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Syndicate 6115 – Annual Report & Accounts 31 December 2014

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London EC3M 7HA
www.canopius.com

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Contents

Syndicate 6115

Directors and Professional Advisors

MANAGING AGENT:

Managing Agent	Canopius Managing Agents Limited ("CMA")
Directors	I B Owen *Independent Non-Executive Chairman* I K Beale *(resigned 10 January 2014)* J D Birney *Independent Non-Executive Director* R Bradley *(resigned 25 February 2014)* P D Cooper *Finance Director* M P Duffy *Joint Active Underwriter, Syndicates 4444, 958 and 6115* S J Gargrave *Joint Active Underwriter, Syndicates 4444, 958 and 6115* P F Hazell *Independent Non-Executive Director (appointed 19 November 2014)* S T Manning *Chief Operating Officer* G E Moss *Actuarial and Risk Director* T P Rolfe *CEO, UK Specialty (appointed 27 June 2014)* M C Watson *Chief Executive Officer (appointed 26 April 2014)*
Company Secretary	J W Greenfield
Managing Agent's Registered Office	Gallery 9, One Lime Street, London EC3M 7HA
Managing Agent's Registered Number	1514453

SYNDICATE:

Active Underwriters	M P Duffy S J Gargrave
Investment Managers	Schroder Investment Management ("Schroders") 31 Gresham Street, London, EC2V 7QA SYZ & Co Asset Management LLP ("SYZ & Co") Buchanan House, 3 St James's Square, London, SW1Y 4JU
Independent Auditor	PricewaterhouseCoopers LLP ("PwC") 7 More London, Riverside, London, SE1 2RT

Report of the Directors of the Managing Agent

The directors of CMA, the managing agent for Syndicate 6115, present the annual report and audited financial statements for the syndicate for the year ended 31 December 2014.

These financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations") and applicable accounting standards in the United Kingdom. They comply with the Statement of Recommended Practice issued by the Association of British Insurers in December 2005 (as amended in December 2006) ("the ABI SORP").

Strategic Report

The directors of CMA present their strategic report for the syndicate for the year ended 31 December 2014.

Principal Activities

Syndicate 6115 is a Special Purpose Syndicate established with effect from the 2013 year of account. The principal activity of Syndicate 6115 is to provide whole account quota share treaty reinsurance to Syndicate 4444.

The deal to acquire CGL by Sompo Japan Nipponkoa Insurance Inc. (“SJNK”), a wholly-owned direct subsidiary of Sompo Japan Nipponkoa Holdings, Inc. (“SJNK Holdings”) was completed on 1 May 2014. SJNK is one of the largest insurance groups in Japan. SJNK Holdings is listed on the Tokyo Stock Exchange. SJNK acquired CGL as a platform for the growth of its international business.

Review of the business

For the 2014 year of account, the whole account quota share reinsurance of Syndicate 4444 was renewed with Syndicate 6115 taking a 10% share.

Syndicate 6115 ceased underwriting business with effect from 31 December 2014 and, therefore, the results reported in these financial statements have been derived from discontinued operations.

The key performance indicators are shown in the table below.

	2014 £000	***2013 £000***
Gross premiums written	64,618	71,327
Earned premiums, net of reinsurance	67,972	37,338
Net operating expenses	(25,262)	(15,413)
Investment return	618	63
Profit/(loss) for the year	10,205	(3,176)
Gross claims ratio	48.7%	67.4%
Net claims ratio	48.7%	67.4%
Combined operating ratio	85.9%	108.7%

2014 has been a good year for Syndicate 6115 resulting in a profit of £10.2m and a strong combined ratio of 85.9%. This compares to a loss of £3.2m and a combined ratio of 108.7% in 2013.

The main drivers of the syndicate performance are:

- the very healthy financial performance of Syndicate 4444 in 2014;
- low incidence of catastrophe losses; and
- moderate improvement in investment income despite challenging circumstances.

