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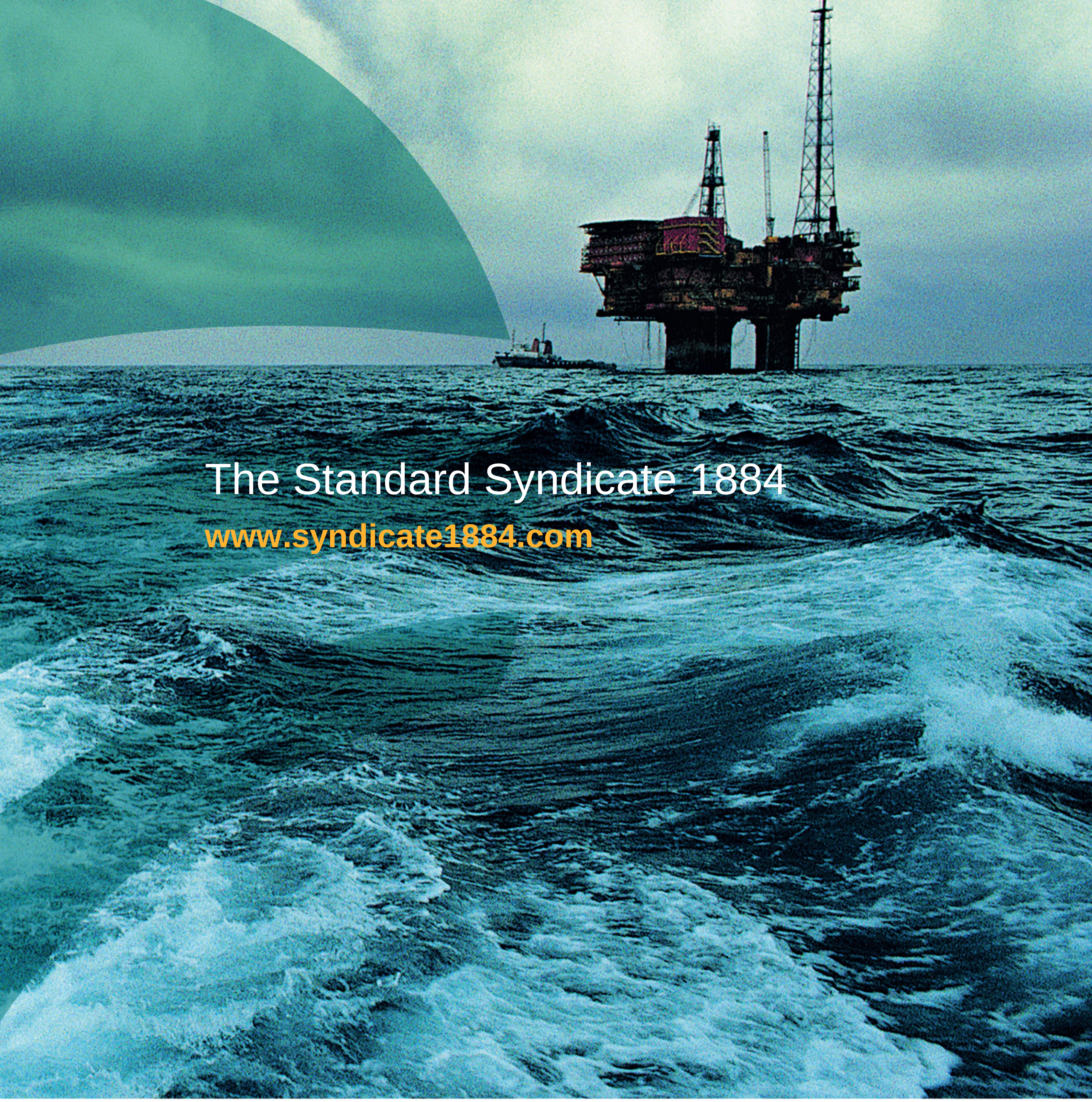

The Standard Syndicate 1884

www.syndicate1884.com

Annual Report & Accounts 2015

The Standard Syndicate

The Standard Syndicate

A rich heritage in marine insurance

The Standard Syndicate is a marine and energy insurance provider at Lloyd's. It commenced underwriting in 2015 and provides a broad range of covers to clients in the marine and energy industries.

The Standard Syndicate has been established by mutual protection and indemnity (P&I) insurer, The Standard Club, and benefits from its long experience of marine insurance which stretches back to 1884.

Contents

The Standard Syndicate

Highlights 2015

2015 Gross written premium	Percentage of business written accretive to Lloyd's	2016 planned Gross written premium
£32.6m	73%	£108.7m

- New Syndicate successfully established at Lloyd's
- Founded by The Standard Club, a leading provider of protection and indemnity (P&I) insurance to around 10% of world shipping
- Significant support from third party capital
- Innovative distribution model capitalising on The Standard Club's global relationships
- Around 30% of our Hull business and 40% of our Energy book written for Standard Club members
- Service companies established in Europe and Singapore

"*We had a strong start, recruiting a high quality team of underwriters, and building a new and innovative distribution model. We exceeded our target for bringing new business to Lloyd's, and underwrote significant volumes of risks for Standard Club members*."

R G Dorey, Active Underwriter, The Standard Syndicate

About The Standard Syndicate

Meeting shipowners' insurance needs

The Standard Syndicate (Syndicate) was established to meet shipowners' and offshore energy operators' insurance needs. Members of The Standard Club want access to a full range of insurance covers, delivered with the same high levels of professional service, maritime knowledge and partnership ethos that is the hallmark of mutual insurance.

The Syndicate also meets the demands of shipowners and offshore energy operators, who are not members of The Standard Club, for a full range of insurance covers, backed by Standard Club service standards.

The club's deep knowledge of the shipping industry, proprietary data on fleets, personal relationships and high frequency contact with the senior management of shipping lines, enables the Syndicate to provide superior risk selection and pricing.

The Standard Club's global footprint and Charles Taylor Managing Agency's access to its parent's global network of offices mean that shipowners can access services where they are needed.

We have established service companies in Europe and Singapore and are building distribution capabilities in the USA. This enables shipowners to access Lloyd's security easily through the Syndicate wherever they are based around the world.

Our ability to offer high levels of cover, backed by Lloyd's A+ security and our innovative distribution model means that the Syndicate is bringing high levels of accretive business to the Lloyd's market.

Broad range of maritime covers:

- **Hull**: Hull & Machinery for bulk cargo, liquid cargo, container, passenger, ferry, small ships and yachts, plus increased value, mortgagees' interest and war
- **Energy**: Physical damage, operator's extra expense/control of well and construction coverage for marine energy businesses covering mobile and fixed platforms and associated onshore facilities
- **Liability**: Marine energy related non-P&I liabilities, ports and terminals operator's liabilities, transport operator's liabilities
- **Property**: Ports and terminals, light and heavy industrial and commercial property
- **Cargo & Specie**: General and specialist cargo, logistics, remotely operated vehicles, specie
- **Marine D&O/E&O**: Directors' & Officers' liability, Errors & Omissions liability

About The Standard Syndicate

A new approach to marine and energy insurance

The Syndicate is focused on marine and energy underwriting. It combines Lloyd's financial strength and expertise with the mutual ethos that has made The Standard Club a success since 1884.

