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**SYNDICATE 1176 – 2014 YEAR OF ACCOUNT**

**UNDERWRITING YEAR ACCOUNTS**

**31 DECEMBER 2016**

**SYNDICATE 1176: 2014 YEAR OF ACCOUNT  
CLOSED AT 31 DECEMBER 2016**

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**SYNDICATE 1176: 2014 YEAR OF ACCOUNT  
CLOSED AT 31 DECEMBER 2016**

**DIRECTORS AND ADMINISTRATION**

**Managing Agent**

Chaucer Syndicates Limited

**Directors of the Managing Agent**

The directors set out below held office throughout the year ended 31 December 2016, unless otherwise stated.

B P Bartell, Deputy Chief Executive Officer (resigned 1 October 2016)

D C Bendle, Chief Operating Officer (appointed 12 February 2016)

R J Callan, Chief Financial Officer

T J Carroll, Independent Non-executive Director

J M Farber, Non-executive Director (appointed 22 November 2016)

J Fowle, Chief Underwriting Officer

D S Mead, Chief Operating Officer (resigned 19 January 2016)

A S Robinson, Non-executive Director (resigned 5 August 2016)

P M Shaw, Chief Risk Officer

J G Slabbert, Chief Executive Officer (resigned 20 February 2017)

C M Stooke, Chairman and Independent Non-executive Director

R A Stuchbery, Deputy Chairman (resigned 31 May 2016)

**Managing Agent's company secretary**

R N Barnett

**Managing Agent's registered office**

Plantation Place  
30 Fenchurch Street  
London EC3M 3AD

**Managing Agent's registered number**

00184915

**Syndicate 1176 active underwriter**

M G Dawson

**Syndicate bankers**

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

**Syndicate investment manager**

NEAM

**Syndicate auditors**

PricewaterhouseCoopers LLP, London

**SYNDICATE 1176: 2014 YEAR OF ACCOUNT  
CLOSED AT 31 DECEMBER 2016**

**MANAGING AGENT'S REPORT**

The Managing Agent presents its report at 31 December 2016 for the 2014 closed year of account.

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

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

**Review of the business**

The gross premiums written for the 2014 year of account were £25.5m within the Syndicate's capacity of £31.7m.

The reduction is partly as a result of not renewing some business, which was not viewed as being acceptably priced, and partly the loss of some business due to self-insurance and shares of the business being placed with competitors. The year-end reinsurance to close has largely performed in line with expectations even with the deterioration in reserves for the potential interest that could accrue for the two Mexican claims on the 2008 and 2010 years respectively, and a final profit of 53% on capacity was achieved.

A review of the 2015 and 2016 open years of account and the outlook for the 2017 year of account is included in the Annual Report and Accounts for the year ended 31 December 2016.

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

**Disclosure of information to the auditors**

The directors each confirm that:

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

**Independent Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Hanover Insurance Group, Inc. Audit Committee meeting.

Approved by order of the Board of Chaucer Syndicates Limited



R J Callan  
Chief Financial Officer  
13 March 2017



M G Dawson  
Active Underwriter

**SYNDICATE 1176: 2014 YEAR OF ACCOUNT  
CLOSED AT 31 DECEMBER 2016**

**PROFIT AND LOSS ACCOUNT FOR THE CLOSED 2014 YEAR OF ACCOUNT FOR THE 36  
MONTHS ENDED 31 DECEMBER 2016**

	Notes	£000
<b>Syndicate allocated capacity</b>		<u>31,666</u>
<b>Technical account – general business</b>		
<b>Earned premiums, net of reinsurance</b>		
Gross premiums written	3	25,467
Outward reinsurance premiums		-
Earned premiums, net of reinsurance		<u>25,467</u>
<b>Reinsurance to close premium received, net of reinsurance</b>	4	<u>21,203</u>
		46,670
<b>Allocated investment return transferred from the non-technical account</b>		1,108
<b>Claims incurred, net of reinsurance</b>		
Gross claims paid		(69)
<b>Reinsurance to close premium payable, net of reinsurance</b>	5	<u>(25,420)</u>
		(25,489)
<b>Net operating expenses</b>	3, 6	(6,400)
<b>Balance on the technical account - general business</b>	11	<u><u>15,889</u></u>
<b>Non-technical account</b>		
Other income	10	867
Investment income	9	1,052
Investment expenses and charges	9	(239)
Net unrealised gains on investment	9	295
Allocated investment return transferred to the Technical Account – General Business		(1,108)
<b>Profit for the 2014 closed year of account</b>	18	<u><u>16,756</u></u>

