Chaucer

A member of The Hanover Insurance Group

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Chaucer Syndicates Limited • Plantation Place • 30 Fenchurch Street • London EC3M 3AD
T: 020 7397 9700 • F: 020 7397 9710 • www.chaucerplc.com
Registered in England No. 184915 • Registered Office as above

Syndicate 6124

Report and Accounts 2015

Contents

Managing Agent's Report

The directors of the Managing Agent present their report and the audited accounts for the 6 months ended 31 December 2015.

This report is prepared using the annual basis of accounting as required by Statutory Instrument No. 1950 of 2008, The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("Lloyd's Regulations 2008").

The Managing Agent
The Managing Agent is Chaucer Syndicates Limited, whose registered office is Plantation Place, 30 Fenchurch Street, London EC3M 3AD and registered number is 184915.

Strategic Report

Principal activities
Syndicate 6124 has been established for the 2015 year of account as a special legacy syndicate with effect from 30 June 2015 ("Completion Date"). Its sole activity was to reinsure the UK division policies originally underwritten by Syndicate 1084 (Reinsured Account) as part of the transfer of Syndicate 1084's UK division to Markerstudy Limited (Markerstudy), a specialist in motor insurance products and complementary services. The transaction was executed through a 100% quota share reinsurance agreement with Syndicate 1084 for prior claim liabilities and in-force policies written by Syndicate 1084's UK division and the sale of two legal entities by Chaucer Syndicates Limited associated with the business. The sole capital provider to the Syndicate is Antares Underwriting Limited, a wholly owned subsidiary of Qatar Insurance Company SAQ (QIC).

The Run-off Manager is R J Callan who is also Chief Financial Officer for the Managing Agent. The Run-Off Manager is tasked with ensuring an orderly and controlled run-off of the reinsured account.

Reinsured Account
The reinsured policies include UK motor and Small or Medium Sized Enterprises (SME) commercial accounts originally underwritten by Syndicate 1084 and comprise the net liabilities under or pursuant to policies:

- Expiring prior to 30 June 2015
- Incepting and unexpired as at 30 June 2015
- Underwritten under a facilitation agreement between completion date and 30 September 2015
- Protected by the motor excess of loss reinsurance protections purchased

Review of the business and future developments
The result for the period is a profit of £2.4m primarily attributable to the underwriting profit (net earned premiums minus net claims incurred and net operating expenses) of £1.3m. The result includes a £1.0m return on investments and £0.1m other income. The Syndicate is now in run-off, there is no expected future business.

The Syndicate's key financial performance indicators during the period were as follows:

	2015
	£000
Gross written premiums	316.8
Profit for the financial period	2.4
Combined ratio [1]	99.5%

[1] The combined ratio is the ratio of net claims incurred and net operating expenses to net premiums earned. A lower combined ratio represents better performance.

Principal risks and uncertainties
The following paragraphs describe the principal risks and uncertainties facing the Syndicate.

Underwriting risk
As a run-off syndicate underwriting activity is limited to the application of mid-term adjustments to the remaining in-force policies and therefore presents limited risk to the syndicate.

Claims risk
While claims events are inherently uncertain and volatile, the claims department is an experienced team covering a wide range of business classes. The Managing Agent has various management controls in place to mitigate claims risk; some of these controls have been agreed with its outsource provider and are outlined below.

Claims settlement and reserving authority limits
The Managing Agent's outsource provider employs strict claims handling authority limits. All transactions in excess of an individual claims handler's authority are referred in a tiered approach to a colleague with the requisite knowledge and experience.

Peer Review
The Syndicate currently commissions a peer review, carried out by its outsource provider on a monthly basis. This review incorporates both qualitative and quantitative measures and findings are collated and reported to relevant committees and Board.

Monthly reporting
Reports are produced for different aspects of the claims handling process, including significant movements, catastrophes, and static claims. These reports are communicated both within the business and with key external stakeholders, including Lloyd's Claims Management.

Management of external experts
The Managing Agent's outsource provider appoints third party loss adjusters, surveyors and legal advisors for claims investigation and assessment services. The development of long standing relationships with key experts and agreed Terms of Engagement aims to ensure the Syndicate receives a high quality service. Direct contact with external experts is actively encouraged. However, this process is not exclusive. If no suitable expert exists on the Syndicate's panel for any one particular claim, an 'Expert Exception' process operates to ensure a timely appointment of an appropriate expert.