- **Customer-centric:** We offer a personal service underpinned by extensive knowledge of many of the world's leading shipowners
- **Broad range of covers:** Our comprehensive range of covers has been developed as a result of our knowledge of the marine market. It is designed to meet the insurance needs of our marine and energy clients
- **Located where our clients need us:** The Syndicate has access to The Standard Club's and Charles Taylor's offices located around the world, which means we are able to respond whenever and wherever our clients need support
- **Focused on marine and energy risks:** Marine and energy covers are our core business, rather than one element of a broader portfolio. This reflects the long history of The Standard Club, which has insured marine risks for over 130 years and energy risks for 40 years
- **Disciplined underwriting:** We have the ability to select and underwrite the best risks, based on our marine insurance expertise and supported by proprietary risk assessment tools and data
- **Risk management:** We focus on loss prevention and safety services drawn from our long experience of the P&I market
- **Proactive claims management:** The Syndicate's claims team's knowledge is built on experience from The Standard Club which has managed some of the world's largest marine liability claims
- **Alignment of interest:** The Standard Club is the largest capital provider to the Syndicate

Strategic report

2015 year of account

The Standard Syndicate commenced underwriting on 1 April 2015. We had a strong start, recruiting a team of excellent underwriters, building a new and innovative distribution model and writing 70% of our target first year premium. We exceeded our target of bringing new business to Lloyd's, and underwrote significant volumes of risks for The Standard Club members.

Overview of financial result: The Syndicate wrote gross premium of £32.6 million in 2015, and made an accounting loss of £9.6 million in its first year of trading. This is slightly worse than plan, and was largely driven by low earned premium in the first year of trading, partially offset by lower than expected expense and reinsurance spend.

Robust premium base: We are pleased with our overall performance in what has proved to be a very challenging business environment. The global economy is fragile, with many shipowners experiencing difficult trading conditions and oil prices falling sharply. This led to an overall reduction in insured values in marine and energy markets and lower orders into the Lloyd's market. We are confident that, with a full strength underwriting team, extended distribution and an established presence in Lloyd's, we will be well-placed to achieve our increased gross written premium target of £108.7 million in 2016 assuming no material deterioration to economic and trading conditions.

Customer-centric distribution model: The Syndicate established an innovative, customer-centric approach to bringing business to the Lloyd's market. In addition to following the market's traditional model, where Lloyd's brokers bring business to the market, the Syndicate is actively marketing to clients in partnership with their brokers around the world.

73% of the business we have written is accretive to Lloyd's; this is well ahead of the target we were set by Lloyd's. This is a combination of business that was not previously written in Lloyd's and increased orders for existing business. We have also been able to retain business that would otherwise have been lost to the Lloyd's market.

We have worked closely with The Standard Club to target new business. It has extensive contacts and deep relationships with many of the world's shipowners. We are very pleased to have received extremely strong support from brokers familiar with The Standard Club. Around 30% of our hull business and 40% of our energy book have been written for Standard Club members.

We have established service companies in Europe and Singapore to target international business. The Standard Club has a large membership in Asia. Lloyd's Asia has proved the ideal platform for us to develop our business in Singapore and across the Asian economies. It enables us to underwrite locally, while offering our clients the same highly-rated Lloyd's-backed security as that available from the Syndicate in London. We are working to develop our distribution in the USA in 2016.

Strategic report (cont'd)

2015 year of account

Disciplined underwriting: We have recruited a talented underwriting team across all our business lines. Our focus is on underwriting high quality risks, using our underwriters' and The Standard Club's in-depth industry knowledge and contacts. Lead and follow risks are reviewed by The Standard Club's marine specialists and loss prevention team to ensure that we insure clients with the highest operational standards.

Claims management: We draw on the same teams and skills that provide an exceptional standard of claims handling to members of The Standard Club. These skills have been honed over 130 years of service to members and can be delivered from around the world.

To date, claims performance has been broadly on plan, with no surprising losses reported during the period. In 2015 the Syndicate was the London lead on 18 claims and the outright claims lead on three accounts.

Outlook for 2016: The Syndicate has an increased gross premium target of £108.7 million for 2016. We are also increasing our line size on all of the Syndicate's classes of business. Our close integration with The Standard Club is enabling us to work together to provide a comprehensive range of insurance covers for shipowners, combining P&I from the club with fixed premium covers from the Syndicate.

We believe this is a very attractive offering to shipowners. We are confident that our innovative approach to distribution and focus on underwriting high quality risks will enable us to continue to deliver an exceptional service to our clients in 2016.

All our capital providers have been very generous in their support. We are privileged and very thankful for this. We look forward to further strengthening our relationship with them. Our success will be their success.

We have achieved a lot in 2015 thanks to the resolve of our highly professional underwriting team and the unstinting commitment of our managing agent. I would like to thank, not only our capital providers for their support, but also my colleagues for their hard work throughout the period.

R G Dorey
Active Underwriter, The Standard Syndicate
11 March 2016

Report of the directors of the managing agent

The directors of Charles Taylor Managing Agency Limited (CTMA) present their report in respect of The Standard Syndicate for the period ended 31 December 2015. This is the first period of trading; there are no comparatives to report.

This annual report is prepared using the annual basis of accounting as required by Statutory Instrument No.1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations").

Results: The result for the period ended 31 December 2015 is a loss of £9,630,000.

Principal activity: The principal activity of the Syndicate is the underwriting of direct insurance and reinsurance business in the Lloyd's market, in accordance with the risk appetite agreed by the Board of CTMA.

A review of the first period of activity is included in the Strategic Report.

Business review and key performance indicators: 2015 was the first period of operation for the Syndicate. It experienced high start-up costs in this period and was building its underwriting team, both of which have had an impact on the period's performance. The key performance indicators during the period were as follows:

	2015 £000
Gross premium written	32,637
Loss on the technical account for the period	(9,549)
Claims ratio	81.9%
Expense ratio	134.5%
Combined ratio	216.4%

The ratios are to gross earned premium, net of reinsurance. As it was the first period of operation, the Syndicate did not earn much premium relative to the premium written, which had an adverse effect on the ratios in 2015.

The Syndicate generated minimal investment returns in 2015.

Report of the directors of the managing agent (cont'd)

Principal risks and uncertainties

External risks: The Syndicate is focused on providing insurance products tailored to the needs of policyholders in the marine and energy sector. As a consequence it is exposed to developments that have an impact on this sector, including trends in global trade, energy and commodity prices, and political, legal and regulatory changes such as changes in sanctions rules. The Syndicate is also directly and indirectly exposed to a range of other macroeconomic factors including exchange rates, interest rates and the levels of capital deployed within the insurance industry, which may affect levels of competition and the pricing and availability of reinsurance. The effect of such factors may be complex – for example, falls in commodity and energy prices may reduce demand for the insurance products that the Syndicate provides but may also have a positive impact on claim severity where the underlying cost of claims is linked to the same factors.

