

SYNDICATE CVS 1919
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

Important information about Syndicate Reports and Accounts

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

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

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

Syndicate 1919

Contents

	Page
Directors and administration	3
Strategic report	4
Directors' report	8
Statement of managing agents' responsibilities	9
Independent auditors' report to the members of Syndicate 1919	10
Income statement	12
Statement of other comprehensive income	13
Statement of changes in equity	14
Statement of financial position	15
Statement of cash flows	17
Notes to the financial statements	18

Syndicate 1919

Directors and administration

MANAGING AGENT

Starr Managing Agents Limited

Directors

N C T Pawson	(Non-executive Chairman)
S G Blakey	(Executive Vice Chairman)
D Stewart	(Director of Underwriting)
G J L Broughton	(Finance Director)
C G Buchanan	(Head of Casualty)
D French	(Non-executive)
R Shaak	(Non-executive)
J Mantz	(Non-executive)
J Owen	(Non-executive)

Company Secretary

A Bahia

Managing Agent's Registered Office

4th Floor
30 Fenchurch Avenue
London
EC3M 5AD

Managing Agent's Registered Number

6265337

SYNDICATE

Active Underwriter

D Stewart

Bankers

Lloyds TSB Bank Plc
Citibank NA
Royal Bank of Canada

Statutory Auditor

Moore Stephens LLP, London

Syndicate 1919

Strategic report

The directors of Starr Managing Agents Limited ("SMAL") present their strategic report for the year ended 31 December 2015.

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

Separate underwriting year accounts for the closed 2013 account have not been produced as the Syndicate member has agreed in writing that no underwriting year accounts shall be prepared in respect of the Syndicate.

After making enquiries, the directors have a reasonable expectation that continued capital support will be in place such that Syndicate 1919 will continue to write new business in future underwriting years of account. Accordingly they continue to adopt the going concern basis in preparing the annual accounts.

Results

The result for the calendar year 2015 is a profit of £20.7m (2014: restated profit of £8.5m). Profits will be distributed and called respectively by reference to the results of individual underwriting years. The members' funds total surplus is £45.8m (2014: surplus £24.5m). In addition the syndicate holds Funds at Lloyd's which are not shown on the Syndicate balance sheet.

The 2015 calendar year has been profitable for all classes except Political and Financial Risks ("PFR"). The reserves in the PFR class have been reviewed and set conservatively (and therefore increased during 2015), particularly for the bank credit exposure now in runoff, to reflect the poor outlook for recovery from underlying obligors to whom insured banks had lent money. Whilst Energy was a profitable division in 2015, it was impacted by two large losses in Onshore and Offshore originating from the 2015 and 2011 years of account respectively, offset by low attritional claims in these classes and reserve releases in Construction. The Casualty and Financial classes generated good profits in 2015 due to better than expected claims experience across all years resulting in reserve releases. Within Aviation, the majority of earned profit has been driven by the Aerospace class as a result of favourable claims experience; however General Aviation also contributed positively to results. The reasonably new and growing Accident & Health ("A&H") class has generated a profit in 2015, with legacy issues not causing any adverse deterioration during the year. Marine continues to run off favourably, generating a profit in 2015.

Post reporting date events

There have been no significant post reporting date events.

Principal activity and review of the business

The principal activity of Syndicate 1919 ("the Syndicate") during the period was the transaction of general insurance and reinsurance business in the United Kingdom.

The Syndicate's business is underwritten under a limited number of binding authority arrangements granted to Starr Underwriting Agents Limited ("SUAL") in London, an established and experienced Underwriting Agency. SUAL is an FCA regulated insurance intermediary and an approved Lloyd's Coverholder. Lloyd's consortium business for the 2014

Syndicate 1919

Strategic report

and post year of account is written via SMAL. Delegated authority is also given to a number of Starr offices in overseas territories to access local business not otherwise presented to Lloyd's. SUAL and SMAL share a single management team.

SUAL and SMAL are both 100% owned by Starr Global Financial Inc. (Nevada).

The Syndicate currently has a portfolio of five main product lines, namely:

Aviation – direct and facultative business including airlines, products, general aviation.

Technical Risks – direct and facultative technical risks including onshore and offshore energy, process industries, power, chemical and other heavy industries, property and construction.

Accident and Health – direct and facultative.

Political – direct and facultative business including credit risk and contract frustration.

Casualty – direct and facultative business including financial lines, construction, energy, export products and environmental and crisis management.

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

	2015	Restated 2014
	£'000	£'000
Gross written premiums	264,308	269,971
Profit for the period	20,687	8,501
Combined ratio	78.3%	91.4%

Principal Risks and Uncertainties

The SMAL Board sets risk appetite annually as part of the Syndicate's business planning and Syndicate Capital Requirement process. SMAL's Risk Committee meets quarterly to review and update the risk register and to monitor performance against risk appetite using a series of key risk indicators. The principal risks and uncertainties facing the Syndicate are as follows:

Insurance risk

Insurance risk includes the risk that a policy will be written for too low a premium or provide inappropriate cover (underwriting risk), that the frequency or severity of insured events will be higher than expected (claims risk), or that estimates of claims subsequently prove to be insufficient (reserving risk). The SMAL Board manages insurance risk by agreeing its appetite for these risks annually through the business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. The SMAL Board then monitors performance against business plan throughout the year. SMAL sets upper limits on and monitors maximum probable losses from catastrophe-exposed business. Reserve adequacy is monitored through quarterly reviews by the Syndicate actuary.

The Syndicate has a defined event risk tolerance, which determines the maximum gross & net loss that the Syndicate limits its exposure to, from major catastrophe event scenarios. At 31 December 2015 the maximum was \$200m gross and \$25m net for the Syndicate (2014: \$191m gross and \$25m net). The Syndicate also adopts risk tolerance maximum net limits for a number of non-elemental scenarios including aviation collision and North Sea rig loss.

Strategic report

The risk tolerance policy recognises that there may be circumstances in which the net event limit could be exceeded. Such circumstances include non-renewal or delay in renewal of reinsurance protection, reinsurance security failure, or regulatory and legal requirements. A detailed analysis of catastrophe exposures is carried out every month and measured against the event risk tolerance. The following assumptions and procedures are used in the process:

- The data used reflects the information supplied to the Syndicate by insureds and ceding companies. This may prove to be inaccurate or could develop during the policy period.
- The exposures are modelled using a mixture of physical models for Natural Catastrophe risks and underwriter input for Man-made Catastrophe risks to arrive at damage factors. These factors are then applied to the assumed aggregate exposure to produce gross loss estimates. The damage factors may prove to be inadequate.
- The reinsurance programme as purchased is applied – a provision for reinsurer counterparty failure is analysed but may prove to be inadequate.
- Reinstatement premiums both payable and receivable are included.

There is no guarantee that the assumptions and techniques deployed in calculating these event loss estimate figures are accurate. Furthermore, there could also be a loss which exceeds these figures. The likelihood of such a catastrophe is considered to be remote but the most severe scenarios modelled are simulated events and these simulations could prove to be unreliable.