There is no other comprehensive income in the accounting period other than those dealt with in the Profit and Loss Account. The underwriting year has closed: all items therefore related to discontinued operations.

**SYNDICATE 1176: 2014 YEAR OF ACCOUNT  
CLOSED AT 31 DECEMBER 2016**

**BALANCE SHEET AT 31 DECEMBER 2016**

	<b>Notes</b>	<b>£000</b>
<b>Assets</b>		
Investments	12	29,257
Cash at bank		11,932
Debtors arising out of direct insurance operations		(408)
Debtors arising out of reinsurance operations		1,914
Other debtors	13	263
Other assets	14	306
Prepayments and accrued income		264
<b>Total Assets</b>		<b><u>43,528</u></b>
<b>Liabilities</b>		
Amounts due to members	15	10,784
Reinsurance to close premium's payable to close the account – gross	5	25,420
Other creditors including tax and social security	17	6,534
Accruals and deferred income		790
<b>Total Liabilities</b>		<b><u>43,528</u></b>

The underwriting year accounts on pages 5 to 19 were approved by the Board of Chaucer Syndicates Limited on 13 March 2017 and were signed on its behalf by:



R J Callan  
Chief Financial Officer

**SYNDICATE 1176: 2014 YEAR OF ACCOUNT  
CLOSED AT 31 DECEMBER 2016**

**STATEMENT OF CASH FLOWS FOR THE 36 MONTHS ENDED 31 DECEMBER 2016**

	<b>Notes</b>	<b>£000</b>
<b>Net cash inflow from operating activities</b>	18	17,642
Transfer to members in respect of underwriting participations	15	(5,972)
		<u>11,670</u>
 <b>Cash flows were invested as follows:</b>		
Increase in cash holdings	19	11,932
Increase in overseas deposits	19	14
Net decrease on portfolio investments	19, 20	(276)
<b>Net investment of cash flows</b>		<u>11,670</u>



**SYNDICATE 1176: 2014 YEAR OF ACCOUNT  
CLOSED AT 31 DECEMBER 2016**

**NOTES TO THE UNDERWRITING YEAR ACCOUNTS**

**1. Basis of preparation**

These accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and applicable Accounting Standards in the United Kingdom, comprising Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102") as modified by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

Members participate on a Syndicate by reference to a year of account and each Syndicate year of account is a separate annual venture. These accounts relate to the 2014 year of account which has been closed by reinsurance to close as at 31 December 2016. Consequently the Balance Sheet represents the assets and liabilities of the 2014 year of account at the date of closure. The underwriting account reflects the transactions for that year of account during the three-year period until closure. The Profit and Loss Account and the Statement of Cash Flows reflect the transactions for that year of account during the three year period until closure.

These accounts cover the three years from the date of inception of the 2014 year of account to the date of closure. Accordingly, this is the only reporting period and so corresponding amounts are not shown.

**2. Accounting policies**

The accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of the three year period, outstanding liabilities can normally be determined with sufficient accuracy to permit the year of account to be closed by payment of a reinsurance to close premium to the successor year of account.

**a) Insurance contracts**

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

**i) Premiums written**

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

**ii) Claims paid and related recoveries**

Gross claims paid include internal and external claims settlement expenses and are attributed to the same year of account as the original premium for the underlying policy.

**iii) Reinsurance to close premium payable**

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

The estimate of claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date. It also includes the estimated cost of claims incurred but not reported ('IBNR') at the balance sheet date based on statistical methods.