Risk management framework: The Syndicate seeks to identify, assess, monitor and manage material risks through its risk management framework. The framework is incorporated into the Syndicate's policies and includes its risk appetite, governance and a range of risk monitoring and control processes (see note 20: Risk management).

Risk management strategy: The Syndicate seeks to accept insurance risks where it believes these are priced appropriately and it will remain within its overall risk appetite. Its primary source of risk arises from its underwriting activities. Key underwriting risk management strategies employed include:

- Developing and applying a superior insight into marine and energy sector insurance risks through the strengths of its relationships with policyholders and the accumulated experience of the shipping and marine sector gathered by The Standard Club, the Syndicate's cornerstone capital provider
- Individual risk selection and line size control, including due diligence on potential risks and policyholders, and use of technical / actuarial pricing tools
- Developing a diversified portfolio of risks, for example across geography, class of business and distribution channel. The potential for excessive accumulation of exposure in catastrophe exposed areas is managed through market standard and bespoke scenarios that reflect the nature of the Syndicate's business
- Reduction of potential catastrophe and large loss risks through the Syndicate's reinsurance programme

CTMA employs a number of other specific risk management strategies, methods and tools across the range of risks that the Syndicate faces, with the intention that non-insurance related risks are minimised in a cost effective and proportionate manner.

Report of the directors of the managing agent (cont’d)

Future developments

The Syndicate will continue to transact the current classes of general (re)insurance business (Hull, Energy, Liability, Property, Cargo, Specie, D&O, E&O), with the addition of Political Risks and Terrorism. If opportunities arise to write new classes of business that fall within the Syndicate’s appetite, these will be investigated at the appropriate time.

The Syndicate plans to write Gross Premium of £108.7 million for the 2016 year of account (2015 year of account: £46.1 million). The capacity for the 2016 year of account is £90.0 million (2015 year of account: £36.0 million).

Having taken into account the risks and uncertainties and the performance of the Syndicate as disclosed in the Directors’ report, CTMA has a reasonable expectation that the Syndicate will continue to write business for the foreseeable future. Moreover, CTMA expects that continued capital support will be in place in order to do so.

Directors serving in the period

Details of the directors of CTMA that served during the period and up to the date of signing the Syndicate Report & Accounts are provided on page 43.

Disclosure of information to the auditors

In the case of each of the persons who are directors of CTMA at the time the report is approved:

- So far as the director is aware, there is no relevant audit information, being information needed by the Syndicate auditor in connection with the auditor’s report, of which the auditor is unaware; and
- Having made enquiries of fellow directors of CTMA and the Syndicate’s auditor, each director has taken all the steps that he or she ought to have taken as a director to become aware of any relevant audit information and to establish that the Syndicate’s auditor is aware of that information.

Reappointment of auditors

Ernst & Young LLP has indicated its willingness to continue in office as the Syndicate’s auditors, and the management of CTMA intends to reappoint them.

On behalf of the board:

C H Schirmer
Director
11 March 2016

Statement of managing agent's responsibilities

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

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

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

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

The managing agent is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The 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 in other jurisdictions.

Independent auditors' report to the Members of Syndicate 1884

We have audited the Syndicate annual accounts of The Standard Syndicate for the period ended 31 December 2015 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Members' Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and Financial Reporting Standard 103 'Insurance Contracts',

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

Respective responsibilities of the managing agent and the auditor

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 10, the managing agent is responsible for the preparation of Syndicate annual accounts which give a true and fair view. Our responsibility is to audit and express an opinion on the Syndicate annual accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Syndicate annual accounts

An audit involves obtaining evidence about the amounts and disclosures in the 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. In addition, we read all the financial and non-financial information in the Annual Report and Accounts 2015 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.

Independent auditors' report to the Members of Syndicate 1884 (cont'd)

Opinion on Syndicate annual accounts

In our opinion the Syndicate annual accounts:

- give a true and fair view of the Syndicate's affairs as at 31 December 2015 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and Financial Reporting Standard 103 'Insurance Contracts'; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

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

In our opinion the information given in the Report of the directors of the managing agent for the financial period in which the Syndicate annual accounts are prepared is consistent with the Syndicate annual accounts.

Matters on which we are required to report by exception

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

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

Angus Millar (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
11 March 2016

Income statement
Technical account – General business

For the period ended 31 December 2015

	Notes	2015 £000	2015 £000
Gross premiums written	*2*	32,637	
Outward reinsurance premiums		(2,441)	
Net written premiums			30,196
Change in the provision for unearned premiums			
- Gross amount		(21,995)	
- Reinsurers' share		5	
Change in the net provision for unearned premiums	*4*		(21,990)
Earned premiums, net of reinsurance			**8,206**
Allocated investment return transferred from the non-technical account			**-**
Claims paid			
- Gross amount		(903)	
- Reinsurers' share		-	
Change in claims outstanding			
- Gross amount		(6,120)	
- Reinsurers' share		303	
Change in the net provision for claims			(5,817)
Claims incurred, net of reinsurance	*3*		**(6,720)**
Net operating expenses	*6*		**(11,035)**
Balance on technical account - general business			**(9,549)**

All operations are continuing.

Income statement
Non-technical account – General business

For the period ended 31 December 2015

	Notes	2015 *£000*
Balance on technical account - general business		**(9,549)**
Investment income	*10*	-
Unrealised gains on investments		-
Investment expenses and charges		-
Realised gains on investments		-
Allocated investment return transferred to the general business non-technical account		-
Currency exchange loss		(81)
Loss for the period		**(9,630)**

Statement of comprehensive income

For the period ended 31 December 2015

	Notes	2015 *£000*
Loss for the period		(9,630)
Other comprehensive income		-
Total comprehensive income for the period		**(9,630)**

Statement of changes in members' balances

For the period ended 31 December 2015

	Notes	*Profit and loss account £000*	*Total members balances £000*
At 1 April 2015		-	-
Loss for the period		(9,630)	(9,630)
Members' agent's fees		(69)	(69)
At 31 December 2015		**(9,699)**	**(9,699)**

Statement of financial position

As at 31 December 2015

ASSETS	*Notes*	2015 *£000*	*£000*
Investments			
Financial investments	*11*		431
Reinsurers' share of technical provisions			
Provision for unearned premiums	*4*	6	
Claims outstanding	*3*	313	
			319
Debtors			
Debtors arising out of direct insurance operations	*12*	14,667	
Debtors arising out of reinsurance operations	*12*	4,929	
			19,596
Cash and other assets			
Cash at bank and in hand	*14*	1,987	
Other assets	*13*	36	
			2,023
Prepayments and accrued income			
Deferred acquisition costs	*5*	4,956	
Other prepayments and accrued income		339	
			5,295
Total assets			**27,664**

Statement of financial position (cont'd)

As at 31 December 2015

MEMBERS' BALANCES AND LIABILITIES	Notes	2015 £000	2015 £000
MEMBERS' BALANCE			
Profit and loss account			9,699
LIABILITIES			
Technical provisions			
Provision for unearned premiums	*4*	(22,709)	
Claims outstanding	*3*	(6,328)	
			(29,037)
Creditors			
Creditors arising out of direct insurance operations	*15*	(613)	
Creditors arising out of reinsurance operations	*15*	(206)	
Other creditors	*16*	(6,406)	
			(7,225)
Accruals and deferred income			(1,101)
Total members' balances and liabilities			**(27,664)**

