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The Channel Managing Agency

Channel Syndicate 2015

Annual Report and Accounts
31 December 2014

Contents

Directors and Administration

MANAGING AGENT:

Managing Agent
The Channel Managing Agency (TCMA)

Directors
B J G Hilton (Chairman)*
R I Harris
J J Byrne
P A Chubb
T R C Corfield
B Gentsch*
T J Hayday*
D J Hindley*
V Y Peignet*
D M Reed*

Non Executive Directors*

Managing Agent's registered office
10 Lime Street
London
EC3M 7AA

Managing Agent's registered number
8614385

SYNDICATE:

Active underwriter
T R C Corfield

Bankers
Lloyds Bank plc
Citibank NA
RBC Dexia

Auditors
Mazars LLP,
London

Report of the Directors of the Managing Agent

The Directors of the Managing Agent present their report in respect of Syndicate 2015 for the year ended 31 December 2014.

This annual report is prepared using the annual basis of accounting as required by Regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations").

With effect from 1 April 2014 the management of the Syndicate was novated from Asta Managing Agency Ltd (AMA) to TCMA becoming a fully aligned Syndicate within the SCOR group.

Results

The result for calendar year 2014 is a loss of £5,671,000 (2013: loss of £10,947,000), but with a currency translation profit on foreign currency of £629,000 (2013: loss of £61,000), producing a total recognised loss for the financial year of £5,042,000 (2013: loss was £11,008,000).

Principal activity and review of the business

The Syndicate's principal activity is the underwriting of direct insurance and reinsurance business in the Lloyd's market.

The Syndicate had five lines of business in 2014: Accident and Health, Direct International Property, Financial Institutions, Marine Hull/Cargo and Professional Liability insurance.

Gross written premium income by class of business for the calendar year was as follows:

	2014 £'000	2013 £'000
Accident and Health	13,885	11,351
Direct International Property	78,588	58,375
Financial Institutions	10,061	9,857
Marine Hull / Cargo	39,835	26,866
Professional Liability	19,298	17,293
	161,667	123,742

All lines have performed within the general tolerances of our planning expectations. However, at the time of writing, material risk remains unexpired in all portfolios.

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

	2014 £'000	2013 £'000
Gross Written Premiums	161,667	123,742
(Loss) for the financial year	(5,671)	(10,947)
Total recognised (loss) relating to the financial year	(5,042)	(11,008)
Claims ratio	59%	63%
Expense ratio	46%	49%
Combined ratio	105%	112%

The claims ratio is the ratio of claims incurred net of reinsurance to earned premiums net of reinsurance. The expense ratio is the ratio of net operating expenses to earned premiums net of reinsurance.

Report of the Directors of the Managing Agent (Continued)

Operating Expenses

Net operating expenses for the year are set out below:

	2014 £'000	2013 £'000
Acquisition Costs	49,533	40,884
Change in Deferred Acquisition Costs	(6,460)	(7,480)
Administration Expenses	7,829	8,705
Reinsurance commissions and profit participation	(389)	-
Managing Agency Fee	1,738	1,388
Other Personal Expenses	1,134	1,134
Loss on Foreign Exchange	1,316	686
Net Operating Expenses	54,701	45,317

Total Net Operating Expenses have increased this year reflecting the growth of the business during 2014. Administration expenses have fallen following the novation of the Syndicate management from AMA to TCMA with effect from 1 April 2014.

Investment Return

The return on Syndicate funds by currency is shown below:

	Currency	2014 '000	2013 '000
Average Syndicate funds available	Combined Sterling	70,964	33,645
	Sterling	12,707	9,696
	Euro	14,487	6,655
	US dollars	65,482	26,433
	Canadian dollars	9,141	4,364
Investment return for the year	Combined Sterling	417	242
	Sterling	336	202
	Euro	16	1
	US dollars	23	17
	Canadian dollars	97	44
Calendar year investment return %	Combined Sterling	0.59%	0.71%
	Sterling	2.65%	2.08%
	Euro	0.11%	0.02%
	US dollars	0.03%	0.06%
	Canadian dollars	1.06%	1.01%

Report of the Directors of the Managing Agent (Continued)

Investment Return (continued)

Euro surplus funds are invested in the Amundi Money Market FD Short Term Mutual Fund. US dollar surplus funds are on a daily sweep to the Western Asset Management Cash Mutual. During the fourth quarter of 2014 the syndicate commenced investing in US dollar fixed income securities.

