

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.

CATLIN SYNDICATE 3002

**SYNDICATE ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

CATLIN SYNDICATE 3002

SYNDICATE INFORMATION

MANAGING AGENT:

Managing agent Catlin Underwriting Agencies Limited ("CUAL")

Directors

S. Catlin	
P. Jardine	
R. Clapham	
N. Burkinshaw	
S. Long	
R. Callan	
O. Whelan	
C. Robinson	Non-executive
R. Cowdell	Non-executive

Company secretary A. Gray

Registered number 01815126

Registered office 20 Gracechurch Street
London
EC3V 0BG

SYNDICATE:

Active underwriter N. Guillaume-Smith

Bankers Barclays Bank Plc
Citibank N.A.

Independent auditors PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

CATLIN SYNDICATE 3002

CONTENTS

	Page
Strategic Report of the Directors of the Managing Agent	1 - 3
Report of the Directors of the Managing Agent	4 - 5
Independent Auditors' Report	6 - 7
Profit and Loss Account	8 - 9
Statement of Total Recognised Gains and Losses	10
Balance Sheet	11 - 12
Cash Flow Statement	13
Notes to the financial statements	14 - 25

CATLIN SYNDICATE 3002

STRATEGIC REPORT OF THE DIRECTORS OF THE MANAGING AGENT FOR THE YEAR ENDED 31 DECEMBER 2014

The directors of the managing agent present their strategic report for the year ended 31 December 2014.

Business review

The principal activity of the syndicate remains the transaction of term life assurance business.

The result for the year is a profit of £1,391k (2013: profit of £973k). The result is primarily attributable to an underwriting profit (net earned premiums minus net claims incurred and net operating expenses) for 2014 of £1,389k (against an underwriting profit of £971k in 2013).

The total capacity for 2014 underwriting year was £14m (2013: £13m).

Key performance indicators

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

	2014 £000's	2013 £000's
Gross written premiums	9,670	9,672
Underwriting result	1,389	971
Profit for the financial year	1,391	973
Net loss ratio	50.4%	55.5%
Combined ratio	83.6%	88.7%
Solvency result	337	(926)

Note: The combined ratio is the ratio of net claims incurred and net operating expenses to net premiums earned. A lower combined ratio represents better performance.

Results and solvency

During the year, the syndicate wrote £9,670k in gross premiums, maintaining the volume written in the previous year (2013: £9,672k).

The syndicate incurred a net loss ratio of 50.4% (2013: 55.5%), this reflects the favourable loss experience in the year.

The 2012 and prior years of account have Reinsured to Close ("RITC") into the syndicate's 2013 year of account at an RITC premium of £334k.

The syndicate holds sufficient capital to cover the solvency required for regulatory purposes in accordance with the PRA handbook. The corporate members, Catlin Syndicate Limited and Catlin (One) Limited, hold total Funds at Lloyd's of £24.8m (2013: £27.0m) on behalf of the syndicate, which in accordance with GENPRU2.3.34R can be used to support the solvency position of the syndicate. For the 2014 year of account and subsequent years of account, Catlin (One) Limited is the sole member on the syndicate, whilst the sole member on the previous open underwriting year of account will continue to be Catlin Syndicate Limited.

CATLIN SYNDICATE 3002

STRATEGIC REPORT OF THE DIRECTORS OF THE MANAGING AGENT FOR THE YEAR ENDED 31 DECEMBER 2014

Principal risks and uncertainties

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. The syndicate through its managing agent has developed a risk and control framework in line with the wider Catlin Group which is built on an Enterprise Risk Management Model that aims to integrate existing risk programmes into a more holistic, embedded Group-wide risk and capital management framework.

All policies are approved by management and subject to ongoing review by the risk management and internal audit teams. Compliance with regulation, legal and ethical standards is a high priority for the Group, the compliance and finance departments take on an important oversight role in this regard. The Board of the Agency is responsible for satisfying itself that a proper internal control framework exists to manage all risks and the controls operate effectively.

