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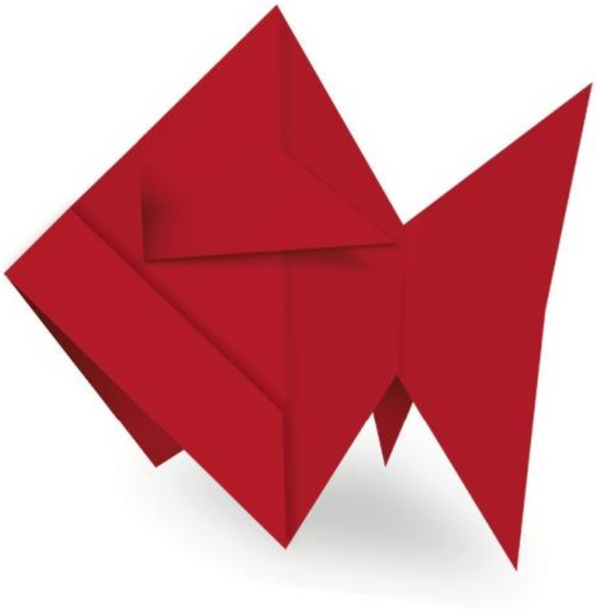

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Fish (Sakana)

Financial strength

Syndicate 958 Annual Report & Accounts

31 December 2016

Contents

Syndicate 958

Directors and Professional Advisors

MANAGING AGENT:	
Managing Agent	Canopius Managing Agents Limited ("CMA")
Directors	I B Owen *Independent Non-Executive Chairman* J D Birney *Independent Non-Executive Director* D Broome *Independent Non-Executive Director (appointed 1 January 2016)* P Ceurvorst *Independent Non-Executive Director (appointed 6 September 2016)* P D Cooper *Chief Financial & Operating Officer (appointed as Chief Executive Officer on 14 March 2017)* S R Davies *Chief Executive Officer (resigned 22 November 2016)* M P Duffy *Chief Underwriting Officer & Active Underwriter, Syndicates 4444 and 958* S J Gargrave *Non-Executive Director (resigned as Active Underwriter of 4444 and 958 and appointed Non-Executive Director 30 June 2016)* P F Hazell *Independent Non-Executive Director* S T Manning *Chief Operating Officer (resigned 29 July 2016)* G E Moss *Chief Risk Officer* T P Rolfe *CEO, UK Specialty (resigned 27 January 2016)* M C Watson *Executive Director*
Company Secretary	J W Greenfield *(resigned 10 February 2016)* M O'Connell *(appointed 23 February 2016)*
Managing Agent's Registered Office	Gallery 9, One Lime Street, London EC3M 7HA
Managing Agent's Registered Number	1514453
SYNDICATE:	
Active Underwriter	M P Duffy *(w.e.f. February 2016)*
Investment Managers	Schroder Investment Management ("Schroders") 31, Gresham Street, London, EC2V 7QA
Independent Auditors	Ernst & Young LLP ("EY") 25 Churchill Place, Canary Wharf, E14 5EY

Report of the Directors of the Managing Agent

The directors of CMA, the managing agent for Syndicate 958, present the annual report and audited financial statements for the syndicate for the year ended 31 December 2016.

These financial statements 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 Republic of Ireland” (“FRS102”), Financial Reporting Standard 103, “Insurance Contracts” and the Companies Act 2006. Furthermore, these financial statements comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations").

Strategic Report

The directors present their strategic report on Syndicate 958 for the year ended 31 December 2016.

Review of the business

Syndicate 958 is a syndicate at Lloyd’s managed by CMA. Its principal activity is the underwriting of insurance and reinsurance business at Lloyd’s, transacted both through direct channels and via delegated underwriting.

In February 2016, Stephen Gargrave resigned as Joint Active Underwriter of Syndicate 4444 and 958. Mike Duffy will continue as the sole Active Underwriter.

Results and performance

Syndicate 958 ceased underwriting new and renewal business with effect from 31 December 2015, and therefore the results reported in these financial statements have been derived from discontinued operations. Syndicate 958 has merged with Syndicate 4444 for the 2016 year of account but will maintain separate accounts for the 2014 and 2015 years of account. This is considered further under the ‘ Future developments’ section below.

The results of the syndicate for the year are set out on pages 10 and 11. In 2016, Syndicate 958 recorded a profit of £8.2m (2015: £9.4m) with a combined ratio of 98.3% (2015: 94.3% restated). With no new business written in 2016, gross written premium dropped to £33.7m (2015: £205.0m).

Across the market, 2016 was a benign year for natural catastrophe losses but was impacted by a number of significant risk losses, of which Syndicate 958 had a share. Noteworthy losses include the Alberta Wildfires and Hurricane Matthew, a powerful, long-lived and deadly North Atlantic hurricane which wrought widespread destruction. Syndicate 958 was also exposed to the floods in Louisiana and the losses of Tullow Oil.

The 2014 year of account of Syndicate 958 closed with a reported profit of £12.6m.

Reinsurance is purchased to reduce retention levels in accordance with CMA’s risk appetite as well as to protect against potential catastrophe accumulations. Catastrophe reinsurances are generally purchased to protect capital whereas non-catastrophe reinsurances are purchased for a blend of capital protection and profit stability.

Since the 2006 year of account, Syndicate 958 has entered into whole account quota share reinsurance arrangements with Sompo Japan Canopius Reinsurance AG (“SCRe”) (formerly Canopius Reinsurance Limited (“CRL”)) which provided the syndicate with proportional reinsurance protection across its whole account. These quota share arrangements were last renewed for the 2015 year of account.

Business environment

The current soft market and premium rate reductions introduce additional uncertainty in terms of how much weight can be given to historical performance, anticipated rate changes and changes in terms and conditions.

Report of the Directors of the Managing Agent

Business environment (continued)
Given the current state of the global economy, and low inflation environment, and changes in the political environment there is also potential uncertainty around future levels of inflation leading to uncertainty around the severity of claims generally across the insurance market.

The risks to UK economic growth remain significant not least because of the UK's decision to leave the European Union ("EU") ("*Brexit*"). EU membership and access to the single market has enabled underwriters at Lloyd's to underwrite insurance and reinsurance from all of the other member states on a cross-border basis. The underwriters operate under a "passport" system, which allows them to conduct business throughout the EU while being regulated and supervised by the Prudential Regulatory Authority (PRA). Lloyd's has a dedicated team putting forward the argument to the UK government on behalf of the marketplace for retaining EU passporting.

Strategy
In the light of the decision for Syndicate 958 to merge with Syndicate 4444 for the 2016 year of account, the strategy for Syndicate 958 is to run-off the 2015 and prior books of business in the most cost effective manner.

Key performance indicators ('KPIs')
The CMA Board monitors the progress of the syndicate by reference to the following KPIs:

	2016 £000	2015 £000
Gross premiums written	33,718	205,028
Earned premiums, net of reinsurance	95,104	148,804
Investment return	4,842	1,274
Profit for the year	8,165	9,412
Gross claims ratio	49.1%	45.4%
Net claims ratio	47.7%	44.6%
Expenses ratio	50.6%	49.7%
Combined operating ratio	98.3%	94.3%
Investment return, on average invested balances	2.0%	0.6%

Principal risks and uncertainties
The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to Board approval and ongoing review by management, risk management and internal audit. The Audit Committee is responsible for satisfying itself that a proper internal control framework exists to manage financial risks and that controls operate effectively.

CMA's governance structure ensures a clear definition of responsibility for the management and oversight of the many risks faced by the business. CMA has established an enterprise risk management process that is designed to identify, assess, measure and mitigate risk.

A description of the principal risks and uncertainties facing the syndicate is set out in Note 5 to the financial statements (management of risk).

Future developments
Syndicate 958 and Syndicate 4444 have merged for the 2016 year of account. As a consequence, all new and renewal syndicate business for the 2016 year of account is written by Syndicate 4444.

As a result of the merger, Syndicate 958 ceased to underwrite with effect from 31 December 2015.

Report of the Directors of the Managing Agent

Directors

The directors of the managing agent who served from 1 January 2016 to the date of this report are shown on page 3. None of the directors had an allocated premium limit on the syndicate, on either an unlimited or limited liability basis, for any of the 2014 to 2015 years of account.

Statement of disclosure of information to auditors

In the case of each of the persons who are directors of the managing agent at the time the report is approved:

- So far as the director is aware, there is no relevant audit information, being information needed by the syndicate's auditor in connection with the auditor's report, of which the auditor is unaware; and
- Having made enquiries of fellow directors of the agency and the syndicate's auditor, each director has taken all the steps that he or she ought to have taken as a director to become aware of any relevant audit information and to establish that the syndicate's auditor is aware of that information.

Post Balance Sheet Events

On 27 February 2017 the Lord Chancellor announced a reduction in the applicable discount rate for valuation of personal injury awards from 2.5% to negative 0.75%. This has an adverse impact on all lump sum payments that include loss of earnings. CMA has assessed the impact of the change and for all managed syndicates the booked reserves at 31 December 2016 exceed that required for an external Statement of Actuarial Opinion. The estimated net cost to Syndicate 958 is £9.5m.