Investment returns for 2014 were 0.59% (2013: 0.71%). The Syndicate investment strategy is to preserve capital and have a prudent approach to managing investment risk.

Financial Investments

The Syndicate's investment guidelines do not allow the holding of equities or stock lending transactions. At 31 December 2014 the portfolio composition was as follows;

	2014 £'000	2013 £'000
Liquid funds	48,934	30,356
Fixed income securities	15,030	-
	63,964	30,356

Principal risks and uncertainties

The TCMA Board, ('the Board') sets risk appetite annually as part of the Syndicate's business planning process. The Board has established a Risk and Capital Committee which meets quarterly to review and update the risk register and to monitor performance against risk appetite using a series of key risk indicators and portfolio monitoring. The principal risks and uncertainties facing the Syndicate are as follows:

Insurance Risk

Insurance risk includes the risks that a policy will be written for too low a premium or provide inappropriate cover (underwriting risk), that the frequency or severity of insured events will be higher than expected (claims risk), or that estimates of claims subsequently prove to be insufficient (reserving risk). The Board manages insurance risk by agreeing its appetite for these risks annually through the business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. The Board then monitors performance against the business plan throughout the year. The Syndicate uses catastrophe modelling software to model potential losses from catastrophe-exposed business. Reserve adequacy is monitored through quarterly review by the actuarial team and approved by the Reserving Committee. It is also reviewed annually by an independent firm of actuaries.

Report of the Directors of the Managing Agent (continued)

Credit Risk
The key aspect of credit risk is the risk of default by one or more of the Syndicate's reinsurers. The Board's policy is that the Syndicate will usually only reinsure with businesses rated in the A range or higher. The Agency has established a Reinsurance and Intermediaries Security Committee which assesses and is required to approve all new reinsurers before business is placed with them.

Market Risk
The key aspect of market risk is that the Syndicate incurs losses on foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. The Agency's policy is to generally maintain received income or incurred expenditure in the core currencies in which they were received or paid. Currency matching is reviewed quarterly by the Board with any recommended currency trades approved.

Liquidity Risk
This is the risk that the Syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash. To mitigate this risk the Board reviews cash flow projections regularly.

Operational Risk
This is the risk that errors caused by people, processes, systems and external events lead to losses to the Syndicate. The Agency seeks to manage this risk through the use of detailed procedures manuals and a structured programme of testing of processes and systems by internal audit. Business continuity and disaster recovery plans are in place and are regularly updated and tested.

Regulatory Risk
Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Agency is required to comply with the requirements of the FCA, the PRA and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. The Agency has a Compliance Officer who is responsible for compliance and monitors regulatory developments and assesses the impact on agency policy.

Solvency II
The implementation date for Solvency II is now set for 1 January 2016. In order to support Lloyd's own Internal Model application in 2015, all managing agents were expected to demonstrate full compliance with the Solvency II tests and standards by the end of 2014. As a newly established managing agency TCMA is among a small group of managing agencies who are outside the Lloyd's Internal Model process and has a slightly longer period to demonstrate full compliance with the Solvency II tests and standards. In TCMA's case the deadline is 1 April 2016. The Channel Syndicate has made a considerable investment in systems and people over recent years, which has given the Syndicate a robust platform to manage Solvency II. TCMA continues to comply with the known Solvency II requirements and expects to be able to demonstrate the necessary compliance for formal model authorisation by 1 April 2016.

Future Developments
In 2015 we will continue to transact business in the current classes of general insurance and reinsurance business. Whilst recognising that the current market conditions are challenging, we aim to continue to identify new opportunities to expand and develop our business, working with our colleagues in the SCOR group to identify areas where we are able to leverage our combined experience and market position.
The capacity for the 2015 year of account is £167.5m.