The syndicate is exposed to financial risk through its reinsurance assets and policyholder liabilities. The most important components of this financial risk are currency risk, credit risk and liquidity risk.

Currency risk

The syndicate is exposed to currency risk in respect of liabilities under policies of insurance denominated in currencies other than Pounds Sterling. There is a natural matching to currency risk as claims are normally paid in the currency of the original policy. The currency risk is limited due to the majority of the syndicate's transactions being denominated in GBP.

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the syndicate is exposed to credit risk are:

- Amounts due from reinsurers in respect of claims already paid, and
- Amounts due from insurance intermediaries.

The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publically available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy. In certain circumstances, deposits from reinsurers are also held as collateral.

Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency.

Reinsurance is used to manage insurance risk. This does not, however, discharge the syndicate's liability as primary insurer. If a reinsurer fails to pay a claim, the syndicate remains liable for the payment to the policyholder.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The syndicate ensures that sufficient funds are available at short notice to meet such liabilities. The syndicate liquidity position is monitored closely, both under normal claims experience and also under realistic disaster scenarios.

CATLIN SYNDICATE 3002

STRATEGIC REPORT OF THE DIRECTORS OF THE MANAGING AGENT FOR THE YEAR ENDED 31 DECEMBER 2014

Future developments and strategy

The syndicate will continue to transact life term assurance business. Growth and development of the business will continue to be encouraged and supported by the Board.

Depending upon prevailing market conditions, premium income levels are under continuous review as the syndicate continues to develop its relationships with distributors, generating new business while continuing to meet the needs of its clients.

The Lloyd's Stamp Capacity for the 2015 year of account has been increased to £20.7m (*2014 year of account: £14.4m*). This increase is driven by new South American business written through a binder arrangement. For the 2014 year of account and subsequent years of account, Catlin (One) Limited is the sole member of the syndicate, whilst the sole member of the previous open underwriting year of account will continue to be Catlin Syndicate Limited.

The syndicate continues to purchase intra group reinsurance (IGR) with Catlin Insurance Company Ltd. The contract is identical in nature to the contracts of previous years. The IGR has been placed on a per life surplus basis.

On the 9th January 2015, the board of Catlin Group Limited ("Catlin"), the ultimate parent of CUAL, announced that it had agreed a recommended cash and share acquisition of the entire issued and to be issued share capital of Catlin by XL Group plc. The deal is subject, among other things, to shareholder approval and regulatory clearances. The acquisition is expected to complete in mid-2015.

This report was approved by the Board and signed on its behalf by:



R. Callan
Director
17 March 2015

CATLIN SYNDICATE 3002

REPORT OF THE DIRECTORS OF THE MANAGING AGENT FOR THE YEAR ENDED 31 DECEMBER 2014

The directors of the managing agent present their report together with the audited annual accounts for the year ended 31 December 2014.

The annual 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 managing agent has received, in writing, agreement from Catlin Syndicate Limited, the sole member of Catlin Syndicate 3002 for the 2013 and 2012 years of account, that no underwriting year accounts shall be prepared in respect of Syndicate 3002. This is in accordance with Section 4, Paragraph 1b of Statutory Instrument 2004 No 3219. For the 2014 year of account and subsequent years of account, Catlin (One) Limited is the sole member of the syndicate.

Future developments and strategy are discussed within the strategic report

Directors

The directors of CUAL who held office during the year and up to the date of signing the annual accounts were:

S. Catlin		
P. Jardine		
N. Sinfield		Resigned 17 August 2014
R. Clapham		
N. Burkinshaw		Resigned 17 March 2015
S. Long		
R. Callan		
O. Whelan		Appointed 7 November 2014
C. Robinson	Non-executive	
T. Burrows	Non-executive	Resigned 26 November 2014
R. Cowdell	Non-executive	

Disclosure of information to the auditors

Each of the persons who are a director at the date of this report confirms that:

- so far as each director is aware, there is no relevant audit information for which the syndicate's auditors are unaware; and
- each director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the syndicate's auditor is aware of that information.