Credit risk

The key component of credit risk is the risk of default by one or more of the Syndicate's reinsurers. SMAL has a Reinsurance Security Committee that reviews and agrees the security of the proposed reinsurers. The Committee assesses the acceptability of reinsurers and sets maximum usage limits based on each reinsurer's security rating. A listing of all acceptable security is maintained by the Reinsurance Security Committee of SMAL on request. Usage of any reinsurer that does not appear on the list of approved reinsurers, or usage of an approved reinsurer in excess of its applicable limit, requires prior authorisation from the Reinsurance Committee. The corporate member is required to approve the variation from the business plan. Reinsurance Committee reviews and agrees the form and structure of the reinsurance programme to be purchased by the Syndicate and monitors progress on placement and exhaustion of cover.

Market risk

The key aspect of market risk is that the Syndicate incurs losses on foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. The majority of assets and liabilities are denominated in the functional currency, US Dollars, however SMAL monitors net exposure to any other material currencies to determine if further action is required.

Due to the nature of our investment portfolio we are not significantly exposed to realised market valuation differences on bonds as these are not traded on a regular basis. The factor which impacts our investments most is interest rates (note 9). Interest rates have a direct impact on investment return and valuation of bonds are directly linked to interest rates and their anticipated movements.

Syndicate 1919

Strategic report

Liquidity risk

This is the risk that the Syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash. To mitigate this risk the cash positions are monitored on a daily basis and investments are held in highly liquid instruments.

Operational risk

This is the risk that errors caused by people, processes or systems lead to losses to the Syndicate, both from internal and external events. SMAL seeks to manage this risk through the use of detailed procedures manuals, peer reviews, internal audits and appropriate training courses. The findings from the internal audit department are presented at an Audit Committee which reviews the key findings and monitors the implementation of associated actions. The Audit Committee is satisfied that the Internal Audit function has the appropriate resources available.

Regulatory risk

SMAL is required to comply with the requirements of the Prudential Regulation Authority (PRA), the Financial Conduct Authority (FCA) and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US Situs business. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. SMAL has a compliance team which monitors regulatory developments, assesses the impact on agency policy and carries out a compliance monitoring programme which is reported to the SMAL Board throughout the year.

Future Developments

Short-Term Plan

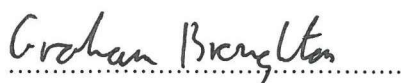
SMAL expects to see real benefit to the Lloyd's business through consortium growth with other Lloyd's Syndicates in 2016 and will continue to develop these where business opportunities present themselves. In addition, SMAL is constantly investigating new lines of business where opportunities may present themselves to achieve improved returns.

Medium to long-term developments

SMAL has a desire to build its managed Syndicate into significant participants in the Lloyd's market. It will do this in a number of ways:

- By expanding existing product lines where rates and competition permit. This will be done by seeking improved terms and increased participations as well as attracting new clients.
- Leveraging available capital resources within the Starr group.

By order of the Board



Graham Broughton
Director, London
15 March 2016

Syndicate 1919

Directors' report

Directors

The directors of SMAL, the managing agent during 2015, who served during the year ended 31 December 2015, were as follows:

N C T Pawson

S G Blakey

C E Hancock (resigned 15 January 2015)

D Stewart

D French

R Shaak

J Owen

J Mantz

G J L Broughton

C G Buchanan (Appointed 20 May 2015)

M Washington (Appointed 20 September 2015 and Resigned 18 November 2015)

Disclosure of information to the auditors

Each of the persons who is a director of the managing agent at the date of approval of this report confirm that:

- So far as the director is aware there is no relevant audit information of which the Syndicate's auditors are unaware; and
- The director has taken all the steps that he ought to have taken as a director in order to make himself aware of relevant audit information and to establish that the Syndicate's auditors are aware of that information.

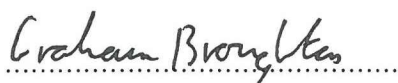
This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The Directors also confirm their agreement with the disclosures within the Strategic Report.

Auditors

The Directors of the managing agent, SMAL, intend to reappoint Moore Stephens LLP as the Syndicate's auditors.

By order of the Board



Graham Broughton

Director, London

15 March 2016

Syndicate 1919

Statement of managing agents' responsibilities

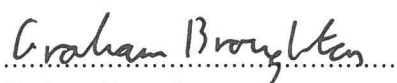
Starr Managing Agents Limited is responsible for preparing the Syndicate annual accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent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

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

1. Select suitable accounting policies which are applied consistently;
2. Make judgements and estimates that are reasonable and prudent;
3. State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the annual accounts; and
4. Prepare the annual accounts on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume that the Syndicate will do so.

The managing agent is responsible for keeping adequate accounting records that are sufficient to show and explain the Syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate annual accounts comply with the 2008 Regulations. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

The financial statements on pages 12 to 43 were approved by the Board of Starr Managing Agents Limited on 15 March 2016 and were signed on its behalf by



Graham Broughton
Director, London
15 March 2016

Independent auditor's report to the members of Syndicate 1919

We have audited the annual financial statements of Syndicate 1919 for the year ended 31 December 2015 which are set out on pages 12 to 43. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Syndicate's members, as a body, in accordance with regulation 10 of 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Syndicate and 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 auditor

As explained more fully in the Statement of Managing Agent's Responsibilities on page 9, the managing agent is responsible for the preparation of Syndicate annual financial statements 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 financial statements 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the Syndicate annual financial statements

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

Opinion on Syndicate annual financial statements

In our opinion the annual financial statements:

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

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

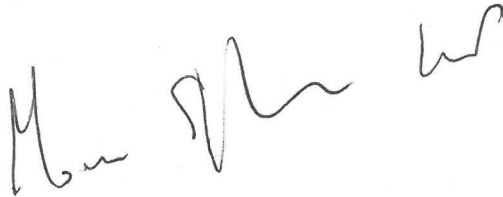
In our opinion the information given in the Managing Agents' Report, which comprises the Strategic report and the Directors' report, for the financial year for which the annual financial statements are prepared is consistent with the annual financial statements.

Independent auditor's report to the members of Syndicate 1919

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 financial statements are not in agreement with the accounting records; or
- certain disclosures of emoluments of managing agents specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



.....
Simon Gallagher, *Senior Statutory Auditor*

For and on behalf of Moore Stephens LLP, Statutory Auditor

150 Aldersgate Street
London
EC1A 4AB

15 March 2015

Syndicate 1919

Income Statement: Technical account for the year ended 31 December 2015

	Notes	£000	2015 £000	£000	Restated 2014 £000
Earned premiums, net of reinsurance					
Gross premiums written	4		264,308		269,971
Outward reinsurance premiums			(166,946)		(164,266)
Net premiums written			<u>97,362</u>		<u>105,705</u>
Change in the provision for unearned premiums:					
Gross amount			(15,164)		8,615
Reinsurers' share			14,767		(7,541)
Change in the net provision for unearned premiums			<u>(397)</u>		<u>1,074</u>
Earned premiums, net of reinsurance			96,965		106,779
Allocated investment return transferred from the non-technical account					
	8		3,433		583
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(192,669)	(143,295)		
Reinsurers' share		117,672	83,640		
Net claims paid		<u>(74,997)</u>	<u>(59,655)</u>		
Change in the provision for claims					
Gross amount		69,455	(23,117)		
Reinsurers' share		(48,548)	12,329		
Change in the net provision for claims		<u>20,907</u>	<u>(10,788)</u>		
Claims incurred, net of reinsurance			(54,090)		(70,443)
Net technical operating expenses	5		(21,827)		(27,175)
Balance on the technical account for general business			<u>24,481</u>		<u>9,744</u>

All operations are continuing.