Directors Serving in the Year

The Directors of the Managing Agency, TCMA, who served during the year ended 31 December 2014, were as follows:

B J G Hilton (Chairman)	Appointed 25 February 2014
R I Harris	Appointed 25 February 2014
J J Byrne	Appointed 7 March 2014
P A Chubb	Appointed 25 February 2014
T R C Corfield	Appointed 25 February 2014
B Gentsch	Appointed 25 February 2014
T J Hayday	Appointed 25 February 2014
D J Hindley	Appointed 25 February 2014
V Y Peignet	Appointed 25 February 2014
D M Reed	Appointed 25 February 2014

Richard Harris and John Byrne have indicated their intention to resign, which has been accepted by the Board, with effect from 3 April 2015.
The Board would like to thank Richard and John for their contribution to both the Syndicate and the Agency and wish them well in the future.
Subject to regulatory approval, David Reed has been appointed as CEO with effect from 3 April 2015 when he will relinquish his non executive role.

Disclosure of information to the auditor

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 its report, of which the auditor is unaware. Having made enquiries of fellow Directors of the Agency and the Syndicate's auditor, each Director has taken all the steps that he or she is obliged to take as a Director in order to make himself or herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

The management intends to reappoint Mazars LLP as the Syndicate's auditor.

Syndicate Annual General Meeting

In accordance with the Syndicate Meetings (Amendment No 1) Byelaw (No 18 of 2000) the Managing Agent does not propose holding an annual meeting this year; the Managing Agent also intends to reappoint the auditors for a further 12 months. Should the Syndicate member object to either of these proposals, the Managing Agent should be advised before 25 April 2015.

On behalf of the Board

TRC Corfield
Director
12 March 2015

Statement of Managing Agent's responsibilities

The Managing Agent is responsible for preparing the Managing Agent's Report and the annual accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the Managing Agent to prepare Syndicate annual accounts at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The 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:

1. Select suitable accounting policies and then apply them consistently;
2. Make judgements and estimates that are reasonable and prudent;
3. State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the annual accounts, and;
4. Prepare the 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 adequate accounting records that are sufficient to disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate annual accounts comply with the 2008 Regulations. The Managing Agent is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Managing Agent confirms that it has complied with the above requirements in preparing the Syndicate annual accounts.

Independent Auditor's report

to the member of Syndicate 2015

We have audited the syndicate annual financial statements of Syndicate 2015 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 23. 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).

Respective Responsibilities of the Managing Agent and the Auditor

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 8, 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.

This report is made solely to the syndicate's member, 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 member those matters we are required to state to it in an auditor's 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 member for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the syndicate annual accounts

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Independent Auditor's report (continued)
to the member of Syndicate 2015

Opinion on syndicate annual accounts

In our opinion the annual accounts:

- give a true and fair view of the state of affairs of Syndicate 2015 as at 31 December 2014 and of its loss 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.

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

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

Matters on which we are required to report by exception

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

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

Andrew Goldsworthy (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way London
E1W 1DD

12 March 2015

Profit and loss account: Technical account – General business

For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Earned premiums, net of reinsurance			
Gross premiums written	3	161,667	123,742
Outward reinsurance premiums		(25,576)	(13,119)
Net premiums written		136,091	110,623
Change in the provision for unearned premiums			
- Gross amount		(24,194)	(20,803)
- Reinsurers' share		6,562	1,775
Change in the net provision for unearned premiums		(17,632)	(19,028)
Earned premiums, net of reinsurance		118,459	91,595
Allocated investment return transferred from the non-technical account		417	242
Claims incurred, net of reinsurance			
Claims paid			
- Gross amount		(49,390)	(25,025)
- Reinsurers' share		3,284	779
Net claims paid		(46,106)	(24,246)
Change in the provision for claims			
- Gross amount		(36,026)	(38,174)
- Reinsurers' share		12,286	4,953
Change in the net provision for claims		(23,740)	(33,221)
Claims incurred, net of reinsurance		(69,846)	(57,467)
Net operating expenses	5	(54,701)	(45,317)
Total technical charges		(124,547)	(102,784)
Balance on the technical account for general business		**(5,671)**	**(10,947)**

All the amounts above are in respect of continuing operations.