These drivers are discussed further below.

During 2014, loss experience has been favourable and the claims ratio has improved to 48.7%. 2014 experienced a benign US windstorm season and global catastrophe experience was below historical average.

Review of the business (continued)

Nonetheless, Syndicate 6115 has moderate exposure to Hurricane Odile, the intense tropical cyclone which swept across the Baja California peninsula in September 2014 inflicting widespread damage. Syndicate 6115 is also exposed to losses arising from the UK storms of December 2013.

The syndicate has generated an improved investment return in 2014 of £0.6m (2013: £0.06m). This is due in part to the increase in the balance of funds withheld available for investment and also to improving investment conditions. There was a marked increase in economic uncertainty and further periods of financial market instability during the year, as a withdrawal of Quantitative Easing in the US, a sharp decline in the price of oil and continued geopolitical tensions prompted a flight to quality bonds and a further appreciation in the US dollar. Strong gains in hedge funds and modest performance of the core USD portfolio were offset by weakening in higher yield credit markets and European bonds. The investment environment is extremely difficult and is expected to remain challenging in 2015.

The whole account quota share treaty reinsurance contract operates on a funds withheld basis. For the 2014 year of account, the capital supporting Syndicate 6115 was provided by two corporate members, Canopius Capital Fourteen Limited and Flectat Limited, both subsidiaries of Canopius Holdings UK Ltd ("CHUKL").

Future developments

The circumstances in which Syndicate 6115 was established as a Special Purpose Syndicate are no longer relevant and, for this reason, the decision has been taken that it will not trade beyond the 2014 year of account.

Risk Management

CMA's governance structure ensures a clear definition of responsibility for the management and oversight of the many risks faced by the business. CMA has established an Enterprise Risk Management process that is designed to identify, assess, measure and mitigate risk. A description of the principal risks and uncertainties facing the syndicate is set out in the notes to the financial statements (Management of risk).

Directors

The directors of the managing agent who served from 1 January 2014 to the date of this report are shown on page 3.

None of the directors had an allocated premium limit on the syndicate, on either an unlimited or limited liability basis, for any of the 2013 to 2014 years of account.

Statement of disclosure of information to auditors

Each director of the managing agent has confirmed at the date of this report that in fulfilling their duties as a director:

- they have taken all the necessary steps in order to make themselves aware of any information relevant to the audit and to establish that the auditors are aware of that information; and
- so far as they are aware, there is no relevant audit information of which the auditors have not been made aware.

Post Balance Sheet Events

There are no material post balance sheet events that require disclosure in the annual report and accounts.

Report of the Directors of the Managing Agent

Statement of Managing Agent's Responsibilities

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the directors of the managing agent to prepare syndicate annual accounts each year which give a true and fair view, in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the syndicate and of the profit or loss of the syndicate for that period. In preparing those financial statements, 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 syndicate accounts; and
- Prepare the syndicate accounts on the basis that the syndicate will continue to write future business unless it is inappropriate to do so.

The managing agent confirms that it has complied with the above requirements in preparing the syndicate accounts, recognising that the syndicate will not continue to write future business.

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

Independent Auditor

The syndicate's auditors are PwC. PwC continues as auditor of the syndicate in accordance with clause 14.(2) of Schedule 1 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Annual general meeting; reappointment of auditor

The managing agent proposes (i) not to hold in 2015 an annual general meeting of the members of the syndicate and (ii) to reappoint the syndicate's auditor, PwC (which is also the auditor of the managing agent and all other Canopius group companies), as the auditor of the syndicate for the 2015 financial year, provided that in respect of each such proposal no objection is received from any member of the syndicate within 21 days of the date of issue of these syndicate reports and accounts.

By order of the Board of the managing agent

Paul Cooper
Finance Director
London
17 March 2015

Independent Auditors' Report

To the members of Syndicate 6115

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 profit 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.