Syndicate 1919

Income Statement: Non-technical account for the year ended 31 December 2015

	Notes	2015 £000	Restated 2014 £000
Balance on the technical account for general business		24,481	9,744
Investment return	8	3,433	583
Allocated investment return transferred to general business technical account		(3,433)	(583)
Currency translation adjustment		(3,794)	(1,243)
Profit for the financial year		<u>20,687</u>	<u>8,501</u>

Statement of Total Comprehensive Income for the year ended 31 December 2015

	Notes	2015 £000	Restated 2014 £000
Profit for the financial year		20,687	8,501
Other Comprehensive Income currency translation		<u>1,176</u>	<u>3,726</u>
Total Comprehensive Income		<u>21,863</u>	<u>12,227</u>

Syndicate 1919

Statement of Changes in Equity for the year ended 31 December 2015

	Notes	Members Balances £000	Total £000
Balance at 1 January 2014		(16,288)	(16,288)
Settlement of closed year losses		30,098	30,098
Profit and loss for the year		8,501	8,501
Other Comprehensive Income currency translation		3,726	3,726
Non-standard personal expenses		(1,507)	(1,507)
Balance at 31 December 2014		<u>24,530</u>	<u>24,530</u>
Restatement		-	-
Restated Balance at 31 December 2014		<u>24,530</u>	<u>24,530</u>
2015 Profit and loss for the year		20,687	20,687
Other Comprehensive Income currency translation		1,176	1,176
Non-standard personal expenses		(628)	(628)
Balance at 31 December 2015		<u>45,765</u>	<u>45,765</u>

Syndicate 1919

Statement of Financial Position – Assets at 31 December 2015

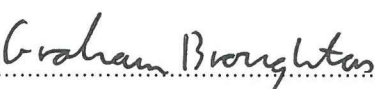
	Notes	£000	2015 £000	£000	2014 £000
Investments					
Financial investments	9		147,380		169,907
Reinsurers' share of technical provisions					
Provision for unearned premiums		124,743		106,616	
Claims outstanding	14	234,856		278,072	
			359,599		384,688
Debtors					
Debtors arising out of direct insurance	11	149,114		146,467	
Debtors arising out of reinsurance operations		28,794		30,097	
Other debtors		4,238		5,984	
			182,146		182,548
Other assets					
Cash at bank and in hand	9	4,730		18,616	
Overseas deposits	9,12	63,275		53,836	
			68,005		72,452
Prepayments and accrued income					
Deferred acquisition		18,185		16,035	
Other prepayments		430		437	
			18,615		16,472
Total assets			775,745		826,067

Syndicate 1919

Statement of Financial Position - Liabilities at 31 December 2015

	Notes	£000	2015 £000	2014 £000
Capital and reserves				
Members' balances	17		45,764	24,530
Technical provisions				
Provision for unearned premiums		190,455		170,558
Claims outstanding	14	<u>411,419</u>	<u>473,625</u>	
			601,874	644,183
Creditors				
Creditors arising out of reinsurance operations		106,043		139,874
Creditors arising out of direct insurance operations		6,561		1,647
Other creditors		<u>7,833</u>	<u>7,148</u>	
			120,437	148,669
Accruals and deferred income			<u>7,670</u>	<u>8,685</u>
Total liabilities			<u>775,745</u>	<u>826,067</u>

The financial statements on pages 12 to 43 were approved by the Board of Starr Managing Agents Limited on 15 March 2016 and were signed on its behalf by


.....
Graham Broughton
Director, London
15 March 2016

Syndicate 1919

Statement of Cash Flows for the year ended 31 December 2015

Cashflow Statement 2015

		Restated	
		2015	2014
	Notes	£000	£000
Profit for the year		20,687	8,501
Increase/ (Decrease) in net technical provisions		(17,220)	16,550
(Increase)/ Decrease in debtors		(1,741)	(7,292)
Increase/ (Decrease) in creditors		(29,247)	793
Unrealised losses / (gains)	8	2,078	(975)
Foreign exchange movements		1,176	3,726
Total Cashflow from operating activities		(24,267)	21,303
Cashflow from Investing Activities			
Purchase of Equity and debt instruments		(320,086)	(340,244)
Sale of Equity and debt instruments		337,334	312,513
Total cashflow from investing activities		17,248	(27,731)
Cashflow from Financing Activities			
Distribution of Profit		(12,447)	-
Profits added in FIS		11,236	-
Other Financing Activity		(5,581)	23,916
Total cashflow from financing activities		(6,792)	23,916
Net Increase/ (Decrease) on cash and Cash Equivalents		(13,811)	17,488
Foreign exchange translation adjustment on cash		(75)	(202)
Cash and Cash Equivalents at beginning of year		18,616	1,330
Cash and Cash Equivalents at end of year		4,730	18,616

Notes to the financial statements for the year ended 31 December 2015

1. Basis of preparation

These financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, and applicable Accounting Standards in the United Kingdom and comply with the Statement of Recommended Practice on Accounting for Insurance Business issued in December 2005 (amended in 2006) by the Association of British Insurers. The result for the year is determined on the annual basis of accounting in accordance with "FRS102:The financial reporting standard" and "FRS103:Insurance contracts", applicable from 1st January 2015.

The adoption of FRS 102 and 103 has no impact on the prior year closing members' balances or distribution, however it has affected the profit and loss for the year and other comprehensive income. The change to the prior year is evident in note 19 where foreign exchange values have been removed from net operating expenses within the technical account and are now presented in currency translation differences within the non-technical account. The implementation of FRS 102 and 103 requires several new disclosures seen in notes 3, 9, 10, 13, 14, 15, 17 and 18.

The directors have a reasonable expectation that continued capital support will be in place such that the Syndicate will continue to write new business in future underwriting years of account. Accordingly they continue to adopt the going concern basis in preparing the annual accounts.

2. Accounting policies

Premiums written

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

Unearned premiums

Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the balance sheet date, calculated on a combination of time apportionment and risk profile of the policy.