Reserving risk
The Syndicate's reserving policy seeks to ensure appropriate allowance for reserving risk and consistency in reserving from year to year.

Reserves are set on a two tier hierarchical basis.

Tier 1: Actuarial best estimate reserves
Actuarial best estimate reserves are prepared on an underwriting year basis and are intended to be true best estimates, i.e. estimates of expected value claims reserves. These are the basis for internal reporting and the derivation of expected loss ratios for business planning.

The actuarial best estimate reserves are the responsibility of the Internal Signing Actuary. The Managing Agent's Actuarial Team calculates the reserves in conjunction with extensive discussions with underwriting, claims and reinsurance functions of the Markerstudy Group.

Tier 2: Syndicate reserves
Determination of syndicate reserves is a two-stage process: first, they are determined on an underwriting year basis and then they are converted to an annually accounted basis.

(a) Underwriting year syndicate reserves
Underwriting year syndicate reserves are prepared on an underwriting year basis and equal the Tier 1 reserves plus any reserve risk loadings. The intention of such risk loadings is to match areas within each syndicate where the perception is that there is a particularly high risk that the best estimate reserve may be inadequate. Such areas include, but are not limited to, the following:

- new classes of business
- classes where early development is materially better or worse than expected
- classes or events with abnormally skewed claim distributions
- claim events or reserving categories with a poorly understood distribution (for example potential Courts Act or Periodic Payment Order Claims)

To ensure consistency in the application of risk loadings, the starting point in their assessment is, where possible, formulaic. The formulaic risk loadings are adjusted wherever considered either excessive or understated. There may also be additional risk loadings in respect of risks not covered by the formulaic basis.

The underwriting year syndicate reserves provide the basis for all syndicate results and forecasts.

(b) Annually accounted syndicate reserves
Annually accounted syndicate reserves are the underwriting year syndicate reserves converted to an annually accounted basis, plus additional loadings.

The Managing Agent's Board approves all risk loadings within syndicate reserves based on recommendations of the Syndicate Run-off Committee.

The assessment of actuarial best estimate reserves is a rolling quarterly process. The underwriting portfolio comprises a number of heterogeneous business types, each of which the analysis projects to ultimate. Where certain contracts or claim events obscure development trends, the analysis splits these out for separate review. The application of standard actuarial techniques to the historical data supports the estimation of ultimate loss ratios. The analysis also draws on external data or market data or non-standard methodologies where appropriate. Whenever actual development of premiums or claims within a reserving category during a quarter is materially different from expected development based on the existing methodology, then that methodology is reassessed and, where appropriate, amended. The analysis takes credit for reinsurance recoveries and provides for the possibility of reinsurer failure.

Reserving risk is controlled by the robust application of actuarial methodologies, stepped sign-off procedures, quarterly tracking of projected ultimate loss ratios and reassessment of methodologies where appropriate, regular dialogue between actuaries and practitioners and access to a history of loss data. Finally, explicit risk loadings are applied in respect of the areas of greatest risk within the reserve assessment.

Although the risk loadings provide important protection against adverse developments in reserves, the degree of subjectivity in the reserving process, the exposure to unpredictable external influences including in this case the exposure to actual and potential Periodic Payment Order losses (e.g. the legal environment) and the quantum of reserves relative to net tangible assets, mean that reserving remains a significant source of risk to the Syndicate.

Credit risk
The Syndicate purchased additional reinsurance cover, when it was established, to protect the in-force and facilitation period business. As the Syndicate is in run-off there will be no new inwards policies written by the Syndicate and no new reinsurance will be purchased.

Prior to purchasing the existing reinsurance, the Managing Agent reviewed all reinsurer counterparties and set credit thresholds for the total potential recoveries due from each reinsurer. The review includes an analysis of the financial strength of the reinsurer, its payment performance record and standing in the market. Thereafter, management of reinsurer credit risk follows regular monitoring, with the assistance of outside expertise, of the credit rating and financial exposure to all approved reinsurers.

The Syndicate's reinsurance program is predominantly comprised of reinsurers rated strong or better by Standard & Poor's (or equivalent).

Investment risk
As the Syndicate is in run-off the primary objective of the investment portfolio is to ensure sufficient funds are available to meet obligations as they become due. The Syndicate achieves this through approximate cash flow matching or laddering, and by matching the duration of the remaining liabilities to the duration of the assets backing those liabilities.