Independent Auditors' Report

To the members of Syndicate 6115

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 6, 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 Report of the Directors of the Managing Agent 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.

Andrew Moore (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

17 March 2015

Profit and Loss Account: Technical Account – General Business

for the year ended 31 December 2014

	Notes	2014 £000	2014 £000	2013 £000	2013 £000
Earned premiums, net of reinsurance					
Gross premiums written	6		64,618		71,327
Outward reinsurance premiums			-		-
Net premiums written			64,618		71,327
Change in the provision for unearned premiums:					
Gross amount			3,354		(33,989)
Reinsurers' share			-		-
Change in the net provision for unearned premiums			3,354		(33,989)
Earned premiums, net of reinsurance			67,972		37,338
Allocated investment return transferred from the non-technical account	12		618		63
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(18,633)		(2,845)	
Reinsurers' share		-		-	
Net claims paid		(18,633)		(2,845)	
Change in the provision for claims					
Gross amount		(14,490)		(22,319)	
Reinsurers' share		-		-	
Change in the net provisions for claims		(14,490)		(22,319)	
Claims incurred, net of reinsurance			(33,123)		(25,164)
Net operating expenses	9, 10		(25,262)		(15,413)
Balance on the technical account for general business			10,205		(3,176)

All of the above amounts are derived from discontinued 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		10,205	(3,176)
Investment income	12	618	63
Allocated investment return transferred to the general business technical account		(618)	(63)
Profit/(loss) for the financial year		10,205	(3,176)

All of the above amounts are derived from discontinued operations.

There are no recognised gains or losses apart from those included in the profit and loss account above. Accordingly no statement of total recognised gains and losses is presented.

Balance Sheet - Assets

at 31 December 2014

		2014		*2013*	
	Notes	***£000***	***£000***	*£000*	*£000*
Other assets					
Other assets	15		63,984		42,286
Prepayments and accrued income					
Deferred acquisition costs		10,561		9,895	
			10,561		9,895
Total assets			74,545		52,181

Balance sheet - Liabilities

at 31 December 2014

		2014		*2013*	
	Notes	***£000***	***£000***	*£000*	*£000*
Capital and reserves					
Members' balances	2, 13		7,029		(3,176)
Technical provisions					
Provision for unearned premiums		30,636		33,990	
Claims outstanding	8	36,880		21,367	
			67,516		55,357
Total liabilities			74,545		52,181

The financial statements on pages 9 to 24 were approved by the Board of CMA on 13 March 2015 and were signed on its behalf by:

Paul Cooper
Finance Director
17 March 2015

Cash Flow Statement

for the year ended 31 December 2014

	Notes	*2014* *£000*	*2013* *£000*
Increase/(decrease) in net portfolio investments:			
Operating profit/(loss) on ordinary activities		10,205	(3,176)
Increase in net technical provisions		12,159	55,357
(Increase) in debtors		(22,364)	(52,181)
Net cash flow from operating activities		-	-

Notes to the Financial Statements

for the year ended 31 December 2014

1. Basis of preparation

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations") and applicable Accounting Standards in the United Kingdom. They comply with the Statement of Recommended Practice issued by the Association of British Insurers in December 2005 (as amended in December 2006) ("the ABI SORP"). The directors of the managing agent have prepared the financial statements on the basis that the syndicate will not write future business. Syndicate 6115 ceased to trade with effect from 31 December 2014.

The single contract that the syndicate has written is on a funds withheld basis. The associated cash flows are expected to occur following the closure of the year of account at 36 months. There have been no cash flows in the year.

2. Members' balances and Funds at Lloyd's ("FAL")

The members' balances on the balance sheet shows a surplus of £7.0m (2013: deficit £3.2m). The ability of the syndicate to meet its obligations as they fall due is underpinned by the members' Funds at Lloyd's and the support provided by the Lloyd's chain of security for any members who are unable to meet their underwriting liabilities. FAL is further explained in note 19.