Statement of Managing Agent's Responsibilities

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the directors of the managing agent to prepare syndicate annual accounts each year which give a true and fair view, in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the syndicate and of the profit or loss of the syndicate for that period. In preparing those financial statements, the managing agent is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the syndicate accounts; and
- Prepare the syndicate accounts on the basis that the syndicate will continue to write future business unless it is inappropriate to do so.

The managing agent confirms that it has complied with the above requirements in preparing the syndicate accounts. The directors of the managing agent are responsible for keeping proper accounting records that 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. The managing agent is also responsible for safeguarding the assets of the syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors

During the year the managing agent appointed Ernst & Young LLP as the auditors for the Syndicate, replacing PricewaterhouseCoopers LLP. In accordance with section 14(2) of Schedule 1 of the Lloyd's Regulations 2008, the auditors, Ernst & Young LLP, will be deemed to be reappointed and therefore continue in office.

Report of the Directors of the Managing Agent

Annual general meeting

In accordance with the Syndicate Meetings (Amendment No. 1) Byelaw (No. 18 of 2000) the managing agent does not propose to hold a syndicate annual meeting this year. Members may object to this proposal, or the intention to reappoint the auditors for a further 12 months, within 21 days of this notice. Any objections must be made in writing to the managing agent.

By order of the Board of the managing agent

Paul Cooper
Chief Executive Officer
London
20 March 2017

Independent Auditors' Report

To the members of Syndicate 958

We have audited the syndicate annual accounts of syndicate 958 ('the syndicate') for the year ended 31 December 2016 which comprise the Statement of Income and Retained Earnings, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts'.

This report is made solely to the syndicate's members, as a body, in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the managing agent and the auditor

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 6, the managing agent is responsible for the preparation of syndicate annual accounts which 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the syndicate annual accounts

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; the reasonableness of significant accounting estimates made by the managing agent; and the overall presentation of the syndicate annual accounts. In addition, we read all the financial and non-financial information in the Syndicate 958 Annual Report & 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.

Opinion on syndicate annual accounts

In our opinion the syndicate annual accounts:

- give a true and fair view of the syndicate's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts'; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Opinion on other 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 in which the syndicate annual accounts are prepared is consistent with the syndicate annual accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires us to report to you, if in our opinion:

- 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; or
- we have not received all the information and explanations we require for our audit.

Angus Millar (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

21 March 2017

Statement of Income and Retained Earnings: Technical Account – General Business

for the year ended 31 December 2016

	Notes	***2016*** £000	***2016*** £000	*2015* £000	*2015* £000
Earned premiums, net of reinsurance					
Gross premiums written	7	33,718		205,028	
Outward reinsurance premiums		(7,469)		(46,170)	
Net premiums written			26,249		158,858
Change in the provision for unearned premiums:					
Gross amount		81,984		(10,673)	
Reinsurers' share		(13,129)		619	
Change in the net provision for unearned premiums			68,855		(10,054)
Earned premiums, net of reinsurance			95,104		148,804
Allocated investment return transferred from the non-technical account	14		4,842		1,274
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(108,425)		(104,500)	
Reinsurers' share		28,279		21,549	
Net claims paid		(80,146)		(82,951)	
Change in the provision for claims					
Gross amount		51,622		16,237	
Reinsurers' share		(16,872)		358	
Change in the net provisions for claims		34,750		16,595	
Claims incurred, net of reinsurance			(45,396)		(66,356)
Net operating expenses	10, 11		(48,116)		(73,936)
Balance on the technical account for general business			6,435		9,786

All of the above amounts are derived from discontinuing operations.

Statement of Income and Retained Earnings: Non-technical Account

for the year ended 31 December 2016

	Notes	***2016*** ***£000***	*2015* *£000*
Balance on the general business technical account		6,435	9,786
Investment income	14	3,962	3,299
Realised gains on investments	14	5,215	4,134
Realised (losses) on investments	14	(6,882)	(3,499)
Net unrealised gains/(losses) on investments	14	2,991	(2,309)
Investment expenses and charges	14	(444)	(351)
Allocated investment return transferred to the general business technical account	14	(4,842)	(1,274)
Profit/(loss) on exchange	10	1,730	(374)
Profit for the year		***8,165***	***9,412***
Other comprehensive income		1,019	-
Total comprehensive income		9,184	9,412
Members' balances at 1 January		15,796	6,301
Total comprehensive income for the financial year		9,184	9,412
Movement in members' agents' fees paid on behalf of members		733	495
Payment of profits from members' personal reserve funds		(16,137)	(412)
Members' balances at 31 December		9,576	15,796

All of the above amounts are derived from discontinuing operations.

Statement of Financial Position – Assets

at 31 December 2016

	Notes	2016 £000	2016 £000	2015 £000	2015 £000
Investments					
Other financial investments	15		164,858		188,102
Deposits with ceding undertakings			7		27
Reinsurers' share of technical provisions					
Provision for unearned premiums	24	3,488		15,421	
Claims outstanding	24	71,241		80,459	
			74,729		95,880
Debtors					
Debtors arising out of direct insurance operations	16	30,590		65,071	
Debtors arising out of reinsurance operations	17	7,869		35,981	
Other debtors	18	67,798		77,993	
			106,258		179,045
Other assets					
Cash at bank and in hand			20,629		12,482
Overseas deposits	19		15,027		15,846
Prepayments and accrued income					
Deferred acquisition costs	23	5,074		30,446	
Other prepayments and accrued income		265		695	
			5,340		31,141
Total assets			386,849		522,523

Statement of Financial Position – Liabilities

at 31 December 2016

		2016		2015	
	Notes	**£000**	**£000**	*£000*	*£000*
Capital and reserves					
Members' balances	2		9,576		15,796
Technical provisions					
Provision for unearned premiums	24	16,407		92,184	
Claims outstanding	24	344,099		364,109	
			360,506		456,293
Creditors					
Creditors arising out of direct insurance operations	20	5,572		4,742	
Creditors arising out of reinsurance operations	21	6,825		35,326	
Other creditors	22	2,872		9,875	
			15,269		49,943
Accruals and deferred income			1,498		491
Total liabilities			386,849		522,523

The financial statements on pages 10 to 42 were approved by the Board of CMA on 20 March 2017 and were signed on its behalf by:

Paul Cooper
Chief Executive Officer
20 March 2017

Statement of Cash Flows

for the year ended 31 December 2016

	2016		*2015 (restated)*	
	£000	***£000***	*£000*	*£000*
Cash flows from operating activities				
Profit for the year	8,165		9,412	
(Decrease) in gross technical provisions	(140,462)		(5,886)	
Decrease/(increase) in reinsurers' share of gross technical provisions	31,523		(2,518)	
Decrease/(increase) in debtors	88,253		(44,174)	
(Decrease)/increase in creditors	(41,421)		28,331	
Movement in other assets/liabilities	29,310		(3,120)	
Investment return	(4,842)		(1,274)	
Foreign exchange	21,305		4,165	
Net cash outflows from operating activities		(8,170)		(15,063)
Cash flows from investing activities				
Purchase of equity and debt instruments	(1,142,025)		(1,091,702)	
Sale of equity and debt instruments	1,195,269		1,098,265	
Purchase of derivatives	-		(244)	
Investment income received	1,850		3,180	
Foreign exchange	(28,560)		(4,143)	
Net cash inflows from investing activities		26,534		5,356
Cash flows from financing activities				
Distribution of profits	(15,410)		(412)	
Payments of members' agents' fees	-		1,117	
Net cash (outflows)/inflows from financing activities		(15,410)		705
Net increase/(decrease) in cash and cash equivalents		2,954		(9,965)
Foreign exchange on cash and cash equivalents		4,375		(963)
Cash at bank and in hand	12,482		21,331	
Overseas deposits	15,846		16,962	
Cash and cash equivalents at beginning of year		28,328		38,293
Cash at bank and in hand	20,629		12,482	
Overseas deposits	15,027		15,846	
Cash and cash equivalents at end of year		35,656		28,328

Notes to the Financial Statements

for the year ended 31 December 2016

1. Basis of preparation

These financial statements 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 Republic of Ireland” (“FRS102”), Financial Reporting Standard 103, “Insurance Contracts” and The Companies Act 2006. Furthermore, these financial statements comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations") and applicable Accounting Standards in the United Kingdom. The directors of the managing agent have prepared the financial statements on the basis that the syndicate will not write future business.

2. Members’ balances and Funds at Lloyd’s (“FAL”)

The members’ balances on the balance sheet shows a surplus of £9.6m (2015: surplus £15.8m). The ability of the syndicate to meet its obligations as they fall due is underpinned by the members’ Funds at Lloyd’s and the support provided by the Lloyd’s chain of security for any members who are unable to meet their underwriting liabilities. FAL is further explained in Note 29.

3. Summary of significant accounting policies

a. Insurance contracts

Insurance contracts (including inwards reinsurance contracts) are defined as those that transfer significant insurance risk. Insurance risk is considered significant if, and only if, an insured event could cause an insurer to pay significant additional benefits above the premiums received and interest earned thereon, excluding scenarios that lack commercial substance. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire.

Contracts that do not transfer significant insurance risk are accounted for as financial transactions. The syndicate adopts an annual basis of accounting for insurance contracts whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance.

