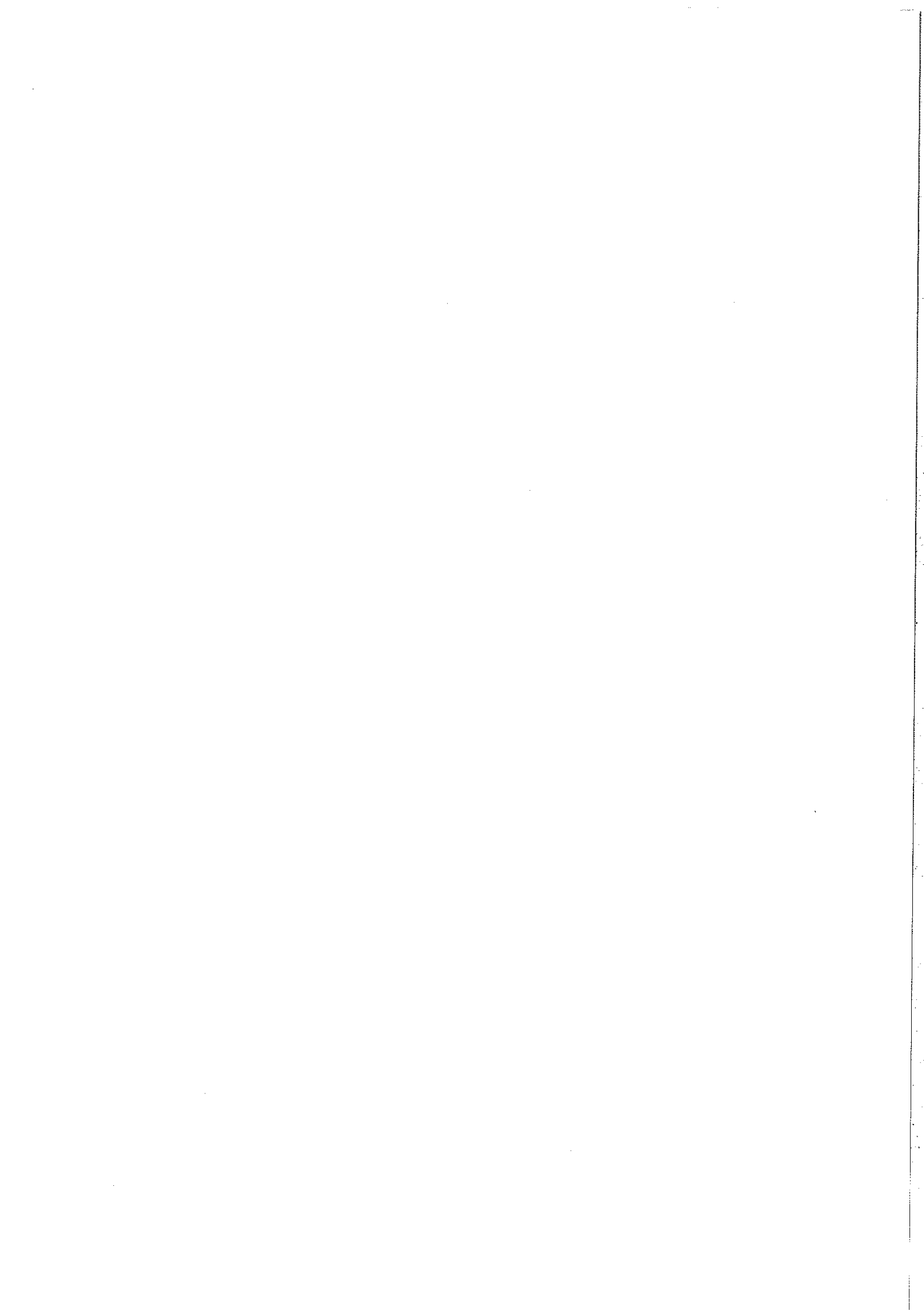


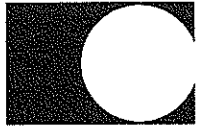
Important information about Syndicate Reports and Accounts

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

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

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





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Chubb Syndicate 1882

**Report and Annual Accounts
for the year ended 31 December 2014**

Chubb Syndicate 1882

Syndicate Information

Managing Agent

Chubb Managing Agent Ltd

Chubb Group of Insurance Companies

The capacity for Chubb Syndicate 1882 ("the syndicate") is wholly owned by Chubb Capital Ltd, a corporate member. Both Chubb Capital Ltd and Chubb Managing Agent Ltd are indirect, wholly-owned subsidiaries of The Chubb Corporation and members of the Chubb Group of Insurance Companies ("Chubb"). The Chubb Group of Insurance Companies is the marketing term used to describe several separately incorporated insurance companies under the common ownership of The Chubb Corporation. The Chubb Corporation is listed on the New York Stock Exchange [NYSE:CB] and, together with its subsidiaries, employs approximately 10,200 people throughout North America, Europe, Latin America, Asia and Australia. For more information regarding The Chubb Corporation, including a listing of the insurers in the Chubb Group of Insurance Companies, visit www.chubb.com.

Except as otherwise provided, information contained on Chubb's website or that can be accessed through its website is not incorporated by the references into, and does not form a part of, this report.

Forward-looking information

Some of the statements in this report may be considered forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995 (PSLRA). These forward-looking statements are made pursuant to the safe harbour provisions of the PSLRA and includes a statement regarding the lines of business the syndicate plans to write in 2015. Such statements speak only as of the date of this report and are not guarantees of future performance. Various risks and uncertainties may cause actual results to differ materially. These risks and uncertainties include those discussed in the filings that The Chubb Corporation makes with the U.S. Securities and Exchange Commission. Neither the syndicate nor The Chubb Corporation assumes any obligations to update such forward-looking statements.