The financial statements on pages 13 to 41 were approved by the board of directors on 11 March 2016 and were signed on its behalf by:

C H Schirmer
Director

Statement of cash flows

For the period ended 31 December 2015

	Notes	2015 *£000*
Loss on ordinary activities		(9,630)
Movement in gross technical provisions		29,037
Movement in reinsurers' share of gross technical provisions		(319)
Movement in debtors		(19,936)
Movement in creditors		2,827
Movement in other assets		(4,992)
Net cash flows from operating activities		(3,013)
Cash flow from investing activities		
Investment income received		-
Cash flow from financing activities		
Financing		5,500
Members' agents' fees advances		(69)
		5,431
Net increase in cash and cash equivalents		**2,418**
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period		2,418
Cash at bank and in hand	*14*	1,987
Short term deposits with credit institutions	*11*	431
Cash and cash equivalents at end of period		**2,418**

1. Accounting policies

1.1 Statement of compliance

The financial statements have been prepared in compliance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and FRS 102 and FRS 103, being applicable UK GAAP accounting standards, and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

The financial statements are prepared under the historical cost convention except for certain financial instruments which are measured at fair value.

1.2 Basis of preparation

The financial statements for the period ended 31 December 2015 were approved for issue by the board of directors on 11 March 2016.

The financial statements are prepared in sterling which is the functional and presentational currency of the Syndicate and are rounded to the nearest £'000.

1.3 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The following are the Syndicate's key sources of estimation uncertainty:

Insurance contract technical provisions

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported (IBNR), at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and the Bornhuetter-Ferguson methods.

The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported (IBNR) at the balance sheet date based on statistical methods.

Accounting policies (cont'd)

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

Further details are given in Note 20.

Estimates of future premiums

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates are judgemental and could result in misstatements of revenue recorded in the financial statements.

The main assumption underlying these estimates is that past premium development can be used to project future premium development.

Fair value of financial assets and derivatives determined using valuation techniques

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of discounted cash flow models and/ or mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity risk, credit risk, and model input s such as estimated future cash flows based on management's best estimates and discount rates.

For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity, and financial conditions or counterparties. Discount rates are influenced by risk-free interest rates and credit risk.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Further details are given in Notes 11 and 20.

Accounting policies (cont'd)

1.4 Significant accounting policies

Investments

Investments are stated at current value at the balance sheet date. For this purpose listed investments are stated at market value (bid value), and deposits with credit institutions and overseas deposits are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Fair value of financial assets

The Syndicate uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

See Note 11 for details of financial instruments classified by fair value hierarchy.

Investment return

Dividends are recognised when the investments to which they relate are declared 'ex-dividend'. Interest income is recognised on a time proportionate basis taking into account effective interest yield.

Unrealised and realised gains and losses on financial investments are recognised based on the appropriate classification of financial investments and are covered in detail under the accounting policy for financial investments.

An allocation of actual investment return on investments supporting the general insurance technical provisions and associated members' balance is made from the non-technical account to the technical account. Investment return related to non-insurance business and members' balance is attributed to the non-technical account. Investment return has been wholly allocated to the technical account as all investments relate to the technical account.

Insurance contracts – Product classification

Insurance contracts are those contracts where the Syndicate (the insurer/reinsurer) has accepted significant insurance risk from another party (the policyholder/reinsured) by agreeing to compensate the policyholder if a specified uncertain future event (the re/insured event) adversely affects the policyholders. As a general guideline, the Syndicate determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Accounting policies (cont'd)

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Any separable embedded derivatives within an insurance contract are separated and accounted for in accordance with IAS 39 unless the embedded derivative is itself an insurance contract (i.e., the derivative is not separated if the policyholder benefits from the derivative only when the insured event occurs).

Gross premium

Gross written premium comprises the total premiums receivable for the whole period of cover provided by the contracts entered into during the reporting period, regardless of whether these are wholly due for payment in the reporting period, together with any adjustments arising in the reporting period to such premiums receivable in respect of business written in prior reporting periods. They are recognised on the date on which the policy commences. Additional or return premiums are treated as a remeasurement of the initial premium. Gross written premiums are stated gross of brokerage payable and exclude taxes and duties levied on them.

Written premiums include an estimate for pipeline premiums (i.e., premiums written but not reported to the Syndicate by the reporting date) relating only to those underlying contracts of insurance where the period of cover has commenced prior to the reporting date. The most significant assumption in this estimate is that prior year experience will be consistent with current experience.

Under some policies, written premiums are adjusted retrospectively in the light of claims experience. Where written premiums are subject to an increase retrospectively, recognition of any potential increase is deferred until the additional amount can be ascertained with reasonable certainty. Where written premiums are subject to a reduction, a remeasurement taking account of such a reduction is made as soon as there is an obligation to the coverholder.

Reinsurance premium

Reinsurance written premium comprises the total premiums payable for the whole cover provided by contracts entered into in the period, including portfolio premiums payable, and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the period in respect of reinsurance contracts incepting in prior accounting periods.

Under some policies, reinsurance premiums payable are adjusted retrospectively in the light of claims experience or where the risk covered cannot be assessed accurately at the commencement of cover. Where written premiums are subject to an increase retrospectively, recognition of any potential increase is recognised as soon as there is an obligation to the policyholder.

Profit commission

Profit commission is charged by the managing agent at a rate of 17.5% of the profit on a year of account basis subject to the operation of a deficit clause. This is charged to the Syndicate as incurred but does not become payable until after the appropriate year of account closes, normally at 36 months. Members on limited tenancy will not be charged profit commission on the 2015 year of account.

Accounting policies (cont'd)

Claims

Claims include all claims occurring during the period, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Technical provisions

Technical provisions comprise claims outstanding, provisions for unearned premiums and provisions for unexpired risk.

Claims outstanding

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims; therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money.

Provisions for unearned premiums

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. In respect of general insurance business, written premiums are recognised as earned over the period of the policy on a time apportionment basis, having regard where appropriate, to the incidence of risk. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Unexpired risks

A liability adequacy provision (the unexpired risks provision) is made where the cost of claims and expenses arising after the end of the financial year from contracts concluded before that date, are expected to exceed the provision for unearned premiums, net of deferred acquisition costs.

The assessment of whether a provision is necessary is made by considering separately each category of business on the basis of information available at the reporting date, after offsetting surpluses and deficits arising on products that are managed together. Investment income is taken into account in calculating the provision.

At 31 December 2015 the Syndicate did not have an unexpired risks provision.

Accounting policies (cont'd)

Deferred acquisition costs

Acquisition costs comprise costs arising from the conclusion of insurance contracts, such as intermediary commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio.

Deferred acquisition costs are costs arising from conclusion of insurance contracts that are incurred during the reporting period but that relate to a subsequent reporting period and that are carried forward to subsequent reporting periods.