**NOTES TO THE UNDERWRITING YEAR ACCOUNTS**

**2. Accounting policies (continued)**

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

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

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

**b) Foreign currencies**

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

FRS 102 requires that a foreign operation must be an entity. Therefore, monetary items are retranslated at the closing rate with exchange differences reported through the non-technical account and non-monetary items (for example, tangible assets) are not retranslated.

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

FRS103 states that insurance assets and liabilities (UPR and DAC) are required to be treated as monetary items. These assets and liabilities have been retranslated at period end to functional currency at the closing rate and the resulting exchange differences have been reported through the profit and loss account.

**c) Financial assets**

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

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

Deposits with credit institutions are stated at cost and overseas deposits are stated at market value (per Lloyd's valuation).

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

**SYNDICATE 1176: 2014 YEAR OF ACCOUNT  
CLOSED AT 31 DECEMBER 2016**

**NOTES TO THE UNDERWRITING YEAR ACCOUNTS**

**2. Accounting policies (continued)**

**d) Investment return**

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest. The returns on the overseas deposits are allocated to the year of account as notified by Lloyd's. The returns on other assets arising in a calendar year are apportioned to years of account open during the calendar year in proportion to the average funds available for investment on each year of account.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Unrealised gains and losses on investments represent 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 three years, together with the reversal of unrealised gains and losses recognised during the three years 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.

**e) Cash at bank**

Cash at bank on the balance sheet represent cash balances and money market deposits lodged with banks.

**f) Operating expenses**

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

**g) Taxation**

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

No provision has been made for any United States or Canadian Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year are included in the balance sheet under the heading 'members' balances'.

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

**h) Pension costs**

Chaucer Syndicates Limited operates a defined contribution scheme. Pension contributions relating to Syndicate staff are charged to the Syndicate and included within net operating expenses. Chaucer Syndicates Limited also operated a defined benefit scheme during the year which closed to future members and future accrual at 31 December 2016.

**i) Profit commission**

Profit commission is charged by the Managing Agent at a rate of 15% of profit subject to the operation of a deficit clause. Where profit commission is charged, it is included in members' standard personal expenses within administrative expenses.

**SYNDICATE 1176: 2014 YEAR OF ACCOUNT  
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**NOTES TO THE UNDERWRITING YEAR ACCOUNTS**

**3. Segmental analysis**

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

<b>2014 YEAR OF ACCOUNT</b>	<b>Gross premiums written<sup>1</sup></b>	<b>Gross claims incurred<sup>2</sup></b>	<b>Net operating expenses</b>	<b>Reinsurance balance<sup>3</sup></b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Direct insurance:</b>					
Fire and Other damage	5,105	48	(735)	-	4,418
Third Party Liability	1,413	(1,025)	(822)	-	(434)
	<u>6,518</u>	<u>(977)</u>	<u>(1,557)</u>	<u>-</u>	<u>3,984</u>
<b>Reinsurance acceptances</b>					
Reinsurance	18,793	(3,858)	(4,882)	-	10,053
Movements in respect of RITC received	21,359	(20,654)	39	-	744
<b>Total</b>	<u><b>46,670</b></u>	<u><b>(25,489)</b></u>	<u><b>(6,400)</b></u>	<u><b>-</b></u>	<u><b>14,781</b></u>

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

All premiums are concluded in the UK.

**Geographical origin of gross premiums written:**

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

	<b>£000</b>
UK	1,317
Americas (including US)	4,048
Other	20,102
Gross premiums written	<u><b>25,467</b></u>

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

	<b>£000</b>
UK	1,315
Americas (including US)	4,040
Other	20,065
Reinsurance to close premium payable, net of reinsurance	<u><b>25,420</b></u>

**4. Reinsurance to close premium received**

	<b>£000</b>
Gross reinsurance to close premium receivable	21,203
Reinsurance to close premium received, net of reinsurance	<u><b>21,203</b></u>

**SYNDICATE 1176: 2014 YEAR OF ACCOUNT  
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**NOTES TO THE UNDERWRITING YEAR ACCOUNTS**

**5. Reinsurance to close premium payable**

	<b>£000</b>
Gross outstanding claims	8,071
Provision for gross claims incurred but not reported	17,349
Reinsurance to close premium payable, net of reinsurance	<u>25,420</u>

The reinsurance to close is effected with the 2015 year of account of Syndicate 1176.

