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SYNDICATE 1176 – 2016 YEAR OF ACCOUNT

UNDERWRITING YEAR ACCOUNTS

31 DECEMBER 2018

SYNDICATE 1176: 2016 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2018

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SYNDICATE 1176: 2016 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2018

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 2018, unless otherwise stated.

D C Bendle, Chief Operating Officer

R J Callan, Chief Financial Officer

T J Carroll, Independent Non-executive Director

J M Farber, Non-executive Director (resigned 28 December 2018)

J Faure, Non-executive Director

J Fowle, Chief Executive Officer and Chief Underwriting Officer

P M Shaw, Chief Risk Officer

C M Stooke, Chairman and Independent Non-executive Director

Dr H Zuo, Non-executive Director (appointed 13 March 2019)

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

Goldman Sachs Asset Management International

Syndicate independent auditors

PricewaterhouseCoopers LLP, London

SYNDICATE 1176: 2016 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2018

MANAGING AGENT'S REPORT

The Managing Agent presents its report at 31 December 2018 for the 2016 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 2016 year of account were £29.9m compared to the Syndicate's 2015 YOA gross premiums written of £24.8m.

The main reason for the increase in premium was the renewal of a 2014 extended policy in 2016, together with the effect of Sterling's devaluation following the Brexit referendum. We have received a number of losses in 2016, in both power and non-power areas; one following a fire in France, one as a result of a possible contamination in a fuel plant and finally a loss advice in an Asian nuclear power plant. The total property losses advised to date are within forecast loss expectancy. The Syndicate is pleased with the final profit of £16.6m, representing a return on capacity of 47.6%.

A review of the 2017 and 2018 open years of account and the outlook for the 2019 year of account is included in the Annual Report and Accounts for the year ended 31 December 2018.

I would like to take this opportunity to thank the team 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.

China Reinsurance (Group) Corporation became the ultimate parent of the Syndicate's primary corporate member following completion of its acquisition of 100% of China Re International Holdings Limited on 28 December 2018. The acquisition of the Chaucer group and the subsequent integration of the two businesses may present both strategic and operational risks in the short term. A detailed and robust integration plan is being developed to minimise the impact of undertaking integration activities across both businesses.

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 China Reinsurance (Group) Corporation Audit Committee meeting.

Approved by order of the Board of Chaucer Syndicates Limited and the Active Underwriter



R J Callan
Chief Financial Officer
14 March 2019



M G Dawson
Active Underwriter

SYNDICATE 1176: 2016 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2018

STATEMENT OF COMPREHENSIVE INCOME FOR THE CLOSED 2016 YEAR OF ACCOUNT FOR THE 36 MONTHS ENDED 31 DECEMBER 2018

	Note(s)	£000
Syndicate allocated capacity		<u>34,931</u>
Technical account – general business		
Earned premiums, net of reinsurance		
Gross premiums written	3	29,857
Outward reinsurance premiums		(24)
Change in the gross provision for unearned premium		<u>(78)</u>
Earned premiums, net of reinsurance		29,755
Reinsurance to close premium received, net of reinsurance	4	<u>25,756</u>
		55,511
Allocated investment return transferred from the non-technical account		184
Claims incurred, net of reinsurance		
Gross claims paid		(8,242)
Reinsurance to close premium payable, net of reinsurance	5	<u>(24,294)</u>
		(32,536)
Net operating expenses	3, 6	(7,265)
Balance on the technical account - general business	11	<u>15,894</u>
Non-technical account		
Other income	10	726
Investment income	9	1,407
Investment expenses and charges	9	(597)
Net unrealised losses on investments	9	(626)
Allocated investment return transferred to the Technical Account – General Business		(184)
Total comprehensive income for the 2016 closed year of account	18	<u>16,620</u>

There is no other comprehensive income in the accounting period other than those dealt with in the Statement of Comprehensive Income. The underwriting year has closed: all items therefore related to discontinued operations.