Chubb Syndicate 1882

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Chubb Syndicate 1882

Managing Agent's Report

The managing agent presents its report for the year ended 31 December 2014.

Principal activity

The principal activity of the syndicate is the underwriting of general lines of insurance focused towards niche products and customer segments. The syndicate's managing agent and capacity provider are both indirect, wholly-owned subsidiaries of The Chubb Corporation.

Business review

Results

The syndicate produced a profit of £4.3m (2013: £12.9m loss) for the year ended 31 December 2014.

Key performance indicators

The key performance indicators of the syndicate are shown below:

	2014	2013
Net premiums written	£78.1m	£67.7m
Net loss ratio ¹	64.3%	80.9%
Net expense ratio ²	29.8%	32.2%
Net combined ratio	94.1%	113.1%
Profit / (Loss) for the year	£4.3m	(£12.9m)

¹ Based on net claims incurred as a percentage of net premiums earned

² Based on net operating expenses incurred (excluding deferred acquisition costs and member's expenses) as a percentage of net premiums written

Results by insurance class

The gross premium written and net underwriting result analysed by the accounting classes defined by UK companies legislation are shown in the table below:

	2014		2013	
	Gross premium written £000	Net underwriting result £000	Gross premium written £000	Net underwriting result £000
Direct insurance:				
Accident and Health	650	(178)	-	-
Marine, aviation and transport	23,239	(1,417)	21,873	3,183
Fire & other damage to property	5,240	(1,343)	2,652	(1,023)
Third-party liability	14,356	511	12,572	(20,630)
	43,485	(2,427)	37,097	(18,470)
Reinsurance acceptances	44,536	3,849	44,192	9,079
	88,021	1,422	81,289	(9,391)

The syndicate has concentrated on writing third party liability, transport (cargo) and marine business. Both direct and reinsurance assumed marine business was written. The third-party liability business comprises predominantly errors & omissions insurance, as well as directors & officers insurance. The third-party liability line saw unfavourable prior period development in errors & omissions business and the reinsurance acceptances line saw favourable development in marine excess of loss business.

The syndicate had a capacity of £85.0m for 2014 (2013: £82.0m). It has a capacity of £89.0m for 2015 on which it plans to write similar lines of business.

Chubb Syndicate 1882

Managing Agent's Report (continued)

Business review (continued)

Investments

Total investments held at 31 December 2014 were £87.2m (2013: £60.9m). A total of £74.0m (2013: £46.2m) of the portfolio was invested in fixed income government and corporate securities with a rating of AA or better; £5.8m (2013: £4.2m) was held in deposits with credit institutions, many of which are administered by Lloyd's to meet the requirements for conducting insurance business in jurisdictions outside the UK.

The investment management objectives are to achieve a stable investment income stream from a conservative investment base with sufficient liquidity to meet the ongoing obligations of the insurance operations of the syndicate.

Risk and capital management

Risk management

The management of the syndicate's risks is governed by the risk management policy determined by the managing agent, which sets out responsibility and accountability for risk management within the syndicate. In line with Chubb's enterprise risk management programme, the syndicate has a defined appetite or tolerance in relation to key areas of risk. This is implemented via the syndicate's risk management framework, which embeds within the business a consistent approach to the identification, assessment, mitigation, monitoring and reporting of risk. The framework encompasses all of the significant classes of identified risk to which the syndicate is exposed, namely insurance, operational, credit, market, liquidity and group risk. Through the framework each of the specific risks faced by the syndicate is allocated to an individual for management. These individuals are responsible for ensuring the appropriate controls are in place to keep the risk within proportionate appetite or tolerance thresholds. The insurance, operational and group classes of risk are described below. Credit, market and liquidity risk are discussed in note 2 to the financial statements, which deals with financial instruments.

The risk management framework is designed to be a reliable source of risk quantification data to support the syndicate's assessment of its capital resource requirements.

Insurance risk

Insurance risk arises from unexpected significant adverse fluctuations in the frequency and/or severity of claims. Consistent with Chubb's operating philosophy, the managing agent mitigates this risk by maintaining underwriting discipline throughout the syndicate. This policy is supported by underwriting guidelines, expertise and appropriate authority limits. These guidelines are updated regularly to reflect developments in the nature of the insurance risks being underwritten. The managing agent has also set up a reinsurance programme for the syndicate to manage its insurance risk by providing cover against certain large exposures.

Operational risk

Operational risk can arise where the syndicate suffers a loss as a result of an inadequate or failed internal process. This could be as a result of people's actions, system processes or external events. The managing agent mitigates the syndicate's operational risk by ensuring that material operational risks are identified and controls are adopted to mitigate these risks.

Group risk

Group risk is defined as detriment to the syndicate arising from actions taken by the ultimate parent company of the managing agent or from the actions of another subsidiary of that ultimate parent. Group risk is inherent in any multinational organisation and primarily arises from inconsistencies between the laws and regulations to which the various members of the organisation are subject. In particular, the syndicate and managing agent are subject to the laws of the countries in which it and Lloyd's operate, while The Chubb Corporation and its US Subsidiaries are subject to the laws and regulations of the United States of America (including states and territories thereof). The managing agent mitigates this risk through open communication in appropriate committees and other forums through which decision makers are advised of the potential impact that group policy and decisions may have, and how this may be addressed.