**6. Net operating expenses**

	<b>£000</b>
Acquisition costs – brokerage	630
Administrative expenses:	
Standard personal expenses	4,797
Members' Agents' fees	140
Other expenses	833
	<u>6,400</u>

**7. Staff costs**

All staff are employed by the Managing Agent.

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

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

	<b>Number</b>
Administration and finance	5
Underwriting	2
Investments	1
	<u>8</u>

**8. Emoluments of the directors of the Managing Agent**

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

The Active Underwriter received the following consultancy fees, incurred by Chaucer Syndicates Limited and recharged to the Syndicate within Managing Agency fees in relation to the 2014 year of account.

	<b>£000</b>
Active Underwriter	<u>146</u>

**SYNDICATE 1176: 2014 YEAR OF ACCOUNT  
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**NOTES TO THE UNDERWRITING YEAR ACCOUNTS**

**9. Investment return**

	<b>£000</b>
<b>Investment income</b>	
Income from financial assets at fair value through profit and loss	611
Interest on cash at bank	274
Other interest and similar income	75
Gains on the realisation of investments	92
	<u>1,052</u>
<b>Investment expenses and charges</b>	
Losses on the realisation of investments	(223)
Net unrealised gains on investments	295
Investment management charges	(16)
	<u>1,108</u>

**10. Other income**

Net foreign exchange gains of £867,169 are included within other income in the non-technical account.

**11. Balance on technical account**

	<b>£000</b>
Balance excluding investment return and operating expenses (other than acquisition costs):	
Profit attributable to business allocated to the 2014 pure year of account	19,880
Profit attributable to business reinsured into the 2014 year of account	744
	<u>20,623</u>
Allocated investment return transferred from the non-technical account	1,108
Net operating expenses other than acquisition costs	(5,842)
	<u>15,889</u>

**12. Financial instruments**

	<b>Cost £000</b>	<b>Market Value £000</b>
Shares and other variable yield securities at fair value through profit and loss	5,680	5,935
Debt securities and other fixed income securities at fair value through profit and loss	23,365	23,322
	<u>29,045</u>	<u>29,257</u>

**Risk policies**

*Interest rate risk*

The most significant proportion of risk within the Syndicate's fixed income portfolio is interest rate risk, which increases as the duration of each portfolio gets longer. In order to manage this risk duration constraints are set, relative to a benchmark to provide downside protection for increases in interest rates with duration targets of minimum 2.5 years and maximum 3.5 years for each portfolio.

**SYNDICATE 1176: 2014 YEAR OF ACCOUNT  
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**NOTES TO THE UNDERWRITING YEAR ACCOUNTS**

**12. Financial instruments (continued)**

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

	Change in interest rates %	Impact on result £000
31 December 2016	+1.0	(1,372)
	-1.0	1,009

*Currency risk*

The Syndicate writes a significant proportion of insurance business in currencies other than sterling, which gives rise to exposure to currency risk. The Syndicate mitigates this through a policy of broadly matching assets and liabilities by currency.

*Liquidity risk*

The Syndicate is subject to calls on cash resources, mainly in respect of claims on insurance business, on a daily basis. The Syndicate operates and maintains a liquidity risk policy designed to ensure that cash is available to settle liabilities and other obligations when due without excessive cost to the business.

The liquidity risk policy sets limits for cash required to meet expected cash flows. It includes a contingency funding plan, which details the process and provisions for liquidating assets and/or raising additional funds required to meet liabilities in extreme circumstances.