Profit and loss account: Non-technical account

For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Balance on the general business technical account		(5,671)	(10,947)
Investment income	7	438	248
Unrealised (losses) on investments		(21)	(6)
Allocated investment return transferred to general business technical account		(417)	(242)
(Loss) for the financial year		**(5,671)**	**(10,947)**

All the amounts above are in respect of continuing operations.

There is no material difference between the result for the financial year stated above and its historical cost equivalent.

Statement of total recognised gains and losses

For the year ended 31 December 2014

	2014 £'000	**2013** £'000
(Loss) for the financial year	(5,671)	(10,947)
Currency translation difference on foreign currency net investment	629	(61)
Total recognised (losses) relating to the financial year	**(5,042)**	**(11,008)**

Balance sheet – Assets

At 31 December 2014

	Notes	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Investments					
Other financial investments	8		63,964		30,356
Reinsurers' share of technical provisions					
Provision for unearned premiums		13,342		6,222	
Claims outstanding	9	19,473		6,723	
			32,815		12,945
Debtors					
Debtors arising out of direct insurance operations	10	33,149		21,233	
Debtors arising out of reinsurance operations	11	21,436		17,186	
Other debtors	12	705		175	
			55,290		38,594
Other assets					
Cash at bank and in hand		5,424		3,820	
Overseas deposits	13	10,249		10,786	
			15,673		14,606
Prepayments and accrued income					
Deferred acquisition costs		27,311		20,141	
Accrued interest and rent		49		-	
Other prepayments and accrued income		520		158	
			27,880		20,299
Total assets			**195,622**		**116,800**

Balance sheet – Liabilities

At 31 December 2014

	Notes	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Capital and reserves					
Member's balance	14		(19,139)		(16,265)
Technical provisions					
Provision for unearned premiums		90,044		63,035	
Claims outstanding	4	102,816		64,958	
			192,860		127,993
Creditors					
Creditors arising out of direct insurance operations	15	2,190		779	
Creditors arising out of reinsurance operations	16	18,313		3,249	
Other creditors including taxation and social security		-		-	
			20,503		4,028
Accruals and deferred income			1,398		1,044
Total liabilities			**195,622**		**116,800**

The notes on pages 16 to 26 form an integral part of these annual accounts.

The annual accounts on pages 11 to 26 were approved by the Board of The Channel Managing Agency Limited on 12 March 2015 and were signed on its behalf by

PA Chubb
Director
12 March 2015

Statement of cash flows

For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Net cash inflow from operating activities	17	31,880	24,175
Distribution loss		2,168	-
		34,048	**24,175**

Cash flows were invested as follows:			
Increase/(decrease) in cash holdings	18	1,689	(899)
(Decrease)/increase in deposits	18	(525)	6,094
Increase in portfolio investments	18	32,884	18,980
Net investment of cash flows		**34,048**	**24,175**

Notes to the accounts

At 31 December 2014

1. Basis of Preparation

These accounts have been prepared in accordance with Regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, and applicable Accounting Standards in the United Kingdom. The recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued in December 2005 (as amended in December 2006) by the Association of British Insurers have been adopted.

2. Accounting Policies

Basis of Accounting

The accounts have been prepared on an annual basis of accounting, whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

Gross Premiums Written

Premiums written comprise premiums on contracts incepted during the financial year, as well as adjustments made in the year to premiums written in prior accounting periods. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Premiums include estimates for pipeline premiums, net of estimated future cancellations, representing amounts due to the Syndicate not yet notified.

Unearned Premiums

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

Reinsurance Premium Ceded

Outward reinsurance premiums written comprise premium for contracts incepting during the financial year together with adjustment to outward reinsurance ceded in previous years.

Claims Provisions and Related Recoveries

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs.

The provision for claims outstanding is assessed on:

1) An individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs; and

2) The estimated cost of claims incurred but not reported ("IBNR") at the balance sheet date based on statistical methods.

The statistical methods generally involve projecting the development of claims over time to form a view of the likely ultimate claims. Adjustments are made for variations in the business accepted and the underlying terms and conditions. For the current year estimates may also be based in part on output from rating models of the business accepted and assessments of underwriting conditions.