Chubb Syndicate 1882

Managing Agent's Report (continued)

Directors

The following served as directors of the managing agent from 1 January 2014 to the date of this report unless otherwise indicated:

M Casella
C D'Auria
N Davenport
K Docherty
C Giles
B Hardwick
C Smith
I Hutchinson (appointed 6 January 2014)

Statement of managing agent's responsibilities

The managing agent is responsible for preparing the syndicate annual accounts in accordance with applicable law and regulations.

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

In preparing the syndicate annual accounts, the managing agent is required to:

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

The managing agent is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the syndicate and to enable it to ensure that the syndicate annual accounts comply with the 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included in the syndicate's webpages within the group website, www.chubb.com.

Statement of disclosure of information to the auditors

So far as each person who was a director of the managing agent at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors of the managing agent and the syndicate's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

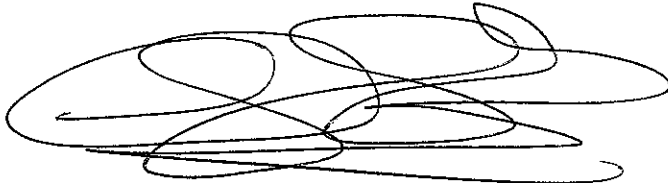
Chubb Syndicate 1882

Managing Agent's Report (continued)

Reappointment of auditor

Ernst & Young LLP has indicated its willingness to continue in office as the syndicate's auditor.

On behalf of the board of the managing agent

A large, complex handwritten signature in black ink, consisting of multiple overlapping loops and lines, positioned above the printed name of the signatory.

C Smith
Director of Chubb Managing Agent Ltd

17 March 2015

Chubb Syndicate 1882

Independent Auditor's Report to the members of Chubb Syndicate 1882

We have audited the syndicate annual accounts of Chubb Syndicate 1882 for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Statement of Cash Flows and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the managing agent and the auditor

As explained more fully in the Statement of Managing Agent's Responsibilities set out on pages 3, the managing agent is responsible for the preparation of syndicate annual accounts which give a true and fair view. Our responsibility is to audit and express an opinion on the syndicate annual accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the syndicate annual accounts

An audit involves obtaining evidence about the amounts and disclosures in the annual accounts sufficient to give reasonable assurance that the annual accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the syndicate's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the managing agent; and the overall presentation of the annual accounts. In addition, we read all the financial and non-financial information in the report and annual accounts to identify material inconsistencies with the audited syndicate annual accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on syndicate annual accounts

In our opinion the annual accounts:

- give a true and fair view of the syndicate's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Chubb Syndicate 1882

Independent Auditor's Report to the members of Chubb Syndicate 1882 (continued)

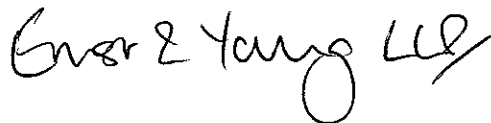
Opinion on other matters prescribed by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008

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

Matters on which we are required to report by exception

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

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



Michael Purrington (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

17 March 2015

Notes

1. The maintenance and integrity of the syndicate and financial information included in the syndicate's webpages within the group website, www.chubb.com, 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 web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Chubb Syndicate 1882

Profit and Loss Account for the year ended 31 December 2014

Technical account – general business	Notes	2014 £000	2013 £000
Earned premiums, net of reinsurance			
Gross premiums written	3	88,021	81,289
Outwards reinsurance premiums		(9,872)	(13,633)
Net premiums written		78,149	67,656
Change in the gross provision for unearned premiums		(13,586)	(3,554)
Change in the provision for unearned premiums, reinsurers' share		(33)	186
Change in unearned premiums, net of reinsurance		(13,619)	(3,368)
Earned premiums, net of reinsurance		64,530	64,288
Total technical income		64,530	64,288
Claims incurred, net of reinsurance			
Claims paid, gross amount	4	59,349	45,285
Claims paid, reinsurers' share		(17,790)	(5,528)
Net claims paid		41,559	39,757
Change in the provision for claims, gross amount		(5,971)	27,512
Change in the provision for claims, reinsurers' share		5,880	(15,285)
Change in the provision for claims, net of reinsurance		(91)	12,227
Claims incurred, net of reinsurance		41,468	51,984
Net operating expenses	5	21,640	21,695
Total technical charges		63,108	73,679
Balance on the general business technical account		1,422	(9,391)

Chubb Syndicate 1882

Profit and Loss Account (continued) for the year ended 31 December 2014

Non-technical account	Notes	2014 £000	2013 £000
Balance on the general business technical account		1,422	(9,391)
Investment return			
Investment income	8	842	557
Investment expenses and charges	8	(35)	(25)
Investment return		807	532
Other income / (charges)	9	1,577	(3,818)
Profit/(Loss) for the financial year		3,806	(12,677)

The above results are all derived from continuing operations.

Statement of Total Recognised Gains and Losses for the year ended 31 December 2014

	Notes	2014 £000	2013 £000
Profit/(Loss) for the financial year		3,806	(12,677)
Other recognised gains and losses			
Unrealised gains / (losses) on investments	8	538	(197)
Total recognised gains / (losses) relating to the year		4,344	(12,874)

Note of historical profits and losses

Gains and losses arising from using fair value accounting for financial instruments are not required to be included in a note of historical profits and losses. There are no other differences between the gain / loss for the financial year stated above and its historical cost equivalent.