CATLIN SYNDICATE 3002

REPORT OF THE DIRECTORS OF THE MANAGING AGENT FOR THE YEAR ENDED 31 DECEMBER 2014

Statement of managing agent's responsibilities

The directors of the managing agent are 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. Under that law, the directors are required to prepare the syndicate annual accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires that the directors must not approve the annual accounts unless they are satisfied that they give a true and fair view of the state of affairs of the syndicate and of the profit or loss of the syndicate for that year.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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 annual accounts; and
- 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 directors of the managing agent confirm that they have complied with the above requirements in preparing the syndicate annual accounts.

The directors of the managing agent are responsible for keeping proper accounting records that are sufficient to show and explain the syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the syndicate and enable it to ensure that the annual accounts comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. They are 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 is responsible for the maintenance and integrity of the corporate and financial information included on the business' website. Legislation in the United Kingdom governing the preparation and dissemination of annual accounts may differ from legislation to other jurisdictions.

This report was approved by the Board and signed on its behalf by:



R. Callan
Director
17 March 2015

CATLIN SYNDICATE 3002

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF CATLIN SYNDICATE 3002

Report on the syndicate annual accounts

Our Opinion

In our opinion the syndicate annual accounts, defined below:

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2014 and of its profits and cash flows 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

What we have audited

The syndicate annual accounts for the year ended 31 December 2014, which are prepared by the Managing Agent, comprise:

- the Balance Sheet as at 31 December 2014;
- the Profit and Loss account for the year then ended;
- the cash flow statement; and
- the notes to the syndicate annual accounts, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the syndicate annual accounts is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Opinion on 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.

Other matters on which we are required to report by exception

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

CATLIN SYNDICATE 3002

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF CATLIN SYNDICATE 3002

Responsibilities for the syndicate annual accounts and the audit

Our responsibilities and those of the Managing Agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 5, the Managing Agent is responsible for the preparation of syndicate annual accounts and for being satisfied that they 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the syndicate's members as a body in accordance with section 10 of part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of syndicate annual accounts involves

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

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

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

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

In addition, we read all the financial and non-financial information in the syndicate 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.



Matthew Nichols (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
17 March 2015

CATLIN SYNDICATE 3002

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	2014 £000's	2013 £000's
TECHNICAL ACCOUNT - LONG TERM BUSINESS			
Gross premiums written	2	9,670	9,672
Outward reinsurance premiums		<u>(292)</u>	<u>(415)</u>
Net premiums written		9,378	9,257
Change in the gross provision for unearned premiums		(865)	(713)
Change in the provision for unearned premiums, reinsurers' share		<u>(19)</u>	<u>41</u>
Change in the net provision for unearned premiums		(884)	(672)
Earned premiums net of reinsurance		<u>8,494</u>	<u>8,585</u>
Allocated investment return transferred from the non-technical account	6	3	3
Total technical income		<u>8,497</u>	<u>8,588</u>
Claims paid			
Gross amount		(3,862)	(4,505)
Reinsurers' share		<u>-</u>	<u>-</u>
Net of reinsurance		(3,862)	(4,505)
Change in the provision for claims			
Gross amount		(274)	(435)
Reinsurers' share		<u>-</u>	<u>-</u>
Net of reinsurance		(274)	(435)
Claims incurred, net of reinsurance		(4,136)	(4,940)
Change in the long term business provisions			
Gross amount		(230)	223
Reinsurers' share		<u>85</u>	<u>(51)</u>
Net of reinsurance		(145)	172
Net operating expenses	5	(2,824)	(2,846)
Investment expenses and charges	6	<u>(1)</u>	<u>(1)</u>
Balance on the long term business technical account		<u>1,391</u>	<u>973</u>

CATLIN SYNDICATE 3002

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £000's	2013 £000's
NON-TECHNICAL ACCOUNT			
Balance on the long term business technical account		1,391	973
Investment Income		<u>3</u>	<u>3</u>
		1,394	976
Allocated Investment return transferred to the general business technical account		(3)	(3)
Profit for the financial year		<u><u>1,391</u></u>	<u><u>973</u></u>

All amounts above relate entirely to continuing activities as defined by Financial Reporting Standard (FRS) 3.