Deferred acquisition costs are amortised over the period in which the related premiums are earned.

The reinsurers' share of deferred acquisition costs are amortised in the same manner as the underlying asset amortisation is recorded in the income statement.

Commissions receivable on outwards reinsurance contracts are deferred and amortised on a straight-line basis over the term of the expected premiums payable.

Reinsurance assets

The Syndicate cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Syndicate may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Syndicate will receive from the reinsurer. The impairment loss is recorded in the income statement.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. There were no such gains or losses recognised in the period.

Ceded reinsurance arrangements do not relieve the Syndicate from its obligations to policyholders.

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

Accounting policies (cont'd)

Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method. Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

Foreign currencies

The Syndicate's functional currency and presentational currency is sterling being the primary currency of the economic environment in which the Syndicate operates.

Transactions in foreign currencies are translated using the average exchange rates applicable to the period in which the transaction occurs. This is deemed to be a reasonable approximation of the rate at which the transaction took place. Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts, including unearned premiums and deferred acquisition costs) denominated in foreign currencies are retranslated into the functional currency at the exchange rate ruling on the reporting date.

Non-monetary items where applicable are measured in terms of historical cost in a foreign currency and translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items denominated in a foreign currency and measured at fair value are translated into the functional currency using the exchange rate ruling at the date when the fair value was determined.

Exchange differences are recorded in the non-technical account.

Taxation

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

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate are included in the statement of financial position under the heading 'other debtors'.

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

Pension costs

Charles Taylor plc operates a defined contribution scheme. Pension contributions relating to Syndicate staff are charged to the Syndicate and are included within net operating expenses.

2. Segmental analysis

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

For the period ended 31 December 2015 (£000)	Gross written premium	Gross earned premium	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
Direct insurance:						
Marine, aviation and transport	21,927	7,367	(4,713)	(7,459)	(1,486)	(6,291)
Fire and other damage to property	2,380	780	(648)	(821)	(150)	(839)
Third-party liability	121	28	(13)	(41)	(6)	(32)
	24,428	8,175	(5,374)	(8,321)	(1,642)	(7,162)
Reinsurance	8,209	2,467	(1,649)	(2,714)	(491)	(2,387)
	32,637	10,642	(7,023)	(11,035)	(2,133)	(9,549)

Commissions on direct insurance gross premiums written during the period were £5,467,000.

The reinsurance balance is the aggregate total of all those items included in the technical account that relate to reinsurance outward transactions, including items recorded as reinsurance commissions, profit participation and reinsurers' share of paid claims. The reinsurance balance includes reinsurance commission receivable.

All premiums were concluded in the UK.

The geographical analysis of premiums in the period by destination (or by situs of risk) is as follows:

	2015 *£000*
UK	760
Canada	460
United States of America	1,237
EU member states	371
Other	3,569
Worldwide	26,240
	32,637

3. Claims outstanding

(£000)	Gross	Reinsurers' share	Net
At 1 April 2015	-	-	-
Claims incurred in current underwriting period	(7,023)	303	(6,720)
Claims paid during the period	903	-	903
Currency exchange (loss)/gain	(208)	10	(198)
At 31 December 2015	(6,328)	313	(6,015)

4. Provision for unearned premiums

(£000)	Gross	Reinsurers' share	Net
At 1 April 2015	-	-	-
Premiums written in the period	(32,637)	2,441	(30,196)
Premiums earned in the period	10,642	(2,436)	8,206
Currency exchange (loss)/gain	(714)	1	(713)
At 31 December 2015	(22,709)	6	(22,703)

5. Deferred acquisition costs

(£000)	
At 1 April 2015	-
Change in deferred acquisition costs	4,794
Currency exchange gain/(loss)	162
At 31 December 2015	4,956

6. Net operating expenses

	2015 *£000*
Acquisition costs	(7,311)
Change in deferred acquisition costs	4,794
Administrative costs	(8,518)
	(11,035)

Members' personal expenses of £1,005,000 are included in administrative expenses. Members' personal expenses include Lloyd's subscriptions, Central Fund contributions, Managing Agent's fees and non-standard personal expenses.

7. Staff costs

All staff who provide services to the Syndicate were employed by Charles Taylor Administration Services Limited, a related company of CTMA. The following amounts were recharged to the Syndicate in respect of staff costs:

	2015 *£000*
Wages and salaries*	(4,986)
Social security costs	(273)
Other pension costs	(134)
	(5,393)

** includes contribution to shared services.*

The average number of employees working during the period for the Syndicate was as follows:

	2015
Administration and finance	24
Underwriting	11
Claims	1
	36

8. Emoluments of the directors of CTMA

In their capacity as directors of CTMA, the following aggregate remuneration was charged to the Syndicate and is included within net operating expenses:

	2015 *£000*
Aggregate remuneration in respect of qualifying services	(632)

The active underwriter, also a director of CTMA, received the following remuneration charged to the Syndicate and included within net operating expenses:

	2015 *£000*
Aggregate remuneration in respect of qualifying services	(190)

No advance or credits were granted by CTMA to any of the directors during the period.

We deem the Directors of CTMA to be the key management personnel.

9. Auditors' remuneration

	2015 *£000*
Audit of the Syndicate annual accounts	(55)
Other services pursuant to Regulations and Lloyd's Byelaws	(30)
	(85)

Auditors' remuneration is included within net operating expenses as part of the administrative costs.

10. Investment return

The Syndicate generated net investment return of £105 in the period.

Average amount of funds available for investment during the period:	2015 *£000*
Sterling	48
United States dollars	237
Canadian dollars	45
Euro	50
Other	5
Combined in sterling	273

Gross calendar investment yield for the period:	2015 *%*
Sterling	0.15
United States dollars	0.02
Canadian dollars	-
Euro	-
Other	-
Combined	0.04

'Average amount of funds' is the average of bank balances, overseas deposits and investments held at the end of each month during the period. For this purpose, investments are revalued at month end market prices, which include accrued income where appropriate.

11. Financial investments

At 31 December 2015 (£000)	*Carrying value*	*Purchase value*	*Unit value*
Deposits with credit institutions	431	431	431

The amount of change, during the period, in the fair value of financial investments, held at fair value through the income statement, attributable to changes in credit risk was nil.

There was no material change in fair value for financial investments held at fair value attributable to own credit risk in the reported period.

There have been no day-one profits recognised in respect of financial instruments designated at fair value through the income statement.

The following table shows financial investments recorded at fair value analysed between the three levels in the fair value hierarchy:

At 31 December 2015 (£000)	*Level 1*	*Level 2*	*Level 3*	*Total*
Deposits with credit institutions	431	-	-	431

Included in level 1 category are financial assets that are measured by reference to published quotes in active markets. A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange dealer, broker, industry syndicate, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Included in level 2 category are financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions.

Included in level 3 category, are financial assets measured using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

12. Debtors arising out of direct and reinsurance operations

All debtors arising from direct insurance operations and reinsurance operations are due from intermediaries.

13. Other assets

Other assets comprise overseas deposits which are lodged as a condition of conducting underwriting business in certain countries.