For assets identified as backing liabilities, investments are limited to cash and high quality fixed income securities only. Assets deemed to be in excess of the total projected liabilities may be invested in longer-term assets with a higher risk profile.

The preservation of capital, maintenance of sufficient liquidity to meet obligations and the enhancement of investment returns, within a set of defined risk constraints, are at the heart of the financial market risk practices adopted by the Managing Agent.

The Syndicate delegates day-to-day management of the investments and individual security selection to a third-party investment manager. The investment manager operates within a defined set of investment guidelines and against appropriate benchmarks.

The Managing Agent reviews and amends asset allocations in accordance with investment risk constraints. Due regard is given to the outlook for each asset class because of changes in market conditions and investment returns. Proposed asset allocations are tested using stochastic modelling techniques prior to formal adoption.

Refer to Note 10 for more detail on the Syndicate's exposure to investment risks and the processes in place for managing these risks.

Operational risk
This is the risk that events caused by people, processes, systems or external events lead to losses to the Syndicate. The Managing Agent seeks to manage this risk through business performance measures, formal disaster recovery and business continuity planning, robust outsourcing protocols including service level agreements with the Markerstudy Group and other governing procedures which are reviewed through a structured programme of testing of processes and systems by Internal Audit and other assurance processes.

Regulatory and legal risk
Regulatory risk is the risk of loss or reputational damage owing to a breach of regulatory and legal requirements or failure to respond to regulatory change.

The Managing Agent is required to comply with the requirements of the Prudential Regulatory Authority, Financial Conduct Authority and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. The Managing Agent has a Compliance Officer, who monitors regulatory developments and assesses the impact on agency policy. The Syndicate also undertakes a compliance-monitoring programme. Legal risk is the risk that exposes Chaucer the Syndicate to actual or potential legal proceedings. The Managing Agent has legal risk resource which monitors legal developments and assesses impact on the business.

Conduct risk
Conduct risk is the risk of treating our customers unethically or unfairly by delivering inappropriate outcomes due to improper attitudes, systems, controls and governance. The Managing Agent operates a suitable risk management and governance framework across the syndicate which monitors the various areas of potential exposure to conduct risk matters and ensures appropriate design and performance of controls and the effective escalation and resolution of items as required.

Staff matters
The Managing Agent considers its staff to be a key resource and seeks to provide a good working environment for its staff that is rewarding and safe and complies with appropriate employee legislation. During the period there have been no significant injuries to staff in the workplace or any significant actions taken by any regulatory bodies with regard to staff matters.

Environmental matters
The Managing Agent does not consider that a business such as a syndicate at Lloyd's has a large adverse impact upon the environment. As a result the agent does not manage its business by reference to any environmental key performance indicators.

Directors of the Managing Agent
The directors set out below held office throughout the year ended 31 December 2015, unless otherwise stated.

C M Stooke, Chairman and Independent Non-executive Director
B P Bartell, Deputy Chief Executive Officer
R J Callan, Chief Financial Officer (appointed 1 December 2015)
T J Carroll, Independent Non-executive Director
J Fowle, Chief Underwriting Officer (appointed 27 May 2015)
D B Greenfield, Non-executive Director (deceased 17 October 2105)
D S Mead, Chief Operating Officer (resigned 16 January 2016)
A S Robinson, Non-executive Director
J G Slabbert, Chief Executive Officer
R A Stuchbery, Deputy Chairman,
P M Shaw, Chief Risk Officer (appointed 12 February 2015)

Managing Agent's company secretary
K S Shallcross (resigned 17 June 2015)
R N Barnett (appointed 17 June 2015)

Managing Agent's registered office
Plantation Place
30 Fenchurch Street
London EC3M 3AD

Managing Agent's registered number
184915

Managing Agent's auditors
PricewaterhouseCoopers LLP, London

Syndicate 6124 run-off manager
R J Callan

Syndicate bankers
The custodians of the Syndicate's investment funds are as follows:
Citibank N.A.

Syndicate investment managers
Credit Suisse (UK) Limited
Five Cabot Square, London, E14 4QR

Syndicate auditors
PricewaterhouseCoopers LLP, London

Directors' interests
None of the Directors of the Managing Agent have any participation in the Syndicate's premium income capacity.