Chubb Syndicate 1882

Balance Sheet as at 31 December 2014

Assets	Notes	2014 £000	2013 £000
Investments			
Other financial investments	10	87,197	60,928
Reinsurers' share of technical provisions			
Provision for unearned premiums		1,517	1,549
Claims outstanding		23,250	29,130
		24,767	30,679
Debtors			
Debtors arising out of direct insurance operations	11	28,581	20,991
Debtors arising out of reinsurance operations	11	31,933	31,268
Other debtors		1,492	2,074
		62,006	54,333
Other assets			
Cash at bank and in hand		1,425	264
Other assets	12	5,038	7,705
		6,463	7,969
Prepayments and accrued income			
Accrued interest and rent		482	395
Deferred acquisition costs		10,139	7,281
Other prepayments and accrued income		41	26
		10,662	7,702
Total assets		191,095	161,611

Chubb Syndicate 1882

Balance Sheet (continued) as at 31 December 2014

Liabilities	Notes	2014 £000	2013 £000
Capital and reserves			
Members' balances	13	(13,731)	(41,084)
Technical provisions			
Provision for unearned premiums		53,767	40,180
Claims outstanding		130,264	136,236
		184,031	176,416
Creditors			
Creditors arising out of direct insurance operations		6,650	8,475
Creditors arising out of reinsurance operations		10,197	13,927
Other creditors including taxation and social security	14	1,998	2,226
		18,845	24,628
Accruals and deferred income	15	1,950	1,651
Total liabilities		191,095	161,611

The syndicate annual accounts on pages 7 to 24 were approved by the board of Chubb Managing Agent Ltd and were signed on its behalf by:



C D'Auria
Director of Chubb Managing Agent Ltd

17 March 2015

Chubb Syndicate 1882

Statement of Cash Flows for the year ended 31 December 2014

	Notes	2014 £000	2013 £000
Net cash (outflow)/inflow from operating activities	16	(175)	272
Financing:			
Members' contributions	13	23,009	14,338
		22,834	14,610
<i>Cash flows were invested as follows:</i>			
Increase in cash holdings	17	1,185	252
(Decrease) / Increase in deposits	17	(2,668)	2,824
Increase in portfolio investments	17	24,317	11,534
Net investment of cash flows	17	22,834	14,610

Chubb Syndicate 1882

Notes to the Annual Accounts for the year ended 31 December 2014

1 Accounting policies

Basis of preparation

The annual accounts have been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

The annual accounts have also been prepared in accordance with applicable United Kingdom accounting standards and comply with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 2005 (as amended in December 2006).

Underwriting

Gross premiums

Gross premiums written represent premiums on direct insurance and reinsurance assumed contracts that inception during the period, together with adjustments made in the period to premiums written in prior accounting periods. Gross premiums are shown before deduction of brokerage and commission due to intermediaries and excluding taxes and duties levied on premiums.

Premium debtors

Premiums receivable which are outstanding at the balance sheet date are shown as debtors less any amounts not considered to be collectable. Estimates are included for pipeline premiums, being premium amounts due but not yet received or notified to the syndicate by intermediaries.

Provision for unearned premiums

Premiums written are recognised as earned premiums proportionally over the period of the coverage of the policy. Premiums that have been written but not yet earned are shown in the provision for unearned premiums.

Claims

Claims incurred represent the claims and claims handling costs paid in the period, together with the movement in provision for claims outstanding, less any salvage or other similar recoveries.

The provision for claims outstanding represents the estimated ultimate cost of all claims notified but not settled by the balance sheet date and includes provisions for reported outstanding claims, claims incurred but not reported ("IBNR"), claims handling costs less any salvage or other similar recoveries.

There is inherent uncertainty, due to the nature of insurance underwriting, as to the ultimate cost of claims. Therefore, subsequent information and events may result in the ultimate cost of claims being different, perhaps substantially, to the amounts previously provided. Adjustments of this nature are reflected in the period that the subsequent information becomes known or the subsequent event occurs.

Chubb Syndicate 1882

Notes to the Annual Accounts for the year ended 31 December 2014 (continued)

1 Accounting policies (continued)

Underwriting (continued)

Claims (continued)

Provision for claims outstanding estimation techniques

As a result of this inherent uncertainty in the ultimate cost of claims, a variety of different actuarial techniques are used to estimate the provision for claims outstanding. These techniques include, using the following statistical analyses: (a) the development of claims on more mature accident years to estimate the claims development on less mature accident years; (b) the development of claim numbers and average cost per claims on more mature accident years to estimate the claims development on less mature accident years; (c) expected loss ratios for each accident year taking into account underwriting factors that may be particularly pertinent to that year, for instance, price changes, changes in business mix, market conditions, policy coverage, etc; and (d) techniques that involve using a mixture of the above analyses such as the Bornheutter-Ferguson method which uses a combination of claims development and expected loss ratios, where claims development is given more weight as an accident year matures.

These analyses for each line of business take into account whether the period of time between the occurrence of the claim, the claim being notified to the syndicate and the claim being resolved is considered short or long for that line of business.

Large claims, that can distort the above analyses, may be extracted from the main data, analysed and projected separately.

In deriving a best estimate for the provision for claims outstanding, the syndicate considers the techniques that are most appropriate to the line of business and accident year.

As the syndicate commenced underwriting from 1 July 2010, more emphasis has been placed on technique (c). However, the derivation of expected loss ratios has benefited from the historical information available to the group from its other European operations.

Unexpired risks

At the balance sheet date, an assessment is made of whether the cost of claims and expenses arising after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the provision for unearned premiums (net of any deferred acquisition costs) and any premiums still receivable under these contracts. In this event, a provision for unexpired risks is made after offsetting surpluses and deficits arising from lines of business which are managed together and after taking into account relevant future investment income.