Gross premiums written, stated gross of acquisition costs and exclusive of premium taxes, relates to business incepted during the year and adjustments to premiums booked in prior years and includes estimates, based on underwriting estimates or past experience, of premiums due but not yet receivable or notified to the syndicate by intermediaries.

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated by reference to the expected incidence of risk over the period of cover.

‘Risk attaching’ outwards reinsurance premiums (net of reinsurance commission costs) are accounted for with regard to the incidence of risk of the premiums for the direct or inwards reinsurance business to which they relate. Reinsurance contracts that operate on a ‘losses occurring’ basis are accounted for in full over the period of coverage. The provision for reinsurers’ share of unearned premiums represents that part of reinsurance premiums written which is estimated to be earned in the following financial years.

There are a number of different types of business written by the syndicate, including property, liability and marine business, broadly categorised as either “short tail” or “long tail” business. The syndicate also writes reinsurance business. The characteristics of this business mirror those of the underlying business ceded to the syndicate.

The accounting policies for insurance claims and claims settlement expenses are considered in Note 4 (Critical accounting judgements and estimation uncertainty).

3. Summary of significant accounting policies (continued)

a. Insurance contracts (continued)

Short Tail Business

Property and accident and health business is generally "short tail", whereby there is not a significant delay between the occurrence of the claim and the claim being reported. The costs of claims notified at the balance sheet date are estimated on a case-by-case basis to reflect the individual circumstances of each claim. The ultimate expected cost of claims, including provisions for claims incurred but not reported ("IBNR"), is projected from this data by reference to statistics, which show how estimates of claims incurred in previous periods have developed over time.

Longer tail business

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

b. Unexpired risk reserves

At each balance sheet date tests are performed to ensure the adequacy of the unearned premium reserve, net of associated deferred acquisition costs, to cover future claims liabilities. In performing these tests, estimates of future premiums and claims cash flows, claims handling expenses and investment income from the assets backing such liabilities are considered and compared to the balances in the unearned premium reserve and deferred acquisition costs. Provision is made for any deficiencies by establishing an unexpired risk reserve.

Unexpired risk surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises. Unexpired risk reserves, where relevant, are included within "claims outstanding" in the balance sheet.

c. Deferred acquisition costs

Deferred acquisition costs, representing a proportion of commission and other acquisition costs that relate to policies in force at the period-end, are amortised over the period in which the related premiums are earned.

d. Reinsurance to close ("RITC")

Each syndicate's underwriting year of account is normally closed after the end of the third year by means of reinsurance into the following underwriting year of account, which reinsures all liabilities for the closed year in return for a premium determined by the syndicate managing agent.

Where the syndicate accepts an RITC from another syndicate, it is a net recipient of premium which is recognised as income in the financial year that the RITC contract is signed, together with related claims liabilities. RITCs are represented in the balance sheet by the related share of assets and liabilities transferred from the ceding syndicates.

e. Outwards reinsurance contracts

Outwards reinsurance contracts are contracts entered into by the syndicate with reinsurers whereby the syndicate may recover a proportion of losses on contracts written by the syndicate. Contracts that do not transfer significant insurance risk are accounted for as financial transactions.

3. Summary of significant accounting policies (continued)

e. Outwards reinsurance contracts (continued)

The benefits to which the syndicate is entitled under its outwards reinsurance contracts are recognised as reinsurance assets. These assets consist of short term balances due from reinsurers as well as longer term receivables that are dependent on the expected claims and benefits arising under the related insurance contracts. These balances are based on calculated amounts of outstanding claims and projections for IBNR, having regard to the reinsurance programme in place for the class of business and the claims experience for the period, net of estimated irrecoverable amounts after assessing the current security rating of the reinsurer involved. Reinsurance liabilities are primarily premiums payable for reinsurance contracts.

The syndicate assesses its reinsurance assets for impairment. If there is evidence of impairment, then the carrying amount is reduced to its recoverable amount and the impairment loss is recognised in the profit and loss account.

f. Receivables and payables related to insurance contracts

Receivables and payables include amounts due to and from agents, brokers and insurance contract holders. If there is evidence that the insurance receivable is impaired, the syndicate reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the profit and loss account.

g. Financial assets

The syndicate states financial assets at fair value.

The syndicate classifies its financial assets into the following categories: financial assets at fair value through profit and loss, loans and receivables and derivative financial instruments. There are no assets classified as available for sale.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(i) Financial assets at fair value through profit and loss

The syndicate classifies its investments at fair value through profit and loss.

Purchases and sales of investments are accounted for at their fair values (normally their cost of acquisition or proceeds of disposal) on the trade date, which is the date the syndicate commits to purchase or sell the assets. The fair value of quoted investments is based on quoted bid prices. Realised and unrealised gains and losses arising from the changes in fair values are included in investment return in the profit and loss account in the period in which they arise. Unquoted investments are initially carried at cost as the best estimate of fair value, which is adjusted using appropriate valuation techniques and having regard to subsequent events or changes in circumstances.

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 year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

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

3. Summary of significant accounting policies (continued)

g. Financial assets (continued)

(ii) Loans and receivables

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

(iii) Derivative financial instruments

Syndicate 958 enters into exchange traded derivatives and foreign currency forward contracts from time to time to manage its exposures to interest rate risk and foreign exchange rate volatility. These contracts are initially recorded at cost and revalued to their fair value at each period end by reference to the rates of exchange ruling at the balance sheet date. Any gains or losses on the contracts are included in the non-technical account.

(iv) 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 and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

h. Foreign currencies

In accordance with FRS102, the functional currency is the currency of the primary economic environment in which the syndicate operates. The functional currency for Syndicate 958 is the US Dollar, having changed from sterling with effect from 1 January 2016 primarily due to the decision to move to US Dollar for the distribution of profits for 2016. The statutory report and accounts are presented in Sterling. Foreign exchange resulting from translating balances in functional currency into Sterling goes to Other Comprehensive Income. FRS 102 requires all foreign currency transactions to be translated into the functional currency at the transactional rate of exchange. Transactions in Sterling, Canadian dollars and euros are translated to US Dollars at the average rates of exchange for the period. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

At the period end, the monetary foreign currency items are translated to US Dollars at the closing rate with any difference being recorded in the non-technical account. For the purposes of applying the requirements of Section 30 Foreign Currency Translation of FRS 102, all assets and liabilities arising from insurance contracts are treated as monetary items.

i. 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 is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States federal income tax payable on underwriting results or investment earnings. Any payments on account made by the syndicate during the year have been included in the balance sheet under the heading “other debtors”.

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

4. Critical accounting judgements and estimation uncertainty

Insurance claims and claims settlement expenses

Insurance claims and claims settlement expenses comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for IBNR and related expenses, together with any other adjustments to claims from prior years.

Provision is made at the period-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the syndicate. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. There is inherent uncertainty in establishing claims provisions and it is likely that the final outcome will prove to be different from the original estimate of the liability. Adjustments to the amounts of claims provisions established in prior years are included in the financial statements in the period in which the adjustments are made. The claims provisions are reviewed regularly.

Estimating claims IBNR is inherently more uncertain than the cost of claims notified, for which more information about the claim event is generally available.

Classes of business where the IBNR proportion of the total claims provisions is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility in the claims provisions.

Where possible the syndicate adopts multiple techniques to estimate the required level of claims provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by 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 underwriting year of account.

Allowance is made 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 business environment or processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from prior periods;
- changes in the legal environment;
- the effects of inflation;
- changes in the 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 the syndicate has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods.

Large claims and catastrophe events 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.

Claims provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers. An assessment is also made of the recoverability of reinsurance recoveries having regard to available data on the financial strength of each of the reinsurance companies.

Claims provisions are not discounted for the investment earnings that may be expected to arise in the future on funds retained to meet the future liabilities.

4. Critical accounting judgements and estimation uncertainty (continued)

Premium estimates

Gross written premiums include an estimate of the total premiums expected to be received under each insurance and reinsurance contract. Revenue recognised on policies written through contracts with third parties, such as binding authorities and line slips, is estimated in full at the inception of such contracts and, therefore, this estimate is judgmental. Further adjustments to estimates from previous years are also included in the reported premiums for the relevant underwriting years.

Premium estimation uses expert judgement, the quality of the estimate being influenced by the nature and maturity of the portfolio, availability of timely data, relevant underwriting input to the estimating process and management review. Gross written premium estimates are reviewed regularly using underwriter estimates and actuarial projections.

Financial investments

The syndicate uses prices provided by investment managers and counterparty banks in determining the fair value of financial assets. Depending on the methods and assumptions used, for example, in the fair valuation of Level 2 and Level 3 financial assets, the fair valuation can be subject to estimation uncertainty. These methods and assumptions are described in Note 5.

5. Management of risk

The syndicate has identified the principal risks and uncertainties arising from its activities and has established policies and procedures to manage these items in accordance with its risk appetite. The sections below explain how the syndicate defines and manages each category of risk.

a. Insurance risk

Insurance risk is defined as the risk of fluctuations in the timing, frequency and severity of insured events and claims settlements, relative to expectations. Syndicate 958's exposure to insurance risk arises from underwriting/pricing, insurance concentrations, reserving and reinsurance. The Board of CMA seeks to mitigate insurance risk by analysing historical pricing and claims experience, setting a tolerance to concentration risk, monitoring performance, and conducting in-house and external actuarial review of claims provisions, independent of the underwriting teams.