Disclosure of information to the auditors
The Directors each confirm that:

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

Independent Auditors
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

Approved by order of the Board of Chaucer Syndicates Limited.

R J Callan
Chief Financial Officer
15 March 2016

Statement of Comprehensive Income for the 6 Months ended 31 December 2015

	Notes	2015 £m
Technical Account – General Business		
Earned premiums, net of reinsurance		
Gross premiums written	3	316.8
Outward reinsurance premiums		(8.6)
Net premiums written		**308.2**
Change in the provision for unearned premiums		
Gross amount	13	(41.0)
Reinsurers' share	13	2.9
Net change in provision for unearned premiums		**(38.1)**
Earned premiums, net of reinsurance		**270.1**
Allocated investment return transferred from the Non-Technical Account		1.0
Total technical income		**271.1**
Claims incurred, net of reinsurance		
Claims paid		
Gross amount	13	(58.1)
Reinsurers' share	13	-
Net claims paid		**(58.1)**
Change in the provision for claims		
Gross amount		(195.5)
Reinsurers' share		4.7
Net change in the provision for claims		**(190.8)**
Claims incurred, net of reinsurance		**(248.9)**
Net operating expenses	3, 4	(19.9)
Total technical charges		**(268.8)**
Balance on the Technical Account – General Business		**2.3**
Non-Technical Account		
Other income	9	0.1
Investment income	7	3.4
Net unrealised losses on investments	7	(1.6)
Investment expenses and charges	7	(0.8)
Allocated investment return transferred to the Technical Account - General Business		(1.0)
Profit for the financial period	12	**2.4**

All the amounts above are in respect of continuing operations.

Balance sheet as at 31 December 2015

	Notes	2015 £m
Assets		
Investments		
Other financial investments	10	194.3
Reinsurers' share of technical provisions		
Provision for unearned premiums	13	2.9
Claims outstanding	13	4.7
		7.6
Debtors		
Debtors arising out of reinsurance operations		18.8
Other debtors	11	1.2
		20.0
Other assets		
Cash at bank and in hand		16.9
		16.9
Prepayments and accrued income		
Deferred acquisition costs		6.9
		6.9
Total assets		**245.7**
Liabilities		
Capital and reserves		
Members' balances	12	2.4
Technical provisions		
Provision for unearned premiums	13	41.0
Claims outstanding	13	195.5
		236.5
Creditors		
Creditors arising out of reinsurance operations		3.1
Amounts owed to credit institutions		0.3
Other creditors including tax and social security	16	2.2
		5.6
Accruals and deferred income		1.2
Total liabilities		**245.7**

The accounts on pages 7 to 22 were approved by the Board of Chaucer Syndicates Limited on 15 March 2016 and signed on its behalf by:

R J Callan
Chief Financial Officer

Statement of Changes in Members' Balances for the 6 Months ended 31 December 2015

	Note	2015 £m
Balance as at 1 July		-
Profit for the period	12	2.4
Balance as at 31 December		**2.4**

Statement of Cash Flows for the 6 Months ended 31 December 2015

	Note	2015 £m
Reconciliation of operating profit to net cash inflow from operating activities		
Operating result		2.4
Increase in gross technical provisions		15.0
Increase in reinsurers' share of gross technical provisions		(7.6)
Decrease in debtors		6.6
Increase in creditors		5.4
Movement in other assets/liabilities		(5.7)
Investment return	7	(1.0)
Net cash flows from operating activities		**15.1**
Cash flows from investing activities		
Purchase of equity and debt instruments		(42.8)
Sale of equity and debt instruments		50.1
Purchase of derivatives		(10.0)
Investment income received		4.2
Net increase in cash and cash equivalents		16.6
Cash and cash equivalents at inception		-
Cash and cash equivalents at end of year		16.6
Cash at bank and in hand		16.9
Overdrafts		(0.3)
Cash and cash equivalents at end of year		**16.6**

There were no cash flows from financing activities.

Supplemental information
The Syndicate underwrote a quota share reinsurance contract with Syndicate 1084 during the period. This transaction involved the transfer of significant non cash assets and liabilities as detailed below;

	£m
Transfer of Investments	194.9
Assignment of rights to premium receivables	27.7
Assignment of other insurance liabilities	(1.1)
	221.5

Notes to the Accounts for the 6 Months ended 31 December 2015

1. Basis of preparation

The Syndicate accounts have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103, "Insurance Contracts" ("FRS 103") and the Companies Act 2006. The Syndicate accounts have been prepared under regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("IAD"), and reflect the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI2008/410) as modified by the IAD.