Notes to the accounts (continued)
At 31 December 2014

The Syndicate's reserving methodology takes into account the characteristics of the lines of business underwritten. Each account of the Syndicate has been written previously and the Syndicate can draw on the historical loss ratio experience to reserve adequately. The Syndicate reserves for attritional losses and known events separately. The attritional losses are reserved based on pricing information, reported losses and historical reporting and loss development. Any known events are reserved on explicit exposure information combined with Market Loss estimates and explicit policyholder information.

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

The three most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development, that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred and that the quality of policyholder data on known events is robust.

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

Unexpired Risk Provision
A provision for unexpired risks is made where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together after taking into account any future investment return.

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

Foreign Currencies
Transactions in US dollars, Canadian dollars and Euros are translated at the average rates of exchange for the year. Transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

Monetary and non-monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date.

Exchange differences arising on the retranslation of opening balance sheet items at closing balance sheet rate and the retranslation of the profit and loss account for the year from the average rate to the closing balance sheet rate are taken to reserves and included in the Statement of Total Recognised Gains and Losses.

Notes to the accounts (continued)
At 31 December 2014

All other exchange differences are dealt with in the technical account and included within operating expenses.

Investments
Investments are stated at current value at the balance sheet date. For this purpose, listed investments are stated at market value (bid value) and deposits with credit institutions and overseas deposits are stated at cost or market value as notified by Lloyd's.

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

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

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

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 Federal Income Tax payable on underwriting results or investment earnings.

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

Pension Costs
TCMA operates a defined contribution scheme. Pension contributions relating to syndicate staff are charged to the Syndicate and included within net operating expenses.

Profit Commission
Profit commission is charged by the Managing Agent on the profit on a year of account basis. This is charged to the Syndicate as incurred but does not become payable until after the year of account closes, normally after 36 months.

Notes to the accounts (continued)
At 31 December 2014

3. Segmental Analysis

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

2014	Gross written premium £'000	Gross premium earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000
Direct insurance:						
Accident and health	10,273	9,194	(6,650)	(3,290)	(306)	(1,052)
Marine	8,523	8,001	(5,813)	(5,457)	(999)	(4,268)
Aviation	1,904	1,570	(11,241)	(542)	7,193	(3,020)
Transport	6,740	5,433	(6,507)	(3,277)	(601)	(4,952)
Energy - Marine	3	2	-	(1)	-	1
Energy – Non Marine	1,519	1,606	(1,299)	(162)	(237)	(92)
Fire and other damage to property	49,192	42,740	(17,138)	(15,243)	(3,860)	6,499
Third party liability	27,439	25,086	(16,138)	(11,897)	(225)	(3,174)
Pecuniary Loss	9,632	1,943	(683)	(713)	(291)	256
	115,225	95,575	(65,469)	(40,582)	674	(9,802)
Reinsurance	46,442	41,898	(19,947)	(14,119)	(4,118)	3,714
	161,667	137,473	(85,416)	(54,701)	(3,444)	(6,088)

2013	Gross written premium £'000	Gross premium earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000
Direct insurance:						
Accident and health	7,539	6,248	(3,824)	(3,110)	(255)	(941)
Marine	8,888	8,441	(6,587)	(3,040)	(854)	(2,040)
Aviation	2,782	2,052	(585)	(836)	(197)	434
Transport	6,715	5,750	(6,176)	(2,267)	(576)	(3,269)
Energy - Marine	-	-	-	-	-	-
Energy – Non Marine	1,757	878	(724)	(297)	(84)	(227)
Fire and other damage to property	31,250	21,965	(10,490)	(10,765)	(1,620)	(910)
Third party liability	25,000	20,201	(9,072)	(11,519)	(1,730)	(2,120)
Pecuniary Loss	-	-	-	-	-	-
	83,931	65,535	(37,458)	(31,834)	(5,316)	(9,073)
Reinsurance	39,811	37,404	(25,741)	(13,483)	(296)	(2,116)
	123,742	102,939	(63,199)	(45,317)	(5,612)	(11,189)

Notes to the accounts (continued)
At 31 December 2014

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

All contracts were concluded in the UK, albeit that the business emanates from around the world.