The syndicate has formal controls in place to ensure that business is underwritten in a controlled environment by reference to both the annual business plan and in line with underwriting policy. Preventative controls include underwriting authority limits which are agreed and signed off by the Active Underwriter, divisional and Group underwriting guidelines and benchmark ratings for all underwriting divisions. Detection controls include exception reports where authority limits are exceeded, expert review procedures, peer reviews and internal audit reviews. The underwriting controls team monitors compliance with these controls and reports to senior management as necessary.

The greatest likelihood of significant losses to Syndicate 958 arises from natural catastrophe events such as windstorm, earthquake or flood. CMA quantifies all catastrophe risk exposures using proprietary modelling software in conjunction with the principal underwriting systems to assess and model catastrophe exposures. The modelling tools are used in conjunction with CMA's knowledge of the business, historical loss information and geographic accumulations to monitor aggregation and to simulate catastrophe losses. The range of scenarios considered includes natural catastrophe, property, marine, liability and terrorism events.

CMA's capital setting methodology enables modelling to be performed in a sophisticated, but practical, manner particularly in determining the correlations between catastrophe exposed classes of business. Stochastic models use event tables which capture directly the different geographic distributions of risk in the various lines of business.

5. Management of risk (continued)

a. Insurance risk (continued)

Effective risk management in non core areas and from non modelled perils is ensured using a suite of exposure accumulation and aggregation monitoring techniques and proprietary deterministic models.

As a guide to the level of concentration of exposure the Syndicate writes, the following table shows the Syndicate's exposure to its three largest natural catastrophe perils during 2016:

Peril	**Gross Loss £000**	**Final Net Loss £000**
North Atlantic Hurricane	18,519	6,667
US Earthquake	9,630	2,963
European Windstorm	13,333	2,963

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

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

The underwriters, supported by the actuarial pricing team, use their expertise and experience to determine the likely claims cost and, therefore, the premium that should be sufficient (across a portfolio of risks) to cover claims costs, expenses and to produce an acceptable profit in line with the agreed business plan.

Due to the nature of insurance risk, however, the premium charged may not be sufficient to cover the cost of claims. The shortfall may result from insufficient premium being calculated and charged or from an unexpected or unprecedented high level of claims.

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

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

The syndicate is also exposed to the risk of:

- inappropriate claims reserves;
- inappropriate payment of claims.

All claims arising are reserved upon notification. The entire portfolio of business is subject to a quarterly reserving process whereby levels of paid and outstanding claims are reviewed. Potential future claims are assessed with a provision for IBNR claims being made. The quarterly review process is overseen by the Reserving Committee. The position is reviewed at the year end by the syndicate's external actuary. Whilst a detailed and disciplined reserving exercise is carried out, known claims can develop beyond the level of reserves held.

Furthermore, there is increased uncertainty around the provision for IBNR claims. Consequently, there is a possibility that claims may arise which in aggregate exceed the reserve provision established. In the event that claims do not develop in line with expectations, the Reserving Committee will seek to release any redundant reserves.

5. Management of risk (continued)

a. *Insurance risk (continued)*

The syndicate purchases specific reinsurances to protect against single risk losses. The syndicate also purchases general excess of loss reinsurance to protect from severe losses. The structure of the programme and type of protection bought will vary from year to year depending on the availability and price of cover.

(i) Development of claims

The claims provisions established can be more or less than adequate to meet eventual claims. The level of uncertainty varies from class to class but can arise from inadequate case reserves for known large losses and catastrophes or from inadequate provision for IBNR. The impact on profit of a 1% improvement/deterioration in the total net claims reserves would be a £2.7m gain/loss (2015: £2.8m).

(ii) Claims development tables

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

The tables below are presented at the exchange rates prevailing at 31 December 2016.

At 31 December 2016	***2010 & prior***	***2011***	***2012***	***2013***	***2014***	***2015***	***Total***
Gross of reinsurance	***£'000***	***£'000***	***£'000***	***£'000***	***£'000***	***£'000***	***£'000***
Estimate of cumulative claims							
At end of underwriting year	-	158,731	139,286	46,084	47,335	61,260	452,697
One year later	-	233,535	180,542	91,001	100,843	121,983	727,904
Two years later	-	226,290	185,159	96,337	109,696		617,482
Three years later	-	223,835	179,863	93,174			496,872
Four years later	-	219,103	176,056				395,158
Five years later	-	219,093					219,093
Six years later	2,358,410						-
	2,358,410	219,093	176,056	93,174	109,696	121,983	3,078,412
Cumulative payments	(2,249,876)	(182,767)	(127,028)	(67,418)	(61,373)	(45,851)	(2,734,313)
Estimated balance to pay	108,534	36,326	49,028	25,756	48,323	76,132	344,099

At 31 December 2016	***2010 & prior***	***2011***	***2012***	***2013***	***2014***	***2015***	***Total***
Net of reinsurance	***£'000***	***£'000***	***£'000***	***£'000***	***£'000***	***£'000***	***£'000***
Estimate of cumulative claims							
At end of underwriting year	-	108,274	112,797	36,276	38,752	49,675	345,774
One year later	-	168,958	145,553	72,218	73,625	99,950	560,304
Two years later	-	150,508	150,730	75,507	78,579		455,323
Three years later	-	149,428	144,586	73,206			367,219
Four years later	-	144,233	141,389				285,622
Five years later	-	144,017					144,017
Six years later	1,421,871						-
	1,421,871	144,017	141,389	73,206	78,579	99,950	1,959,012
Cumulative payments	(1,328,703)	(115,031)	(102,000)	(53,787)	(46,530)	(40,102)	(1,686,154)
Estimated balance to pay	93,168	28,986	39,389	19,419	32,048	59,848	272,858

5. Management of risk (continued)

b. Financial risk

The syndicate is exposed to a wide range of financial risks, the key financial risk being that the proceeds from its assets are not sufficient to fund the obligations arising from its insurance contracts. An analysis of the syndicate's exposure to the significant components of financial risk is given below split between:

(i) Market risk (including interest rate risk and equity price risk);
(ii) Credit risk (including Fair Value Hierarchy);
(iii) Currency risk; and
(iv) Liquidity risk.

(i) Market risk

Market risk arises from fluctuations in values of, or income from, assets or in interest or exchange rates and is derived primarily from the syndicate's investment of trust fund monies and from currency exposures. The Board has agreed an investment strategy commensurate with the syndicate's risk appetite.

Interest rate risk

CMA manages sensitivity to market conditions by reference to interest rate risk and equity price risk. Since the majority of the syndicate's investments comprise cash, overseas deposits and fixed income securities, the fair value of the portfolio is inversely correlated to movements in interest rates. If interest rates fall, the fair value of the syndicate's fixed income securities tends to rise and vice versa. The fair value of fixed income investments in the syndicate's balance sheet at 31 December 2016 was £128m (2015: £134m) with an average duration of around 1.18 years (2015: 2.34 years). If interest rates were to rise/(fall) by 50 basis points at the balance sheet date, the fair value and therefore the profit for the financial year and members' balances would decrease/(increase) by approximately £0.6m (2015: £1.3m).

The syndicate manages interest rate risk by investing in financial investments, cash and overseas deposits with an average duration of less than three years. The Investment Committee monitors the duration of these assets on a regular basis.

Outstanding claims provisions are not sensitive to the level of interest rates as they are undiscounted and contractually non-interest bearing.

Equity price risk

At the balance sheet date the syndicate's exposure to equity price risk was limited to a maximum allocation of £5.5m within the SYZ & Co managed funds (2015: £5.9m). If the FTSE 100/S&P 500 were to rise/(fall) by 5% at the balance sheet date, the profit for the financial year and members' balances would increase/(decrease) by approximately £0.3m (2015: £0.3m).

Equity price risk is managed through a well diversified portfolio which is complemented by non-correlated assets.

(ii) Credit risk

Credit risk is the risk that the syndicate becomes exposed to loss if a counterparty fails to perform its contractual obligations. Credit risk could, therefore, impact upon the syndicate's ability to meet its claims as they fall due. The syndicate has in place policies and procedures designed to manage its credit risk exposures.

The primary sources of credit risk for the syndicate are:

- amounts due from reinsurers,
- amounts due from insurance intermediaries, and
- counterparty risk with respect to investments including cash and cash equivalents.

5. Management of risk (continued)

(ii) Credit risk (continued)

The credit risk in respect of reinsurance debtors is primarily managed by review and approval of reinsurance security by CMA's Reinsurance Security Committee, prior to the purchase of reinsurance contracts. Guidelines are set and monitored, that limit the purchase of reinsurance based on Standard & Poor's or appropriate alternative ratings for each reinsurer. The credit risk in respect of reinsurers is primarily managed by CMA's reinsurance support team. Provisions are made against the amounts due from certain reinsurers, depending on the current rating assigned to the reinsurer. Some reinsurers provide collateral, usually in the form of letters of credit, to protect the syndicate in the event of non-payment of debt. As this collateral effectively guarantees the debt, these reinsurers are zero-rated for bad debt provisions. The recovery of debt from reinsurers is administered by the reinsurance support team.

The credit risk in respect of insurance intermediaries is managed by the credit management function with the aid of the underwriting department and a dedicated binder management team.