Reinsurance ceded

Premiums ceded on outward reinsurance contracts are accounted for in the same accounting period as the premiums for the direct or reinsurance assumed business.

Reinsurance recoveries on gross claims paid are recognised based on amounts to be reimbursed under reinsurance contracts that provide for recoveries of contractually defined portions of gross claims paid by the syndicate. As at the balance sheet date, reinsurance recoveries due on gross claims paid are shown in debtors arising out of reinsurance operations, less any receipts from those reinsurers as at that date and any amounts not considered to be collectable. Reinsurance recoveries on gross claims outstanding are estimated based on the amounts expected to be recovered on those gross claims under the programme of reinsurance contracts that have been arranged by the managing agent, less any amounts not considered to be recoverable.

Deferred acquisition costs

Acquisition costs are the costs of acquiring new contracts or renewing existing contracts. These costs comprise commission and other related expenses. The determination of which other related expenses are eligible to be included as deferrable acquisition costs is based on an annual review of such expenses as part of the accounting estimation process. Acquisition costs eligible for deferral relating to premiums written that have yet to be earned at the balance sheet date, are deferred and shown as deferred acquisition costs. Subsequently, these deferred acquisition costs are charged to the profit and loss account as the unearned premiums to which the deferred costs relate become earned.

Chubb Syndicate 1882

Notes to the Annual Accounts for the year ended 31 December 2014 (continued)

1 Accounting policies (continued)

Financial assets

The syndicate classifies its financial assets as either available for sale financial assets or loans and receivables. All financial assets are initially recognised at fair value; their subsequent measurement is discussed below.

Investments

Investments in bonds, short term deposits and unit trusts that invest predominantly in bonds and short term deposits are classified as available for sale financial assets. Bond purchases and sales are recognised at trade date.

Available for sale financial assets are subsequently re-appraised to their fair value at each balance sheet date. Where there is an active market for these investments, fair value is based upon quoted prices using bid price. Where there is not an active market, but other market data is observable for these investments, fair value is based upon that market data using expected bid price.

The fair value adjustments for these available for sale financial assets are shown as unrealised gains and losses in the statement of total recognised gain and losses.

Impairment losses on available for sale financial assets are recognised in the profit and loss account if there has been an event that has had a negative impact on the expected future cash flows of the asset and the fair value of the asset is below its amortised cost.

Other receivables

Other receivables are classified as loans and other receivables. Loans and other receivables are carried at amortised cost less any provision for impairment arising from uncollectibility.

Investment return

Investment return in the profit and loss account comprises investment income and realised investment gains and losses, net of investment expenses, impairment losses and interest payable.

Investment income includes dividends, interest receivable and the amortisation of any discount or premium on available for sale financial assets.

Realised gains and losses on investments which arise on the disposal of investments represent the difference between net sales proceeds and the purchase, amortised or impaired cost of the investment.

Foreign exchange

Foreign currency transactions are converted to sterling using the rate for the month in which the transaction is recorded. Foreign exchange gains and losses arising from the settlement of transactions, and from the retranslation of monetary assets and liabilities to rates prevailing at the balance sheet date, are recognised in the non-technical part of the profit and loss account.

Taxation

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

No provision has been made for any overseas tax, including United States Federal Income tax, payable by the members on underwriting results or investment earnings. Any payments on account made by the syndicate are included in the balance sheet in other debtors.

Chubb Syndicate 1882

Notes to the Annual Accounts for the year ended 31 December 2014 (continued)

2 Financial instruments: risk disclosures

Disclosures relating to the managing agent's capital management policy and the risks associated with financial instruments are provided below.

Capital management

The managing agent is committed to ensuring that the syndicate maintains prudent levels of capital resources to support the business operations and initiatives and the risks which arise from them. These resources provide protection for policyholders, and other interested parties. They consist of the net admissible assets of the syndicate as well as Funds at Lloyd's provided by Chubb Insurance Company of Europe SE, a fellow Chubb group company. The function of Funds at Lloyd's is explained in note 21 to the annual accounts.

Policyholders, reinsurers and other interested parties consider the rating of an insurer by independent rating agencies as important in assessing the financial strength of that insurer. Lloyd's currently enjoys an 'A' rating from AM Best and 'A+' ratings from Fitch Ratings and Standard & Poor's. The managing agent monitors the capital resources available to the syndicate to ensure they are sufficient in contributing to this financial rating. Since commencement of underwriting and subsequent to the balance sheet date, the capital resources available to the syndicate were sufficient to meet the levels required by Lloyd's.

The European Union's Solvency II directive will require regulated firms across Europe to meet further requirements in relation to risk and capital management.

Credit risk

Credit risk arises when a third party, with whom a syndicate transacts business, defaults. The main credit risks that the syndicate faces are in respect of reinsurer default and the risk of a bond issuer or a bank defaulting. The syndicate mitigates these risks by selecting reinsurers, bond issuers and banks that are considered to have strong credit ratings and by setting limits on the level of exposures the syndicate has to any particular counterparty. The syndicate also faces the risk of intermediaries, such as brokers, defaulting. This risk is mitigated through credit assessment of intermediaries, review of intermediary credit limits and active aged debt management. An analysis of the major categories of assets with credit risk exposure (excluding premium debtors) and a rating of that exposure is shown below.