The Syndicate accounts have been prepared in accordance with applicable accounting standards. A summary of the more important accounting policies is set out below.

2. Accounting policies

a) Insurance contracts

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk.

i) Premiums written

Premiums written comprise premiums on contracts incepted during the financial year. Premiums are shown gross of acquisition costs payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due to the Syndicate not yet notified.

ii) Unearned premiums

Written premiums are recognised as earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

iii) Reinsurance premiums ceded

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

iv) Claims provisions and related recoveries

Gross claims incurred comprise the estimated cost of all claims occurring during the period, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years.

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

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

Explicit consideration is given to Periodical Payment Order (PPO) settlements, which typically require an initial lump sum payment plus an annual payment to the claimant for the rest of their lifetime, increasing with inflation. A list is maintained of claims that may settle as PPOs along with additional assumptions about the level, timing and probability of those potential PPO payments. Reserves are set to allow for the expected additional cost if those claims settle as PPOs. Separate IBNR reserves are also held to allow for PPOs arising from future claim notifications or current known claims not currently identified as potential PPOs.

Notes to the Accounts for the 6 Months ended 31 December 2015

2. Accounting policies (continued)

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

The two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

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

v) Unexpired risks provision

A provision for unexpired risks is made where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

The provision for unexpired risks is calculated by reference to classes of business which are managed together, after taking into account relevant investment return.

vi) Deferred acquisition costs

Acquisition costs, which comprise commission and other costs related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

b) Net operating expenses

Net operating expenses are recognised on an accruals basis. These comprise the Syndicate's operating expenses such as remuneration, office and administrative costs, acquisition costs, Managing Agency costs, the costs of membership of Lloyd's and other expenses attributable to the Syndicate's underwriting.

c) Cash at bank and in hand

Cash at bank and in hand on the balance sheet represent cash balances and money market deposits lodged with banks. Bank overdrafts are repayable on demand and are recognised as a component of cash and cash equivalents.

d) Foreign currencies

The functional and presentational currency of the Syndicate is Pound Sterling.

Monetary assets and liabilities denominated in a foreign currency are retranslated at the closing rate with exchange differences reported through the non-technical account. In line with FRS103 insurance assets and liabilities (UPR and DAC) have been treated as monetary items. Non-monetary items (for example, tangible assets) are not retranslated.

Non-monetary items are translated into the functional currency using transactional rates/monthly average rate of exchange prevailing at the time of the transaction as a proxy for transactional rates.

Notes to the Accounts for the 6 Months ended 31 December 2015

2. Accounting policies (continued)

e) Financial assets

All investments are classified as fair value through profit and loss and are measured at fair value. Fair value is determined using published bid price quotations of each security. Unquoted equity investments are initially carried at cost as the best estimate of fair value and are adjusted thereafter whenever events or changes in circumstances indicate that the carrying amount may not approximate to fair value. The fair value of an unquoted equity security is calculated using the most appropriate valuation technique, such as reference to current fair values of another instrument that is substantially the same, discounted cash flow analysis or option pricing models.

The directors consider the fair value through profit and loss option to be appropriate as financial assets are managed and their performance evaluated on a fair value basis, in accordance with a documented investment strategy and information is provided internally on that basis to key management personnel. In addition, investment risk is assessed on a total return basis, which is consistent with the adoption of fair value through profit and loss.

Deposits with credit institutions are stated at cost.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value are recognised immediately in the statement of comprehensive income. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative

Net gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the statement of comprehensive income within 'Unrealised gains on investments' or 'Unrealised losses on investments'.

f) Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the period, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return is initially recorded in the Non-Technical Account. A transfer is made from the Non-Technical Account to the General Business Technical Account. Investment return has been wholly allocated to the Technical Account as all investments relate to the Technical Account.

g) Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agent is gross of tax.

h) Key judgements and uncertainties

In application of accounting policies described in note 2, the following judgements, estimates and assumptions that have had the most significant impact on the financial statements are:

Valuation of general insurance contract liabilities (page 11)
Premium recognition (page 11)

Notes to the Accounts for the 6 Months ended 31 December 2015

3. Segmental analysis

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

	Gross premiums written £m	Gross premiums earned £m	Gross claims incurred £m	Gross operating expenses* £m	Reinsurance balance £m	Total £m	Net technical provisions £m
2015							
Direct insurance							
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Reinsurance	316.8	275.8	(253.6)	(19.9)	(1.0)	1.3	228.9
	316.8	**275.8**	**(253.6)**	**(19.9)**	**(1.0)**	**1.3**	**228.9**

* Gross operating expenses are not the same as net operating expenses shown in the statement of comprehensive income because of commissions in respect of outward reinsurance received in 2015.