Reinsurance premium ceded

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

Claims provisions and related recoveries

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

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

Notes to the financial statements for the year ended 31 December 2015

2. Accounting policies (continued)

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

The two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

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

Unexpired risks provision

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

Acquisition costs

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

Foreign currencies

Under previous UK GAAP, the definition of a foreign branch included assets and liabilities accounted for in a foreign currency. FRS 102 requires that a foreign operation must be an entity. Hence, assets and liabilities denominated in a foreign currency no longer constitute a foreign operation and are not retranslated at the closing rate with exchange differences reported through the statement of recognised gains and losses (STRGL). Instead, monetary items are

Notes to the financial statements for the year ended 31 December 2015

2. Accounting policies (continued)

retranslated at the closing rate with exchange differences reported through the non-technical account and non-monetary items (for example, tangible assets) are not retranslated.

Non-monetary items are translated into the functional currency using period average rate of exchange prevailing at the time of the transaction as a proxy for transactional rates.

On Adoption of FRS 102 the Syndicate determined, after review of the applicable guidance and its operations, that its functional currency was US Dollars. The Syndicate accounts are still presented in Great British Sterling as a presentational currency.

The impact of this change in accounting policy is shown in note 18.

The results and financial position of the syndicate are translated into the presentation currency as follows:

- a) assets and liabilities are translated at the closing rate at the balance sheet date;
- b) income and expenses are translated at the average rate of exchange during each quarter of the year; and
- c) all resulting exchange differences are recognised in the Statement of Other Comprehensive Income.

Under FRS102 guidelines we were required to elect a functional currency and after reviewing the guidance we selected US Dollars. We are however still using Great British Sterling as our presentational currency. In order to establish the exchange difference between US Dollars and Great British Sterling an average quarterly exchange rate is used. This difference is also presented in Currency Translation Differences within OCI.

Investments

Investments are stated at current value at the reporting date. For this purpose listed investments are stated at market value whilst 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.

Investment return

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

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

Syndicate 1919

Notes to the financial statements for the year ended 31 December 2015

2. Accounting policies (continued)

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

The tables provided in note 9 give further analysis on the syndicate's investments detailing credit rating, ageing and fair value hierarchy.

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 during the year are included in the balance sheet under the heading 'other debtors'. No provision has been made for any overseas tax payable by members on underwriting results.

Pension costs

Starr Underwriting Agents Limited ("SUAL") employs all UK based staff and operates a defined contribution scheme. Pension contributions relating to Syndicate staff are charged to the Syndicate and included within net operating expenses. There are no direct transactions between the Syndicate and the pension schemes.

Profit commission

Profit commission is charged by the managing agent, and is subject to a minimum result before profit commissions are payable. Profit commissions are also subject to deficit clauses resulting in the offset of losses from earlier years of account. A profit commission payable to the managing agent has been recognised in the year in relation to the 2013 year of account. No profit commission arrangement is in place with the managing agent for the subsequent years of account.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Syndicate's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognised in the period in which the estimate is revised if the change affects only that period, or in the period of the revision and future periods if the change affects both current and future periods.

Notes to the financial statements for the year ended 31 December 2015

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical judgements in applying the Syndicate's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Syndicate's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

- **Reinsurance assets**

Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses. Reinsurance assets are measured in accordance with the accounting policy stated in note 2. Reinsurance assets are subject to impairment testing and the carrying amount is reduced to its recoverable amount. The asset is impaired if objective evidence is available to suggest that it is probable that the Syndicate will not be able to collect the amounts due from reinsurers.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

- **Valuation of liabilities of non-life insurance contracts**

Estimates are made for both the expected ultimate cost of claims reported and claims incurred but not reported (IBNR) at the reporting date. The estimate of IBNR is generally subject to a greater degree of uncertainty than that for reported claims. In calculating the estimated liability, the Syndicate uses a variety of estimation techniques based upon statistical analyses of historical experience which assumes past trends can be used to project future developments. The carrying amount for non-life insurance contract liabilities at the balance sheet is £601.9m (2014: £644.2m).

- **Valuation of financial instruments**

The directors use their judgement in selecting an appropriate valuation technique. Where possible, financial instruments are marked at prices quoted in active markets. In certain instances, such price information is not available for all instruments and the Syndicate uses valuation techniques to measure such instruments. These techniques use "market observable inputs" where available, derived from similar assets in similar and active markets, from recent transaction prices for comparable items or from other observable market data. For positions where observable reference data are not available for some or all parameters the Syndicate estimates the non-market observable inputs used in its valuation models. More details on this are given in note 9.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, yield curves, credit spreads, liquidity statistics and other factors. The use of different valuation techniques could lead to different estimates of fair value.

Syndicate 1919

Notes to the financial statements for the year ended 31 December 2015

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

- **Deferred acquisition costs**

Deferred acquisition costs are amortised systematically over the life of the contracts and tested for impairment at each balance sheet date, in accordance with the accounting policy stated in note 2. The deferred acquisition costs asset at the balance sheet date is £18.2m (2014: £16.0m).

- **Gross written premium**

A significant proportion of revenue recognised in a year is estimated premium income (EPI). The extent of coverage under a given contract at the year-end is unknown and hence the premium income in respect of it requires estimation. The main area of estimation relates to third party coverholder arrangements. EPI is estimated based on information supplied by coverholders, review of the performance of previous year's contracts and takes into account whether the contract is a renewal or new to Starr. The Gross Written premium for third party coverholders in 2015 for the 2015 year of account was £60.4m (2014: £43.7m).

4. Class of Business analysis

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

	Gross written premiums	Gross premiums earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
2015	£000	£000	£000	£000	£000	£000
Direct insurance:						
Marine, aviation and transport	20,862	31,443	(11,706)	1,107	(15,618)	5,226
Fire and other damage to property	19,739	17,405	(6,045)	(1,491)	(7,212)	2,657
Third party liability	38,868	25,806	(9,304)	(2,119)	(6,968)	7,415
Miscellaneous	12,982	12,424	(10,445)	(1,039)	(600)	340
	92,451	87,078	(37,500)	(3,542)	(30,398)	15,638
Reinsurance	171,857	162,066	(85,715)	(18,285)	(52,656)	5,410
	264,308	249,144	(123,215)	(21,827)	(83,054)	21,048

Syndicate 1919

Notes to the financial statements for the year ended 31 December 2015

4. Class of Business analysis (continued)

	Restated					
	Gross written premiums	Gross premiums earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
2014	£000	£000	£000	£000	£000	£000
Direct insurance:						
Marine, aviation and transport	52,538	50,715	(18,532)	(5,072)	(23,208)	3,903
Fire and other damage to property	23,433	25,588	(10,024)	(561)	(11,319)	3,683
Third party liability	26,415	25,249	(10,797)	(2,548)	(6,252)	5,652
Miscellaneous	8,274	10,259	(12,788)	(1,219)	3,264	(484)
	<u>110,660</u>	<u>111,811</u>	<u>(52,141)</u>	<u>(9,401)</u>	<u>(37,515)</u>	<u>12,754</u>
Reinsurance	<u>159,311</u>	<u>166,776</u>	<u>(114,271)</u>	<u>(17,774)</u>	<u>(38,323)</u>	<u>(3,592)</u>
	<u><u>269,971</u></u>	<u><u>278,587</u></u>	<u><u>(166,412)</u></u>	<u><u>(27,175)</u></u>	<u><u>(75,838)</u></u>	<u><u>9,161</u></u>

The net assets of the Syndicate are managed as a whole and are not allocated to separate business segments.