At 31 December 2014	AAA £000	AA £000	A £000	BBB/BB £000	Other / not rated £000	Total £000
Debt securities and other fixed income securities	56,006	18,018	-	-	-	74,024
Unit trusts	3,880	-	-	-	3,513	7,393
Deposits with credit institutions	-	-	5,780	-	-	5,780
Reinsurers' share of technical provisions	-	9,466	13,441	2	341	23,250
	59,886	27,484	19,221	2	3,854	110,447

At 31 December 2013	AAA £000	AA £000	A £000	BBB/BB £000	Other / not rated £000	Total £000
Debt securities and other fixed income securities	39,319	6,870	-	-	-	46,189
Unit trusts	1,158	-	-	-	9,360	10,518
Deposits with credit institutions	-	-	4,221	-	-	4,221
Reinsurers' share of technical provisions	-	7,442	21,688	-	-	29,130
	40,477	14,312	25,909	-	9,360	90,058

For insurance receivables an aged analysis is shown below. Amounts overdue were not impaired at the end of the year.

Chubb Syndicate 1882

Notes to the Annual Accounts for the year ended 31 December 2014 (continued)

	Not yet overdue £000	1 day to 3 months overdue £000	Over 3 months overdue £000	Total £000
At 31 December 2014				
Debtors arising out of direct insurance and reinsurance operations	47,777	10,372	2,365	60,514
At 31 December 2013				
Debtors arising out of direct insurance and reinsurance operations	43,274	3,055	5,929	52,258

Chubb Syndicate 1882

Notes to the Annual Accounts for the year ended 31 December 2014 (continued)

2 Financial instruments: risk disclosures (continued)

Market risk

Market risk on financial instruments arises from unexpected fluctuations in the fair value or future cash flows of assets in the investment portfolio, be that from changes in interest rate risk, currency risk or other price risk.

The managing agent mitigates the syndicate's market risk by taking a conservative approach to its investments. At 31 December 2014, 84.9% (2013: 75.8%) of its investment portfolio was in government, government-backed or supra-national bonds, and 15.1% (2013: 24.2%) was in short-term deposits and unit trusts investing mainly in short term deposits. The corporate member, Chubb Capital Ltd, follows a similarly conservative policy in managing the Funds at Lloyd's available to the syndicate. At 31 December 2014, 91.4% (2013: 83.7%) of this portfolio comprised government and high quality supra-national bonds. Government bonds were concentrated towards EU governments rated AA or higher. At 31 December 2014, these represented 77.0% (2013: 60.0%) of all government bonds in the syndicate's portfolio and 91.8% (2013: 90.0%) held in Funds at Lloyd's. The function of Funds at Lloyd's is explained in note 21.

The bonds bear interest rate risk whereby changes in market interest rates can affect the market value of the bond portfolio and consequently the net assets of the syndicate as well as the value of the Funds at Lloyd's available to the syndicate. The syndicate mitigates this risk by investing in relatively short term bonds which bear low interest rate risk and a similar approach is followed by Chubb Capital Ltd with regard to the bonds held in the Fund's at Lloyd's. At 31 December 2014, the duration of the syndicate's bond portfolio was 2.3 years (2013: 2.2 years). The equivalent figure for the Fund's at Lloyd's was 2.4 years (2013: 2.3 years). As an indication of interest rate sensitivity, if market interest rates had risen by 100 basis points, the fair value of the syndicate's bonds may have been expected, as an estimate, to decrease by £1.7m (2013: £0.8m). The equivalent figure for the bonds held in the Funds at Lloyd's was an expected decrease in value of £2.6m (2013: £2.8m).

Currency risk can arise where assets and liabilities are expected to be settled in differing currencies. The syndicate largely mitigates this risk by matching assets with liabilities in the same currency subject to any regulatory funding requirements. In particular, the syndicate has significant amounts of US Dollar, Euro and Australian Dollar transactions. If these currencies had weakened by 5% against Sterling, then the syndicate's net liabilities would have been reduced by £0.8m (2013: £0.8m).

Liquidity risk

Liquidity risk relates to the risk that, irrespective of a syndicate's solvency position, a syndicate may encounter difficulty in finding sufficient available financial assets or cash to enable it to meet its financial obligations as and when they fall due. The syndicate mitigates this risk by maintaining suitable levels of readily realisable assets. At 31 December 2014, the syndicate's investment portfolio was held in bonds and short-term investments, all of which are readily realisable.

Chubb Syndicate 1882

Notes to the Annual Accounts for the year ended 31 December 2014 (continued)

3 Segmental information

Insurance class analysis as required by companies' legislation

2014	Gross premium written £000	Gross premium earned £000	Gross claims incurred £000	Gross operating expenses £000	Outwards reinsurance balance £000
Direct insurance:					
Accident and Health	650	14	7	185	-
Marine, aviation and transport	23,239	18,095	13,177	6,460	(125)
Fire & other damage to property	5,240	4,426	4,203	1,465	102
Third-party liability	14,356	12,097	12,052	2,959	(3,425)
	43,485	34,632	29,439	11,069	(3,448)
Reinsurance acceptances	44,536	39,803	23,939	11,019	995
	88,021	74,435	53,378	22,088	(2,453)

2013	Gross premium written £000	Gross premium earned £000	Gross claims incurred £000	Gross operating expenses £000	Outwards reinsurance balance £000
Direct insurance:					
Marine, aviation and transport	21,873	19,299	13,091	6,264	(3,239)
Fire & other damage to property	2,652	2,982	3,025	820	160
Third-party liability	12,572	13,115	30,722	3,254	(232)
	37,097	35,396	46,838	10,338	(3,311)
Reinsurance acceptances	44,192	42,339	25,959	11,659	(4,357)
	81,289	77,735	72,797	21,997	(7,668)

Analysis of gross premium written by destination

	2014 £000	2013 £000
United Kingdom	30,135	29,086
Other European Union member states	9,751	9,179
Rest of the World	48,135	43,024
	88,021	81,289

The syndicate's gross premium written, results and net assets by origin all arose from its operations at Lloyd's in the United Kingdom.