All premiums were concluded in the UK.

Commission on direct insurance, gross premiums during 2015 was £nil.

The reinsurance balance represents the (charge)/credit to the technical account from the aggregate of all items relating to outwards reinsurance.

The geographical analysis of gross premiums written by reference to the location of the risk is as follows:

	2015 £m
UK	316.8
Gross premiums written	**316.8**

Concentration of gross and net insurance liabilities by geographical area is as follows:

	2015 Gross Technical Provisions £m	2015 Net Technical Provisions £m
UK	236.5	228.9
Total	**236.5**	**228.9**

Notes to the Accounts for the 6 Months ended 31 December 2015

4. Net operating expenses

	2015 £m
Acquisition costs:	
- brokerage and commission	21.3
- other	-
Change in deferred acquisition costs	(6.9)
Administrative expenses	5.5
	19.9

Administrative expenses include:	
Members' standard personal expenses (Lloyd's subscriptions, New Central Fund contributions and managing agent's fees)	0.7

5. Auditors' remuneration

	2015 £m
Audit of the syndicate accounts	0.1
Other services pursuant to legislation including audit of regulatory returns	-
	0.1

6. Employees and Directors

The syndicate has no employees.

The syndicate was not recharged any expenses during the period relating to the remuneration of the directors of Chaucer Syndicates Limited.

Under the standard managing agent's agreement, Chaucer Syndicates Limited receives an annual fee for services provided.

7. Investment return

	2015 £m
Investment income	
Income from financial assets at fair value through profit and loss	3.2
Dividend income	0.2
Interest on cash at bank	-
	3.4
Investment expenses and charges	
Losses on the realisation of investments	(0.4)
Investment expenses and charges, including interest	(0.4)
	(0.8)
Net unrealised losses on investments	(1.6)
Total investment return	**1.0**

Notes to the Accounts for the 6 Months ended 31 December 2015

8. Calendar year investment return

The average amount of syndicate funds available for investment and the calendar year investment return were as follows:

	2015 £m
Average funds	211.4
Investment return (net of expenses)	1.0
Calendar year investment return	0.7%
Average funds available for investment by fund	
Sterling	209.9
United States Dollars	1.5
Analysis of calendar year investment yield by fund	**%**
Sterling	0.7
United States Dollars	2.1

Average fund is the average of bank balances, inter-syndicate loans and investments held at the end of each month during the calendar year. For this purpose, investments are revalued at month-end market prices, which include accrued income where appropriate.

9. Other income

Net foreign exchange gains of £0.1m are included within other income in the non-technical account.

10. Financial assets

	Cost £m	2015 Market value £m
Shares and other variable yield securities at fair value through profit and loss	3.2	5.1
Debt securities and other fixed income securities at fair value through profit and loss	180.6	179.2
Other investments at fair value through profit and loss	10.0	10.0
	193.8	**194.3**
Bonds	3.2	5.1
Structured products	10.0	10.0
Money market funds	180.6	179.2
	193.8	**194.3**

Risk policies

Interest rate risk

A significant proportion of risk within the Syndicate's fixed income portfolio is interest rate risk which increases with the duration of the portfolio. In order to manage this risk duration constraints are set, relative to a target, to provide downside protection for increases in interest rates. The investment portfolio target duration is the estimated duration of the liabilities, this value is revised on a quarterly basis and the investment portfolio rebalanced. A permitted duration range for the investment portfolio has been set around the target.

The sensitivities shown in the table below indicates the estimated impact on result from parallel shifts in the yield curve.

Notes to the Accounts for the 6 Months ended 31 December 2015

10. Financial assets (continued)

	Change in interest rates %	Impact on result £m
31 December 2015	+1.0	4.2
	-1.0	(4.1)

Currency risk
The Syndicate is essentially asset liability currency matched as essentially all assets and liabilities are GBP denominated. There is a small de-minimis allocation to non-GBP assets within the investment portfolio, however the amount does not constitute a material risk.