To transact business with the syndicate the insurance intermediary must first comply with internal guidelines that include approval (where relevant) by both the PRA and Lloyd's, to have a satisfactory credit rating and to have in place a terms of business agreement or a binding authority agreement with the syndicate. The position is then monitored through ongoing review of the amount of debt outstanding to terms, and by regular cover-holder audits.

The Group Finance Committee regularly reviews inwards premiums debtors and reinsurance debtors by reference to the age of the debt. Debts from insurance intermediaries fall due according to the terms of trade; debts from reinsurers crystallise in line with the reinsurance contract terms.

An analysis of amounts past due from insurance intermediaries and reinsurers by age is presented below.

At 31 December 2016	***Neither past due nor impaired***	***Up to 3 months***	***3 – 6 months***	***6 – 12 months***	***More than 12 months***	***Impaired financial assets***	***Total***
	£000	***£000***	***£000***	***£000***	***£000***	***£000***	***£000***
Debtors arising out of direct insurance operations	20,657	1,436	884	2,530	5,083	-	30,590
Debtors arising out of reinsurance operations:							
Due from intermediaries under reinsurance business	2,963	79	96	221	-	-	3,359
Reinsurance recoverables on paid claims	-	3,783	146	-	(32)	613	4,510
Total	23,620	5,298	1,126	2,751	5,051	613	38,459

5. Management of risk (continued)

(ii) Credit risk (continued)

At 31 December 2015	Neither past due nor impaired	Up to 3 months	3 – 6 months	6 – 12 months	More than 12 months	Impaired financial assets	Total
	£000	£000	£000	£000	£000	£000	£000
Debtors arising out of direct insurance operations	55,403	5,821	2,403	1,228	216	-	65,071
Debtors arising out of reinsurance operations:							
Reinsurance recoverables on paid claims	10,691	24,833	24	2	(47)	478	35,981
Total	66,094	30,654	2,427	1,230	169	478	101,052

Credit risk within the investment funds is managed through the credit research carried out by the investment managers. The investment guidelines are designed to mitigate credit risk by ensuring diversification of the holdings. Fixed income investments are invested in government and corporate bonds.

An analysis of the syndicate's major exposure to counterparty credit risk and credit risk with the investment funds and cash, is based on Standard & Poor's or equivalent rating, is presented below.

At 31 December 2016	AAA	AA	A	BBB/ BB	Other /Not rated	Total
	£000	£000	£000	£000	£000	£000
Reinsurance recoverables on paid claims (neither past due nor impaired)	-	-	-	-	-	-
Reinsurers' share of claims outstanding	-	12,984	57,335	-	922	71,241
Debt and other fixed income securities	34,383	5,071	15,535	6,095	1,117	62,201
Holdings in collective investment schemes and participations in investment pools	46,446	4,198	5,684	9,468	36,600	102,396
Deposits with credit institutions	-	257	-	-	-	257
Derivative assets	-	-	4	-	-	4
Cash and overseas deposits	9,493	3,117	5,780	17,266	-	35,656
Total	90,322	25,627	84,338	32,829	38,639	271,755

At 31 December 2015	AAA	AA	A	BBB/ BB	Other/Not rated	Total
	£000	£000	£000	£000	£000	£000
Reinsurance recoverables on paid claims (neither past due nor impaired)	-	224	10,364	-	103	10,691
Reinsurers' share of claims outstanding	-	8,497	70,897	-	1,065	80,459
Debt and other fixed income securities	41,044	4,700	14,711	7,844	-	68,299
Holdings in collective investment schemes and participations in investment pools	53,487	4,699	5,321	22,946	32,888	119,341
Deposits with credit institutions	-	218	-	-	-	218
Derivative assets	-	-	-	-	244	244
Cash and overseas deposits	11,193	1,956	9,074	6,069	36	28,328
Total	105,724	20,294	110,367	36,859	34,336	307,580

Notes to the Financial Statements

5. Management of risk (continued)

(ii) Credit risk (continued)

The carrying values represent the maximum exposure to credit risk at the balance sheet date in respect of the above assets. The analysis above does not include insurance debtors from direct insurance operations as the majority of these assets are in respect of premiums for which the information is not readily available.

The underlying investments in ‘other/not rated’ holdings in collective investments are shown below.

Underlying investments in 'other/not rated'	***2016***	*2015*
	£000	*£000*
Equities	5,510	5,855
Hedge funds	28,703	626
High Yield	-	26,407
BB and below	3,503	-
Total	37,716	32,888

Fair Value Hierarchy

The syndicate has classified its financial instruments in accordance with the requirements of paragraph 16 to the March 2016 amendment to FRS102 and has adopted an approach consistent with IFRS13, Fair Value Measurement. This has resulted in a restatement of the 2015 comparative figures. The fair value hierarchy classifies financial instruments into Level 1 to 3 based on the significance of the inputs used in measuring their fair value.

The levels within the fair value hierarchy are defined as follows:

Level 1	-	Based on unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement.
Level 2	-	Based on inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
Level 3	-	Where inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

31 December 2016	***Level 1***	***Level 2***	***Level 3***	***Total***
	£000	***£000***	***£000***	***£000***
Shares and other variable yield securities	37,659	49,373	-	87,032
Debt and other fixed income securities	59,396	2,804	-	62,200
Derivative assets	4	-	-	4
Participations in investment pools	3,454	11,909	-	15,364
Loans and deposits with credit institutions	258	-	-	258
Other financial investments	100,771	64,087	-	164,858
Overseas deposits	6,941	8,086	-	15,027
Derivative liabilities	(26)	(830)	-	(856)
Total	107,686	71,343		179,029

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for the year ended 31 December 2016

5. Management of risk (continued)

Fair Value Hierarchy (continued)

31 December 2015 (restated)	*Level 1 £000*	*Level 2 £000*	*Level 3 £000*	*Total £000*
Shares and other variable yield securities	32,771	71,104	-	103,874
Debt and other fixed income securities	54,544	13,755	-	68,299
Derivative assets	11	230	-	244
Participations in investment pools	4,886	10,581	-	15,467
Loans and deposits with credit institutions	218	-	-	218
Other financial investments	92,432	95,669	-	188,102
Overseas deposits	11,437	4,409	-	15,846
Derivative liabilities	-	-	-	-
Total	103,869	100,078	-	203,948

The level within the hierarchy that a financial instrument is placed is based on the lowest level of any input that is significant to its fair value measurement.

(iii) Currency risk

Policyholders' assets are held in the four principal Lloyd's settlement currencies (sterling, euros, US dollars and Canadian dollars) which represent the vast majority of the syndicate's liabilities by currency. A significant proportion of the syndicate's business is transacted in US dollars. Its presentation currency is sterling and, therefore, foreign exchange risk also arises when non-sterling profits are converted into sterling.

CMA has a group policy to mitigate foreign exchange risk and this policy is managed by the finance team and the finance committee.

The syndicate operates internationally and its exposures to foreign exchange risk arise primarily with respect to sterling, euro and Canadian dollar. The syndicate mitigates this risk by endeavouring to match assets and liabilities in foreign currency. Moreover, Syndicate 958 enters into conventional foreign currency forward contracts from time to time to manage its exposures to foreign exchange rate volatility.

In certain circumstances, the syndicate is exposed to a subsidiary foreign exchange risk where regulators demand that the syndicate hold US dollar and Canadian dollar currency assets to hedge liabilities measured on a regulatory basis, rather than best estimate.

However, the syndicate seeks to limit the risk of currency exchange fluctuations in non-standard settlement currencies by buying forward contracts when appropriate.

Notes to the Financial Statements

for the year ended 31 December 2016

5. Management of risk (continued)

(iii) Currency risk (continued)

The profile of the syndicate's assets and liabilities, categorised by currency, was as follows:

At 31 December 2016	***Sterling & Other***	***US dollar***	***Euro***	***CAD***	***Total***
	£000	***£000***	***£000***	***£000***	***£000***
Financial investments	14,425	107,108	30,386	12,939	164,858
Overseas deposits	3,312	9,722	-	1,993	15,027
Reinsurers' share of technical provisions	28,117	41,240	4,256	1,116	74,729
Insurance and reinsurance receivables	12,774	25,680	184	(179)	38,459
Cash and cash equivalents	3,798	13,772	1,319	1,740	20,629
Other assets	69,025	3,724	256	142	73,147
Total assets	131,451	201,246	36,401	17,751	386,849
Technical provisions	166,352	161,378	25,421	7,355	360,506
Insurance and reinsurance payables	4,466	6,988	950	(7)	12,397
Other creditors	1,366	2,909	68	27	4,370
Total liabilities	172,184	171,275	26,439	7,375	377,273

At 31 December 2015	***Sterling & Other***	***US dollar***	***Euro***	***CAD***	***Total***
	£000	***£000***	***£000***	***£000***	***£000***
Financial investments	34,318	114,914	25,412	13,458	188,102
Overseas deposits	3,412	10,854	4	1,576	15,846
Reinsurers' share of technical provisions	39,596	48,973	5,904	1,407	95,880
Insurance and reinsurance receivables	24,903	68,057	6,113	1,979	101,052
Cash and cash equivalents	1,547	6,679	3,435	821	12,482
Other assets	92,212	14,723	1,564	662	109,161
Total assets	195,988	264,200	42,432	19,903	522,523
Technical provisions	213,825	204,439	30,031	7,998	456,293
Insurance and reinsurance payables	7,015	28,897	3,379	777	40,068
Other creditors	6,830	3,464	42	30	10,366
Total liabilities	227,670	236,800	33,452	8,805	506,727

(iv) Liquidity risk

Liquidity risk arises where insufficient financial resources are maintained to meet liabilities as they fall due. The syndicates are exposed to daily calls on its available cash resources, principally from claims arising from its insurance activities. As a consequence, cash is managed closely by the treasury team.