3. Accounting policies

a. Insurance contracts

Insurance contracts (including inwards reinsurance contracts) are defined as those that transfer significant insurance risk. Insurance risk is considered significant if, and only if, an insured event could cause an insurer to pay significant additional benefits above the premiums received and interest earned thereon, excluding scenarios that lack commercial substance. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire.

Contracts that do not transfer significant insurance risk are accounted for as financial transactions. The syndicate adopts an annual basis of accounting for insurance contracts 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

Gross premiums written, stated gross of acquisition costs and exclusive of premium taxes, relates to business incepted during the year and adjustments to premiums booked in prior years and includes estimates, based on underwriting estimates or past experience, of premiums due but not yet receivable or notified to the syndicate by intermediaries.

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 by reference to the expected incidence of risk over the period of cover.

(ii) Insurance claims and claims settlement expenses

Insurance claims and claims settlement expenses comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported ("IBNR") and related expenses, together with any other adjustments to claims from prior years.

3. Accounting policies (continued)

a. Insurance contracts (continued)

Provision is made at the period-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the syndicate. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. There is inherent uncertainty in establishing claims provisions and it is likely that the final outcome will prove to be different from the original estimate of the liability. Adjustments to the amounts of claims provisions established in prior years are included in the financial statements in the period in which the adjustments are made. The claims provisions are reviewed regularly.

Estimating claims IBNR is inherently more uncertain than the cost of claims notified, for which more information about the claim event is generally available.

Classes of business where the IBNR proportion of the total claims provisions is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility in the claims provisions.

Where possible the syndicate adopts multiple techniques to estimate the required level of claims provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each underwriting year of account.

Allowance is made for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in the business environment or processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from prior periods;
- changes in the legal environment;
- the effects of inflation;
- changes in the mix of business;
- the impact of large losses; and
- movements in industry benchmarks.

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these the syndicate has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods.

Large claims and catastrophe events impacting each relevant business class are generally assessed separately, being measured on a case-by-case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

Claims provisions are calculated gross of any reinsurance recoveries.

3. Accounting policies (continued)

a. Insurance contracts (continued)

Claims provisions are not discounted for the investment earnings that may be expected to arise in the future on funds retained to meet the future liabilities.

There are a number of different types of business written by the syndicate, including property, liability and marine business, broadly categorised as either "short tail" or "long tail" business. The syndicate also writes reinsurance business. The characteristics of this business mirror those of the underlying business ceded to the syndicate.

Short Tail Business

Property and accident and health business is generally "short tail", whereby there is not a significant delay between the occurrence of the claim and the claim being reported. The costs of claims notified at the balance sheet date are estimated on a case-by-case basis to reflect the individual circumstances of each claim. The ultimate expected cost of claims, including IBNR, is projected from this data by reference to statistics, which show how estimates of claims incurred in previous periods have developed over time.

Longer tail business

Liability and marine claims are generally longer tail than for those of the other classes of business described above and so a larger element of the claims provision relates to IBNR claims. Claims estimates for business in this category are derived from a combination of loss ratio based estimates and estimates based upon actual claims experience, using a predetermined formula whereby greater weight is given to actual claims experience as time passes. The initial estimates of the claims provisions are based on the experience of previous years and benchmarks adjusted for factors such as premium rate changes and claims inflation. For liability claims, the assessment of claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. The liability classes of business are also subject to the emergence of new types of latent claims.

b. Unexpired risk reserves

At each balance sheet date tests are performed to ensure the adequacy of the unearned premium reserve, net of associated deferred acquisition costs, to cover future claims liabilities. In performing these tests, estimates of future premiums and claims cash flows, claims handling expenses and investment income from the assets backing such liabilities are considered and compared to the balances in the unearned premium reserve and deferred acquisition costs. Provision is made for any deficiencies by establishing an unexpired risk reserve.