SYNDICATE 1176: 2016 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2018

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018

	Note(s)	£000
Assets		
Investments	12	38,868
Cash at bank		619
Reinsurers' share of technical provisions		1
Debtors arising out of direct insurance operations		575
Debtors arising out of reinsurance operations		1,289
Other debtors	13	71
Overseas deposits	14	152
Prepayments and accrued income		422
Total Assets		<u>41,997</u>
Liabilities		
Amounts due to members	15	13,116
Reinsurance to close premium's payable to close the account – gross		24,374
Other creditors	17	3,350
Accruals and deferred income		1,157
Total Liabilities		<u>41,997</u>

The underwriting year accounts on pages 5 to 20 were approved by the Board of Chaucer Syndicates Limited on 14 March 2019 and were signed on its behalf by:



R J Callan
Chief Financial Officer

SYNDICATE 1176: 2016 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2018

STATEMENT OF CASH FLOWS FOR THE 36 MONTHS ENDED 31 DECEMBER 2018

	Note(s)	£000
Net cash inflow from operating activities	18	6,058
Transfer to members in respect of underwriting participations	15	(3,504)
		<hr/> 2,554
Cash flows were invested as follows:		
Increase in cash holdings	19	619
Decrease in overseas deposits	19	35
Net increase on portfolio investments	19, 20	1,900
		<hr/> 2,554

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 2016 year of account which has been closed by reinsurance to close as at 31 December 2018. Consequently the Statement of Financial Position represents the assets and liabilities of the 2016 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 Statement of Comprehensive Income 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 2016 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.

ii) Unearned premiums

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

iii) Reinsurance premium ceded

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

iv) Claims 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.

v) 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.

SYNDICATE 1176: 2016 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2018

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

2. Accounting policies (continued)

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.

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 Statement of Comprehensive Income.

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 Statement of Comprehensive Income within 'Unrealised gains on investments' or 'Unrealised losses on investments'.

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 Statement of Financial Position 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 Statement of Financial Position under the heading 'members' balances'.

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

h) Pension costs

Effective 1 January 2017, CUSL operates a defined contribution scheme. Prior to this, the defined contribution scheme was operated by Chaucer Syndicates Limited. Pension contributions relating to Syndicate staff are charged to the Syndicate and included within net operating expenses. Chaucer Syndicates Limited operated a defined benefit scheme during the year which closed to 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: 2016 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2018

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

3. Segmental analysis

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

2016 YEAR OF ACCOUNT	Gross premiums written	Gross premiums earned	Gross claims incurred¹	Net operating expenses	Reinsurance balance²	Total
	£000	£000	£000	£000	£000	£000
Direct insurance:						
Fire and Other damage	5,972	5,972	(1,435)	(2,414)	-	2,123
Third Party Liability	2,001	1,923	(875)	(139)	-	909
	<u>7,973</u>	<u>7,895</u>	<u>(2,310)</u>	<u>(2,553)</u>	<u>-</u>	<u>3,032</u>
Reinsurance						
Reinsurance	21,999	21,999	(8,818)	(4,545)	(24)	8,612
Movements in respect of RITC received	25,641	25,641	(21,408)	(167)	-	4,066
Total	<u>55,613</u>	<u>55,535</u>	<u>(32,536)</u>	<u>(7,265)</u>	<u>(24)</u>	<u>15,710</u>

1. Gross claims incurred comprise gross claims paid and gross reinsurance to close premium payable.
2. The reinsurance balance comprises reinsurance premiums ceded less reinsurance recoveries on claims paid and reinsurance recoveries anticipated on reinsurance to close payable.
3. Movement in 2015 & prior year of account premium of £115k has been included within the Movements in respect of RITC received

All premiums are concluded in the UK.