The expected payment profile of undiscounted liabilities is as follow:

	No stated maturity £000	Maturity band (Years)				Total £000
		<1 £000	1-3 £000	3-5 £000	>5 £000	
Claims outstanding	-	6,173	13,085	4,966	1,196	25,420
Other creditors	-	6,534	-	-	-	6,534
<b>At 31 December 2016</b>	<b>-</b>	<b>12,707</b>	<b>13,085</b>	<b>4,966</b>	<b>1,196</b>	<b>31,954</b>

*Credit risk*

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

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**NOTES TO THE UNDERWRITING YEAR ACCOUNTS**

**12. Financial instruments (continued)**

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

	<b>£000</b>
Debt securities	23,322
Cash at bank	11,932
Shares and other variable yield securities	5,935
Overseas deposits	306
	<b><u>41,495</u></b>
AAA	11,780
AA	10,210
A	19,115
BBB	361
BB or less	29
Total assets bearing credit risk	<b><u>41,495</u></b>

**Determination of fair value hierarchy**

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

- The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date (Level 1);
- 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 2); and
- Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability (Level 3).

The following table presents the Syndicate's assets measured at fair value at 31 December 2016.

	<b>Level 1 £000</b>	<b>Level 2 £000</b>	<b>Level 3 £000</b>	<b>Total £000</b>
Shares and other variable yield securities and unit trusts	5,935	-	-	5,935
Debt securities and other fixed income securities	4,155	19,167	-	23,322
Deposits with credit institutions	113	193	-	306
<b>At 31 December 2016</b>	<b><u>10,203</u></b>	<b><u>19,360</u></b>	<b><u>-</u></b>	<b><u>29,563</u></b>



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**NOTES TO THE UNDERWRITING YEAR ACCOUNTS**

**13. Other debtors**

	<b>£000</b>
Other debtors	263
	<u>263</u>

**14. Other assets**

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

**15. Amounts due to members**

	<b>£000</b>
Profit for the 2014 closed year of account	16,756
Transfers to members' personal reserve funds	(5,972)
	<u>10,784</u>

**16. Claims Development Tables**

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

Pure underwriting year	2010 and prior £000	2011 £000	2012 £000	2013 £000	2014 £000	Total £000
<i>Estimate of net claims incurred</i>						
At end of underwriting year		9,262	6,202	11,941	5,242	32,647
One year later		20,833	7,292	11,648	6,266	46,039
Two years later		17,506	4,375	7,275	4,834	33,990
Three years later		16,716	3,005	6,813		26,534
Four years later		16,238	2,567			18,805
Five years later		15,718				15,718
As at 31 December 2016	13,772	15,718	2,567	6,813	4,834	43,704
Less net claims paid	1,246	13,601	118	3,279	40	18,284
Net reserves	<u>12,526</u>	<u>2,117</u>	<u>2,449</u>	<u>3,534</u>	<u>4,794</u>	<u>25,420</u>

Gross reserves are the same as net reserves as the Syndicate does not currently purchase reinsurance.

The syndicate has a number of unsettled obligations arising out of insurance contracts from the 2010 and prior underwriting years, for which net reserves are still carried.

**SYNDICATE 1176: 2014 YEAR OF ACCOUNT  
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**NOTES TO THE UNDERWRITING YEAR ACCOUNTS**

**17. Other creditors**

	<b>£000</b>
Inter-year loans	6,487
Other creditors	47
	<u>6,534</u>

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

	<b>£000</b>
Profit for the closed year of account	16,756
Unrealised investment gains excluding foreign exchange	(211)
Net reinsurance to close premium payable	25,420
Decrease in debtors and prepayments and accrued income, excluding those received as consideration for RITC receivable	(582)
Increase in creditors and accruals, excluding those received as consideration for RITC receivable	3,529
Non cash consideration for net RITC receivable	(26,660)
Foreign exchange movement	(610)
<b>Net cash inflow from operating activities</b>	<u><b>17,642</b></u>

**Consideration for net RITC receivable comprised:**

	<b>£000</b>
Portfolio investments	28,201
Overseas deposits	243
Debtors	1,739
Prepayments and accrued income	255
Creditors	(3,778)
	<u>26,660</u>
Cash and amounts due to members	(5,628)
	<u>21,032</u>
Foreign exchange movement on RITC	171
	<u><b>21,203</b></u>