Liquidity risk
The Syndicate is subject to calls on cash resources, mainly in respect of claims on insurance business, on a daily basis. The Syndicate operates and maintains a liquidity risk policy designed to ensure that cash is available to settle liabilities and other obligations when due without excessive cost to the business. The Syndicate has forecasted its projected liabilities' run-off pattern and has approximately matched cash flows from the investment portfolio to meet these outflows as they become due.

The expected payment profile of undiscounted liabilities is as follows:

		Maturity band (Years)				
	No stated maturity £m	<1 £m	1-3 £m	3-5 £m	>5 £m	Total £m
Overdrafts	-	0.3	-	-	-	0.3
Creditors	-	6.8	-	-	-	6.8
Financial liabilities	-	**7.1**	-	-	-	**7.1**
Claims outstanding	-	76.3	67.9	25.6	25.7	195.5
Financial liabilities and outstanding claims	-	**83.4**	**67.9**	**25.6**	**25.7**	**202.6**

Credit risk
The Syndicate holds the majority of its investments in high-quality investment grade securities and money market funds, managed by an external portfolio manager. The Investment manager may take credit risk as a tactical enhancement to fixed income returns when suitable opportunities arise within average portfolio minimum credit quality limits set for the portfolio the risk budget set for the manager. The Investment fund manager mitigates credit risk through diversification and by setting maximum limits for individual counterparties.

The assets bearing credit risk are summarised below, together with an analysis by credit rating:

	2015 £000
Shares and other variable yield securities	5.1
Debt securities	179.2
Cash at bank and in hand	16.9
Derivatives assets	10.0
	211.2
AAA	56.5
AA	43.1
A	62.0
BBB	35.4
BB or less	2.8
Not rated	11.4
Total assets bearing credit risk	211.2

Notes to the Accounts for the 6 Months ended 31 December 2015

10. Financial assets (continued)

Determination of fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been identified as follows:

- Quoted prices in an active market (Level 1)
- Recent transactions in an identical asset if there is unavailability of quoted prices (Level 2); and
- Use of a valuation technique if there is no active market, recent transactions in an identical asset, or other transactions which are a good estimate of fair value (Level 3).

The following table presents the Syndicate's assets measured at fair value at 31 December 2015.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Shares and other variable yield securities and unit trusts	5.1	-	-	5.1
Debt securities and other fixed income securities	-	73.0	106.2	179.2
Derivatives	-	10.0	-	10.0
At 31 December 2015	**5.1**	**83.0**	**106.2**	**194.3**

11. Other debtors

	2015 £m
Recoverable expenses paid on behalf of cedant	1.1
Other debtors	0.1
	1.2

12. Reconciliation of movements in members' balances

	2015 £m
Members' balances at inception	-
Profit for the financial period	2.4
Members' balances at 31 December	**2.4**

Members participate on syndicates by reference to years of account and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a particular year.

Notes to the Accounts for the 6 Months ended 31 December 2015

13. Technical reserves

	Provisions for unearned premiums £m	Claims outstanding £m	Deferred acquisition costs £m	Total £m
Gross				
At inception	-	-	-	-
Exchange differences	-	-	-	-
Claims paid in the period	-	(58.1)	-	(58.1)
Movement in provision	41.0	253.6	6.9	287.7
At 31 December 2015	**41.0**	**195.5**	**6.9**	**229.6**
Reinsurance				
At inception	-	-	-	-
Exchange differences	-	-	-	-
Reinsurance recoveries in the period	-	-	-	-
Movement in provision	2.9	4.7	-	7.6
At 31 December 2015	**2.9**	**4.7**	-	**7.6**
Net technical provisions				
At 31 December 2015	**38.1**	**190.8**	**6.9**	**222.0**

2015 events
The Syndicate has no exposure to catastrophe events that occurred in 2015.

14. Sensitivity of Insurance Risk

The following table shows the impact of a 1% variation in the loss ratio on profit or loss and members' balances:

	2015
Net loss ratio	92.1%
Impact of 1% variation (£m)	2.7

Notes to the Accounts for the 6 Months ended 31 December 2015

15. Claims Development Triangles

The development of insurance liabilities provides a measure of the Syndicate's ability to estimate the ultimate value of claims.