Geographical origin of gross premiums written:

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

	£000
UK	2,596
Americas (including US)	3,314
Other	23,947
Gross premiums written	<u>29,857</u>

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

	£000
UK	2,119
Americas (including US)	2,705
Other	19,550
Reinsurance to close premium payable, net of reinsurance	<u>24,374</u>

4. Reinsurance to close premium received

	£000
Gross reinsurance to close premium receivable	25,756
Reinsurance to close premium received, net of reinsurance	<u>25,756</u>

SYNDICATE 1176: 2016 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2018

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

5. Reinsurance to close premium payable

	£000
Gross outstanding claims	5,353
Provision for gross claims incurred but not reported	18,944
Provision for IBNR reinsurers' share	(3)
Reinsurance to close premium payable, net of reinsurance	<u>24,294</u>

The reinsurance to close is effected with the 2017 year of account of Syndicate 1176.

6. Net operating expenses

	£000
Acquisition costs – brokerage	1,000
Administrative expenses:	
Standard personal expenses	4,841
Members' Agents' fees	145
Other expenses	1,279
	<u>7,265</u>

7. Staff costs

All staff are employed by a related group undertaking, Chaucer Underwriting Services Limited (CUSL).

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 CUSL but working for the Syndicate during the three years was as follows:

	Number
Administration and finance	5
Underwriting	2
Other	2
	<u>9</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 a related group undertaking and recharged to the Syndicate within Managing Agency fees in relation to the 2016 year of account.

	£000
Active Underwriter	<u>197</u>

SYNDICATE 1176: 2016 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2018

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

9. Investment return

	£000
Investment income	
Income from financial assets at fair value through profit and loss	739
Interest on cash at bank	535
Other interest and similar income	74
Gains on the realisation of investments	59
	<u>1,407</u>
Investment expenses and charges	
Losses on the realisation of investments	(559)
Net unrealised losses on investments	(626)
Investment management charges	(38)
	<u>184</u>
Total investment return	<u>184</u>

10. Other income

Net foreign exchange gains of £726,169 are included within other charges in the non-technical account.

11. Balance on technical account

	£000
Balance excluding investment return and operating expenses (other than acquisition costs):	
Total comprehensive income attributable to business allocated to the 2016 pure year of account	18,034
Total comprehensive income attributable to business reinsured into the 2016 year of account	4,069
	<u>22,103</u>
Allocated investment return transferred from the non-technical account	184
Net operating expenses other than acquisition costs	(6,393)
	<u>15,894</u>

12. Financial instruments

	Cost £000	Market Value £000
Shares and other variable yield securities at fair value through profit and loss	6,745	6,909
Debt securities and other fixed income securities at fair value through profit and loss	32,898	31,959
	<u>39,643</u>	<u>38,868</u>

SYNDICATE 1176: 2016 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2018

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

12. Financial instruments (continued)

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.

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 2018	+0.5	(456)
	-0.5	461

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	-	7,294	10,910	4,467	1,626	24,297
Other creditors	-	3,350	-	-	-	3,350
At 31 December 2018	-	10,644	10,910	4,467	1,626	27,647

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.

SYNDICATE 1176: 2016 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2018

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:

	£000
Debt securities	31,959
Cash at bank	619
Shares and other variable yield securities	6,909
Overseas deposits	152
	39,639
AAA	13,238
AA	14,426
A	7,731
BBB	4,202
BB or less	37
Not rated	5
Total assets bearing credit risk	39,639

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 2018:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Shares and other variable yield securities and unit trusts	6,909	-	-	6,909
Debt securities and other fixed income securities	9,025	22,934	-	31,959
Deposits with credit institutions	11	141	-	152
At 31 December 2018	15,945	23,075	-	39,020