**SYNDICATE 1176: 2014 YEAR OF ACCOUNT  
CLOSED AT 31 DECEMBER 2016**

**NOTES TO THE UNDERWRITING YEAR ACCOUNTS**

**19. Movement in cash, portfolio investments and financing**

	<b>£000</b>
Net cash inflow from the three years	17,559
Cash flow	
Increase in overseas deposits	14
Decrease in portfolio investments	(276)
Movement arising from cash flows	<u>17,297</u>
Received as consideration for net RITC receivable	
Cash at bank	(5,628)
Overseas deposits	243
Portfolio investments	28,201
Changes in market value and exchange rates	1,382
Total movement in portfolio investments	<u>41,495</u>
Portfolio at 1 January 2014	-
Portfolio at 31 December 2016	<u><b>41,495</b></u>

	<b>At 1 January 2014 £000</b>	<b>Cash flow £000</b>	<b>Received as consideration for net RITC receivable £000</b>	<b>Changes to market value and currencies £000</b>	<b>At 31 December 2016 £000</b>
Cash at bank	-	17,559	(5,628)	1	11,932
Overseas deposits	-	14	243	49	306
Total cash and cash equivalents	<u>-</u>	<u>17,573</u>	<u>(5,385)</u>	<u>50</u>	<u>12,238</u>
Shares and other variable yield securities	-	(2,532)	7,348	1,119	5,935
Debt securities and other fixed income securities	-	2,256	20,853	213	23,322
Total portfolio investments	<u>-</u>	<u>(276)</u>	<u>28,201</u>	<u>1,332</u>	<u>29,257</u>
<b>Total cash, portfolio investments and financing</b>	<u>-</u>	<u><b>17,297</b></u>	<u><b>22,816</b></u>	<u><b>1,382</b></u>	<u><b>41,495</b></u>

**20. Net cash outflow to portfolio investments**

	<b>£000</b>
Sale of shares and other variable yield securities	(28,444)
Sale of debt securities and other fixed income securities	(13,597)
Purchases of shares and other variable yield securities	25,912
Purchases of debt securities and other fixed income securities	15,853
	<u>(276)</u>

**SYNDICATE 1176: 2014 YEAR OF ACCOUNT  
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**NOTES TO THE UNDERWRITING YEAR ACCOUNTS**

**21. Related Parties**

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

<b>Year of Account</b>	<b>2014 £000</b>
Managing Agency fees	1,591
Profit commission	2,993

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

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

<b>Year of Account</b>	<b>2014 £000</b>
Chaucer Corporate Capital (No. 3) Limited	<u>18,035</u>

Syndicate 1176 is the leading participant of the British Nuclear Pool, NRI Limited, and owns a share of the associated management company in proportion to its share (approximately 44%) of the Pool. Any profit or loss from these operations is paid to the Syndicate. The Pool underwrote premium of £21.4m on behalf of the Syndicate. The year-end balance due from the Pool is £1.1m and is included within debtors arising out of direct insurance operations.