Unexpired risk surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises. Unexpired risk reserves, where relevant, are included within "claims outstanding" in the balance sheet.

c. Deferred acquisition costs

Deferred acquisition costs, representing a proportion of commission and other acquisition costs that relate to policies in force at the period-end, are amortised over the period in which the related premiums are earned.

d. Reinsurance to close ("RITC")

Each syndicate's underwriting year of account is normally closed after the end of the third year by means of reinsurance into the following underwriting year of account, which reinsures all liabilities for the closed year in return for a premium determined by the syndicate managing agent.

3. Accounting policies (continued)

d. Reinsurance to close ("RITC") (continued)

Where the syndicate accepts an RITC from another syndicate, it is a net recipient of premium which is recognised as income in the financial year that the RITC contract is signed, together with related claims liabilities. RITCs are represented in the balance sheet by the related share of assets and liabilities transferred from the ceding syndicates.

e. Receivables and payables related to insurance contracts

Receivables and payables include amounts due to and from agents, brokers and insurance contract holders. If there is evidence that the insurance receivable is impaired, the syndicate reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the profit and loss account.

f. Foreign currencies

The functional currency for Syndicate 6115 is Sterling. Transactions in US dollars, Canadian dollars and Euros are translated at the average rates of exchange for the period. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date or, if appropriate, at the forward contract rate. Non-monetary assets and liabilities are translated at the rates ruling at the transaction dates. Unearned premium reserves and deferred acquisition costs are treated as non-monetary items. Exchange differences are included in the technical account.

g. Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members 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. Any payments on account made by the syndicate during the year have been included in the balance sheet under the heading "other debtors".

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

4. Management of risk

Insurance Risk

The managing agent manages the following insurance risks on behalf of the syndicate:

- inappropriate underwriting activities and cycle management;
- inadequate catastrophe exposure management;
- inadequate or insufficient reinsurance protection.

The underwriters use their expertise and experience to determine the likely claims cost and, therefore, the premium that should be sufficient (across a portfolio of risks) to cover claims costs, expenses and to produce an acceptable profit in line with the agreed business plan. Due to the nature of insurance risk, however, the premium charged may not be sufficient to cover the cost of claims. The shortfall may result from insufficient premium being calculated and charged or from an unexpected or unprecedented high level of claims.

4. Management of risk (continued)

Insurance Risk (continued)

A number of controls are employed to limit insurance exposures. Each year a business plan is prepared and agreed by the Board which sets the premium income targets and exposures to be written in total and for each class of business. Progress against this plan is monitored by the Board during the year.

The syndicate is also exposed to the risk of:

- inappropriate claims reserves;
- inappropriate payment of claims.

All claims arising are reserved upon notification. The entire portfolio of business is subject to a quarterly reserving process whereby levels of paid and outstanding claims are reviewed. Potential future claims are assessed with a provision for incurred but not reported (IBNR) claims being made. The quarterly review process is overseen by the Reserving Committee. The position is reviewed at the year end by the syndicate's external actuary. Whilst a detailed and disciplined reserving exercise is carried out, known claims can develop beyond the level of reserves held. Furthermore, there is increased uncertainty around the provision for IBNR claims. Consequently, there is a possibility that claims may arise which in aggregate exceed the reserve provision established. In the event that claims do not develop in line with expectations, the Reserving Committee will seek to release any redundant reserves.

Market Risk

Market risk is derived primarily from the syndicate's investment of trust fund monies but also from currency exposures. The Board has agreed an investment strategy commensurate with the syndicate's risk appetite.

Credit risk within the investment portfolios is managed through research performed by the syndicate's investment managers whose activities are monitored by the Investment Committee. The Investment Committee establishes the investment guidelines. The investment guidelines are designed to mitigate risk by ensuring appropriate diversification of holdings.