14. Cash and cash equivalents

At 31 December 2015 (£000)	
Cash at bank and in hand	1,987

15. Creditors arising out of direct and reinsurance operations

All creditors arising from direct insurance operations and reinsurance operations are due to intermediaries.

16. Other creditors

£000	2015
Financing loan	(5,500)
Due to CTMA affiliated companies	(906)
	(6,406)

17. Related parties

CTMA is wholly owned by Charles Taylor Managing Agency Holdings Limited (CTMAH), which is owned by Charles Taylor plc (CT plc) and The Standard Club Limited (Standard Club). The ultimate controlling party is CT plc; copies of its accounts can be obtained from Companies House.

CT plc and its subsidiaries provide all underwriting and management services, including claims, accounting, human resources, IT and infrastructure, to both the Syndicate and CTMA by way of inter-group cross charges through Charles Taylor Managing Agency Services Limited, - a 100% subsidiary of CTMAH. All transactions are entered into on normal market terms.

The Standard Club charges the Syndicate service fees for the provision of support to develop the business and promote the strategic goals of the Syndicate. The Standard Club provided the Syndicate with a financing loan facility of £10.5 million, of which £5.5 million was drawn down on at 31 December 2015. The loan is available until the end of 2016 and will be repaid earlier if cashflow allows. All transactions are entered into on normal market terms.

CTMA wholly owns two subsidiaries, The Standard Syndicate Services Limited and The Standard Syndicate Services (Asia) Pte Limited, which are service companies approved by Lloyd's. The Syndicate utilises these service companies as coverholders to bind risks on its behalf. Under the terms of the arrangement with the Syndicate, the service companies charge fees to the Syndicate equal to their operating costs plus a margin of 5%. The gross premium written by the Syndicate from these services companies in 2015 was £1,802,000 and £483,000 respectively.

The directors of CTMA are also directors at other CT plc, Standard Club and London market companies and these individuals disclose and manage any potential conflicts of interest in line with the Conflicts of Interest Policy.

Given the insurance-related activities undertaken within the broader CT plc and Standard Club groups it is possible that transactions may be entered into between the Syndicate and other related parties. Any such related party transactions are entered into by the Syndicate on a commercial basis and managed in accordance with the protocols set out in the Conflicts of Interest Policy.

	£000
Transactions between CTMA and the Syndicate	
Managing agency fee	450
Accrued capacity fee	300
	750
Amount outstanding at 31 December 2015	300

	£000
Transactions between other related parties and the Syndicate	
The Standard Club Limited	
Financing loan	5,500
Accrued service fees	500
Accrued interest payable	58
	6,058
Amount outstanding at 31 December 2015	6,058
Charles Taylor Managing Agency Services Limited	
Recharges (administrative expenses)	6,679
Amount outstanding at 31 December 2015	827
The Standard Syndicate Services Limited	
Service fees	134
Amount outstanding at 31 December 2015	7
The Standard Syndicate Services (Asia) PTE Limited	
Service fees	72
Amount outstanding at 31 December 2015	72

Capital support

The Standard Club is the Syndicate's cornerstone capital provider. It supports the Syndicate through its related corporate name, Standard Club Corporate Name Limited, for the 2015 YOA, and continues to do so for the 2016 YOA. CT plc also supports the Syndicate through its related corporate name, Charles Taylor Corporate Name Limited.

All capital providers who underwrite on the Syndicate are charged managing agency fees and profit commission on a similar basis as disclosed in the Register of Underwriting Agency Charges, with any exceptions noted.

18. Funds at Lloyd's

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

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on 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 members' FAL to meet liquidity requirements or to settle losses. Refer to note 20 for further details.

19. Off-balance sheet items

The Syndicate has not been party to any arrangements that are not reflected in its Statement of financial position, where material risks and benefits arise for the Syndicate.

20. Risk management

(a) Risk management framework

Risk appetite, management tolerances and risk assessment:

CTMA's risk management framework is intended to keep the Syndicate within its overall risk appetite. Risk appetite is expressed in terms of:

- The probability and impact of losses to the Syndicate's FAL and to projected profitability,
- The potential for events that could have an adverse impact on the levels of service provided to policyholders or otherwise damage the Syndicate's reputation,
- The potential for regulatory or legal sanction.

Monitoring and management of Syndicate risk against its risk appetite is implemented through more granular tolerances covering all of the risks identified through the risk management framework. Risks are classified into categories, which are described in more detail below. The risk assessment process integrates the risk profile of the Syndicate and the risk controls in place. Tools used to assess and monitor risk include financial modelling, stress testing and Syndicate-tailored scenarios – for example, with respect to specific marine-related loss events.

Governance framework

The risk management framework includes clear governance processes and is designed to ensure proportionate and effective controls are operating to manage risk within each category. The central component of the risk management framework is the role played by CTMA governance committees, which monitor changes in the Syndicate's risk profile across underwriting, reserving, finance and operations. This is performed on both a qualitative basis and through monitoring of a range of risk indicators against management tolerances in order to identify where mitigating actions are required. An escalation process is in place which ensures emerging risks or issues are brought to the attention of senior management and the board. A key role of CTMA's risk function is to ensure that the risk management process is operating effectively and leads to consideration and implementation of actions to manage risk and capital. Policies in respect of each area of risk have been put in place which set out the risk management approach.

(b) Capital management objectives, policies and approach

Regulatory capital requirements at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000. Within this supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II capital requirements which became effective from 1 January 2016. Solvency II requires insurers to maintain capital sufficient to cover a 1-in-200 year loss, reflecting uncertainty that could arise over a one-year time horizon (known as the Solvency Capital Requirement or "SCR"). Lloyd's has received approval from the PRA to calculate this value using its own internal capital model, based on inputs received from managing agents in respect of the syndicates they manage.

Lloyd's capital setting process

The Lloyd's capital setting process calculates capital requirements at syndicate level. Lloyd's requires each managing agent to calculate the SCR for its managed syndicates for the prospective underwriting year based on each syndicate's business forecast. This amount must be sufficient to cover a 1-in-200 year loss, reflecting the full uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). An SCR at the same confidence level but reflecting uncertainty over a one-year time horizon (one-year SCR) is also calculated for Lloyd's to use in calculating its own regulatory Solvency II requirements. The SCRs of each syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group. The SCR 'to ultimate' is the basis for the Lloyd's capital requirement for each syndicate. Lloyd's applies an additional capital uplift known as the Economic Capital Assessment (ECA) to each syndicate's SCR. The purpose of this uplift is to meet Lloyd's financial strength, licence and credit-rating objectives. The capital uplift applied for 2015 and 2016 is 35% of the SCR 'to ultimate'.

As the Syndicate started trading in 2015, its capital requirement is currently set directly by Lloyd's applying a set of principles for new entrants to the market. These principles include a requirement for the Syndicate SCR to be calculated including hypothetical reserve risk and market risk as if the syndicate had been trading for two prior years, the use of market average assumptions in respect of capital required to meet underwriting exposures anticipated in the business plan, and an additional 'new entrant' capital uplift of 20%. The Syndicate is in the process of developing and seeking approval for its internal capital model, following which it will calculate its own capital requirement, subject to Lloyd's review and approval.