SYNDICATE 1176: 2016 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2018

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

13. Other debtors

	£000
Other debtors	71
	<u>71</u>

14. Overseas deposits

Overseas deposits 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

	£000
Total comprehensive income for the 2016 closed year of account	16,620
Transfers to members' personal reserve funds	(3,504)
	<u>13,116</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 & prior £000	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000	2016 £000	Total £000
<i>Estimate of gross claims incurred</i>								
At end of underwriting year		9,238	6,165	11,900	5,213	7,583	10,514	
One year later		20,787	7,258	11,614	6,243	9,980	13,617	
Two years later		17,497	4,361	7,266	4,826	5,980	10,876	
Three years later		16,709	2,999	6,807	3,786	5,418		
Four years later		16,232	2,563	5,385	3,216			
Five years later		15,713	2,152	4,965				
Six years later		15,329	1,768					
Seven years later		14,924						
As at 31 December 2018	10,947	14,924	1,768	4,965	3,216	5,418	10,876	52,114
Less gross claims paid	8,670	13,601	118	3,022	137	1,899	371	27,818
Gross reserves	<u>2,277</u>	<u>1,323</u>	<u>1,650</u>	<u>1,943</u>	<u>3,079</u>	<u>3,519</u>	<u>10,505</u>	<u>24,296</u>

SYNDICATE 1176: 2016 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2018

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

16. Claims Development Table (continued)

Pure underwriting year	2010 & prior £000	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000	2016 £000	Total £000
<i>Estimate of net claims incurred</i>								
At end of underwriting year		9,238	6,165	11,900	5,213	7,583	10,502	
One year later		20,787	7,258	11,614	6,243	9,980	13,605	
Two years later		17,497	4,361	7,266	4,826	5,980	10,875	
Three years later		16,709	2,999	6,807	3,786	5,416		
Four years later		16,232	2,563	5,385	3,216			
Five years later		15,713	2,152	4,965				
Six years later		15,329	1,768					
Seven years later		14,924						
As at 31 December 2018	10,947	14,924	1,768	4,965	3,216	5,418	10,875	52,113
Less net claims paid	8,670	13,601	118	3,022	137	1,899	371	27,818
Net reserves	2,277	1,323	1,650	1,943	3,079	3,519	10,504	24,295

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.

Gross and net claims incurred that are denominated in non-functional currency are converted to Pound Sterling as of 31 December 2018, the most recent balance sheet date, for all years presented.

17. Other creditors

	£000
Insurance creditors	45
Inter year loan	3,297
Other creditors	8
	3,350

SYNDICATE 1176: 2016 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2018

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

18. Reconciliation of total comprehensive income for the year of account to net cash inflow from operating activities

	£000
Total comprehensive income for the closed year of account	16,620
Unrealised investment losses excluding foreign exchange	775
Net reinsurance to close premium payable	24,374
Decrease in debtors and prepayments and accrued income, excluding those received as consideration for RITC receivable	(160)
Decrease in creditors and accruals, excluding those received as consideration for RITC receivable	(1,870)
Non cash consideration for net RITC receivable	(33,516)
Foreign exchange movement	(165)
Net cash inflow from operating activities	<u>6,058</u>

Consideration for net RITC receivable comprised:

	£000
Portfolio investments	37,760
Overseas deposits	118
Debtors	1,637
Prepayments and accrued income	348
Creditors	(6,347)
	<u>33,516</u>
Cash and amounts due from members	(7,750)
	<u>25,766</u>
Foreign exchange movement on RITC	(10)
	<u>25,756</u>

SYNDICATE 1176: 2016 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2018

NOTES TO THE UNDERWRITING YEAR ACCOUNTS

19. Movement in cash, portfolio investments and financing

	£000
Net cash inflow from the three years	8,369
Cash flow	
Increase in overseas deposits	35
Increase in portfolio investments	1,900
Movement arising from cash flows	<u>10,304</u>
Received as consideration for net RITC receivable	
Cash at bank	(7,750)
Overseas deposits	118
Portfolio investments	37,760
Changes in market value and exchange rates	<u>(793)</u>
Total movement in portfolio investments	39,639
Portfolio at 1 January 2016	-
Portfolio at 31 December 2018	<u><u>39,639</u></u>