Notes to the Financial Statements

for the year ended 31 December 2016

5. Management of risk (continued)

(iv) Liquidity risk (continued)

All valid claims must be paid as they fall due and, therefore, it is essential that the syndicate maintains an appropriate level of liquidity at all times. As a consequence, cash is managed closely by the treasury team. The syndicate is exposed to daily calls on its available cash resources, principally from claims arising from its insurance activities.

The syndicate's policy is to manage its liquidity position so that it can reasonably meet a significant individual or market loss event. This means that the syndicate maintains sufficient liquid assets, or assets that can be quickly converted into liquid assets, without any significant capital loss, to meet estimated cash flow requirements. The availability of liquidity in the event of a major disaster is regularly tested using internal cash flow forecasts and realistic disaster scenarios.

The majority of the syndicate's investments are in highly liquid assets which could be converted into cash in a prompt fashion and at minimal expense. The syndicate has some hedge fund assets which are not readily convertible. Cash and overseas deposits are generally bank deposits and money funds.

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

The tables below show the contractual maturities for financial liabilities.

31 December 2016	*No stated maturity*	*0-1 year*	*1-3 years*	*3-5 years*	*>5 years*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Derivative liabilities	-	856	-	-	-	856
Creditors	-	14,304	109	-	-	14,413
Claims outstanding	-	87,945	123,973	70,416	61,766	344,099
Total	-	103,105	124,082	70,416	61,766	359,368

31 December 2015	*No stated maturity*	*0-1 year*	*1-3 years*	*3-5 years*	*>5 years*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Derivative liabilities	-	4	-	-	-	4
Creditors	-	49,677	263	-	-	49,939
Claims outstanding	-	95,945	134,143	69,579	64,442	364,109
Total	-	145,625	134,406	69,579	64,442	414,052

c. Group risk

Group risk arises from the potential impact of risk events, of any nature, arising in or from membership of a corporate group. Sompo Canopius AG ("SCAG") is the global specialty lines platform of Sompo Holdings Inc. ("Sompo Holdings") which has total assets of c.$90 billion. SCAG is wholly owned by the principal subsidiary of Sompo Holdings, Sompo Japan Nipponkoa Insurance Inc. ("SJNK"), an A+ rated company and one of the top three Japanese property and casualty insurers.

Sompo Holdings engages in strategic risk management (SRM) with the aim of maximising Group corporate value. It is used to identify significant risks from a variety of sources throughout the group, which has established an integrated risk control system to analyse, assess, and control risks while maintaining the ability to accurately respond to risks when they occur.

5. Management of risk (continued)

d. Operational risk

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

- regular meetings of the Board of directors at which key aspects of the managing agent's and syndicate's businesses are reviewed, including review of reports from various sub-committees of the Board
- underwriting procedures guidelines
- claims management policies and guidelines
- risk registers which are reviewed and signed off by the risk and control owners on a regular basis
- a suite of risk policies for major risk categories relating to the activities of the syndicate
- an internal audit function whose audit plan is aligned with CMA's risk framework
- human resources policies and guidelines designed to ensure that the operations are adequately resourced by sufficiently skilled and trained people, who are appropriately remunerated
- financial policies and controls that cover:
    - maintaining segregated funds for the syndicate's assets
    - investment of funds
    - expense management
    - establishing adequate provisions for unpaid claims
    - credit risk, including debt collection and managing counter-party exposures
    - cash flow and other financial projections
    - regular review and reconciliation of the entity's financial records.

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

e. Regulatory risk

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

Regulatory risk is managed by the risk and compliance teams to ensure legislative and regulatory changes are understood and observed.

6. Capital setting, capital management policies and objectives

The syndicate's objectives in managing its capital are to:

- satisfy the requirements of its policyholders and regulators; and
- allocate capital efficiently to support growth.

The Society of Lloyd's applies capital requirements at member level and in aggregate to ensure that Lloyd's complies with Solvency II, whilst meeting its own financial strength, licence and ratings objectives.

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for the year ended 31 December 2016

6. Capital setting capital management policies and objectives (continued)

Although 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 958 is not disclosed in these financial statements.

The PRA and Lloyd's oversee the capital setting regime that requires syndicates to calculate their own capital requirements through a Solvency Capital Requirement ("SCR"). The SCR 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 share of underwriting liabilities on the syndicate(s) on which it participates 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'.

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 statement of financial position on page 13, represent resources available to meet members' and Lloyd's capital requirements.

The syndicate maintains models in accordance with this regime, and also prepares an annual own risk & solvency assessment ("ORSA") report.

There are seven key elements to CMA's capital methodology namely:

- risk identification;
- the articulation of risk bearing capacity and establishment of risk appetite;
- identification of capital requirement for all significant risks;
- sensitivity analysis and 'reasonableness checks';
- aggregation and correlation of risks;
- comparison with other benchmarks e.g. prior years' SCRs; syndicate quantitative impact study ("QIS") results, the PRA published calculations based on industry SCR submissions and market surveys/studies; and
- Board review and challenge.

The SCR represents the equivalent of minimum regulatory capital, as is required by the PRA and Lloyd's, and does not represent the amount of economic capital required to support and maintain Lloyd's ratings. The SCR process produces a result that is uplifted by Lloyd's to the capital required to maintain their rating, currently 'A+ (strong)' by Standard & Poor's.

To improve the risk management capability, and the assessment of capital requirements, CMA has developed a stochastic model to analyse the potential performance of its main underwriting operations. Stress and scenario analysis is also performed for those risks that cannot be easily modelled quantitatively and where more subjective judgement is required (for example, operational risk) as well as to challenge the output of the stochastic model.

6. Capital setting capital management policies and objectives (continued)

Using its detailed measurement of risk exposures, the syndicate allocates capital to support the business according to the risk appetite and expected returns. The syndicate has complied with all capital requirements during the year.

CMA has developed and implemented documentation, procedures and controls to ensure compliance with Solvency II, the fundamental overhaul of the capital adequacy regime for the European insurance industry. Solvency II introduces a new, harmonised EU-wide insurance regulatory regime to:

- Improve consumer protection by ensuring a uniform and enhanced level of policyholder protection across the European Union. A more robust system will give policyholders greater confidence in the products of insurers.
- Modernise supervision. The “Supervisory Review Process” will shift supervisors’ focus from compliance monitoring and capital to evaluating insurers’ risk profiles and the quality of their risk management and governance systems.
- Deepen EU market integration through the harmonisation of supervisory regimes.
- Increase international competitiveness of EU insurers.

Solvency II was implemented on 1 January 2016.

CMA implemented a programme of initiatives to engage proactively with the challenges and opportunities that arise from the preparation for Solvency II. CMA has continued to enhance its risk management processes and their enabling governance structures to ensure that CMA is compliant with the Solvency II deadlines set by Lloyd’s and the PRA.

7. Segmental analysis

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

2016	***Gross written premiums***	***Gross premiums earned***	***Gross claims incurred***	***Gross operating expenses***	****Reins. Balance***	***Total***
	£000	***£000***	***£000***	***£000***	***£000***	***£000***
Direct Insurance:						
Accident and health	2,227	4,575	(1,609)	(2,782)	166	18
Motor (third party liability)	1,764	6,513	(3,506)	(2,243)	410	354
Motor (other classes)	784	10,459	(6,428)	(3,634)	608	(211)
Marine, Aviation & Transport	1,986	8,937	(5,464)	(3,324)	1,655	(1,506)
Energy	3,056	8,925	(7,933)	(3,227)	(1,675)	(560)
Fire & other damage to property	11,511	34,910	(14,241)	(14,798)	4,858	1,013
Third party liability	12,201	28,077	(16,454)	(11,445)	206	(28)
Pecuniary Loss	1,949	3,200	(2,131)	(1,032)	207	(170)
Other	-	-	(355)	-	-	(355)
	35,478	105,596	(58,121)	(42,485)	6,435	(1,445)
Reinsurance inwards	(1,760)	10,107	1,318	(6,016)	2,371	3,038
Total	33,718	115,703	(56,803)	(48,501)	8,806	1,593

* Reinsurance balance includes Reinsurance commissions and profit participations payable of £0.3m.