There are no differences between the profit for the financial year stated above and their historical cost equivalents.

The notes on pages 14 to 25 form part of these annual accounts.

CATLIN SYNDICATE 3002

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 £000's	2013 £000's
Profit for the financial year	1,391	973
Currency translation movement	88	(28)
Total recognised gains relating to the year	<u>1,479</u>	<u>945</u>

CATLIN SYNDICATE 3002

BALANCE SHEET
AS AT 31 DECEMBER 2014

	Note	2014 £000's	2013 £000's
ASSETS			
Reinsurers' share of technical provisions			
Provision for unearned premiums		194	214
Long term business provision	15	<u>92</u>	<u>6</u>
		286	220
Debtors - amounts falling due within one year			
Debtors arising out of direct insurance operations	7	4,349	3,241
Debtors arising out of reinsurance operations	8	997	984
Other debtors	9	<u>162</u>	<u>806</u>
		5,508	5,031
Debtors - amounts falling due after one year			
Other debtors		<u>6</u>	<u>-</u>
		6	-
Other assets			
Cash at bank		6,461	5,091
Overseas deposits		<u>14</u>	<u>9</u>
		6,475	5,100
Prepayments and accrued income			
Deferred acquisition costs	10	1,162	952
Other prepayments and accrued income		<u>26</u>	<u>-</u>
		1,188	952
TOTAL ASSETS		<u><u>13,463</u></u>	<u><u>11,303</u></u>

CATLIN SYNDICATE 3002

BALANCE SHEET
AS AT 31 DECEMBER 2014

	Note	2014 £000's	2013 £000's
LIABILITIES			
Member's balance	12	<u>2,670</u>	<u>1,399</u>
Technical provisions			
Provision for unearned premiums		5,095	4,176
Long term business provision	15	2,745	2,494
Claims outstanding		<u>558</u>	<u>510</u>
		8,398	7,180
Creditors - amounts falling due within one year			
Creditors arising out of direct insurance operations		8	239
Creditors arising out of reinsurance operations		295	662
Other creditors	11	<u>2,078</u>	<u>1,818</u>
		2,381	2,719
Accruals and deferred income		<u>14</u>	<u>5</u>
TOTAL LIABILITIES		<u><u>13,463</u></u>	<u><u>11,303</u></u>

The annual accounts on pages 8 to 25, were approved by the Board of Directors of Catlin Underwriting Agencies Limited and were signed on its behalf on 17 March 2015 by:



P. Jardine
Director



R. Callan
Director

CATLIN SYNDICATE 3002

CASHFLOW STATEMENT
AS AT 31 DECEMBER 2014

	Note	2014 £000's	2013 £000's
Net cash inflow from operating activities	13	<u>1,528</u>	<u>1,588</u>
Transfer to members of underwriting participations		(208)	(27)
Net cash inflow		<u><u>1,320</u></u>	<u><u>1,561</u></u>
Cash flows were invested as follows:			
Increase in cash holdings	14	1,315	1,646
Increase/(decrease) in overseas deposits	14	<u>5</u>	<u>(85)</u>
Net investment cash flows		<u><u>1,320</u></u>	<u><u>1,561</u></u>

CATLIN SYNDICATE 3002

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1 ACCOUNTING POLICIES

1.1 Basis of presentation

The annual 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 syndicate has adopted all applicable recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers ("the ABI SORP") in December 2005 (as amended in December 2006).

The directors of the managing agent have prepared the annual accounts on the basis that the syndicate will continue to write future business.

The syndicate holds sufficient capital to cover the solvency required for regulatory purposes in accordance with the PRA handbook. In addition, the corporate members, Catlin Syndicate Limited and Catlin (One) Limited, hold total Funds at Lloyd's of £24.8m (2013: £27.0m) on behalf of the syndicate, which in accordance with GENPRU2.3.34R can be used to support the solvency position of the syndicate.