	At 1 January 2016 £000	Cash flow £000	Received as consideration for net RITC receivable £000	Changes to market value and currencies £000	At 31 December 2018 £000
Cash at bank	-	8,369	(7,750)	-	619
Overseas deposits	-	35	118	(1)	152
Total cash and cash equivalents	<u>-</u>	<u>8,404</u>	<u>(7,632)</u>	<u>(1)</u>	<u>771</u>
Shares and other variable yield securities	-	3,849	3,077	(17)	6,909
Debt securities and other fixed income securities	-	(1,949)	34,683	(775)	31,959
Total portfolio investments	<u>-</u>	<u>1,900</u>	<u>37,760</u>	<u>(792)</u>	<u>38,868</u>
Total cash, portfolio investments and financing	<u>-</u>	<u>10,304</u>	<u>30,128</u>	<u>(793)</u>	<u>39,639</u>

20. Net cash outflow to portfolio investments

	£000
Sale of shares and other variable yield securities	(38,763)
Sale of debt securities and other fixed income securities	(24,821)
Purchases of shares and other variable yield securities	42,612
Purchases of debt securities and other fixed income securities	22,872
	<u><u>1,900</u></u>

SYNDICATE 1176: 2016 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2018

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:

Year of Account	2016
	£000
Managing Agency fees	1,645
Profit commission	2,959

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

Year of Account	2016
	£000
Chaucer Corporate Capital (No. 3) Limited	<u>19,934</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 46%) of the Pool. Any profit or loss from these operations is paid to the Syndicate. The Pool underwrote premium of £25.4m on behalf of the Syndicate. The year-end balance due from the Pool is £1.3m and is included within debtors arising out of direct insurance operations.

Business Transactions

Syndicate 1176 and Syndicate 1084, both managed by Chaucer Syndicates Limited, entered into a reinsurance contract with one another in respect of the 2016 YOA. Syndicate 1084 charged Syndicate 1176 a premium of US\$84,979. As at 31 December 2018 reinsurers' share of IBNR of £1,208 owing from Syndicate 1084 was included on the Statement of Financial Position.

22. Ultimate parent company

The largest and smallest group of undertakings for which group financial statements are prepared is China Reinsurance (Group) Corporation, a company incorporated and registered in China. China Re became the ultimate parent of the Syndicate's corporate member on 28 December 2018 following completion of its acquisition of 100% of The Hanover Insurance International Holdings Limited (subsequently renamed China Re International Holdings Limited) by China Re International Company Ltd, its wholly owned subsidiary. Results prior to this date are included in the financial statements of the former owner, The Hanover Insurance Group Inc., and subsequent to this date are included in the financial statements of China Re (Group) Corporation. The Managing Agent considers China Re to be its ultimate parent company. A copy of the most recent consolidated financial statements is available from the website of China Reinsurance (Group) Corporation (www.chinare.com/cn).

SYNDICATE 1176: 2016 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2018

SEVEN YEAR SUMMARY (UNAUDITED)

at 31 December 2018

	2010	2011	2012	2013	2014	2015	2016
Syndicate allocated capacity (£000)	31,666	31,648	31,662	31,666	31,666	31,666	34,931
Number of underwriting members	225	236	245	256	255	266	233
Aggregate net premiums (£000)	21,535	26,611	26,648	26,626	26,626	24,834	29,857
Results for an illustrative share of £10,000	£	£	£	£	£	£	£
Gross premiums	8,459	8,408	8,416	8,408	8,042	7,842	8,547
Net premiums	6,801	7,276	8,416	8,408	8,042	7,842	8,547
Premium for the reinsurance to close an earlier year of account	3,823	5,989	6,537	6,469	6,696	8,019	7,373
Net claims	(134)	(4,195)	(390)	(1,027)	(22)	(409)	(2,360)
Premium for the reinsurance to close the year of account	(6,008)	(6,544)	(6,492)	(6,642)	(8,028)	(8,137)	(6,898)
Syndicate operating expenses	(315)	58	(432)	(536)	(462)	(718)	(694)
Balance on technical account	4,167	2,584	7,639	6,672	6,226	6,597	5,968
Investment return	123	129	260	255	332	105	53
Other income/(charges)	4	(211)	(75)	(4)	274	(47)	151
Total comprehensive income for the closed year	4,294	2,502	7,824	6,923	6,832	6,655	6,172
Illustrative profit commission -Managing Agent's share	(570)	(301)	(1,100)	(951)	(945)	(916)	(847)
Illustrative personal expenses ^{1,2}	(538)	(536)	(523)	(616)	(614)	(589)	(539)
Total comprehensive income after illustrative profit commission and illustrative personal expenses	3,186	1,665	6,201	5,356	5,273	5,150	4,787
Percentage applicable for an illustrative share of £10,000	%	%	%	%	%	%	%
Gross premiums	84.6	84.1	84.2	84.1	80.4	78.4	85.5
Net premiums	68.0	72.8	84.2	84.1	80.4	78.4	85.5
Balance on technical account to gross premiums	49.3	28.2	89.9	79.4	77.4	84.1	69.8