**SYNDICATE 1176: 2014 YEAR OF ACCOUNT  
CLOSED AT 31 DECEMBER 2016**

**SEVEN YEAR SUMMARY**

*at 31 December 2016*

	2008	2009	2010	2011	2012	2013	2014
Syndicate allocated capacity (£000)	27,509	31,506	31,666	31,648	31,662	31,666	<b>31,666</b>
Number of underwriting members	203	222	225	236	245	256	<b>255</b>
Aggregate net premiums (£000)	21,661	21,716	21,535	26,611	26,648	26,626	<b>26,626</b>
<b>Results for an illustrative share of £10,000</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Gross premiums	9,251	8,181	8,459	8,408	8,416	8,408	<b>8,042</b>
Net premiums	7,875	6,893	6,801	7,276	8,416	8,408	<b>8,042</b>
Premium for the reinsurance to close an earlier year of account	5,939	3,788	3,823	5,989	6,537	6,469	<b>6,696</b>
Net claims	(846)	(49)	(134)	(4,195)	(390)	(1,027)	<b>(22)</b>
Premium for the reinsurance to close the year of account	(4,341)	(3,852)	(6,008)	(6,544)	(6,492)	(6,642)	<b>(8,028)</b>
Syndicate operating expenses	(277)	(292)	(315)	58	(432)	(536)	<b>(462)</b>
Balance on technical account	8,350	6,488	4,167	2,584	7,639	6,672	<b>6,226</b>
Investment return	580	179	123	129	260	255	<b>332</b>
Other income/(charges)	51	2	4	(211)	(75)	(4)	<b>274</b>
Profit for the closed year	8,981	6,669	4,294	2,502	7,824	6,923	<b>6,832</b>
Illustrative profit commission -Managing Agent's share	(1,281)	(928)	(570)	(301)	(1,100)	(951)	<b>(945)</b>
Illustrative personal expenses <sup>1,2</sup>	(481)	(527)	(538)	(536)	(523)	(616)	<b>(614)</b>
Profit after illustrative profit commission and illustrative personal expenses	7,219	5,214	3,186	1,665	6,201	5,356	<b>5,273</b>
<b>Percentage applicable for an illustrative share of £10,000</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Gross premiums	92.5	81.8	84.6	84.1	84.2	84.1	<b>80.4</b>
Net premiums	78.8	68.9	68.0	72.8	84.2	84.1	<b>80.4</b>
Balance on technical account to gross premiums	90.8	79.3	49.3	28.2	89.9	79.4	<b>77.4</b>

**SYNDICATE 1176: 2014 YEAR OF ACCOUNT  
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**NOTES TO THE SEVEN YEAR SUMMARY**

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

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

**SYNDICATE 1176: 2014 YEAR OF ACCOUNT  
CLOSED AT 31 DECEMBER 2016**

**STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES**

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

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

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

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

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

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

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNDICATE 1176 – 2014 CLOSED YEAR OF ACCOUNT**

### **Report on the syndicate underwriting year accounts**

#### **Our Opinion**

In our opinion, Syndicate 1176's syndicate underwriting year accounts for the 2014 year of account for the 3 years ended 31 December 2016 (the "syndicate underwriting year accounts"):

- give a true and fair view of the state of the syndicate's profit for the 2014 closed year of account; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

#### **What we have audited**

The syndicate underwriting year accounts, included within Syndicate 1176 Underwriting Year Accounts for 2014 Year of Account (the "Annual Report"), comprise:

- the Profit and Loss account for the 3 years then ended;
- the Balance Sheet as at 31 December 2016;
- the Statement of Cash Flows for the 3 years then ended;
- the accounting policies and the notes to the syndicate underwriting year accounts, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the syndicate underwriting year accounts is applicable law and United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102") as modified by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

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

#### **Other matters on which we are required to report by exception**

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

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

We have no exceptions to report arising from this responsibility.

### **Responsibilities for the syndicate underwriting year accounts and the audit**

#### **Our responsibilities and those of the Managing Agent**

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 22, the Managing Agent is responsible for the preparation of the syndicate underwriting year accounts in accordance with the financial reporting framework described above and for being satisfied that they give a true and fair view of the result for the 2014 closed year of account.

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

This report, including the opinions, has been prepared for and only for the syndicate's members as a body in accordance with part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and part C of the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and for no other purpose. We do not, in giving these opinions, accept or assume



**SYNDICATE 1176: 2014 YEAR OF ACCOUNT  
CLOSED AT 31 DECEMBER 2016**

responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**What an audit of syndicate underwriting year accounts involves**

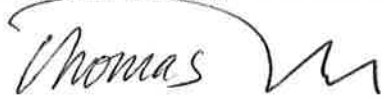
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the syndicate underwriting year accounts sufficient to give reasonable assurance that the syndicate underwriting year accounts are free from material misstatement,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

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

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

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

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



Thomas Robb (Senior statutory auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
14 March 2017

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