4 Claims incurred, net of reinsurance

Claims incurred includes the following calendar year movements arising from favourable / (unfavourable) developments in the prior years' net provision for claims outstanding:

	2014 £000	2013 £000
Direct insurance:		
Marine, aviation and transport	2,239	(1,479)
Miscellaneous	-	(113)
Fire & other damage to property	(967)	(1,852)
Third-party liability	3,365	(14,319)
	4,637	(17,763)
Reinsurance acceptances	2,653	12,721
	7,290	(5,042)

This year's favourable development was principally in marine liability within the marine, aviation and transport statutory class and directors & offices in the third party liability statutory classes.

Chubb Syndicate 1882

Notes to the Annual Accounts for the year ended 31 December 2014 (continued)

5 Net operating expenses

	2014 £000	2013 £000
Commission	14,190	12,971
Other acquisition costs	1,663	1,552
Acquisition costs	15,853	14,523
Change in deferred acquisition costs	(2,870)	(1,050)
Administrative expenses	7,895	7,551
Gross operating expenses	20,878	21,024
Reinsurance commissions and profit participation	(448)	(302)
	20,430	20,722
Member's expenses	1,210	973
Net operating expenses	21,640	21,695
	2014 £000	2013 £000
Net operating expenses before change in deferred acquisition costs	24,498	22,740
Change in deferred acquisition costs, net of reinsurance	(2,858)	(1,045)
Net operating expenses	21,640	21,695

6 Employees and directors

Employees

Neither the syndicate nor the managing agent of the syndicate employ any staff. During the year, Chubb Europe Services Ltd, a fellow group company, provided staff support to both the syndicate and managing agent of the syndicate under a Group Resources Agreement.

Emoluments of the managing agent's directors

The directors of the managing agent of the syndicate did not receive emoluments from the managing agent itself. The directors, as employees of Chubb Europe Services Ltd, did receive emoluments for the services they provided to support both the syndicate and the managing agent of the syndicate. The figures below are in respect of that element of their emoluments in Chubb Europe Services Ltd relating solely to their involvement in the services provided to the syndicate.

	2014 £000	2013 £000
Aggregate remuneration	785	710
Aggregate amounts receivable under long-term incentive schemes	80	66
Company pension contributions to money purchase schemes	43	33
	908	809

During the year, 4 directors (2013: 4 directors) accrued benefits under defined contribution schemes and 3 directors (2013: 4 directors) accrued benefits under defined benefit schemes.

	2014 £000	2013 £000
Active Underwriter		
Aggregate remuneration	227	206
Aggregate amounts receivable under long-term incentive schemes	16	19
Company pension contributions to money purchase schemes	-	-
	243	225

At 31 December 2014, the Active Underwriter accrued a pension of £22,566 (2013: £18,763) under a defined benefit pension scheme.

Chubb Syndicate 1882

Notes to the Annual Accounts for the year ended 31 December 2014 (continued)

7 Auditors' remuneration

	2014 £000	2013 £000
Auditing the accounts of the syndicate	85	89
Other services pursuant to legislation	86	90
Valuation and actuarial services	58	58
	229	237

8 Investment return

	2014 £000	2013 £000
Investment return on available for sale financial assets		
Investment income – interest and other similar income		
Available for sale financial assets	840	610
	840	610
Investment income – realised gains/(losses)		
Available for sale financial assets	2	(53)
	2	(53)
Total investment income	842	557
Investment expenses and charges	(35)	(25)
Investment return on the profit and loss account	807	532
Unrealised gains/(losses) on available for sale financial assets (included in the statement of total recognised gains and losses)	538	(197)
Total investment return	1,345	335

	2014 £000	2013 £000
Average level of investments during the year by currency		
Sterling	19,488	6,910
United States dollars	45,367	40,399
Euros	6,092	4,861
Canadian dollars	1,716	1,674
Japanese yen	1,400	2,636
	74,063	56,480

9 Other expense

	2014 £000	2013 £000
Foreign currency exchange gains/(losses) recognised in the profit and loss account	1,577	(3,818)

Chubb Syndicate 1882

Notes to the Annual Accounts for the year ended 31 December 2014 (continued)

10 Investments

	Fair value		Cost	
	2014 £000	2013 £000	2014 £000	2013 £000
Analysis by accounting classification				
Available for sale financial assets	87,197	60,928	87,267	61,523

	Fair value		Cost	
	2014 £000	2013 £000	2014 £000	2013 £000
Analysis by fair value method, fair value based on:				
Level 2 – observable market data other than quoted prices in active markets:				
Available for sale financial assets	87,197	60,928	87,267	61,523

The syndicate has taken the view that all bonds, government and corporate, are Level 2 as the syndicate's fair values are based upon consensus pricing from multiple inputs rather than quoted prices.

	Fair value		Cost	
	2014 £000	2013 £000	2014 £000	2013 £000
Analysis by legal classification				
Shares and other variable-yield securities and unit trusts: Listed	7,393	10,517	7,393	10,517
Debt securities and other fixed income securities: Listed	74,024	46,190	74,094	46,785
Deposits with credit institutions	5,780	4,221	5,780	4,221
	87,197	60,928	87,267	61,523

11 Debtors arising out of direct insurance operations

	2014 £000	2013 £000
Intermediaries	28,581	20,991

Debtors arising out of reinsurance operations

	2014 £000	2013 £000
Intermediaries	31,933	31,268

12 Other assets

Other assets comprise funds lodged as overseas deposits as a condition of conducting underwriting business in certain countries. These deposits are held under Lloyd's premium trust deed arrangements and are administered by Lloyd's.

