loss account and the member's balance at 31 December 2014 was reduced by $2,944,000.

17. Capital framework at Lloyd's

Lloyd's is a regulated undertaking and subject to the supervision of the PRA under the Financial Services and Markets Act 2000.

Within this supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II, and beyond that to meet its own financial strength, licence and ratings objectives.

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at syndicate level. Accordingly, the capital requirement in respect of Syndicate 780 is not disclosed in these financial statements.

Lloyd's capital setting process

In order to meet Lloyd's requirements, each syndicate is required to calculate its Solvency Capital Requirement (SCR) for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each Syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicate(s) on which it participating but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2016 was 35% of the member's SCR 'to ultimate'.

18. Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (funds at Lloyd's), held within and managed within a syndicate FIS or as the member's share of the members' balances on each syndicate on which it participates.

As at 31 December 2015, $253.5 million (2014: $199.4 million) of FIS is included in investments and cash in the balance sheet. The balance of all of the other assets less liabilities of the syndicate, as represented in the member's balances reported on the balance sheet on pages 13 and 14, represent resources available to meet members' and Lloyd's capital requirements.

Advent Underwriting Limited
2nd Floor
2 Minster Court
Mincing Lane
London EC3R 7BB

Telephone
+44 (0)20 7743 8200
Facsimile
+44 (0)20 7743 8299
Email
head.office@adventgroup.co.uk

www.adventgroup.co.uk