4. Claims Outstanding

The Syndicate has loss reserves for various events and for losses that are incurred but not reported (IBNR). Losses continue to develop, both positively and negatively on these open balances. Whilst the Syndicate has a reasonable degree of confidence as to the ultimate adequacy of its reserves for all events, volatility exists around the final settlement value. Overall on an aggregate basis, reserve releases of £2.6m (2013: £0.7m) net of reinsurance were made from prior year reserves.
The reserve release in 2014 was generated by the Fire and other damage to property and Reinsurance segments.

5. Net Operating Expenses

	2014 £'000	2013 £'000
Acquisition costs	(49,533)	(40,884)
Change in deferred acquisition costs	6,460	7,480
Administrative expenses	(10,701)	(11,227)
Reinsurance commissions and profit participation	389	-
(Loss) on foreign exchange	(1,316)	(686)
	(54,701)	(45,317)

Commission for direct insurance business for the year was £31,448,000 (2013: £24,239,000).

Administrative expenses include:

	2014 £'000	2013 £'000
Auditor's remuneration		
Audit of the annual accounts	(51)	(69)
Other services:		
- Other regulatory reporting	(56)	(50)
	(107)	(119)
Standard personal expenses (Lloyd's subscriptions, New Central Fund Contributions, Managing Agents fees)	(2,872)	(2,522)

6. Emoluments of the Directors of The Channel Managing Agency Ltd

The aggregate emoluments of the Directors (including the active underwriter) and staff of the Managing Agency are met by The Channel Syndicate LLP and are disclosed within the financial statements of that LLP. Emoluments are not separately identified within the fee charged by The Channel Syndicate LLP to the Syndicate

Notes to the accounts (continued)
At 31 December 2014

7. Investment Return

	2014 £'000	2013 £'000
Investment income		
Income from investments	438	409
(Losses) on the realisation of investments	-	(161)
	438	248

8. Financial Investments

	2014		2013	
	Market value £'000	Cost £'000	Market value £'000	Cost £'000
Shares and other variable securities and units in unit trusts	48,934	48,934	30,356	30,356
Debt securities and other fixed income securities	15,030	15,052	-	-
	63,964	63,986	30,356	30,356

All "Shares and other variable yield securities and units in unit trusts" are listed.

9. Reinsurance on Claims Outstanding

The year end assessment of the recoverability of the Syndicate's reinsurance assets has been taken into account in arriving at the provision for bad and doubtful debts. The Managing Agent considers the provision is fairly stated based on the current information available.

10. Debtors arising out of Direct Insurance Operations

	2014 £'000	2013 £'000
Due within one year – intermediaries	33,074	21,168
Due after one year – intermediaries	75	65
	33,149	21,233

11. Debtors arising out of Reinsurance Operations

	2014 £'000	2013 £'000
Due within one year – intermediaries	21,429	17,186
Due after one year – intermediaries	7	-
	21,436	17,186

Notes to the accounts (continued)
At 31 December 2014

12. Other Debtors

	2014 £'000	2013 £'000
Amount due from The Channel Syndicate LLP	333	140
Amount due from The Channel Managing Agency	59	-
Lloyd's charges	212	-
Taxation	97	-
Sundry debtors	4	35
Due within one year	705	175
Total Other debtors	705	175

13. Overseas Deposits

The overseas deposits are held under Lloyd's premium trust deed arrangements where applicable and are administered by Lloyd's. The Syndicate is required to lodge deposits in various overseas insurance markets as a condition of conducting underwriting business in those markets. All such overseas deposits are calculated in accordance with the relevant territorial authority's requirements, usually by reference to outstanding liabilities derived from business written in those territories.

Overseas deposits are stated at cost or market value, as notified by Lloyd's.