Notes to the Financial Statements

for the year ended 31 December 2016

7. Segmental analysis (continued)

2015	*Gross written premiums*	*Gross premiums earned*	*Gross claims incurred*	*Gross operating expenses*	**Reins. Balance*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Direct Insurance:						
Accident and health	5,253	4,352	(2,177)	(2,646)	(137)	(608)
Motor (third party liability)	10,358	9,813	(7,414)	(3,578)	(22)	(1,201)
Motor (other classes)	20,412	14,505	(8,764)	(6,252)	(322)	(833)
Marine, Aviation & Transport	14,108	13,174	(6,640)	(4,977)	(1,211)	346
Energy	14,116	11,147	(11,731)	(4,731)	2,349	(2,966)
Fire & other damage to property	53,943	56,117	(22,731)	(23,853)	(9,242)	291
Third party liability	36,589	34,403	(20,425)	(15,031)	(943)	(1,996)
Pecuniary Loss	3,160	2,040	(1,197)	(960)	(233)	(350)
Other	-	-	262	9	(1)	270
	157,939	145,551	(80,817)	(62,019)	(9,762)	(7,047)
Reinsurance inwards	47,089	48,804	(7,446)	(12,834)	(12,965)	15,559
Total	205,028	194,355	(88,263)	(74,853)	(22,727)	8,512

* Reinsurance balance includes Reinsurance commissions and profit participations payable of £0.9m.

The reinsurance balance represents the (charge)/credit to the technical account from the aggregate of all items relating to reinsurance outwards. All premiums were concluded in the United Kingdom.

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

	2016	*2015*
	£000	*£000*
UK	4,484	61,277
Other EU countries	2,116	9,095
US	21,650	83,199
Other	5,468	51,457
Total	33,718	205,028

8. Currency rates of exchange

	31 Dec 16	***Average for 2016***	*31 Dec 15*	*Average for 2015*
US $	1.24	1.35	1.47	1.53
Euro	1.17	1.22	1.36	1.38
Canadian $	1.66	1.79	2.05	1.95

Notes to the Financial Statements

for the year ended 31 December 2016

9. Net claims outstanding

A favourable/(adverse) run-off deviation was experienced during the year in respect of the following classes of business:

	2016	*2015*
	£000	*£000*
Accident & health	150	10
Motor (third party liability)	579	(943)
Motor (other classes)	(177)	232
Marine & Energy	1,919	347
Aviation	245	(823)
Fire & other damage to property	1,179	(1,205)
Third party liability	(854)	2,410
Pecuniary loss	15	(171)
Other	(355)	76
	2,701	(67)
Reinsurance inwards	6,497	11,301
Total	9,198	11,234

10. Net operating expenses

	2016	*2015*
	£000	*£000*
Commissions on direct business	12,704	47,343
Commissions on inwards reinsurance business	323	6,166
Other acquisition costs	3,386	12,530
Change in deferred acquisition costs	26,941	(3,604)
Administrative expenses	3,905	9,636
Reinsurance commissions and profit participations	(387)	(916)
Total expenses – technical account	46,872	71,155
(Profit)/loss on exchange – non technical account	(1,730)	374
Total expenses	45,142	71,529

Administrative expenses include:

	2016	*2015*
	£000	*£000*
Auditors' remuneration:		
Audit of syndicate accounts	43	140
Audit related assurance	-	46
Other services pursuant to Regulations and Lloyd's Byelaws	16	-
Other assurance services	-	1
Other non-audit services	75	112
Total audit and non-audit fees	134	299

11. Personal Expenses

	2016	2015
	£000	£000
Members' standard personal expenses	1,244	1,394
Managing Agent's fee	-	1,387
Total	1,244	2,781

12. Staff numbers and costs

All staff are employed by a service company, Canopius Services Limited ("CSL"). The following amounts were recharged to the syndicate in respect of salary costs:

	2016	2015
	£000	£000
Wages and salaries	3,006	11,415
Social security costs	370	1,251
Pension contributions to money purchase schemes	199	873
Total	3,575	13,539

The average number of employees employed by CSL working on the syndicate's affairs during the year was as follows:

	2016	2015
Underwriting	7	47
Insurance Services	10	25
Other	10	36
Total	27	108

13. Emoluments of the directors of Canopius Managing Agents Limited

In 2015, Stephen Gargrave was appointed Chief Underwriting Officer and sole Active Underwriter for Syndicate 958. He was succeeded by Mike Duffy in February 2016.

The directors of CMA, excluding the joint Active Underwriters, received the following aggregate remuneration charged to the syndicate and included within net operating expenses:

	2016	2015
	£000	£000
Emoluments	442	732
Pension contributions to money purchase schemes	9	11
Total	451	743

Retirement benefits are accruing to 2 directors (2015: 3) under money purchase schemes.

The Active Underwriters received the following remuneration charged as a syndicate expense:

	2016	2015
	£000	£000
Emoluments	48	375
Pension contributions to money purchase schemes	-	-
Total	48	375

No pension contributions on behalf of the active underwriters were charged to Syndicate 958 in 2016 (2015: nil).

14. Net investment income recognised in profit or loss

	2016 £000	*2015 £000*
Interest and similar income		
From financial instruments designated at fair value through profit or loss	3,118	2,983
Interest on cash at bank	844	316
Investment expenses	(444)	(351)
Total interest and similar income	3,518	2,948
Other income from investments designated at fair value through profit or loss		
Realised (losses)/gains on investments	(1,667)	635
Unrealised gains/(losses) on investments	2,991	(2,309)
Total other income	1,324	(1,674)
Net investment return transferred to the general business technical account	4,842	1,274

	2016 £000	*2015 £000*
Average amount of syndicate funds available for investment during the year (including inter-syndicate loan)	208,472	248,688
Gross aggregate investment return for the calendar year in sterling	5,286	1,625
Gross calendar year investment yield	2.54%	0.65%

The syndicate classifies its investments at fair value through profit and loss. Financial assets classified into this category form a portfolio of financial assets which may be sold to meet the cash flow requirements of the syndicate or as investment conditions change.

15. Other financial investments

	Market value		**Cost**		**Listed**	
	2016 £000	*2015 £000*	***2016 £000***	*2015 £000*	***2016 £000***	*2015 £000*
Holdings in collective investment schemes	87,032	103,874	84,475	103,620	70,145	89,764
Debt and other fixed income securities	62,200	68,299	62,373	69,351	62,200	68,299
Participation in investment pools	15,364	15,467	15,364	15,467	15,364	15,467
Deposits with credit institutions	258	218	258	218	258	218
Derivative financial instruments	4	244	508	244	4	244
Total	164,858	188,102	162,978	188,900	147,971	173,992

The syndicate uses exchange traded derivatives and forward foreign exchange derivatives to hedge its exposure to interest rate and foreign currency risk.

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15. Other financial investments (continued)

The following derivative assets and liabilities were held at December 2016.

	Notional amount		Fair value	
	2016	*2015*	***2016***	*2015*
	£000	*£000*	***£000***	*£000*
Interest rate future contracts	18,231	19,287	(23)	11
Equity options	-	3,839	-	86
Foreign exchange contract for difference	62,919	6,474	(830)	147
Other (Bond option)	5,247	-	1,361	-
Total	86,397	29,600	508	244

16. Debtors arising out of direct insurance operations

	2016 ***£000***	*2015* *£000*
Due within one year		
Intermediaries	30,494	64,610
	30,494	64,610
Due after more than one year and within five years		
Intermediaries	96	461
Total	30,590	65,071

17. Debtors arising out of reinsurance operations

	2016 ***£000***	*2015* *£000*
Due within one year		
Ceding insurers and intermediaries under reinsurance business	3,294	10,677
Reinsurance recoverable on paid claims net of bad debt provision	4,510	25,223
	7,804	35,900
Due after more than one year and within five years		
Ceding insurers and intermediaries under reinsurance business	65	81
Total	7,869	35,981

18. Other debtors

	2016 ***£000***	*2015* *£000*
Due within one year		
Taxation	826	387
Amounts due from investment managers	409	150
Inter-syndicate loan with Syndicate 4444	65,894	64,675
Amounts due from other group undertakings	669	12,781
Total	67,798	77,993

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19. Overseas deposits

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

20. Creditors arising out of direct insurance operations

	2016 £000	2015 £000
Due within one year		
Intermediaries	5,505	4,514
	5,505	4,514
Due after one year		
Intermediaries	67	228
Total	5,572	4,742

21. Creditors arising out of reinsurance operations

	2016 £000	2015 £000
Due within one year		
Reinsurance ceded	6,783	35,291
	6,783	35,291
Due after one year		
Reinsurance ceded	42	35
Total	6,825	35,326

22. Other creditors

	2016 £000	2015 £000
Due within one year		
Amounts due to group undertakings	1,820	9,173
Taxation	196	698
Amounts due to investment managers	856	-
Rights under derivative obligations	-	4
Total	2,872	9,875

23. Deferred acquisition costs

The reconciliation of opening and closing deferred acquisition costs is as follows:

	2016 £000	2015 £000
At 1 January	30,446	26,416
Change in deferred acquisition costs	(26,941)	3,604
Foreign exchange	1,569	274
Other	-	152
At 31 December	5,074	30,446

24. Reconciliation of insurance balances

The reconciliation of opening and closing unearned premium provision is as follows:

	Gross		Reinsurers' share	
	2016 £000	2015 £000	**2016 £000**	2015 £000
At 1 January	92,184	79,207	15,421	14,300
(Decrease)/increase in provision	(81,984)	10,673	(13,129)	619
Foreign exchange	6,207	2,304	1,196	502
At 31 December	16,407	92,184	3,488	15,421

The reconciliation of opening and closing provision for claims is as follows:

	Gross		Reinsurers' share	
	2016 £000	2015 £000	**2016 £000**	2015 £000
At 1 January	364,109	373,493	80,459	78,596
(Decrease)/increase in provision	(51,622)	(16,237)	(16,872)	358
Foreign exchange	31,612	6,853	7,654	1,505
At 31 December	344,099	364,109	71,241	80,459

25. Post balance sheet events

On 27 February 2017 the Lord Chancellor announced a reduction in the applicable discount rate for valuation of personal injury awards from 2.5% to negative 0.75%. This has an adverse impact on all lump sum payments that include loss of earnings. CMA has assessed the impact of the change and for all managed syndicates the booked reserves at 31 December 2016 exceed that required for an external Statement of Actuarial Opinion. The estimated net cost to Syndicate 958 is £9.5m.