All premiums were written in the UK.

The analysis of gross written premiums by geographical areas in which the risks are situated is as follows:

	2015 £000	2014 £000
UK	12,393	14,295
Other EU countries	30,433	35,719
US	69,560	52,517
Other	<u>151,922</u>	<u>167,440</u>
Total	<u><u>264,308</u></u>	<u><u>269,971</u></u>

Syndicate 1919

Notes to the financial statements for the year ended 31 December 2015

5. Net operating expenses

	2015 £000	Restated 2014 £000
Commission	13,486	12,702
Reinsurers' share of commission	(8,695)	(8,113)
Acquisition costs	19,376	26,650
Change in DAC - Commission	511	1,546
- Acquisition costs	(2,329)	(1,464)
Administrative expenses	9,394	7,519
Reinsurance commissions	(9,916)	(11,665)
	<u>21,827</u>	<u>27,175</u>

Members' personal expenses are included within administrative expenses. Administrative expenses are stated net of claims handling expenses allocated to claims paid.

Administrative expenses include:

	2015 £000	2014 £000
Auditor's remuneration		
- Audit of the financial statements for current year end	102	97
- Audit of the financial statements for prior year end	15	10
- Audit-related assurance services	74	67
	<u>191</u>	<u>174</u>

6. Staff numbers and costs

No staff are employed directly by Starr Managing Agents Limited ("SMAL"), therefore no staff costs have been disclosed for 2015 (2014: nil).

7. Emoluments of the directors of Starr Managing Agents Limited

The Directors' emoluments have not been charged to the Syndicate for the 2015 year, but are retained by SUAL.

The active underwriter's emoluments are not charged to the Syndicate for the 2015 year, but are retained by SUAL.

Syndicate 1919

Notes to the financial statements for the year ended 31 December 2015

8. Investment return

	2015 £000	2014 £000
Income from investments	3,198	2,931
Gain/ (loss) on the realisation of investments	2,513	(3,185)
Unrealised (loss)/ gain on investments	(2,078)	975
Investment management expenses	(200)	(138)
	<u>3,433</u>	<u>583</u>

Investment income recognised in Income Statement

	2015 £000	2014 £000
From financial instruments designated as at fair value through profit or loss	3,151	2,710
Interest on cash at bank	47	220
Investment expenses	(200)	(138)
Total	<u>2,998</u>	<u>2,792</u>
Other income from investments designated as at fair value through profit or loss		
Realised gains and losses	2,513	(3,184)
Unrealised gains and losses	(2,078)	975
Total	<u>435</u>	<u>(2,209)</u>
Net Investment Income	<u>3,433</u>	<u>583</u>

9. Financial investments

	Market Value		Cost	
	2015 £000	2014 £000	2015 £000	2014 £000
Shares and other variable yield securities and units in unit trusts	10,167	54,955	10,167	54,955
Debt and other fixed income securities	136,024	114,952	129,735	115,052
Other Investments	1,189	-	1,189	-
	<u>147,380</u>	<u>169,907</u>	<u>141,091</u>	<u>170,007</u>

Syndicate 1919

Notes to the financial statements for the year ended 31 December 2015

9. Financial investments (continued)

Credit Risk

2015	AAA	AA	A	BBB	BB Or Less	Not Rated	Total
	£000	£000	£000	£000	£000	£000	£000
Direct							
Shares and other variable yield securities and unit trusts	-	2,771	7,396	-	-	-	10,167
Debt securities	57,602	39,710	36,457	2,255	-	-	136,024
Overseas deposits as investments	23,527	11,407	5,103	22,961	201	76	63,275
Other Investments	1,189	-	-	-	-	-	1,189
Reinsurer's share of claims outstanding	-	6,495	227,068	-	284	1,009	234,856
Reinsurance debtors	-	1,080	27,006	-	(284)	992	28,794
Cash at bank and in hand	-	-	4,730	-	-	-	4,730
Total credit risk	82,318	61,463	307,760	25,216	201	2,077	479,035

Syndicate 1919

Notes to the financial statements for the year ended 31 December 2015

9. Financial investments – continued

	AAA	AA	A	BBB	BB Or Less	Not Rated	Total
2014	£000	£000	£000	£000	£000	£000	£000
Direct							
Shares and other variable yield securities and unit trusts	-	45,802	9,153	-	-	-	54,955
Debt securities	48,931	36,767	29,254	-	-	-	114,952
Overseas deposits as investments	19,913	7,749	25,028	1,136	-	10	53,836
Reinsurer's share of claims outstanding	-	11,197	255,634	-	1,616	9,625	278,072
Reinsurance debtors	-	1,345	28,507	-	(1,616)	1,861	30,097
Cash at bank and in hand	-	-	18,616	-	-	-	18,616
Total credit risk	68,844	102,860	366,192	1,136	-	11,496	550,528

All debt securities and other fixed income securities shown above are listed.

Credit Risk

Credit risk is the risk that the Syndicate becomes exposed to losses if a specific counterparty fails to perform its contractual obligations in a timely manner, causing the Syndicate loss and/or impacting the Syndicate's ability to meet its claims as they fall due. Credit risk can also arise from underlying causes that have an impact upon the creditworthiness of all counterparties of a particular description or geographical location. Part of the Syndicate's credit risk is mitigated by the collateral received from a third party. The Syndicate is exposed to credit risk in its investment portfolio and with its premium and reinsurance receivables. The tables above show the breakdown as at 31 December 2015 and 2014 of the exposure of the bond portfolio, liquidity funds and insurance and reinsurance receivables by credit quality.

The reinsurance recoveries from Starr Insurance & Reinsurance Limited, a group company, have been collateralised via the ring fencing of a bond portfolio.