The ability of the syndicate to meet its obligations as they fall due is underpinned by the support provided by the Lloyd's solvency process and its chain of security for any members who are unable to meet their underwriting liabilities. Funds at Lloyd's are further explained in note 17.

1.2 Insurance and investment contracts - classification

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

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

The syndicate has not issued any investment contracts, as set out above, in this or prior years and has only issued insurance contracts.

The results of the syndicate are determined on an annual basis, whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

(i) Premiums written

Premiums written represent premiums on business incepting during the year. They include estimates for pipeline premiums and adjustments to the prior year and are stated before deduction of commissions and other related acquisition costs. Cancellations of premium policies are excluded.

Single premium contracts consist of those contracts under which there is no expectation of continuing premiums being paid at regular intervals. Additional single premiums paid in respect of existing individual contracts shall be included.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1 ACCOUNTING POLICIES (continued)

1.2 Insurance and investment contracts - classification (continued)

(ii) Outward reinsurance premiums written

Outward reinsurance premiums ceded represents premiums for contracts incepting during the financial year together with adjustments to outwards reinsurance premiums ceded in previous years. They are allocated to the appropriate accounting period on bases which fairly reflect the allocation of the underlying business being protected.

(iii) Unearned premiums written

Premiums written are recognised as earned income over the period of the policy on a time apportionment basis, having regard, where appropriate, to the incidence of risk. The provision for unearned premiums represents the portion of premiums written that relate to unexpired terms of policies in force at the Balance Sheet date, and is calculated on a daily pro rata basis. The unearned premium provision is recognised separately from the long term business provision.

(iv) Claims incurred

Claims incurred comprise claims and related expenses paid during the year and changes in the provisions for outstanding claims, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years.

(v) Claims provisions and related reinsurance recoveries

Claims outstanding comprise claims notified and not yet paid and include a provision for claims handling expenses in respect of those claims.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

(vi) Deferred acquisition costs

Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned. For this purpose acquisition costs include administrative expenses connected with the procurement, processing and issuance of policies.

(vii) Unexpired risks provision

Provisions are made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risks provision. The expected claims are calculated having regard to events that have occurred prior to the Balance Sheet date.

Unexpired risk surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises.

CATLIN SYNDICATE 3002

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1 ACCOUNTING POLICIES (continued)

1.3 Long term business provision

The long term business provision is determined in accordance with the requirements of the EU Third Life Directive 92/96/EEC, under which certain contingency and other reserves required by insurance company regulations are excluded from the long term business provision.

The basis of the calculation is as follows:

Provision is made at year end for the cost of claims incurred but not yet reported to the syndicate. The estimated cost of claims includes expenses to be incurred in settling plus a provision for future administrative expenses relating to existing business. The syndicate takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

1.4 Investment return

Investment return consisting solely of bank interest is initially recorded in the non-technical account. A transfer is made from the non-technical account to the technical account on investments supporting the insurance technical provisions and related member funds.

1.5 Foreign currencies

Transactions in US Dollars and Euros (the functional currencies) are translated at the average rates of exchange. 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 functional currencies are revalued at the rate of exchange at the Balance Sheet date (US Dollar 1.56 and Euro 1.29).

Exchange differences arising on revaluation of opening Balance Sheet technical items in functional currencies at closing Balance Sheet rates and translation of the Technical Account for the year from average to closing rates are taken to reserves and disclosed in the Statement of Total Recognised Gains and Losses. Other foreign exchange gains and losses are recognised in the Profit and Loss Account.

The annual accounts are presented in Pounds Sterling, which is the syndicate's presentational currency.

1.6 Pension costs

Catlin Holdings Limited, a fellow group company, operates a defined contribution scheme. Pension contributions relating to staff working on the affairs of the syndicate are charged to the syndicate and included within net operating expenses.

CATLIN SYNDICATE 3002

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1 ACCOUNTING POLICIES (continued)

1.7 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.

It remains the responsibility of the member to agree its corporation tax liabilities with HM Revenue & Customs.

1.8 Reinsurance to Close (RITC)

Each Lloyd's syndicate underwriting account is normally closed at the end of the third year by means of reinsurance into the following year, which reinsures all future liabilities for the closed year and all previous years in return for a premium calculated by the underwriter and approved by the managing agent.

The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring syndicate was unable to meet its obligations, and other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle the outstanding claims.

The directors consider that the likelihood of such a failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close had been deemed to settle liabilities outstanding at the closure of an underwriting account.

CATLIN SYNDICATE 3002

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

2 SEGMENTAL ANALYSIS

In the opinion of the directors, the syndicate operates in a single business segment, being that of long-term insurance business. Gross premiums written (GPW), gross premiums earned (GPE), gross claims incurred (G. Clms), gross operating expenses (G. Exp) and the reinsurance balances (RI) are as follows:

2014	GPW £000's	GPE £000's	G. Clms £000's	G. Exp £000's	RI £000's	Total £000's
	<u>9,670</u>	<u>8,805</u>	<u>(4,366)</u>	<u>(2,824)</u>	<u>(226)</u>	<u>1,389</u>
2013	GPW £000's	GPE £000's	G. Clms £000's	G. Exp £000's	RI £000's	Total £000's
	<u>9,672</u>	<u>8,959</u>	<u>(4,717)</u>	<u>(2,846)</u>	<u>(425)</u>	<u>971</u>

The reinsurance balance is in relation to an intra-group surplus reinsurance treaty with Catlin Insurance Company Ltd.

The gross premiums written can be further analysed as follows:

	2014 £000's	2013 £000's
Individual premiums	656	751
Premiums under group contracts	<u>9,014</u>	<u>8,921</u>
Gross premiums written	<u>9,670</u>	<u>9,672</u>
Single premiums	<u>9,670</u>	<u>9,672</u>
Gross premiums written	<u>9,670</u>	<u>9,672</u>

All business written is considered to be single premium business and renewable on an annual basis.

For the purposes of SSAP 25 'Segmental Reporting', the Lloyd's insurance market has been treated as one geographical segment. All business is signed and concluded in the UK. The geographical analysis of gross premiums written by risk location is as follows:

	2014 £000's	2013 £000's
United Kingdom	5,125	4,836
Other EU countries	1,741	1,934
US	676	580
Other	<u>2,128</u>	<u>2,322</u>
	<u>9,670</u>	<u>9,672</u>

CATLIN SYNDICATE 3002

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

3 PROFIT FOR THE FINANCIAL YEAR

Profit for the financial year is stated after charging:

	2014 £000's	2013 £000's
Auditor's remuneration		
Audit services:		
Fees payable to the syndicate's auditor for the audit of the Syndicate annual accounts	20	18
Other services:		
Fees payable to the syndicate's auditor and its associates for other services:		
Other services pursuant to legislation, including the audit of the regulatory return	<u>23</u>	<u>21</u>

The auditors' remuneration for the year has been borne by another group company.

CATLIN SYNDICATE 3002

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

4 EMPLOYEES & DIRECTORS

The syndicate and its managing agent has no employees.

The syndicate did not directly incur staff costs during the year (2013: £nil). Total staff costs of £700k (2013: £624k) were recharged by other group companies. These amounts include non-salary costs such as staff training.

The following salary and related costs were recharged during the year.

	2014 £000's	2013 £000's
Salaries	438	452
Social security	62	57
Pension	59	53
	<u>559</u>	<u>562</u>

Directors' emoluments for the year were as follows:

	2014 £000's	2013 £000's
Aggregate emoluments and other benefits	8	5
Pension contributions	1	-
	<u>9</u>	<u>5</u>

Emoluments of the highest paid director are:

Aggregate emoluments and other benefits	4	2
Pension contributions	1	-
	<u>5</u>	<u>2</u>

Emoluments of the active underwriter are:

Aggregate emoluments and other benefits	2	2
Pension contributions	-	-
	<u>2</u>	<u>2</u>

Directors' emoluments are the company's share of the total emoluments charged to the syndicate for services provided to the syndicate. Directors' emoluments are paid by other group companies and recharged by way of a management fee based on a best estimate of the time spent on the syndicate's activities.

CATLIN SYNDICATE 3002

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

5 NET OPERATING EXPENSES

	2014 £000's	2013 £000's
Acquisition costs	2,310	2,403
Change in deferred acquisition costs	<u>(200)</u>	<u>(248)</u>
	2,110	2,155
Administration expenses	714	693
Realised exchange gains/(losses)	-	(2)
	<u>2,824</u>	<u>2,846</u>

Commissions on direct business amounted to £1,474k (2013: £1,384k).

6 INVESTMENT RETURN

	2014 £000's	2013 £000's
Investment income		
Income from investments	<u>3</u>	<u>3</u>
	3	3
Investment expenses and charges		
Bank charges incurred	<u>(1)</u>	<u>(1)</u>
Total investment return	<u>2</u>	<u>2</u>

7 DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2014 £000's	2013 £000's
Due from intermediaries within one year	<u>4,349</u>	<u>3,241</u>
	<u>4,349</u>	<u>3,241</u>

8 DEBTORS ARISING OUT OF REINSURANCE OPERATIONS

	2014 £000's	2013 £000's
Deposits with ceding undertakings	<u>997</u>	<u>984</u>
	<u>997</u>	<u>984</u>

CATLIN SYNDICATE 3002

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

9 OTHER DEBTORS

	2014 £000's	2013 £000's
Amounts owed from group undertakings	160	805
Other debtors	<u>2</u>	<u>1</u>
	<u><u>162</u></u>	<u><u>806</u></u>

10 DEFERRED ACQUISITION COSTS

	2014 £000's	2013 £000's
Opening balance	952	712
Change in deferred acquisition costs	200	248
Currency translation difference	<u>10</u>	<u>(8)</u>
Closing balance	<u><u>1,162</u></u>	<u><u>952</u></u>

**11 OTHER CREDITORS:
Amounts falling due within one year**

	2014 £000's	2013 £000's
Amounts owed to group undertakings	2,075	1,818
Other creditors	<u>3</u>	<u>-</u>
	<u><u>2,078</u></u>	<u><u>1,818</u></u>

12 RECONCILIATION OF MOVEMENTS IN MEMBER'S BALANCE

	2014 £000's	2013 £000's
Opening member's balance	1,399	481
Profit for the year	1,391	973
Payment of profits to member's personal reserve funds	(208)	(27)
Currency translation movement	<u>88</u>	<u>(28)</u>
	<u><u>1,271</u></u>	<u><u>918</u></u>
Closing member's balance	<u><u>2,670</u></u>	<u><u>1,399</u></u>

Members participate in 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.

CATLIN SYNDICATE 3002

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

13 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2014 £000's	2013 £000's
Operating profit on ordinary activities	1,391	973
Foreign exchange movements	88	(28)
Realised and unrealised investments (gains)/losses, including FX	(55)	15
Increase in net technical provisions	1,152	859
Increase in debtors	(719)	(978)
(Decrease)/increase in creditors	(329)	747
Net cash inflow from operating activities	<u>1,528</u>	<u>1,588</u>

14 MOVEMENT IN CASH

	1 January 2014 £000's	Cash flow £000's	Changes to market value and currencies £000's	31 December 2014 £000's
Cash at bank	5,091	1,315	55	6,461
Overseas deposits	<u>9</u>	<u>5</u>	<u>-</u>	<u>14</u>
	5,100	1,320	55	6,475
Total cash	<u>5,100</u>	<u>1,320</u>	<u>55</u>	<u>6,475</u>

CATLIN SYNDICATE 3002

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

15 LONG TERM BUSINESS PROVISION

The following methodology has been used in valuing the long term business provision:

- i) A development pattern based on historic reported claims has been used to determine the incurred but not reported claim provision. Reinsurance recoveries triggered by the application of the loss ratio are separately recognised.
- ii) An explicit provision to cover future expenses of £150,000 (2013: £150,000) has been set. This has been calculated by analysing the costs that are likely to be incurred in running off the current book of business.

16 MANAGEMENT OF INSURANCE RISK

Capital management

The syndicate maintains an efficient capital structure, consistent with the managing agent's risk profile and the regulatory and market requirements of its business.

The managing agent's objectives in managing the capital of the syndicate are:

- to match the profile of assets and liabilities, taking account of the risks inherent in the business;
- to satisfy the requirements of the policyholders, regulators and rating agencies; and
- to manage exposure of movements in exchange rates

Regulatory capital requirements

The syndicate's capital requirement calculated in line with the Long Term Insurance Capital Requirement set out in the PRA handbook is £7.5m (2013: £6.8m).

Restrictions on available capital resources

The available resources of the syndicate's trust fund are described below. Such amounts cannot be distributed without an up to date actuarial valuation.

	2014 £000's	2013 £000's
Available capital resources		
Member's balance (see note 11)	2,670	1,399
Funds at Lloyd's (see note 17)	<u>24,811</u>	<u>27,046</u>
	27,481	28,445
Restrictions on available capital resources		
Adjustments on regulatory basis	(2,334)	(2,325)
	<u>25,147</u>	<u>26,120</u>
Total available capital resources		
	<u><u>25,147</u></u>	<u><u>26,120</u></u>

The movement in the Funds at Lloyds arises from additional cash deposits placed during the year. Adjustments on regulatory basis relate to inadmissible assets; deferred acquisition costs of £1,163k, overdue premiums of £17k and adjustments to statutory reserves in accordance with the PRA handbook of £1,154k.

Capital resource sensitivities

The capital position is sensitive to market conditions due to changes in the value of the assets, and to assumptions and experience in respect of the value of the liabilities. The most significant risk is that future mortality rates are heavier than those allowed for in the premium rates.

CATLIN SYNDICATE 3002

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

17 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). As at 31 December 2014, the value of assets supporting FAL for the 2014 year of account is £24.8m (2013 year of account: £27.0m). The FAL is held by Catlin Syndicate Limited and Catlin (One) Limited, the corporate members of the syndicate, on its behalf. 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 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 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.

18 RELATED PARTY TRANSACTIONS

Catlin Underwriting Agencies Limited ("CUAL") is the managing agent for Catlin Syndicate 3002. Under the standard managing agents' agreement, CUAL receives an annual fee of 1% of stamp capacity; in 2014 this amounted to £144k (2013: £132k).

The syndicate has an intra-group reinsurance contract with Catlin Insurance Company Limited. The effect of this contract on the Profit and Loss account in 2014 is a charge of £226k (2013: a charge of £425k). Amounts relating to these contracts of £14k (2013: £444k payable) were receivable as at the Balance Sheet date.

Catlin Syndicate Limited and Catlin (One) Limited are the corporate members of Catlin Syndicate 3002. Catlin Syndicate Limited is the corporate member for the 2013 and 2012 years of account, whilst Catlin (One) Limited is the corporate member for the 2014 and subsequent years of account.

The syndicate is serviced in terms of accommodation, staff and other overhead costs by Catlin Holdings Limited and Catlin Group Limited. The syndicate is charged its share of these central costs. In 2014 the total effect on the Profit and Loss account was £928k (2013: £864k). The Syndicate has made payments totaling £39k (2013: £585k) in 2014 in respect of expenses recharged from other group companies. Amounts of £1,417k (2013: £518k) were payable to Catlin Holdings Limited and £3k (2013: £7k payable) were receivable from Catlin Group Limited as at the Balance Sheet date.

19 ULTIMATE PARENT UNDERTAKING

For the 2014 and subsequent years of account, Catlin (One) Limited is the sole member of the syndicate, whilst the sole member of the previous underwriting years of account will continue to be Catlin Syndicate Limited.

The ultimate parent undertaking and controlling party of Catlin Syndicate Limited and Catlin (One) Limited is Catlin Group Limited, a company registered in Bermuda, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Catlin Group Limited consolidated financial statements can be obtained from The Secretary, Catlin Group Limited, Washington House, 5th Floor, 16 Church Street, Hamilton, Bermuda, HM11.