26. Pensions

CSL operates defined contribution pension schemes for the employees of CSL, including those working on the syndicate's affairs during the year. The assets of the schemes are held separately from those of CSL in independently administered funds. The amounts recharged to the syndicate from CSL in respect of pensions are disclosed in note 12.

27. Related parties

Transactions between the Managing Agent/Service Company and the Syndicate

CMA is the managing agent of Syndicate 958. Managing agency fees of £nil were paid by the syndicate to CMA during 2016 (2015: £1,387,000).

Profit commission payable to CMA of £938,000 has been accrued in respect of profits for the 2014 year of account in the 2016 calendar year (2015: £38,000).

At 31 December 2016, an amount of £nil was due from the syndicate to CMA (2015: £489,000).

Employment of staff, provision of accommodation and related services are provided at cost by CSL, which is owned by Canopius Holdings UK Ltd ("CHUKL"). Expenses during 2016 totalling £5,503,000 (2015: £19,399,000) were recharged to the syndicate by CSL.

At 31 December 2016, an amount of £182,000 was due to the syndicate to CSL (2015: £268,000 debtor).

27. Related parties (continued)

At 31 December 2016, Syndicate 958 owed SCAG £66,000 (2015: £143,000) in respect of investment losses arising on derivative hedging and overlay positions shared by SCAG and its affiliated entities. Syndicate 958 shares in the profits and losses associated with these arrangements.

Canopius Underwriting Bermuda Limited ("CUBL")
Canopius Underwriting Bermuda Limited ("CUBL") is an insurance service company that underwrites US excess casualty insurance primarily using the Bermuda policy form on behalf of the syndicate. Premiums written during 2016 totalled £277,000 (2015: £4,938,000).

Canopius Underwriting Limited ("CUL")
Canopius Underwriting Limited ("CUL") is an insurance service company that underwrites principally UK accident and health and professional indemnity business on behalf of the syndicate. Premiums written during 2016 totalled £720,000 (2015: £2,451,000).

Canopius UK Specialty Limited ("CUKSL") formerly K Drewe Insurance Brokers Limited ("KDIBL")
CUKSL is an insurance broker that underwrites principally caravan business on behalf of the syndicate. Premiums written during 2016 totalled £46,000 (2015: £2,965,000).

Canopius Asia Pte. Ltd ("CAPL")
Canopius Asia Pte. Ltd ("CAPL") trades as part of the Lloyd's Asia platform. CAPL underwrites treaty reinsurance, predominantly excess of loss property business, on behalf of the syndicate. Premiums written during 2016 totalled £542,000 (2015: £7,797,000). At 31 December 2016, an amount of £81,000 was due from the syndicate to CAPL (2015: £96,000).

Canopius Labuan Pte. Ltd ("CLPL")
Canopius Labuan Pte. Ltd ("CLPL") is an insurance service company that underwrites treaty reinsurance, predominantly excess of loss property business on behalf of the syndicate. Premiums written during 2016 totalled £137,000 (2015: £152,000).

Canopius Underwriting Agency Inc. ("CUAI")
Canopius Underwriting Agency Inc. ("CUAI") is a New York based coverholder that underwrites North American Facilities and MGA business on behalf of the syndicate. Premiums written during 2016 totalled £371,000 (2015: £937,000).

Sompo Japan Nipponkoa Nederland B.V. ("SJNKN")
Sompo Japan Nipponkoa Nederland B.V. ("SJNKN") is an insurance service company that underwrites a book of renewable energy business on behalf of the syndicate. Premiums written on behalf of the syndicate during 2016 totalled £690,000 (2015: £2,474,000). At 31 December 2016, an amount of £1,000 was due from the syndicate to SJNKN (2015: £9,000).

Syndicate 260
Syndicate 958 provided reinsurance security to Syndicate 260 in respect of its 2012 and earlier years of account. During the year, reinsurance recoveries of £1,117,000 (2015: £335,000) were paid. During the year, £49,000 of reinsurance premiums were due from Syndicate 260 (2015: £nil). At 31 December 2016 Syndicate 958 owed £545,000 (2015: £1,638,000) relating to outstanding claim recoveries.

In addition, there was an inter-syndicate debtor at 31 December 2016 of £nil (2015: £41,000).

Syndicate 260 also acted as receiving and paying agent for Syndicate 958 during 2016 in respect of the motor insurance and reinsurance books of business previously underwritten by Syndicate 260. Syndicate 260 collected premiums of £11,000 (2015: £6,396,000) and paid claims of £3,349,000 (2015: £1,469,000) on behalf of Syndicate 958.

Syndicate 4444
An inter-syndicate loan with Syndicate 4444 was established in February 2013. The loan was invested as part of the Syndicate 4444's investment portfolio, with interest calculated at the rate earned by the syndicate's sterling invested assets each month. The amount owed by

27. Related parties (continued)

Syndicate 4444 to Syndicate 958 comprising capital and accrued interest at 31 December 2016 totalled £65,894,000 (2015: £64,675,000).

In addition, there was an inter-syndicate creditor at 31 December 2016 of £1,077,000 (2015: £4,988,000 debtor).

SCRe formerly Canopius Reinsurance Limited ("CRL")

SCRe is a wholly-owned subsidiary of SCAG, domiciled in Switzerland and has provided Syndicate 958 with proportional reinsurance protection between 2006 and 2015.

During 2016, the Syndicate ceded £7,128,000 (2015: £16,553,000) of net premium to SCRe and collected £25,640,000 (2015: £18,844,000) in reinsurance recoveries. At 31 December 2016 the Syndicate owed SCRe £30,581,000 (2015: £12,018,000) of net written premium and accrued £21,894,000 (2015: £19,607,000) of reinsurance recoveries, with a further £25,067,000 (2015: £6,692,000) recoveries accrued on incurred claims including IBNR. Syndicate 958 is additionally due a profit commission from SCRe of £4,469,000 (2015: £402,000).

SJNK

SJNK is a wholly owned subsidiary of Sompo Holdings and the intermediate parent company of SCAG.

During 2015 and 2016, Syndicate 958 purchased Quota Share Treaty Reinsurance protection from SJNK at arm's length. Reinsurance premiums totalling £1,060,000 (2015: £286,000) were paid to SJNK and recoveries of £377,000 (2015: £35,000) against incurred claims have been accrued in these accounts.

Other group companies

The syndicate held a creditor balance with CHUKL £nil (2015: £143,000) as at 31 December 2016.

In addition, the syndicate held a creditor balance with Canopius Europe Limited of £3,000 (2015: £4,138,000 debtor).

Canopius Capital Four Limited ("CC4L"), Canopius Capital Five Limited ("CC5L"), Canopius Capital Seven Limited ("CC7L"), Canopius Capital Nine Limited ("CC9L"), Canopius Capital Ten Limited ("CC10L"), Canopius Capital Twelve Limited ("CC12L"), Flectat Limited ("Flectat") and Canopius Capital Fifteen Limited ("CC15L"), also subsidiaries of CHUKL, provided capacity to the 2013 to 2015 underwriting years as follows:

	2013		***2014***		***2015***	
	£m		£m		£m	
CC4L	16.5	3.00%	21	3.00%	14.8	2.00%
CC5L	33	6.00%	46	6.60%	-	-
CC7L	21.9	4.00%	24.5	3.50%	25.9	3.50%
CC9L	11.3	2.10%	11.3	1.60%	11.3	1.50%
CC10L	10	1.80%	12.5	1.80%	11.1	1.50%
CC12L	12.9	2.30%	16.4	2.30%	-	-
Flectat	361.7	65.80%	468.2	66.90%	584.0	78.90%
CC15L	27.5	5.00%	31.5	4.50%	-	-

28. Immediate and ultimate parent undertaking and controlling party

Syndicate 958 is managed by CMA and CMA's immediate UK parent is CHUKL, which is registered in England and Wales. CHUKL is part of SCAG which is registered in Switzerland. CMA's registered office is Gallery 9, One Lime Street, London EC3M 7HA.

SCAG is wholly-owned by Sompo Japan Nipponkoa Insurance, Inc. which itself is a wholly-owned direct subsidiary of Sompo Holdings, incorporated in Japan.

Sompo Holdings is the ultimate parent undertaking and controlling party of CMA. Copies of the consolidated financial statements for Sompo Holdings are available from 26-1, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo 160-8338, Japan.

29. Funds at Lloyd's

Every member is required to hold capital at Lloyd's which is held in trust and known as 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 a member is required to maintain is determined by CMA and Lloyd's based on compliance with PRA requirements. The determination of the FAL requirement has regard to a number of factors including the nature and amount of insurance contracts to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since the assets in FAL are not owned by the syndicate, no amount has been shown in these financial statements 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.