SYNDICATE 1176: 2016 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2018

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: 2016 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2018

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 – 2016 CLOSED YEAR OF ACCOUNT

Report on the Syndicate underwriting year accounts

Our Opinion

In our opinion, Syndicate 1176 underwriting year accounts for the three years ended 31 December 2018 (the "Syndicate underwriting year accounts"):

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2018 and of its profit and cash flows for the 2016 closed year of account;
- have been properly prepared in accordance with United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland", 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); 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).

We have audited the Syndicate underwriting year accounts included within Syndicate 1176 Underwriting Year Accounts for 2016 Year of Account (the "Annual Report"), which comprise Statement of Financial Position at 31 December 2018; the Statement of Comprehensive Income and the Statement of Cash Flows for the 36 months then ended; and the notes to the Syndicate underwriting year accounts, which include a description of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and other applicable law.

Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Syndicate underwriting year accounts section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Syndicate in accordance with the ethical requirements that are relevant to our audit of the Syndicate underwriting year accounts in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the managing agent's use of the going concern basis of accounting in the preparation of the Syndicate underwriting year accounts is not appropriate; or
- the managing agent has not disclosed in the Syndicate underwriting year accounts any identified material uncertainties that may cast significant doubt about the Syndicate's ability to continue to adopt the going concern basis of accounting.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the syndicate's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the syndicate's business and the wider economy.

SYNDICATE 1176: 2016 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2018

Reporting on other information

The other information comprises all of the information in the Annual Report other than the syndicate underwriting year accounts and our auditors' report thereon. The managing agent is responsible for the other information. Our opinion on the syndicate underwriting year accounts does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the syndicate underwriting year accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate underwriting year accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the syndicate underwriting year accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Managing Agent's Report, we also considered whether the disclosures required by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Managing Agent's Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Managing Agent's Report for the year ended 31 December 2018 is consistent with the syndicate underwriting year accounts and has been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

In light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we did not identify any material misstatements in the Managing Agent's Report.

Responsibilities for the Syndicate underwriting year accounts and the audit

Responsibilities of the managing agent for the Syndicate underwriting year accounts

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 23, the managing agent is responsible for the preparation of the syndicate underwriting year accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view of the result for the 2016 closed year of account. The managing agent is also responsible for such internal control as they determine is necessary to enable the preparation of syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate underwriting year accounts, the managing agent is responsible for assessing the syndicate's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the syndicate is unable to continue to realise its assets and discharge its liabilities in the ordinary course of business.

Auditors' responsibilities for the audit of the syndicate underwriting year accounts

Our objectives are to obtain reasonable assurance about whether the syndicate underwriting year accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these syndicate underwriting year accounts.

A further description of our responsibilities for the audit of the syndicate underwriting year accounts is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

SYNDICATE 1176: 2016 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2018

Use of this report

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, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 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 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.

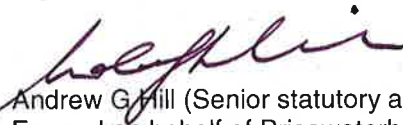
Other required reporting

Other matters on which we are required to report by exception

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005), we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- the managing agent in respect of the Syndicate has not kept adequate accounting records; or
- the Syndicate underwriting year accounts are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.



Andrew G Hill (Senior statutory auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
14 March 2019