13 Reconciliation of members' balances

	Fair value reserve £000	Other members' balances £000	Total members' balances £000
At 1 January 2014	(31)	(41,053)	(41,084)
Profit for the year	-	3,806	3,806
Members' contributions	-	23,009	23,009
Unrealised gains	538	-	538
At 31 December 2014	507	(14,238)	(13,731)

Chubb Syndicate 1882

Notes to the Annual Accounts for the year ended 31 December 2014 (continued)

14 Other creditors including taxation and social security

	2014	2013
	£000	£000
Amounts due to group undertakings	1,998	2,226
	1,998	2,226

15 Accruals and deferred income

	2014	2013
	£000	£000
Other accruals and deferred income	1,950	1,651

16 Reconciliation of operating profit to net cash inflow from operating activities

	2014	2013
	£000	£000
Operating profit/(loss) on ordinary activities	3,806	(12,677)
Realised and unrealised investment gains/(losses)	(1,391)	2,128
Increase in net technical provisions	13,528	15,594
Increase in debtors and prepayments	(10,634)	(18,655)
(Decrease)/Increase in creditors and accruals	(5,484)	13,882
Net cash (outflow)/inflow from operating activities	(175)	272

17 Movement in opening and closing portfolio investments net of financing

	2014	2013
	£000	£000
Portfolio at 1 January 2014	68,897	56,612
Net cash inflow/(outflow) for the year	1,185	252
Cash flow:		
(Decrease)/Increase in deposits	(2,668)	2,824
Increase in portfolio investments	24,317	11,534
Movement arising from cash flows	22,834	14,610
Increase/(decrease) in market value and exchange rates	1,929	(2,325)
Total movement in portfolio investments	24,763	12,285
Portfolio at 31 December 2014	93,660	68,897

Chubb Syndicate 1882

Notes to the Annual Accounts for the year ended 31 December 2014 (continued)

Analysis of movement in cash and portfolio investments	At	Cash flow	Changes to	At
	1 January		market	31
	2014	2014	value and	December
	£000	£000	currencies	2014
			2014	£000
Cash at bank and in hand	264	1,185	(24)	1,425
Deposits:				
Overseas deposits	7,705	(2,668)	1	5,038
Portfolio investments:				
Shares and other variable yield securities and Units in unit trusts	10,518	(4,012)	887	7,393
Debt securities and other fixed-income securities	46,189	26,546	1,289	74,024
Deposits with credit institutions	4,221	1,783	(224)	5,780
Total portfolio investments	60,928	24,317	1,952	87,197
Total cash, portfolio investments and financing	68,897	22,834	1,929	93,660

18 Net cash outflow on portfolio investments

	2014	2013
	£000	£000
Purchase of shares and other variable yield debt securities and units in unit trusts	(64,213)	(45,226)
Purchase of debt securities and other fixed-income securities	(50,433)	(29,170)
Deposits with credit institutions	(1,783)	130
Sale of shares and other variable yield securities and units in unit trusts	68,225	43,371
Sale of debt securities and other fixed-income securities	23,887	19,361
Net cash outflow on portfolio investments	(24,317)	(11,534)

19 Related party transactions

During the year, Chubb Europe Services Ltd, a fellow Chubb group company, provided staff and other related support services to the syndicate. The costs incurred for these staff and other related support services under this agreement totalled £5.7m for the year (2013: £5.5m arising from similar agreements with fellow Chubb group companies).

The syndicate's outwards reinsurance programme includes reinsurance with the United Kingdom branch of Federal Insurance Company, a fellow Chubb group company. During the year, the syndicate ceded reinsurance premiums of £1.1m (2013: £2.5m) to that branch. At the balance sheet date, there were £2.0m of reported claim recoveries due from that branch (2013: £2.1m).

Also, during the year, the syndicate paid £0.4m (2013: £0.4m) managing agency fees to Chubb Managing Agent Ltd. No profit commission (2013: nil) was charged by Chubb Managing Agent Ltd to the syndicate due to the syndicate's losses in previous years.

The Funds at Lloyd's for Chubb Syndicate 1882 have been provided on behalf of Chubb Capital Ltd by Chubb Insurance Company of Europe SE as detailed in note 21.

20 Parent undertaking and controlling party of the managing agent

The immediate parent company of the managing agent of the syndicate is Chubb Insurance Investment Holdings Ltd, a company registered in England and Wales

The ultimate parent company and ultimate controlling party of the managing agent of the syndicate is The Chubb Corporation, a company registered in the United States of America. Copies of The Chubb Corporation's consolidated accounts may be obtained from The Chubb Corporation, c/o Corporate Secretary, 15 Mountain View Road, PO Box 1615, Warren, New Jersey 07061-1615.

Chubb Syndicate 1882

Notes to the Annual Accounts for the year ended 31 December 2014 (continued)

21 Funds at Lloyd's

Every member at Lloyd's, including Chubb Capital Ltd, is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's ("FAL"). These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities. The Funds at Lloyd's for Chubb Syndicate 1882 have been provided on behalf of Chubb Capital Ltd by Chubb Insurance Company of Europe SE, a fellow Chubb group company. These amounted to £110.7m as at 31 December 2014 (2013: £123.4m).

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