Pure underwriting year	2015 £m	Total £m
Estimate of gross claims incurred		
At end of underwriting year and as at 31 December 2015	253.6	253.6
Less gross claims paid	58.1	58.1
Gross reserves	195.5	195.5
Estimate of net claims incurred:		
At end of underwriting year and as at 31 December 2015	248.9	248.9
Less net claims paid	58.1	58.1
Net reserves	190.8	190.8

16. Other Creditors

	2015 £m
Amounts due to outsource service provider	(1.2)
Other creditors	(1.0)
	(2.2)

17. Related parties

Chaucer Syndicates Limited, a wholly owned subsidiary of Chaucer Holdings Limited, is the Managing Agent of the Syndicate. The following table shows the expenses that Chaucer Syndicates Limited has charged the Syndicate during the period and the outstanding balances due from the Syndicate at the year end:

	2015 £m
Managing agency fees	0.3
Expenses recharged	-
Balance due to Chaucer Syndicates Limited at 31 December	-

Syndicates 1084 and 6124, both managed by Chaucer Syndicates Limited, have entered into a reinsurance contract with one another. These transactions are subject to Chaucer's internal controls which ensure that all are compliant with Lloyd's Related Party Bylaw provisions.

Notes to the Accounts for the 6 Months ended 31 December 2015

18. Funds at Lloyd's

Every member is required to hold capital at Lloyd's, which is held in trust and known as Funds at Lloyd's (FAL). These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's, based on Prudential Regulatory Authority requirements and resource criteria. FAL has regard to a number of factors, including the nature and amount of risk to be underwritten by the member and an assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the Managing Agent, no amount has been shown in these accounts by way of such capital resources. However, the Managing Agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses.

19. Capital

Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000 and in accordance with Solvency II legislation.

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 6124 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 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'.

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 (funds in syndicate) or as the member's share of the members' balances on each syndicate on which it participates.

Accordingly all of the assets less liabilities of the syndicate, as represented in the members' balances reported on the balance sheet on page 8, represent resources available to meet members' and Lloyd's capital.

Notes to the Accounts for the 6 Months ended 31 December 2015

20. Ultimate parent company and parent undertaking of larger group of which the results of the Syndicate are included

The Ultimate Parent Company is Qatar Insurance Company SAQ, an insurance group incorporated in the State of Qatar and listed on the Qatar Exchange. Consolidated accounts are prepared by Qatar Insurance Company SAQ and copies of these are available from the registered office at Tamin Street, West Bay, PO Box 666, Doha, Qatar or from their website at www.qatarinsurance.com.

Statement of Managing Agent's Responsibilities

The Managing Agent is responsible for preparing the Syndicate report and accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare syndicate accounts at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The accounts are required by law to give a true and fair view of the state of affairs of the Syndicate as at that date and of its profit or loss for that year.

In preparing the Syndicate accounts, the Managing Agent is required to:

1. select suitable accounting policies and then apply them consistently;
2. make judgements and estimates that are reasonable and prudent;
3. state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
4. prepare the accounts on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume that the Syndicate will do so.

The Managing Agent is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate accounts comply with the 2008 Regulations. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

The Managing Agent is responsible for the maintenance and integrity of the corporate and financial information included on the business' website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNDICATE 6124

Report on the syndicate accounts

Our Opinion

In our opinion, Syndicate 6124's syndicate accounts (the "syndicate accounts"):

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2015 and of its profit and cash flows for the 6 month period 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 accounts for the 6 months ended 31 December 2015, included within Syndicate 6124 Report and Accounts (the "Report"), comprise:

- the Balance Sheet as at 31 December 2015;
- the Statement of Comprehensive Income for the 6 months then ended;
- the Statement of Changes in Members' Balances;
- the Statement of Cash Flows;
- the accounting policies, and
- the notes to the syndicate accounts, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the syndicate 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 period for which the syndicate accounts are prepared is consistent with the syndicate 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 accounts are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Responsibilities for the syndicate 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 23, the Managing Agent is responsible for the preparation of the syndicate 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 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 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 accounts sufficient to give reasonable assurance that the syndicate accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

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

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

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

Andrew G Hill (Senior statutory auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
15th March 2016

- The maintenance and integrity of the Chaucer Syndicates Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.