Syndicate 1919

Notes to the financial statements for the year ended 31 December 2015

9. Financial investments – continued

Currency Risk

Current year 2015	GBP	USD	EUR	CAD	Total
	£000	£000	£000	£000	£000
Financial investments	-	115,357	-	32,023	147,380
Reinsurers' share of technical provisions	57,244	252,596	28,042	21,717	359,599
Insurance and reinsurance receivables	36,983	130,052	4,663	6,210	177,908
Cash and cash equivalents	53,077	6,631	511	7,786	68,005
Other assets	12,514	4,598	3,732	2,009	22,853
Total assets	159,818	509,234	36,948	69,745	775,745
Technical provisions	(112,314)	(395,191)	(53,818)	(40,551)	(601,874)
Insurance and reinsurance payables	(29,538)	(74,767)	(2,108)	(6,191)	(112,604)
Other creditors	(13,776)	(571)	(322)	(834)	(15,503)
Total liabilities	(155,628)	(470,529)	(56,248)	(47,576)	(729,981)
Net assets	4,190	38,705	(19,300)	22,169	45,764

Syndicate 1919

Notes to the financial statements for the year ended 31 December 2015

9. Financial investments – continued

Currency Risk

Prior year 2014	GBP	USD	EUR	CAD	Total
	£000	£000	£000	£000	£000
Financial investments	-	142,083	-	27,824	169,907
Reinsurers' share of technical provisions	59,627	266,628	41,820	16,613	384,688
Insurance and reinsurance receivables	86,316	67,635	16,937	5,676	176,564
Cash and cash equivalents	61,516	2,772	1,919	6,245	72,452
Other assets	15,583	95	5,935	843	22,456
Total assets	223,043	479,213	66,611	57,201	826,067
Technical provisions	(115,386)	(426,542)	(72,376)	(29,879)	(644,183)
Insurance and reinsurance payables	(68,008)	(30,406)	(32,130)	(10,977)	(141,521)
Other creditors	(12,023)	(3,721)	(82)	(7)	(15,833)
Total liabilities	(195,417)	(460,669)	(104,588)	(40,863)	(801,537)
Net assets	27,625	18,544	(37,977)	16,338	24,530

Asset liability matching by currency risk

Underwriting assets are initially held in the settlement currencies of Sterling, Euros, US Dollars, Canadian Dollars, which represent the majority of the Syndicate's liabilities by currency, thus reducing the underwriting asset liability matching currency risk. The tables above presents the Syndicate's assets and liabilities by currency. The amounts are stated in the sterling equivalent of the local currency, in order that the amounts can be reconciled to the Syndicate's statement of financial position. The foreign exchange policy is to maintain assets in the currency in which the cash flows from liabilities are to be settled. This minimises the currency risk inherent in these contracts so far as is allowed by regulatory requirements. Profits or losses are converted to be reflected in the net assets of the functional currency, US Dollars.

Syndicate 1919

Notes to the financial statements for the year ended 31 December 2015

9. Financial investments – continued

Fair Value Hierarchy

Level 1

Quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market is one in which transactions for the asset occur with sufficient frequency and volume to provide readily and regularly available quoted prices.

Level 2

Inputs to a valuation model other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3

Inputs to a valuation model for the asset or liability that are not based on observable market data (unobservable inputs) and are significant to the overall fair value measurement.

Listed equities traded on a primary exchange in an active market are classified as Level 1.

The fair value is based upon quotes from pricing services where available. These pricing services derive prices based on an average of quotes provided by brokers. Where multiple quotes are not available, the fair value is based upon evaluated pricing services, which typically use proprietary cash flow models and incorporate observable market inputs, such as credit spreads, benchmark quotes and other trade data. If such services do not provide coverage of the asset, then fair value is determined manually using indicative broker quotes, which are corroborated by recent market transactions in similar or identical assets. Where there is an active market for these assets and their fair value is the unadjusted quoted market price, these are classified as Level 1. Level 1 also includes bond funds, where fair value is based upon quoted prices. Where the market is inactive or the price is adjusted, but significant market observable inputs have been used by the pricing sources, then these are considered to be Level 2. This is typically the case for government agency debt, corporate debt, mortgage and asset-backed securities and catastrophe bonds. Certain assets, for which prices or other market inputs are unobservable, are classified as Level 3.

Loans and deposits with credit institutions

As a condition of underwriting within certain countries they require a certain level of capital to be held in restricted accounts. These are known as 'overseas deposits' and are lodged centrally with Lloyd's of London. The split between levels is determined by Lloyd's who provide a working schedule detailing the underpinned assets.

Syndicate 1919

Notes to the financial statements for the year ended 31 December 2015

9. Financial investments – continued

	Level 1	Level 2	Level 3	Total
2015	£000	£000	£000	£000
Direct insurance:				
Shares and other variable yield securities and units in unit trusts	10,167	-	-	10,167
Debt securities and other fixed income securities	-	136,024	-	136,024
Loans and deposits with credit institutions	26,999	36,276	-	63,275
Other investments	-	1,189	-	1,189
Total	37,166	173,489	-	210,655

	Level 1	Level 2	Level 3	Total
2014	£000	£000	£000	£000
Direct insurance:				
Shares and other variable yield securities and units	54,955	-	-	54,955
Debt securities and other fixed income securities	-	114,952	-	114,952
Loans and deposits with credit institutions	25,294	28,542	-	53,836
Other investments	-	-	-	-
Total	80,249	143,494	-	223,743

Syndicate 1919

Notes to the financial statements for the year ended 31 December 2015

9. Financial investments – continued

Other Investments

The amount disclosed within this categorisation relates to asset backed securities.

Sensitivity Analysis

	2015 £000	2014 £000
Interest rate risk		
Impact of 50 basis point increase on result	(890)	(1,037)
Impact of 50 basis point decrease on result	900	1,048
Impact of 50 basis point increase on net assets	(890)	(1,037)
Impact of 50 basis point decrease on net assets	900	1,048

Currency Risk

Policyholders' assets are held in the settlement currencies of Sterling, US dollars, Canadian dollars and Euros which represent the majority of the Syndicate's liabilities by currency. This limits the underlying foreign exchange risk.

Foreign exchange exposure also arises when business is written in non-settlement currencies. These transactions are converted into Sterling at the prevailing spot rate once the premiums are received. Consequently there is exposure to currency movements between the risk being written and the premiums being converted. Payments in non-settlement currencies are converted back into the underlying currency at the time a claim is to be settled; therefore the Syndicate is exposed to exchange rate risk between the claim being made and the settlement being paid. In addition there is the currency risk arising from the claims in a settlement currency being different from the net premiums earned in that currency.

2015

Currency Risk	Sterling £000	USD £000	CAD £000	Euro £000	Total £000
Net Assets	(3,362)	49,039	792	(705)	45,764

2014

Currency Risk	Sterling £000	USD £000	CAD £000	Euro £000	Total £000
Net Assets	594	20,340	1,120	2,475	24,529

Syndicate 1919

Notes to the financial statements for the year ended 31 December 2015

9. Financial investments – continued

The tables above presents the Syndicate's net assets by currency. The amounts are stated in the sterling equivalent of the local currency.

If the foreign currencies were to strengthen/weaken by 10% against the syndicates functional currency, US Dollar, the movement in the monetary net assets and liabilities of the Syndicate would result in the following gains/(losses) in the Income Statement at 31 December 2015.

2015	10% strengthening of currency against USD £000	10% weakening of currency against USD £000
Currency		
GBP	(449)	549
CAD	106	(129)
EUR	(94)	115

10. Maturity profiles

	2015		2014	
	0-1 year £000	>1 years £000	0-1 year £000	>1 years £000
Creditors	120,436	-	148,669	-
Other	-	-	-	-
Total credit risk	<u>120,436</u>	<u>-</u>	<u>148,669</u>	<u>-</u>

Above is a maturity profile showing when creditors fall due. There are no derivative based liabilities.