Policyholders' assets are held in the four principal Lloyd's settlement currencies (Sterling, Euros, US dollars and Canadian dollars) which represent the vast majority of the syndicate's liabilities by currency. This limits the underlying foreign exchange risk. Foreign exchange risk also arises when non-sterling profits are converted into Sterling. A significant proportion of the syndicate's business is transacted in US dollars. CMA has a policy to mitigate foreign exchange risk and this policy is managed by the Finance Committee.

For the avoidance of doubt, the syndicate is not positioned to take speculative currency positions to make gains; the purpose of its foreign exchange risk policy is to protect against the downside.

Regulatory Risk

Regulatory risk is the risk that the syndicate fails to meet the regulatory requirements of the Prudential Regulation Authority ("PRA"), the Financial Conduct Authority ("FCA"), Lloyd's and those of overseas regulators in jurisdictions where Lloyd's syndicates are licensed to trade.

4. Management of risk (continued)

Operational Risk

Operational risk is the risk that the failure of people, systems or processes has an adverse impact on the business. The syndicate manages these risks through internal compliance monitoring and a framework of robust systems and controls. CMA's objective for operational risk management is to identify, assess and manage risks and to reduce any failures or inadequacies in systems and controls. To this end, CMA has established key policies and controls that include:

- regular meetings of the Board of directors at which key aspects of the managing agent's and syndicate's businesses are reviewed, including review of reports from various sub-committees of the Board
- underwriting guidelines and controls that cover, inter-alia, aggregate and individual limits on exposure by territory and risk, adequacy of premium for insured risks, and reinsurance programmes
- claims management policies and guidelines
- risk registers which are reviewed and signed off by the risk and control owners on a regular basis
- a suite of risk policies for major risk categories relating to the activities of the syndicate
- an internal audit function whose audit plan is aligned with CMA's risk register
- human resources policies and guidelines designed to ensure that the operations are adequately resourced by sufficiently skilled and trained people, who are appropriately remunerated
- financial policies and controls that cover:
    - maintaining segregated funds for the syndicate's assets
    - investment of funds
    - expense management
    - establishing adequate provisions for unpaid claims
    - credit risk, including debt collection and managing counter-party exposures
    - cash flow and other financial projections
    - regular review and reconciliation of the entity's financial records.

In addition, the managing agent has an established and integrated capital and planning cycle. This provides an assessment of the significant financial and non-financial risks, as identified by the managing agent's risk management framework. The capital requirement is assessed in accordance with the PRA's and Lloyd's guidance through the use of stochastic modelling and further challenged using a comprehensive validation process which includes the use of stress and scenario tests. This process assesses the capital required to meet a 1 in 200 level extreme outcome from the aggregation of all recognised sources of insurance, market, credit and operational risk.

Group Risk

Group risk arises from the potential impact of risk events, of any nature, arising in or from membership of a corporate group. CGL is the global specialty lines platform of SJNK, an A+ rated company with US$80bn total assets and one of the top three largest Japanese insurers.

Whilst SJNK has applied its Global Business Governance Structure to CGL, the autonomy of the CGL management team and its governance system remains in place.

4. Management of risk (continued)

Financial risk

The syndicate is exposed to a wide range of financial risks, the key financial risk being that the proceeds from its assets are not sufficient to fund the obligations arising from its insurance contracts.

An analysis of the syndicate's exposure to the significant components of financial risk is given below.

Market risk

Market risk arises from fluctuations in values of, or income from, assets, interest rates or exchange rates.

Interest rate risk

To the extent that claims inflation is correlated to interest rates, liabilities to policyholders are exposed to interest rate risk.

Currency risk

The syndicate operates internationally and its exposures to foreign exchange risk arise primarily with respect to the US dollar, Euro, Canadian dollar and Australian dollar. The syndicate mitigates this risk by endeavouring to match assets and liabilities in foreign currency.

5. Capital management policies and objectives

The syndicate's objectives in managing its capital are to:

- satisfy the requirements of its policyholders and regulators;
- allocate capital efficiently to support growth; and
- manage exposure to movements in exchange rates.