14. Reconciliation of Member's Balance

	Total 2014 £'000	Total 2013 £'000
At 1 January	(16,265)	(5,257)
Distribution loss	2,168	-
(Loss) for the year	(5,671)	(10,947)
Other recognised profit/(loss)	629	(61)
At 31 December	(19,139)	(16,265)

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

Notes to the accounts (continued)
At 31 December 2014

15. Creditors arising out of Direct Insurance Operations

	2014 £'000	2013 £'000
Due within one year	2,178	769
Due after one year	12	10
	2,190	779

16. Creditors arising out of Reinsurance Operations

	2014 £'000	2013 £'000
Due within one year	18,313	3,249
	18,313	3,249

17. Reconciliation of Operating (Loss) to Net Cash Inflow of Operating Activities

	2014 £'000	2013 £'000
Operating (loss) on ordinary activities	(5,671)	(10,947)
Realised and unrealised investment gains and changes in exchange rates	(627)	262
Increase in net technical provision	44,996	49,576
(Increase) in debtors and prepayments	(24,277)	(16,372)
Increase in creditors and accruals	16,830	1,717
Differences on foreign currency net investment	629	(61)
Net cash inflow from operating activities	31,880	24,175

Notes to the accounts (continued)
At 31 December 2014

18. Movement in Opening and Closing Portfolio Investments Net of Financing

	2014 £'000	2013 £'000
Net cash flow for the year	1,689	(899)
Cash flow		
(Decrease)/increase in deposits	(525)	6,094
Increase in portfolio investments	32,884	18,980
Movement arsing from cash flows	34,048	24,175
Changes in market value and exchange rates	627	(262)
Total movement in portfolio investments	34,675	23,913
Portfolio at 1 January	44,962	21,049
Portfolio at 31 December	79,637	44,962

19. Analysis of Movement in Cash and Portfolio Investments

	At 1 Jan 2014 £'000	Cash Flow £'000	Changes to market value and currencies £'000	At 31 Dec 2014 £'000
Cash at bank	3,820	1,689	(85)	5,424
Overseas deposits	10,786	(525)	(12)	10,249
Portfolio Investment:				
Shares and other variable yield securities and units in unit trust	30,356	17,832	746	48,934
Debt and other fixed income securities	-	15,052	(22)	15,030
Total portfolio investment	30,356	32,884	724	63,964
Total cash portfolio investment and financing	44,962	34,048	627	79,637

Notes to the accounts (continued)
At 31 December 2014

20. Net Cash Inflow on Portfolio Investments

	2014 £'000	2013 £'000
Net purchase of shares and other variable yield securities and units in unit trusts	17,832	18,980
Net purchase of debt and other fixed income securities	15,052	-
	32,884	18,980

21. Post Balance Sheet Events

There are no post Balance Sheet events.

22. Disclosure of Interests

Managing Agent's Interests

From 1 January 2014 to 31 March 2014 Syndicate 2015 was managed by AMA Ltd. AMA was the Managing Agent for nine other Lloyd's Syndicates during 2014. Syndicates 1686, 1729, 1897,1910, 2357, 2525, 2526, 4242 and 6117 are managed on behalf of third party capital providers.

From 1 April 2014 Syndicate 2015 is managed by TCMA following approval by the FCA and PRA regulatory authorities and Lloyd's.

The Financial Statements of TCMA can be obtained by application to the Registered Office (see page 2).

Related Companies' Interests

Syndicate 2015's dedicated capital provider is SCOR Underwriting Limited. SCOR Underwriting Limited is a subsidiary of SCOR Global P&C SE and shares the same ultimate parent, SCOR SE.

The Channel Syndicate LLP, a subsidiary undertaking of SCOR SE, provides management services to the Syndicate. In 2014, the recharge to the syndicate was £10,660,000 (2013: £9,359,000). The balance outstanding at year end was an amount of £333,000 due to the Syndicate from the LLP (2013: £140,000).

The amount of premium ceded by SCOR SE companies in the period was £nil (2013: £nil). The amount of reinsurance ceded to SCOR SE companies was £6,649,000 (2013: £nil).

Notes to the accounts (continued)
At 31 December 2014

23. Funds at Lloyd's

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

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on regulatory requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the Managing Agent, no amount has been shown in these 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.

24. Derivatives
The Syndicate has not traded in derivatives.