11. Debtors arising out of direct insurance operations

	2015 £000	2014 £000
Due from group intermediaries	51,679	51,722
Due from non-group intermediaries	97,435	94,745
	<u>149,114</u>	<u>146,467</u>

Syndicate 1919

Notes to the financial statements for the year ended 31 December 2015

12. Overseas deposits

	2015	2014
	£000	£000
Overseas deposits	<u>63,275</u>	<u>53,836</u>

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries.

13. Aging of Debt

	Neither due nor impaired	Up to 3 months	3 to 6 months	6 months to 1 year	Over 1 Year	Total
2015						
	£000	£000	£000	£000	£000	£000
Direct insurance:						
Shares and other variable yield securities and unit trusts	10,167	-	-	-	-	10,167
Debt securities	136,024	-	-	-	-	136,024
Overseas deposits as investments	63,275	-	-	-	-	63,275
Other investments	1,189	-	-	-	-	1,189
Reinsurer' share of claims outstanding	234,856	-	-	-	-	234,856
Reinsurance debtors	27,967	402	640	187	(402)	28,794
Cash at bank and in hand	4,730	-	-	-	-	4,730
Insurance debtors	126,042	14,857	5,357	728	2,130	149,114
Other debtors	3,171	-	-	-	1,067	4,238
Total credit risk	<u>607,420</u>	<u>15,259</u>	<u>5,997</u>	<u>915</u>	<u>2,795</u>	<u>632,387</u>

Syndicate 1919

Notes to the financial statements for the year ended 31 December 2015

13. Aging of Debt – continued

	Neither due nor impaired	Up to 3 months	3 to 6 months	6 months to 1 year	Over 1 Year	Total
2014	£000	£000	£000	£000	£000	£000
Direct insurance:						
Shares and other variable yield securities and unit trusts	54,955	-	-	-	-	54,955
Debt securities	114,952	-	-	-	-	114,952
Overseas deposits as investments	53,836	-	-	-	-	53,836
Reinsurer' share of claims outstanding	278,073	-	-	-	-	278,073
Reinsurance debtors	19,705	6,593	431	2,703	666	30,098
Cash at bank and in hand	18,616	-	-	-	-	18,616
Insurance debtors	146,467	-	-	-	-	146,467
Other debtors	1,344	-	-	-	4,640	5,984
Total credit risk	687,948	6,593	431	2,703	5,306	702,981

Aging of Debt

It is important that the Syndicate can pay their obligations as they fall due. Levels of cash are therefore managed on a daily basis and buffers of liquid assets are held in excess of the immediate requirements. This is to reduce the risk of being forced sellers of any of the Syndicate's assets. The Syndicate funds its insurance liabilities with a portfolio of cash and debt securities exposed to market risk. The above tables indicate the ageing past due of cash flows arising from assets at both 31 December 2015 and 31 December 2014.

Syndicate 1919

Notes to the financial statements for the year ended 31 December 2015

14. Claims development triangles

Gross of Reinsurance

Underlying Pure Year	At end of underwriting year	1 year later	2 years later	3 years later	4 years later	Five To Ten years later	Cumulative payments
2011	119,439	204,443	195,288	190,645	192,888	-	149,721
2012	73,976	157,453	178,540	173,480	-	-	122,516
2013	79,247	160,176	152,670	-	-	-	69,277
2014	74,523	142,112	-	-	-	-	43,045
2015	71,471	-	-	-	-	-	8,165

Net of Reinsurance

Underlying Pure Year	At end of underwriting year	1 year later	2 years later	3 years later	4 years later	Five To Ten years later	Cumulative payments
2011	54,382	85,732	81,211	77,340	79,080	-	57,907
2012	29,935	58,028	64,374	62,482	-	-	41,644
2013	32,122	69,248	65,907	-	-	-	29,822
2014	31,403	64,175	-	-	-	-	17,449
2015	25,577	-	-	-	-	-	2,943

Syndicate 1919

Notes to the financial statements for the year ended 31 December 2015

14. Claims development triangles (continued)

Claims Split by Reporting Year of Account

Underlying Pure Year	At end of underwriting year	1 year later
2011	43,168	21,174
2012	50,964	20,838
2013	83,393	36,085
2014	99,067	46,726
2015	63,307	22,634

Estimated balance to pay

Underlying Pure Year	Gross	Net
2010 & prior	71,520	29,107
Grand Total	411,419	176,563

Claims development

The tables above illustrate the development of the estimates of earned ultimate cumulative claims for the Syndicate after the end of the underwriting year, illustrating how amounts estimated have changed from the first estimates made. Tables have been constructed on an underwriting year basis. Non-sterling balances have been converted using period end 2015 exchange rates to aid comparability.

At the end of each first year, only part of the premium written will have been earned and it is expected that ultimate claims will increase during the period over which the premium is earned.

During 2015, net ultimate claims in respect of prior underwriting years (2014 & prior) increased by £0.8m. This was mainly due to the Accident & Health class which saw an increase in exposure/written premium in the 2014 underwriting year. The General Liability and Offshore Energy classes also contributed to an increase in prior underwriting year net ultimate claims during 2015, as a result of large losses in these classes. These increases were more than offset by reductions due to favourable claims experience, most notably in Onshore Energy, but also Energy Casualty and Aerospace.

Syndicate 1919

Notes to the financial statements for the year ended 31 December 2015

14. Claims development triangles (continued)

Claims reserves established can be more or less than adequate to meet eventual claims arising. The level of uncertainty varies significantly from class to class but can arise from inadequate case reserves for known large losses and catastrophes or from inadequate provision for IBNR. The impact on profit of a 1% variation in the total net claims reserves would be £2.2 million (2014: £2.4 million).

15. Reconciliation of provision for claims, UPR and DAC

	Provision for Claims		UPR		DAC
	Gross £000	Reinsurance £000	Gross £000	Reinsurance £000	
2015					
Brought Forward Balance	473,625	278,073	170,558	106,616	16,035
Movement in provision	(69,455)	(48,548)	15,164	14,768	1,818
Foreign Exchange Differences	10,849	6,664	4,733	3,359	332
Subrogation	(3,601)	(1,333)	-	-	-
Carried Forward Balance	411,418	234,856	190,455	124,743	18,185

	Provision for Claims		UPR		DAC
	Gross £000	Reinsurance £000	Gross £000	Reinsurance £000	
2014					
Brought Forward Balance	439,819	260,141	173,709	110,443	15,666
Movement in provision	23,117	12,329	(8,615)	(7,541)	(82)
Foreign Exchange Differences	15,788	9,809	5,464	3,714	451
Subrogation	(5,099)	(4,206)	-	-	-
Carried Forward Balance	473,625	278,073	170,558	106,616	16,035

16. Related parties

Starr Managing Agents Limited

Syndicate 1919 is managed by SMAL. SMAL is owned 100% by Starr Global Financial Inc. (Nevada).