The PRA and Lloyd's oversee a capital regime that requires syndicates to calculate their own capital requirements through an Individual Capital Assessment ("ICA+")/Solvency Capital Requirement ("SCR"). The syndicate maintains models in accordance with this regime, and also prepares an annual Own Risk & Solvency Assessment ("ORSA") report.

There are seven key elements to CMA's capital methodology namely:

- risk identification;
- the articulation of risk bearing capacity and establishment of risk appetite;
- identification of capital requirement for all significant risks;
- sensitivity analysis and 'reasonableness checks';
- aggregation and correlation of risks;
- comparison with other benchmarks e.g. the Lloyd's Integrated Capital Platform; prior years' ICA/SCRs; Syndicate Quantitative Impact Study ("QIS") results, the PRA published calculations based on industry ICA/SCR submissions and market surveys/studies; and
- Board review and challenge.

The ICA+/SCR represents the equivalent of minimum regulatory capital, as is required by the PRA, and does not represent the amount of economic capital required to support and maintain Lloyd's ratings. The ICA+/SCR process produces a result that is uplifted by Lloyd's to the capital required to maintain their rating, currently 'A+ (strong)' by Standard & Poor's.

5. Capital management policies and objectives

To improve the risk management capability, and the assessment of capital requirements, CMA has developed a stochastic model to analyse the potential performance of its main underwriting operations. Stress and scenario analysis is also performed for those risks that cannot be easily modelled quantitatively and where more subjective judgement is required (for example, operational risk) as well as to challenge the output of the stochastic model.

Using its detailed measurement of risk exposures, the syndicate allocates capital to support the business according to the risk appetite and expected returns. The syndicate has complied with all capital requirements during the year.

CMA has developed and implemented documentation, procedures and controls to ensure compliance with Solvency II, which is a fundamental overhaul of the capital adequacy regime for the European insurance industry.

CMA implemented a programme of initiatives to engage proactively with the challenges and opportunities that arise from the preparation for Solvency II. CMA has continued to enhance its risk management processes and their enabling governance structures to ensure that CMA can demonstrate compliance in line with the Solvency II deadlines set by Lloyd's and the PRA.

6. Segmental analysis

All business for Syndicate 6115 relates to the whole account quota share treaty reinsurance of Syndicate 4444.

All premiums were concluded in the United Kingdom.

The geographical analysis of gross premiums written by destination is as follows:

	2014	***2013***
	£000	***£000***
UK	18,473	19,100
Other EU countries	3,590	4,662
US	26,909	28,876
Other	15,646	18,689
Total	64,618	71,327

7. Currency rates of exchange

	31 Dec 14	***Average for 2014***	***31 Dec 13***	***Average for 2013***
US $	1.56	1.65	1.66	1.56
Euro	1.29	1.24	1.20	1.18
Canadian $	1.81	1.82	1.76	1.61

Non-monetary items, comprising unearned premiums, unearned reinsurance premiums and deferred acquisition costs were translated at historic average rates as follows:

	YOA 2014	***YOA 2013***
US $	1.65	1.56
Euro	1.24	1.18
Canadian $	1.82	1.61

8. Gross claims outstanding

The gross outstanding claims balance at year end represents claims outstanding, including IBNR, of £36.9m (2013: £21.4m). This balance is the net claims ceded by Syndicate 4444.

An (adverse) run-off deviation was experienced during the year of £(0.6)m (2013: £nil).

9. Net operating expenses

	2014 ***£000***	***2013*** ***£000***
Commissions on inwards reinsurance business	19,722	18,871
Other acquisition costs	3,407	1,956
Change in deferred acquisition costs	(666)	(9,895)
Administrative expenses	3,414	2,725
(Profit)/loss on exchange	(1,583)	1,087
Total	24,294	14,744

Administrative expenses include:

	2014 ***£000***	***2013*** ***£000***
Auditors' remuneration:		
Audit of syndicate accounts	31	35
Audit related assurance	10	10
Total audit and assurance	41	45
Other non-audit services	21	5
Total audit and non-audit fees	62	50

10. Personal Expenses

	2014 ***£000***	***2013*** ***£000***
Members' standard personal expenses	495	380
Managing Agent's fee	473	289
Total	968	669

11. Staff numbers and costs

The syndicate has no employees.