Provision of capital by members

Regulatory capital requirements for Lloyd's apply at an overall market level and at a member level. The Syndicate is comprised of a number of different underwriting members of Lloyd's. Each member is severally liable for its share of Syndicate liabilities and is required to provide capital that reflects this share. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR that reflects the capital requirement to cover a 1-in-200 year loss 'to ultimate' for that member.

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (FAL), held within and managed within a Syndicate (funds in Syndicate) or as the member's share of the members' balances on each Syndicate on which it participates.

(c) Insurance risk

The Syndicate's risks arise principally from its underwriting activities. Insurance risk includes a range of risks relating to pricing, premium volume, exposure to catastrophes, lack of diversification, reserve and reinsurance risk, as highlighted in the table below:

Risk	Examples of risk management approach
Pricing of policies is insufficient given the risks accepted	• Technical and actuarial pricing and rate monitoring techniques to identify levels of price adequacy and trends. • Underwriters who are experienced and skilled in the classes for which they have authority to underwrite • Development of an appropriate underwriting strategy and application of underwriting guidelines which include requirements to refer risks that deviate from technical pricing benchmarks or target risk characteristics • Consideration of trends emerging from reserving analyses • Regular peer review process which considers the quality of underwriting decisions.
Premium volumes are less than planned	• Analysis of the sources of income by class and distribution channel against expectations. • Development of class level business plans which support premium forecasts • Monitoring of the levels and success of marketing activity.
Excessive accumulations of risk from a single source (for example from natural catastrophes)	• Geographical exposure monitoring process which identifies accumulations of risk and quantifies the extent to which any accumulations are exposed to natural hazards such as windstorm, flood or earthquake. • Exposure monitoring process which seeks to identify potential additional accumulation from sources such as non-static cargo exposures or cyber risk. • Bespoke scenario analysis to understand the value of gross losses if an event were to occur. Such scenarios are monitored as the portfolio of risks written by the Syndicate changes, in order to ensure that the potential loss from severe catastrophic events does not exceed the Syndicate's risk appetite. • Implementation of internal limits on exposure to bespoke CTMA scenarios, Lloyd's RDS, 'clash' events • Maximum line size limits on individual policies and per risk • Ensuring sufficient reinsurance protection is in place to mitigate the impact of severe events.
Exposure is insufficiently diversified, increasing the degree of variability in underwriting results	• Development and implementation of a business plan which is diversified across a large portfolio of insurance contracts, geographical areas and multiple classes of business and product types • Seeking to manage the overall variability of underwriting results through careful selection, implementation of underwriting strategy guidelines, maximum line sizes and the use of reinsurance.
Claims arising from prior year business cost more to settle than the amounts estimated in the Syndicate's reserves	• Comparison of actual claims compared with expected claim development patterns • Monitoring of the sources and types of incurred claims to identify unanticipated trends • Performance of regular actuarial reviews
Reinsurance protections fail to protect the Syndicate in the manner expected	• Assessment of reinsurance coverage terms compared with gross exposures • Analysis of the extent to which the reinsurance programme is exposed given the underlying gross exposure • Monitoring of remaining cover given the level of incurred claims • Placement of reinsurance is diversified such that it is not dependent on a single reinsurer

The table below sets out the concentration of outstanding claim liabilities by type of contract:

At 31 December 2015 (£000)	Gross liabilities	Reinsurance of liabilities	Net liabilities
Direct insurance:			
Marine, aviation and transport	(4,205)	165	(4,040)
Fire and other damage to property	(528)	48	(480)
Third-party liability	(14)	1	(13)
	(4,747)	214	(4,533)
Reinsurance	(1,581)	99	(1,482)
	(6,328)	313	(6,015)

The table below shows the Gross insurance contract outstanding claims provision at 31 December 2015:

2015 underwriting year of account	£000
Estimate of cumulative claims incurred	
At end of underwriting year	(7,100)
Current estimate of cumulative claims incurred	(7,100)
Cumulative claims paid	
At end of underwriting year	772
Cumulative payments to date	772
Gross outstanding claims provision at 31 December 2015 at original exchange rates	(6,328)
Foreign exchange adjustment	-
Total gross outstanding claims provision per the statement of financial position	(6,328)
% surplus/(deficiency) of initial gross reserve	-

The table below shows the Net insurance contract outstanding claims provision at 31 December 2015:

2015 underwriting year of account	£000
Estimate of cumulative claims incurred	
At end of underwriting year	(6,787)
Current estimate of cumulative claims incurred	(6,787)
Cumulative claims paid	
At end of underwriting year	772
Cumulative payments to date	772
Net outstanding claims provision at 31 December 2015 at original exchange rates	(6,015)
Foreign exchange adjustment	-
Total net outstanding claims provision per the statement of financial position	(6,015)
% surplus/(deficiency) of initial gross reserve	-

Key sensitivities

Estimated gross loss ratios – Estimated gross loss ratios are derived from the Syndicate Business Forecast which considers market benchmarks as well as assessments of changes in rate adequacy for each class of business. As the Syndicate has only been trading since April 2015 there is little experience to support or confirm the assumptions and therefore there is uncertainty in the assumed profitability across the entire Syndicate.

Effectiveness of the reinsurance programme in protecting the underwriting result – Net underwriting profit is estimated after consideration of the mitigating effect of reinsurance on gross losses, including assumptions as to the number and size of losses that may exceed the attachment point on the programme, and the effective reinsurance recovery rate that will result.

The impact of the above uncertainties is illustrated by reference to the impact of a change in the estimated attritional loss ratio (i.e. relating to those claims that are smaller than the attachment point of the reinsurance programme) in the table below:

At 31 December 2015 (£000)	Gross loss	Net loss	Changes in members balance
5% increase in forecast attritional loss ratio	(532)	(532)	(532)
5% decrease in forecast attritional loss ratio	532	532	532

(d) Financial risk

The Syndicate is exposed to a range of financial risks in the normal course of business, including counterparty credit risk, liquidity risk, and market risk, as set out below:

(i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

Credit risk is actively monitored and managed. This includes the risk of counterparty default on amounts due under reinsurance contracts, unpaid premiums on inwards insurance policies or premiums held by brokers. CTMA monitors the Syndicate’s level of overdue debt by counterparty, and reviews the credit worthiness of the Syndicate’s reinsurers based on an analysis of the financial condition of each reinsurer. This analysis uses a range of information including financial reports, published credit rating opinions and information provided by reinsurance brokers. All reinsurers must meet minimum security thresholds. Concentration risk is managed through the application of credit limits expressed in terms of each reinsurer’s share of the overall reinsurance programme. Credit risk is actively monitored through the Agency’s key governance committees.

The tables below show the exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position:

At 31 December 2015 (£000)	Neither past due nor impaired	Past due	Impaired	Total
Deposits with credit institutions	431			431
Overseas deposits as investments	36			36
Reinsurers' share of claims outstanding	313			313
Insurance debtors	16,495	3,101	-	19,596
Cash at bank and in hand	1,987			1,987
	19,262	3,101	-	22,363

At 31 December 2015, there were no impaired reinsurance assets.

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2015 by the credit ratings of the counterparties. AAA is the highest possible rating. Insurance debtors, other than amounts due from reinsurers, have been excluded from the table below as these are not rated.

			Credit ratings		
At 31 December 2015 (£000)	AAA	AA	A	BBB	Total
Deposits with credit institutions		223	208		431
Overseas deposits as investments	24	6	3	3	36
Reinsurers' share of claims outstanding		31	282		313
Cash at bank and in hand		11	1,976		1,987
	24	271	2,469	3	2,767

The largest reinsurer counterparty represents 19% of the overall reinsurance programme.

(ii) Liquidity risk

Liquidity risk includes the risk that the Syndicate is unable to meet its obligations to policyholders as they fall due, especially following a major loss. CTMA monitors the Syndicate's liquidity position, regularly performs liquidity stress testing and has put in place a "shock loss" credit facility to manage liquidity risk in the event of large losses.

The table below summarises the maturity profile of the Syndicate's financial and insurance liabilities based on remaining contractual obligations and outstanding claim liabilities based on the estimated timing of claim payments.

At 31 December 2015 (£000)	*Carrying amount*	Up to a year	2 – 5 years	5 – 10 years	Over 10 years	Total
Outstanding claim liabilities	*6,328*	2,124	3,845	321	38	6,328
Other creditors	*7,225*	7,225				7,225
	13,553	9,349	3,845	321	38	13,553

(iii) Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is actively monitored and managed in terms of currency risk, interest rate risk and asset value risk. For assets backing outstanding claims provisions, market risk is, where possible, managed by matching the duration and currency profile of assets to the technical provisions they are backing.

(iv) Currency risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Syndicate seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

The table below summarises the exposure of the financial assets and liabilities to foreign currency exchange risk at the reporting date, as follows:

At 31 December 2015 (£000)	UK £*	US $	CAD $	EUR €	Total
Total assets	2,638	29,749	1,272	5,669	27,664
Total liabilities	(9,623)	(34,032)	(1,035)	(5,555)	(37,363)
Currency exchange balances	(2,384)	3,620	(162)	-	-
Net assets	(9,369)	(663)	75	114	(9,699)

* includes all the other non-major currencies converted to sterling.

The non-sterling denominated net assets of the Syndicate may contribute to a reported loss (depending on the mix relative to the liabilities), should sterling strengthen against these currencies. Conversely, they may contribute to reported gains should sterling weaken.

Sensitivity to changes in foreign exchange rates
The table below shows the impact on profit of a percentage change in the relative strength of sterling against the value of the Syndicate settlement currencies simultaneously as at the reporting date.

Impact on profit and members' balance	2015 *£000*
Sterling weakens	
10% against other currencies	(276)
20% against other currencies	(551)
Sterling strengthens	
10% against other currencies	276
20% against other currencies	551

(v) Interest rate risk
Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Syndicate has no significant concentration of interest rate risk. Insurance liabilities are not discounted and therefore are not exposed to interest rate risk.

(vi) Asset value risk

Asset value risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Syndicate's non-insurance or reinsurance financial assets are primarily held in cash or short term time deposits with credit institutions, so asset value risk is minimal.

(e) Other risks

In addition to the principal risks as described in sections above, the Syndicate faces the following other key risks. Each of these risks are assessed, monitored and managed through the risk management framework and governance including committees and working groups.

(i) Operational risk

Including the risk that the Syndicate is adversely affected by failures of internal control, expense management, shortfalls in resource, or failures of systems or business continuity plans. The Agency employs a range of processes to monitor and manage this risk, include budget tracking and forecasting, consideration of staff turnover and unfilled positions, and testing of systems and business continuity plans.

(ii) Conduct risk

Including the risk that the strategy of the Syndicate or the actions of underwriters or claims staff leads to customer detriment. CTMA monitors the nature of policyholders and has processes in place to manage any conduct risks that could arise.

(iii) Legal and compliance risk

Including the risk that the Syndicate suffers regulatory sanction or fines as a consequence of a breach of applicable laws or regulation – for example, with respect to breaches of sanctions. CTMA has put in place a compliance monitoring process including the use of external database systems to identify potential sanctions, anti-money laundering or bribery and corruption risks. It is the policy of CTMA to reassess regularly the legal and compliance risk of its portfolio, and perform appropriate due diligence on all of its trading partners, policyholders and transaction counterparties.

(iv) Strategy and group risk

Including the risk that the Syndicate is unable to develop and implement appropriate business plans, make effective decisions, adapt to changes in the business environment, or suffers adverse consequences from undue influence or distress of related parties. The Agency has put in place a number of measures to mitigate this risk, including strong internal governance processes whose operation is monitored, policies governing related party transactions and independent board oversight by non-executive directors.

About The Standard Club

The Standard Club is a mutual insurance association, owned by its shipowner members and controlled by a board of directors drawn from the membership. The club insures shipowners, operators and charterers for their liabilities to third parties arising out of ship operations. The Standard Club prides itself on the quality of its service to its members and sets great store on responsiveness and support at all times, especially in times of crisis. Just as important is the emphasis on financial strength and stability through the club's strong balance sheet and financial resilience.

While The Standard Club's core business is the provision of protection and indemnity (P&I) insurance, it has a long and successful track record of offering other covers to its members. The club established The Standard Syndicate for two reasons – first, to enable members to benefit from high standards of service and financial security across a broader range of marine and energy covers; and second, to diversify the club and strengthen its financial position. For more information on The Standard Club, visit www.standard-club.com.

About Charles Taylor Managing Agency

Every syndicate must have an appointed managing agent to employ the underwriting staff, ensure compliance with Lloyd's minimum standards and manage day-to-day operations. Charles Taylor Managing Agency is the only managing agent purpose-built for purpose to deliver turn-key and managed service solutions.

Charles Taylor Managing Agency is a business of Charles Taylor plc., which is a leading provider of professional services to clients across the global insurance market. Charles Taylor has been providing services since 1884 and today employs more than 1,300 staff in 69 offices spread across 28 countries in the UK, the Americas, Asia Pacific, Europe, the Middle East and Africa.

Corporate information

Managing Agent
Charles Taylor Managing Agency Limited

Directors

B J Hurst-Bannister (Chairman) *	
R D Andrews	
E G Creasy *	resigned 25 February 2016
R G Dorey	
D G Marock *	
T A Rhodes *	appointed 4 February 2016
S J Riley *	
C H Schirmer	
A Thawani	appointed 13 May 2015

** Non-executive director*

Company Secretary
Charles Taylor & Co. Limited

Managing Agent's Registered Office
Standard House 12-13
Essex Street
London
WC2R 3AA

Managing Agent's Registered Number
09147885

Syndicate 1884:

Active Underwriter
R G Dorey

Bankers
Barclays PLC
Citibank NA
RBC Dexia

Independent Auditor
Ernst & Young LLP, London

This Annual Report is published on behalf of The Standard Syndicate 1884 by the managing agency:

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