The Syndicate's Corporate Member, Starr Syndicate Limited ("SSL")'s immediate parent is Starr Indemnity & Liability Company (Texas) and is owned 100% by Starr Global Financial Inc. (Nevada).

Syndicate 1919

Notes to the financial statements for the year ended 31 December 2015

16. Related parties (continued)

Starr Underwriting Agents Limited

SUAL underwrites on behalf of Syndicate 1919. SUAL is owned 100% by Starr Global Financial Inc. (Nevada).

Other Starr Companies

Other companies within the Starr Companies Group have been authorised as Lloyd's Coverholders and granted binding authorities to produce business on behalf of the Syndicate for which they receive commission, and in some cases, a profit commission. All contracts are prepared using standard market wordings and are on a commercial arm's length basis.

Certain directors of SMAL and SUAL hold directorships in certain of these companies. These are disclosed to the Boards on the conflicts registers.

Syndicate 1919 purchases a global catastrophe cover from Starr Insurance & Reinsurance Limited ("SIRL") (a Bermudian regulated insurer) protecting all catastrophe exposed lines of business.

Again there are common directorships between these entities that are disclosed in the conflicts registers. All contracts are prepared using standard market wordings and are on a commercial arm's length basis.

With effect from 1 January 2011 SUAL is acting as coverholder to the UK branch of SIRL; SUAL is remunerated on a commission basis. SMAL has considered this and sees no material risk to the Syndicate. A protocol has been signed between all 3 parties (SIRL, SUAL and SMAL) defining the allocation of risks to the two carriers.

With effect from 1 January 2014 SMAL is writing Lloyd's consortium business for which SMAL receives a consortium management fee and binding authority commission. Prior to this period the Syndicate participated in a number of consortia managed by SUAL for which SUAL received a consortium management fee and binding authority commission.

17. Capital

Starr Syndicate Limited, which supports Syndicate 1919, is required to hold regulatory capital in compliance with the prudential rules issued by the UK's Prudential Regulation Authority (PRA) and is also subject to Lloyd's capital requirements, including maintaining Funds at Lloyd's (FAL) and Funds in Syndicate (FIS). Since FAL is not under the management of the managing agent, no amount has been shown in these financial statements by way of such capital resources. However, should the corporate member fail to meet their financial obligations when called to meet a loss or cash call, the managing agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses. In addition to FAL syndicate 1919 has Funds in Syndicate ("FIS") which are retained earnings from the syndicate

Notes to the financial statements for the year ended 31 December 2015

17. Capital (continued)

distribution. These funds are only available to the corporate member and as such are not shown on the syndicate balance sheet of the Syndicate

Under PRA rules, the corporate member must hold capital in excess of the higher of two amounts. The first is the Minimum Capital Requirement (MCR), as prescribed by EU directives, calculated by applying fixed percentages to premium and claims and allowing for historic reinsurance recoveries.

The second is an Individual Capital Assessment (ICA) calculated internally under the Individual Capital Adequacy Standards (ICAS) regime. The ICA is defined as the level of capital that is required to contain the probability of insolvency, over a one year timeframe, to no greater than 0.5% (1:200). Lloyd's requires the preparation of a Lloyd's Capital Return (LCR), including a statement of financial position prepared under Solvency II principles and the calculation of an ultimate Solvency Capital Requirement (uSCR). The uSCR takes account of one year of new business in full attaching to the next underwriting year and the risks over the lifetime of the liabilities ('to ultimate'). The requirements include risks for all business attaching to the next underwriting year. This is an equivalent recognition of risks and exposures at a 1:200 confidence level as required under ICAS at Lloyd's.

For the final capital requirement, the Economic Capital Assessment (ECA), Lloyd's take the 'to ultimate' LCR and apply an uplift currently at 35%. This is then subject to a minimum of 40% (2014: 40%) of the Syndicate's agreed premium capacity limit. At 31 December 2015, the agreed ECA as a percentage of the agreed underwriting capacity for the following underwriting year was 67.6% (2014: 60.0%).

The Syndicate also benefits from mutualised capital within the Lloyd's Central Fund, for which a variable annual levy, for 2015 of 0.5% (2014: 0.5%) of Syndicate gross premium, is payable.

The LCR is expected to be reviewed annually by Lloyd's (as was the ICA previously) and periodically by the PRA. The PRA expects management to apply their rules continuously. If a firm's capital falls below its ECA, steps must be taken to restore capital adequacy. Due to the nature of the Lloyd's capital setting process, FAL requirements are formally assessed and funded twice yearly at discrete periods and must be met for the Syndicate to continue underwriting.

At 31 December 2015, Starr Syndicate Limited contributed FIS of £10.6 million (2014: nil), Starr USA Asset Holdings funded the agreed FAL requirement of £130.5 million (2014: £119.5 million), in addition third party FAL of nil (2014: £19.1m) was supplied, in relation to a quotashare reinsurance of the corporate member, totalling capital of £141.1 million (2014: £138.6 million) to support underwriting for the 2015 underwriting year. The increase of £2.6 million is largely driven by changes in underlying risk profile reflecting softening market conditions coupled with planned growth.

Starr does not seek to retain any assets in excess of the Lloyd's capital requirement within the Lloyd's framework and any surplus will be retained locally as FIS, allowing FAL to be reduced.

Syndicate 1919

Notes to the financial statements for the year ended 31 December 2015

18. Transition to FRS 102 & 103

The Syndicate transitioned to FRS 102 & 103 from previously extant UK GAAP as at 1 January 2015.

The impact from the transition to FRS 102 & 103 is as follows:

Effect of transition in accounting standards to financial position

	31 December 2015	31 December 2015
	£000	£000
Original Member's Balances	45,764	24,530
Effect of transition	-	-
Restated Member's Balances	<u>45,764</u>	<u>24,530</u>

Effect of transition in accounting standards to profit on the Technical Account

	2015	2014
	£000	£000
Technical Account Profit for the year	20,687	8,501
Representation of Foreign Exchange	3,794	1,243
Technical Account Profit for the year	<u>24,481</u>	<u>9,744</u>

Effect of transition in accounting standards to profit on the Non-Technical Account

	2015	2014
	£000	£000
Non-Technical Account Profit for the year	20,687	8,501
Representation of Foreign Exchange	-	-
Non-Technical Account Profit for the year	<u>20,687</u>	<u>8,501</u>

Notes to the financial statements for the year ended 31 December 2015

18. Transition to FRS 102 & 103 (Continued)

Representation of Foreign Exchange

Under previous UK GAAP, the Syndicate presented foreign exchange gains and losses related to conversion from settlement currency to reporting currency directly in equity. Under new UK GAAP the Syndicate has adopted US Dollars as its functional currency. Consequently foreign exchange gains and losses related to conversion of settlement currency to functional currency are presented in the non-technical profit and loss account. Foreign exchange gains and losses related to the conversion of functional currency to presentational currency are recognised directly in Members' Funds through OCI. There is no impact to Members' Funds due to the change in recognition of gains and losses.