The syndicate did not incur staff costs directly during the year.

The syndicate was not recharged any expenses during the year relating to the remuneration of the directors of CMA.

12. Investment return

	2014 ***£000***	***2013*** ***£000***
Investment income		
Income from investments	618	63
Allocated investment return transferred to the general business technical account	618	63

Investment income is income from interest on funds withheld balances on the whole account quota share treaty reinsurance contract with Syndicate 4444. The balance relates to a share of syndicate 4444 investment income.

Notes to the Financial Statements

for the year ended 31 December 2014

13. Reconciliation of members' balances

	2014 *£000*	*2013* *£000*
Members' balances at 1 January	(3,176)	-
Profit/(loss) for the financial year	10,205	(3,176)
Total	7,029	(3,176)

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.

14. Off balance sheet arrangements

The syndicate is not party to any off balance sheet arrangement.

15. Other assets

	2014 *£000*	*2013* *£000*
Amounts receivable under whole account quota share reinsurance treaty contract with Syndicate 4444	63,984	42,326
Amounts payable to Canopius Services Limited	-	(40)
Total	63,984	42,286

16. Post balance sheet events

There are no material post balance sheet events that require disclosure in the annual report and accounts.

17. Related parties

CMA is the managing agent of Syndicate 6115 and its immediate parent is CHUKL. Managing agency fees of £473,000 were charged by CMA to the syndicate during 2014 (2013: £300,000).

At 31 December 2014, an amount of £nil was owed to Canopius group companies. (At 31 December 2013, the syndicate owed £40,000 to Canopius Services Limited ("CSL"), a service company that provides accommodation and related services to the group. CSL is owned by CHUKL.

At 31 December 2014, Syndicate 6115 was owed £63,984,000 by Syndicate 4444 representing the balance of underwriting transactions under the whole account quota share reinsurance treaty contract.

Canopius Capital Fourteen Limited ("CC14L") is a subsidiary of CHUKL and provides capacity to the 2013 and 2014 years of account. For the 2013 year of account, the capacity of Syndicate 6115 has been shared equally between Flectat Limited, a wholly-owned subsidiary of CGL and CC14L.

	2013		*2014*	
	£m		£m	
CC14L	70.0	100%	35.0	50%
Flectat Limited	n/a	n/a	35.0	50%

18. Immediate and ultimate parent undertaking and controlling party

Syndicate 6115 is managed by CMA and CMA's immediate UK parent is CHUKL, which is registered in England and Wales.

At 1 January 2014 and up until 30 April 2014, 95.1% of the Ordinary shares in issue in CGL at those respective dates were held by seven funds managed by Bregal Capital LLP. The funds, as investment vehicles, and Bregal Capital LLP, as manager of the funds, were not controlling parties or parent undertakings of CGL.

On 1 May 2014, SJNK, which is a wholly-owned direct subsidiary of SJNK Holdings, incorporated in Japan, signed an agreement with, amongst others, funds managed by Bregal Capital LLP to acquire 100 percent of the issued shares of CGL.

SJNK Holdings is the ultimate parent undertaking and controlling party of CMA.

19. Funds at Lloyd's

Every member is required to hold capital at Lloyd's which is held in trust and known as 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 a member is required to maintain is determined by CMA and Lloyd's based on compliance with PRA requirements. The determination of the FAL requirement has regard to a number of factors including the nature and amount of insurance contracts to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since the assets in FAL are not owned by the syndicate, no amount has been shown in these financial statements by way of such capital resources. However, the managing agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses.