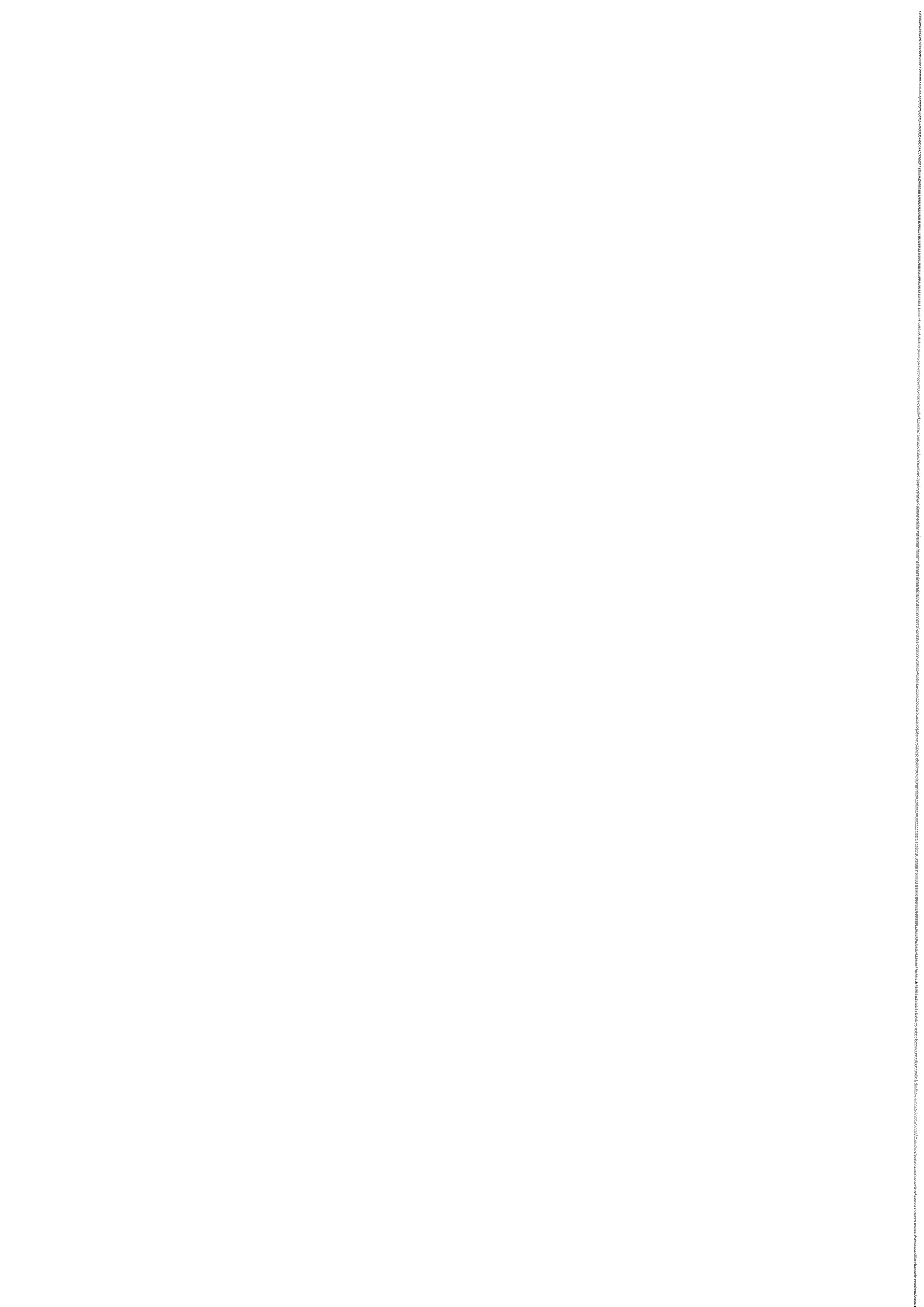


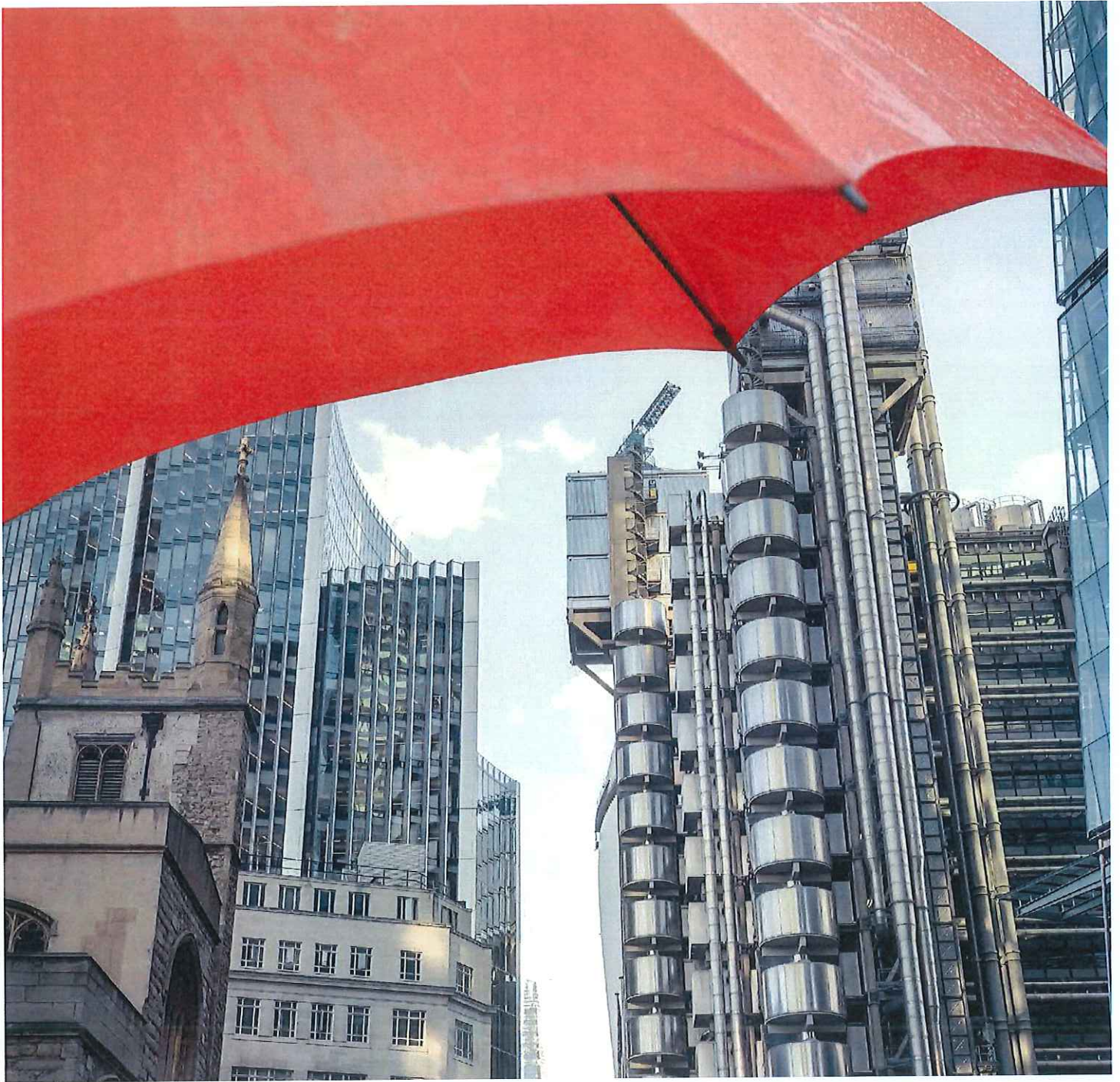
## **Important information about Syndicate Reports and Accounts**

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.





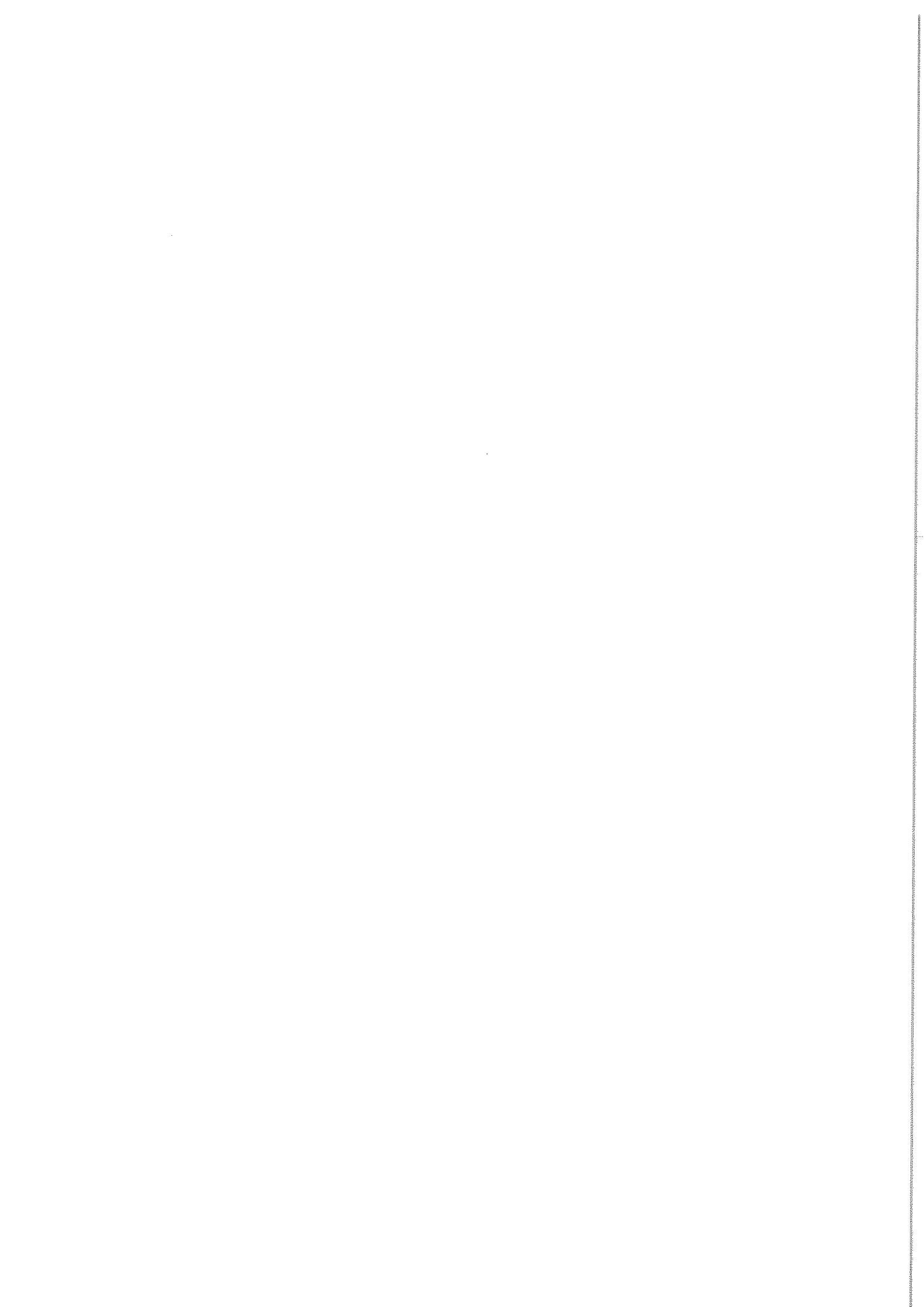
TRAVELERS 

## Syndicate 5000

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ANNUAL ACCOUNTS AS AT DECEMBER 2015

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CONTENTS

	Page
Directors and Administration	1
Strategic Report of the Directors of the Managing Agent	2
Report of the Directors of the Managing Agent	6
Statement of Managing Agent's responsibilities	7
Independent Auditor's report to the Members of Syndicate 5000	8
Statement of Profit or Loss: Technical account – General business	9
Statement of Profit or Loss: Non-technical account	10
Statement of Comprehensive Income	10
Balance Sheet	11
Statement of Changes in Members' Balances	12
Statement of Cash Flows	13
Notes	14

## DIRECTORS AND ADMINISTRATION

### **Managing Agent**

Travelers Syndicate Management Limited

### **Directors**

Sir J Carter (Independent Non-Executive Director)  
A G Coughlan (Independent Non-Executive Director)  
G S Dibb (Independent Non-Executive Director)  
S G Eccles  
P H Eddy (Non-Executive Director)  
S M Genden  
M J Gent  
G J McKean (Independent Non-Executive Director)  
K C Smith (Chairman)  
M L Wilson

### **Company secretary**

J M Abramson

### **Managing agent's registered office**

Exchequer Court, 33 St. Mary Axe, London EC3A 8AG

### **Managing agent's registered number**

3207530

### **SYNDICATE:**

#### **Active underwriter**

S G Eccles

#### **Bankers**

Citibank N.A.  
Royal Bank of Canada  
National Westminster Bank Plc

#### **Investment manager**

The Travelers Indemnity Company

#### **Registered auditor**

KPMG LLP,  
Chartered Accountants, Statutory Auditor,  
15 Canada Square, London, E14 5GL

**STRATEGIC REPORT OF THE DIRECTORS OF THE MANAGING AGENT**

The Directors of Travelers Syndicate Management Limited present their Strategic Report for the year ended 31 December 2015.

**PRINCIPAL ACTIVITIES**

The principal activity of Syndicate 5000 ("the Syndicate") during the year continued to be the transaction of insurance in its chosen direct and predominantly non-liability classes, namely Accident and Special Risks, Aviation, Global Property, Power & Utilities, Marine, Financial Institutions and Professional Indemnity insurance for major law firms. In addition, during 2015 the Syndicate hired new underwriting teams to write Global Construction and Renewable Energy business.

The Syndicate's business is produced through the Lloyd's broker network and written in the subscription market, in either a lead or follow capacity. Opportunities in allied classes of business are being sought continuously.

**REVIEW OF THE BUSINESS**

The result for the year was a profit of £40.8m (2014: profit of £41.2m restated) and the combined ratio was 86.2% (2014: 87.3%). The Managing Agent considers this to be another strong result, which reflects the Syndicate's focus on underwriting discipline, an absence of major catastrophe losses and favourable development of prior year reserves. Prior year reserve releases in 2015 were £29.8m (2014 £22.9m). The combined ratio excluding prior year development was 96.9% (2014: 95.5%).

Gross written premiums in 2015 were £287m, or 8% lower than the prior year of £312m. This reduction is the net effect of very challenging underwriting conditions, partially offset by favourable foreign exchange movements. The challenging underwriting conditions include: increased supply of underwriting capacity in both the London and overseas insurance markets which is increasing competition and pushing down premium rates; an increasing trend amongst brokers to package similar risks together and offer them to a narrower range of underwriters; and a significant drop in the price of oil that has forced a reduction in demand for insurance from businesses in the Energy sector. The favourable offset from foreign exchange arises from the high proportion of gross premiums transacted in US dollars but reported in Sterling in these accounts at a stronger US dollar exchange rate.

Premium rate change across the Syndicate was 4% negative in 2015 compared with 2% negative in 2014. Renewal retention levels were in line with the prior year but new business was materially down, principally in the Marine and Property business units.

The Syndicate's capacity for 2016 is £300m, the same as for 2015 and 2014. We will continue to maintain a disciplined approach to underwriting as competition continues to increase.

With effect from 1<sup>st</sup> January, 2016 the Syndicate and Managing Agent are compliant with the requirements of Solvency II.

**INVESTMENT REPORT**

The Syndicate's investment portfolio is managed by The Travelers Indemnity Company, a subsidiary of The Travelers Companies, Inc. A summary of the funds and returns is as follows:

	2015 £'m	<i>Restated</i> 2014 £'m
Interest and realised gains and losses	5.8	5.0
Unrealised gains and losses	(1.4)	1.4
Total investment return	<u>4.4</u>	<u>6.4</u>
Cash and investment balance at 1 January	<u>491.9</u>	<u>451.6</u>
Cash and investment balance at 31 December	<u>415.8</u>	<u>491.9</u>

Cash and investments decreased over the year by £76.1m, driven largely by a return of funds held in the Syndicate to the members, partially offset by the appreciation of the US dollar by 5.7% relative to Sterling during 2015.

## STRATEGIC REPORT OF THE DIRECTORS OF THE MANAGING AGENT

### INVESTMENT REPORT (continued)

The Syndicate's total investment return was £5.8m compared to the prior year return of £5.0m. The US dollar portfolio forms 82% of all assets and thus is the main driver of investment return. The portfolio is predominantly comprised of fixed income assets.

The currency mix of the portfolio as at 31 December was:

	2015	2014
US dollars	82%	77%
Sterling	3%	2%
Euro	9%	13%
Canadian dollars	4%	7%
Other	2%	1%
Total	<u>100%</u>	<u>100%</u>

The credit risk in the portfolio is actively managed. Investment guidelines are designed to mitigate credit risk by ensuring a diversification of holdings and setting average credit rating targets across the whole portfolio.

The stratification of the portfolio's credit quality at 31 December was:

	2015	2014
AAA	51%	54%
AA	28%	29%
A	20%	16%
BBB & below	1%	1%
Total	<u>100%</u>	<u>100%</u>

Average Credit Quality

AA+

AA+

The credit quality of the portfolio was reduced marginally during the year in an effort to maximize investment yields. The reduction is well within the constraints of the investment policy.

The average duration across the portfolio was 2.02 years at 31 December 2015 (2014: 2.03 years).

The total investment returns achieved for the major currencies were as follows:

	2015	2014
US dollars	1.2%	1.0%
Sterling	1.4%	1.6%
Euro	1.5%	1.9%
Canadian dollars	1.0%	1.8%

Investment returns are largely driven by prevailing market yields which remain low by historic standards. This applies to all currencies we invest in.

We do not anticipate any changes to our investment strategy in 2016.



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**STRATEGIC REPORT OF THE DIRECTORS OF THE MANAGING AGENT****RISK REVIEW***Principal Risks and Uncertainties*

The Board of Directors of Travelers Syndicate Management Limited has overall responsibility for the establishment and oversight of the Syndicate's Risk Management Framework.

The Board of Directors has established a Risk and Remuneration Committee and an Executive Risk Committee responsible for setting the risk appetite and approving it on a formal basis annually as part of the Syndicate's business planning process. The Risk and Remuneration Committee meets regularly to provide oversight of key risks and issues and to oversee performance against risk appetite. The Executive Risk Committee meets regularly to review and update key risks and issues arising from the risk register and to monitor performance against risk appetite using a series of metrics.

The principal risks and uncertainties facing the Syndicate are set out below.

*Insurance Risk*

Insurance risk relates to underwriting and claims management and the risk that arises from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities and includes catastrophe risk and reserve risk.

The Managing Agent manages insurance risk by setting an appetite annually through the business planning process, which sets down the Syndicate's targets for underwriting classes, underwriting volumes, pricing sufficiency, line sizes and retentions by class of business. The Managing Agent subsequently monitors performance against the business plan throughout the year. The Syndicate uses catastrophe modelling software to model probabilities of loss from catastrophe exposed business.

Reserve adequacy is monitored through quarterly internal actuarial review. Reserves are reviewed annually by an independent external actuary. The Underwriting Risk Committee oversees underwriting and catastrophe risks and the Finance Risk Committee oversees reserving risk.

*Credit Risk*

The major sources of credit risk arise from the risk of default by one or more of the Syndicate's reinsurers or from one or more of the Syndicate's investment counterparties. The Syndicate operates a rigorous policy for the rating and selection of reinsurers and managing the quantum of exposure ceded to any one reinsurer. The Syndicate has a conservative appetite to credit risk from investment counterparties and maintains a high quality investment portfolio with an average credit rating of AA+. The Finance Risk Committee monitors and manages the Syndicate's exposure to credit risk.

*Market Risk*

The primary source of market risk is the risk of adverse movements in net assets due to movements in interest rates, currency rates and the market value of securities. Market risk exposures are monitored through the Finance Risk Committee.

*Operational Risk*

The primary source of operational risk is the failure of people, processes or systems. These risks are managed through well documented policies and procedures, sound internal control processes and business continuity management procedures. The Operational Risk Committee oversees this risk type.

*Regulatory Risk*

Regulatory risk comprises the failure to comply with relevant regulations and laws. This risk is overseen by the Executive Risk Committee.

## STRATEGIC REPORT OF THE DIRECTORS OF THE MANAGING AGENT

### PRINCIPAL RISKS AND UNCERTAINTIES (continued)

#### *Conduct Risk*

Conduct risk is the risk that the Syndicate fails to pay due regard to the interest of its customers or fails to treat them fairly at all times. Conduct risk exposures are monitored through the Executive Risk Committee.

Approved by the Board of Travelers Syndicate Management Limited on 9 March 2016.



M L Wilson  
*Chief Executive Officer*

## REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The Directors of the Managing Agent present their Managing Agent's Report for the year ended 31 December 2015.

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 Managing Agent has agreed with the Syndicate's members to take advantage of the dispensation available and will not be producing separate underwriting year accounts for the Syndicate.

### RESULTS

The result for the year ended 31 December 2015 is a profit of £40.8m (2014: £41.2m restated).

### PRINCIPAL ACTIVITIES

The principal activities of the Syndicate are described within the Strategic Report of the Directors of the Managing Agent.

### BUSINESS REVIEW

An analysis of the performance of the Syndicate is described within the Strategic Report of the Directors of the Managing Agent.

### DIRECTORS AND DIRECTORS' INTERESTS

All of the directors set out on page 1 served throughout the year except for M L Wilson who was appointed on 30 June 2015 and K T Purvis who resigned on 30 June 2015.

No director participated in the Syndicate during the period under review.

The directors benefited from qualifying third party indemnity provisions.

### ACTIVE UNDERWRITER

S G Eccles was the Active Underwriter of the Syndicate during the period to the date of this report.

### DISCLOSURE OF INFORMATION TO THE AUDITORS

The directors of the Managing Agent who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Syndicate's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

### AUDITORS

Pursuant to Section 14(2) of Schedule 1 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the Board



J M Abramson  
Company Secretary  
9 March 2016

## STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The Managing Agent is responsible for preparing the syndicate annual report and 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 financial statements at 31 December each year in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice) including FRS102 the Financial Reporting Standard applicable in the UK and Republic of Ireland. The syndicate financial statements 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 financial statements, the Managing Agent is required to:

- select suitable accounting policies and then apply them consistently, subject to changes arising on the adoption of new accounting standards in the year;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the syndicate financial statements; and
- prepare the syndicate financial statements 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the syndicate financial statements comply with the 2008 Regulations. 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 UK governing the preparation and dissemination of syndicate financial statements may differ from legislation in other jurisdictions.

On behalf of the Board



J M Abramson  
Company Secretary  
9 March 2016

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 5000**

We have audited the financial statements of Syndicate 5000 for the year ended 31 December 2015, as set out on pages 9 to 34. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the members of the syndicate, 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 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 the auditor**

As explained more fully in the statement of managing agent's responsibilities set out on page 7, the managing agent is responsible for the preparation of the syndicate's 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's 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 Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

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

**Opinion on the syndicate's financial statements**

In our opinion the 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 UK 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 Strategic Report of the Directors of the Managing Agent and Report of the Directors of the Managing Agent for the financial year for which the financial statements are prepared is consistent with the financial statements.

**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 require us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.



Jonathan Bell (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
London, E14 5GL  
9 March 2016

**STATEMENT OF PROFIT AND LOSS ACCOUNT: TECHNICAL ACCOUNT – GENERAL BUSINESS**
*for the year ended 31 December 2015*

	Notes	2015 £'000	Restated 2014 £'000
<b>Earned premiums, net of reinsurance</b>			
Gross premiums written	6	287,115	311,604
Outward reinsurance premiums		<u>(26,302)</u>	<u>(28,917)</u>
Net premiums written		<u>260,813</u>	<u>282,687</u>
<b>Change in the provision for unearned premiums</b>			
Gross amount	16	15,766	(6,074)
Reinsurers' share	16	<u>1,127</u>	<u>2,821</u>
<b>Earned premiums, net of reinsurance</b>		277,706	279,434
<b>Allocated investment return transferred from the non-technical account</b>		4,155	4,158
<b>Claims incurred, net of reinsurance</b>			
<b>Claims paid</b>			
Gross amount		(166,507)	(138,176)
Reinsurers' share		<u>20,203</u>	<u>7,645</u>
Net claims paid		<u>(146,304)</u>	<u>(130,531)</u>
<b>Change in the provision for claims</b>			
Gross amount	16	33,224	10,390
Reinsurers' share	16	<u>(7,031)</u>	<u>(2,793)</u>
Change in the net provision for claims		<u>26,193</u>	<u>7,597</u>
<b>Claims incurred, net of reinsurance</b>		(120,111)	(122,934)
<b>Net operating expenses</b>	8	<u>(119,165)</u>	<u>(121,057)</u>
<b>Balance on the technical account - general business</b>		<u>42,585</u>	<u>39,601</u>

All operations relate to continuing activities.

*The accompanying notes form an integral part of these financial statements*

**STATEMENT OF PROFIT OR LOSS: NON-TECHNICAL ACCOUNT**  
*for the year ended 31 December 2015*

	2015 £'000	<i>Restated</i> 2014 £'000
<b>Balance on the technical account for general business</b>	42,585	39,601
Realised gains on investments	433	200
Investment Income	7,614	7,831
Investment expenses and charges	(296)	(278)
Realised losses on investments	<u>(1,941)</u>	<u>(2,717)</u>
	5,810	5,036
Allocated investment return transferred to technical account for general business	(4,155)	(4,158)
(Loss)/profit on exchange	<u>(3,443)</u>	754
<b>Profit for the financial year</b>	<u><u>40,797</u></u>	<u><u>41,233</u></u>

All operations relate to continuing activities.

**STATEMENT OF COMPREHENSIVE INCOME**  
*for the year ended 31 December 2015*

	2015 £'000	<i>Restated</i> 2014 £'000
Profit for the year	40,797	41,233
Unrealised (losses)/gains on investments	(1,339)	1,428
Currency translation differences	<u>1,600</u>	<u>2</u>
<b>Total comprehensive income for the year</b>	<u><u>41,058</u></u>	<u><u>42,663</u></u>

*The accompanying notes form an integral part of these financial statements*



**BALANCE SHEET**  
*as at 31 December 2015*

	Notes	2015 £'000	Restated 2014 £'000
<b>Investments</b>			
Financial investments	12	379,204	457,878
<b>Reinsurers' share of technical provisions</b>			
Provision for unearned premium	16	6,030	4,798
Claims outstanding		<u>45,655</u>	<u>51,231</u>
		51,685	56,029
<b>Debtors</b>			
Arising out of direct insurance operations.	13	112,700	102,441
Arising out of reinsurance operations		8,273	5,540
Other debtors		<u>2,754</u>	<u>2,537</u>
		123,727	110,518
<b>Other assets</b>			
Cash and cash equivalents	18	24,735	21,069
Overseas deposits		<u>11,876</u>	<u>12,941</u>
		36,611	34,010
<b>Prepayments and accrued income</b>			
Accrued interest		1,771	2,414
Deferred acquisition costs	14	39,392	41,268
Other prepayments and accrued income		<u>437</u>	<u>625</u>
		41,600	44,307
<b>Total assets</b>		<u>632,827</u>	<u>702,742</u>
<b>Capital and reserves</b>			
Members' balances		90,327	125,094
<b>Technical provisions</b>			
Provision for unearned premiums	16	157,323	167,601
Claims outstanding		<u>341,743</u>	<u>365,387</u>
		499,066	532,988
<b>Creditors</b>			
Arising out of direct insurance operations.	17	14,648	14,147
Arising out of reinsurance operations		19,745	18,744
Other creditors		<u>8,014</u>	<u>11,626</u>
		42,407	44,517
<b>Accruals and deferred income</b>		<u>1,027</u>	<u>143</u>
<b>Total liabilities</b>		<u>632,827</u>	<u>702,742</u>

The Syndicate financial statements on pages 9 to 34 were approved by the Board of Travelers Syndicate Management Limited on 9 March 2016 and were signed on its behalf by:

*Mike Gat*

M J GENT  
 Director

*The accompanying notes form an integral part of these financial statements*



**STATEMENT OF CHANGES IN MEMBERS' BALANCES**  
*for the year ended 31 December 2015*

	2015 £'000	<i>Restated</i> 2014 £'000
Members' balances brought forward at 1 January	125,094	79,481
Profit for the year	40,797	41,233
Other comprehensive income	<u>261</u>	<u>1,430</u>
Total comprehensive income for the year	<u>41,058</u>	<u>42,663</u>
Members' funds transferred (from)/to Funds in Syndicate (FIS)	(28,827)	-
Payments of profit (to)/from members' personal reserve fund	(46,813)	4,133
Non-standard Personal Expenses	<u>(185)</u>	<u>(1,183)</u>
Members' balances carried forward at 31 December	<u><u>90,327</u></u>	<u><u>125,094</u></u>

*The accompanying notes form an integral part of these financial statements*

**STATEMENT OF CASH FLOWS**  
*for the year ended 31 December 2015*

	Notes	2015 £'000	Restated 2014 £'000
<b>Cash flows from operating activities</b>			
Profit for the year		40,797	41,233
<b>Adjustments</b>			
Investment return		(5,810)	(5,036)
Realised losses on investments		(1,508)	(2,517)
Market value movement on investments		(10,933)	(14,694)
Investment income received		7,961	7,769
<b>Movement in operating assets and liabilities</b>			
Proceeds from sale of financial instruments		264,688	144,903
Acquisition of financial instruments		(174,273)	(168,851)
Movement in other assets		334	5,240
Decrease in reinsurers' share of technical provisions		4,344	880
Decrease/(increase) in deferred acquisition costs		1,876	(6,402)
Increase in debtors and prepayments		(13,021)	(12,877)
(Decrease)/increase in technical provisions		(33,922)	8,327
(Decrease)/increase in creditors		(2,110)	6,207
Increase/(decrease) in accruals and deferred income		883	(1,715)
Net cash inflow/(outflow) from operating activities		79,306	2,467
<b>Net cash inflow/(outflow) from financing activities</b>			
Transfer (to)/from members in respect of underwriting participations		(46,813)	4,133
Net movement on Funds in Syndicate		(28,827)	248
Net cash (outflow)/inflow from financing activities:		(75,640)	4,381
Net increase in cash and cash equivalents		3,666	6,848
Cash and cash equivalents at 1 January		21,069	14,221
<b>Cash and cash equivalents at 31 December</b>	18	<u>24,735</u>	<u>21,069</u>

*The accompanying notes form an integral part of these financial statements*

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## NOTES TO THE FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

Syndicate 5000 ("the Syndicate") comprises a group of members of the Society of Lloyd's that underwrites insurance business in the London Market. The address of the Syndicate's Managing Agent is Exchequer Court, 33 St Mary Axe, London EC3A 8AG.

These financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, and Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014, and Financial Reporting Standard 103 *Insurance Contracts* ("FRS 103") as issued in March 2014.

The Syndicate has considerable financial resources together with prudent investment guidelines, a high quality of invested assets, sound underwriting procedures, strong controls and risk mitigating processes (including, but not limited to, reinsurance) and the support of a financially strong parent company. As a consequence, the Directors believe that the Syndicate is well placed to manage its business risks successfully. The Directors are confident that the Syndicate has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statement.

The financial statements are presented in Pound Sterling (GBP) which is the Syndicate's presentational currency. The functional currency of Syndicate 5000 is the US dollar. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

### 2. CHANGE TO ACCOUNTING POLICIES

This is the first set of financial statements prepared by the Syndicate in accordance with FRS 102 and FRS 103. In its transition to FRS 102 from old UK GAAP, the Syndicate has made measurement adjustments. An explanation of how the transition has affected the financial position and performance of the Syndicate is provided in note 22.

### 3. USE OF JUDGEMENTS AND ESTIMATES

In preparing these financial statements, the directors of the Managing Agent have made judgements, estimates and assumptions that affect the application of the Syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The measurement of the provision for claims outstanding involves judgement and assumptions about the future that have the most significant effect on the amounts recognised in the financial statements.

The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgement is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported (IBNR) to the Syndicate. There is the risk that material adverse changes to this estimate in future years may have a material impact on the Syndicate's reported performance and financial position.

In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate. As such no adverse run-off deterioration is envisaged.

### 4. SIGNIFICANT ACCOUNTING POLICIES

#### a) *Basis of accounting*

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Syndicate's financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) *Premiums written*

Premiums written comprise premiums on contracts incepted during the financial year as well as adjustments made in the year to premiums written in prior accounting periods. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Premiums written include estimates for pipeline premiums representing amounts written but not reported to the Syndicate by the balance sheet date.

c) *Unearned premiums*

Written premiums are recognised as earned according to the risk profile of the underlying policy. Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate. The reinsurers' share of unearned premiums is calculated with reference to the risk profile of the underlying reinsurance contract.

d) *Reinsurance premiums ceded*

Outwards reinsurance premiums are accounted for in the accounting period in which the underlying reinsurance treaty or facultative contract incepts.

e) *Claims provisions and related recoveries*

The provision for claims comprises amounts set aside for claims notified and claims incurred but not yet reported (IBNR).

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 provisions relating to previous years.

The provision for claims outstanding is assessed on an individual case basis for reported claims 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 by the balance sheet date but not reported until after the year end (IBNR), based on statistical methods.

These methods generally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be experienced from 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, together with a contract by contract assessment of problematical areas and major catastrophes that do not lend themselves to projection based methods.

The two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development in the future 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 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.

Reinsurance assets are assessed for impairment at each balance sheet date. A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Syndicate may not recover all amounts due, and that event has a reliably measurable impact on the amount that the Syndicate will receive from the reinsurer. Impairment losses are recognised in profit or loss in the period in which the impairment loss is recognised.

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

## NOTES TO THE FINANCIAL STATEMENTS

## 4) SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

*f) 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 after the deduction of any deferred acquisition costs. The provision for unexpired risks is calculated by reference to classes of business which are managed together, after taking into account the future investment return on investments held to back the unearned premiums.

*g) Acquisition costs*

Acquisition costs include the direct expenses, primarily commissions and brokerage, of acquiring the insurance policies written during the year. Acquisition costs are charged to the accounting periods in which the related premiums are earned. Deferred acquisition costs represent the proportion of acquisition costs incurred which correspond to the proportion of gross written premiums which are unearned at the balance sheet date.

*h) Foreign currencies*

Transactions in foreign currencies are translated to the functional currency using exchange rates at the date of transactions. The Syndicate's monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the balance sheet date. For the purposes of foreign currency translation, unearned premiums and deferred acquisition costs are treated as if they are monetary items.

Differences arising on translation of foreign currency amounts into the functional currency are included in the non-technical account. Differences arising from the conversion of the functional to the presentational currency are included in the statement of comprehensive income.

*i) Financial assets and liabilities*

In applying FRS 102, the Syndicate has chosen to apply the recognition and measurement provisions of IAS39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU).

*Classification*

The accounting classification of financial assets and liabilities determines the way in which they are measured and changes in those values are presented in the statement of profit and loss or the statement of comprehensive income. Financial assets and liabilities are classified on their initial recognition. Subsequent reclassifications are permitted only in restricted circumstances.

Debt and other fixed-income securities are designated as available for sale and initially recognised at fair value. After initial measurement, these assets are subsequently measured at fair value. Interest earned whilst holding available for sale financial assets is reported as interest income. Other fair value changes are recognised in other comprehensive income and accumulated in the fair value reserve.

If an available-for-sale investment is sold or impaired, the cumulative gain or loss accumulated in the fair value reserve is reclassified to profit or loss. Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment, and the current fair value, less any impairment loss recognised previously in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. Otherwise it is reversed through the statement of comprehensive income.

Deposits with credit institutions, debtors and accrued interest are classified as loans and receivables.

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**NOTES TO THE FINANCIAL STATEMENTS****4 SIGNIFICANT ACCOUNTING POLICIES (continued)***Recognition*

Financial instruments are recognised when the Syndicate becomes a party to the contractual provisions of the instrument. Financial instruments are derecognised if the Syndicate's contractual rights to the cash flows from the financial instruments expire or the Syndicate transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. A financial liability is derecognised when its contractual obligations are discharged, cancelled, or expire.

*Identification and measurement of impairment*

The Syndicate conducts a periodic review to identify invested assets having other than temporary impairments. Some of the factors considered in identifying other than temporary impairments include: (1) whether the Syndicate intends to sell the investment or whether it is more likely than not that the Syndicate will be required to sell the investment prior to an anticipated recovery in value; (2) the likelihood of the recoveries in full of the principal and interest; (3) the financial condition, near-term and long-term prospects for the issuer, including the relevant industry conditions and trends, and implications of rating agency actions and offering prices.

Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after initial recognition of an asset, and that the loss event has an impact of the future cash flows on the asset that can be estimated reliably.

All impairment losses are recognised in full in the profit and loss.

*Offsetting*

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, the Syndicate has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

*j) Investment return*

Investment return comprises investment income, and realised investment gains and losses, net of investment expenses and charges.

Realised gains and losses on investments are calculated as the difference between sale proceeds and the purchase price.

Investment return is initially recorded in the non-technical account. The investment return relating to the profits on closed years retained within the Syndicate is allocated to the non-technical account. The balance of the investment return is allocated to the technical account.

Movements in unrealised gains and losses on investments are reported in the statement of comprehensive income. They represent the difference between their valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date as well as the reversal of previous recognised unrealised gains and losses in respect of investments disposed of in the current period.

*k) Overseas deposits*

Overseas deposits are stated at the market value ruling at the balance sheet date. US situs trust funds are classified as investments.

*l) Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less that are subject to insignificant risk of changes in valuation and are used by the Syndicate in the management of its short-term commitments.

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**NOTES TO THE FINANCIAL STATEMENTS****4. SIGNIFICANT ACCOUNTING POLICIES (continued)***m) Taxation*

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income, including capital appreciation, of syndicates.

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

No provision has been made for any United States Federal Income Tax or Canadian Federal Income Tax payable on underwriting results and investment income. The Syndicate is required to fund on account assessments of US dollar and Canadian dollar source income and these amounts are then recovered by reimbursements from the Members Services Unit. 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.

*n) Syndicate operating expenses*

Where expenses are incurred by the Managing Agent, or on behalf of the Managing Agent on the administration of the managed syndicate, these expenses are apportioned using various methods depending on the type of expense. Expenses which are incurred jointly for the Managing Agent and managed syndicate are apportioned between the Managing Agent and the Syndicate depending on the amount of work performed, resources used and the volume of business transacted.

*o) Pension costs*

Travelers Management Limited, a service company and fellow group subsidiary, operates a group personal pension plan. Pension contributions relating to syndicate staff are charged to the Syndicate and included within net operating expenses or, where applicable, as claims handling costs within gross claims paid.

**5. RISK AND CAPITAL MANAGEMENT****Introduction and overview**

This note presents information about the nature and extent of insurance and financial risks to which the Syndicate is exposed, the Managing Agent's objectives, policies and processes for measuring and managing insurance and financial risks, and for managing the Syndicate's capital.

**Risk Management Framework**

As described in the Strategic Report of the Directors of the Managing Agent, the Board of Directors has overall responsibility for the establishment and oversight of the Syndicate's risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Syndicate, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

**Insurance Risk***Management of insurance risk*

A key component of the management of underwriting risk for the Syndicate is a disciplined underwriting strategy that is focused on writing quality business and not writing for volume. Product pricing is designed to incorporate appropriate premiums for each type of assumed risk. The underwriting strategy includes underwriting limits on the Syndicate's total exposure to specific risks and classes of business together with limits on geographical and industry exposures. The aim is to ensure that a well diversified book is maintained with no over exposure in any one geographical region, class or industry.

Contracts can contain a number of features which help to manage the underwriting risk, such as the use of deductibles, or capping the maximum permitted loss, or number of claims (subject to local regulatory and legislative requirements).

## NOTES TO THE FINANCIAL STATEMENTS

## 5. RISK AND CAPITAL MANAGEMENT (continued)

*Insurance risk (continued)*

The Syndicate makes use of reinsurance to mitigate the risk of incurring significant losses linked to one risk or event, including excess of loss, quota share and catastrophe reinsurance. Where an individual exposure is deemed to be in excess of the Syndicate's appetite additional facultative reinsurance is also purchased.

The Underwriting Risk Committee oversees the management of insurance risk, whilst the Finance Risk Committee oversees reserving risk. The use of proprietary and standardised modelling techniques, internal and external benchmarking, and the quarterly reviews of claims development are all instrumental in mitigating reserving risk.

The Managing Agent's in-house actuaries perform a reserving analysis on a quarterly basis liaising closely with underwriters, claims and reinsurance technicians. The aim of this exercise is to produce a probability-weighted average of the expected future cash outflows arising from the settlement of incurred claims. These projections include an analysis of claims development compared to the previous 'best estimate' projections. The output of the reserving analysis is reviewed by external consulting actuaries annually. The Finance Risk Committee performs a review of the results from the reserving analysis, both gross and net of reinsurance.

Following this review the Finance Risk Committee makes recommendations to the Managing Agent's Board of Directors of the claims provisions to be established. In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate to reduce the probability of adverse run-off deviation.

**Concentration of insurance risk**

The Syndicate's exposure to insurance risk is well diversified. The following table provides an analysis of the geographical breakdown of its gross written premiums.

	2015 £'000	2014 £'000
Risks located in UK	53,096	84,060
Risks located in other member states of the EU	34,311	34,720
Risks located in other countries	199,708	192,824
	<u>287,115</u>	<u>311,604</u>

**Sensitivity to insurance risk**

The liabilities established as at 31 December 2015 could be significantly lower or higher than the ultimate cost of settling the claims arising. This level of uncertainty varies between the classes of business and the nature of the risk being underwritten and can arise from developments in case reserves for large losses and catastrophes, or from changes in estimates of claims incurred but not reported (IBNR). A five per cent increase or decrease in the ultimate cost of settling claims arising is considered to be reasonably possible at the reporting date.

A five per cent increase or decrease in total claims liabilities would have the following effect on the Syndicate's result and financial position:

	2015 5% change £'000	2014 5% change £'000
Accident and health	731	1,586
Marine, aviation and transport	3,015	2,802
Fire and other damage to property	3,196	3,067
Third party liability	2,411	2,294
Energy	981	1,078
Other	468	491
Reinsurance	4,002	4,389
	<u>14,804</u>	<u>15,707</u>



## NOTES TO THE FINANCIAL STATEMENTS

## 5. RISK AND CAPITAL MANAGEMENT (continued)

**Credit risk**

Credit risk is the risk of financial loss to the Syndicate if a counterparty fails to discharge a contractual obligation.

The Syndicate is exposed to credit risk in respect of the following:

- debt securities
- reinsurers' share of insurance liabilities;
- amounts due from intermediaries;
- amounts due from reinsurers in respect of settled claims;
- cash and cash equivalents; and
- other debtors and accrued interest.

The nature of the Syndicate's exposures to credit risk and its objectives, policies and processes for managing credit risk have not changed significantly from the prior year

*Management of credit risk*

The Syndicate's credit risk in respect of debt securities is managed by placing limits on its exposure to a single counterparty by reference to the credit rating of the counterparty. Financial assets are graded according to current credit ratings issued by rating agencies. The Syndicate has a policy of investing only in high quality government and corporate fixed income securities. The Syndicate targets an average portfolio credit quality of AA+.

The Syndicate limits the amount of cash and cash equivalents that can be deposited with a single counterparty, and maintains an authorised list of acceptable counterparties.

The Syndicate's exposure to intermediaries is monitored as part of the credit control processes.

All intermediaries must meet minimum requirements established by the Syndicate. The credit ratings and payment histories of intermediaries are monitored on a regular basis.

The Syndicate assesses the creditworthiness of all reinsurers by reviewing public rating information and by internal investigations. The impact of reinsurer default is regularly assessed and managed accordingly. The Syndicate only uses reinsurers that have been pre-approved by its internal credit processes.

*Exposure to credit risk*

The carrying amount of financial assets and reinsurance assets represents the maximum credit risk exposure. The Syndicate does not hold any collateral as security or purchase any credit enhancements (such as guarantees, credit derivatives and netting arrangements that do not qualify for offset).

The following table analyses counterparty credit exposure by credit rating:

## NOTES TO THE FINANCIAL STATEMENTS

## 5. RISK AND CAPITAL MANAGEMENT (continued)

## Credit risk (continued)

	AAA £'000	AA £'000	A £'000	BBB & less £'000	Not rated £'000	Total £'000
31 December 2015						
Financial Investments:						
Debt securities and other fixed income securities	203,921	87,530	79,186	1,351	-	371,988
Overseas deposits as investments	1,561	2,918	698	2,039	-	7,216
	205,482	90,448	79,884	3,390	-	379,204
Reinsurers' share of technical provisions	-	16,572	18,032	-	11,051	45,655
Debtors arising out of direct insurance operations	-	-	-	-	112,700	112,700
Debtors arising out of reinsurance operations	-	985	819	-	6,469	8,273
Overseas deposits	7,829	2,069	1,266	712	-	11,876
Cash and cash equivalents	-	24,735	-	-	-	24,735
Other debtors and accrued interest	-	-	-	-	4,962	4,962
Total	213,311	134,809	100,001	4,102	135,182	587,405
31 December 2014						
Financial Investments:						
Debt securities and other fixed income securities	254,353	118,077	78,215	643	-	451,288
Overseas deposits as investments	3,854	-	-	2,736	-	6,590
	258,207	118,077	78,215	3,379	-	457,878
Reinsurers' share of technical provisions	-	9,706	6,969	-	34,556	51,231
Debtors arising out of direct insurance operations	-	-	-	102,441	-	102,441
Debtors arising out of reinsurance operations	294	321	-	4,925	-	5,540
Overseas deposits	7,884	2,774	1,428	855	-	12,941
Cash at bank	-	21,069	-	-	-	21,069
Other debtors and accrued interest	-	-	-	-	5,576	5,576
Total	266,091	151,920	86,933	4,234	147,498	656,676

At 31 December 2015 and 2014 the largest concentration of risk within its investment portfolio was to the US government and amounted to £50.2m (2014: £73.6m). The Syndicate has no holding in government bonds of Greece, Italy, Spain or Portugal nor any corporate bonds based in these countries.

## NOTES TO THE FINANCIAL STATEMENTS

## 5. RISK AND CAPITAL MANAGEMENT (continued)

**Credit risk (continued)**

The Syndicate has debtors arising from direct insurance and reinsurance operations that are past due but not impaired at the reporting date. The Syndicate does not consider these debtors to be impaired.

An analysis of the carrying amounts of past due debtors as at 31 December is presented in the table below:

	2015		2014	
	Debtors arising from direct insurance operations £'000	Debtors arising from reinsurance operations £'000	Debtors arising from direct insurance operations £'000	Debtors arising from reinsurance operations £'000
Past due but not impaired financial assets:				
Past due by:				
up to 90 days	7,414	169	6,944	257
91 to 180 days	3,849	-	3,620	-
More than 180 days	6,854	2,114	6,120	575
Past due but not impaired financial assets	18,117	2,283	16,684	832
Impaired financial assets	-	-	-	-
Neither past due nor impaired financial assets	94,583	5,990	85,757	4,708
<b>Net carrying value</b>	<b>112,700</b>	<b>8,273</b>	<b>102,441</b>	<b>5,540</b>

**Liquidity Risk**

Liquidity risk is the risk that the Syndicate will encounter difficulty in meeting obligations arising from its insurance contracts and financial liabilities. The Syndicate is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts.

The nature of the Syndicate's exposures to liquidity risk and its objectives, policies and processes for managing liquidity risk have not changed significantly from the prior year.

*Management of liquidity risk*

The Syndicate's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Syndicate's reputation.

The Syndicate's approach to managing its liquidity risk is as follows:

- Forecasts are prepared and revised on a regular basis to predict cash outflows from insurance contracts over the short, medium and long term;
- The Syndicate maintains cash and liquid assets to meet daily calls on its insurance contracts

As referenced in the Strategic Report of the Directors, liquidity risk is not considered to be a principal risk to the Syndicate and therefore is not specifically quantified within these accounts

## NOTES TO THE FINANCIAL STATEMENTS

## 5. RISK AND CAPITAL MANAGEMENT (continued)

**Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The nature of the Syndicate exposures to market risk and its objectives, policies and processes for managing market risk have not changed significantly from the prior year

*Management of market risk*

For each of the major components of market risk the Syndicate has policies and procedures in place which detail how each risk should be managed and monitored. The management of each of these major components of market risk and the exposure of the Syndicate at the reporting date to each major risk are addressed below.

*Interest rate risk*

Interest rate risk arises primarily from the Syndicate's financial investments, cash and overseas deposits. The risk of changes in the fair value of these assets is managed by primarily investing in short-duration financial investments and cash and cash equivalents. The Finance Risk Committee monitors the duration of these assets on a regular basis

*Currency risk*

The Syndicate writes business primarily in Sterling, Euro, Canadian dollar and US dollar and is therefore exposed to currency risk arising from fluctuations in the exchange rates of these currencies.

The foreign exchange policy is to maintain assets in the currency in which the cash flows from liabilities are to be settled in order to hedge the currency risk inherent in these contracts. Any surplus assets are held in US dollars. The table below summarises the carrying value of the Syndicate's assets and liabilities, at the reporting date:

**2015**

	Sterling	Euro	US dollar	Other	Total
	£'000	£'000	£'000	£'000	£'000
<b>Financial investments</b>					
Debt securities and other fixed income securities	6,746	36,697	321,968	13,793	379,204
Reinsurers' share of technical provisions	14,728	3,644	32,980	333	51,685
Debtors	14,196	1,980	107,332	219	123,727
Other assets	5,275	3,060	32,743	522	41,600
Cash and cash equivalents	6,729	1,730	18,347	9,805	36,611
<b>Total assets</b>	<u>47,674</u>	<u>47,111</u>	<u>513,370</u>	<u>24,672</u>	<u>632,827</u>
Technical provisions	92,684	42,776	351,785	11,821	499,066
Insurance and reinsurance payables	2,376	818	30,654	545	34,393
Creditors	7,061	240	818	922	9,041
<b>Total liabilities</b>	<u>102,121</u>	<u>43,834</u>	<u>383,257</u>	<u>13,288</u>	<u>542,500</u>
<b>Net assets</b>	<u>(54,447)</u>	<u>3,277</u>	<u>130,113</u>	<u>11,384</u>	<u>90,327</u>

## NOTES TO THE FINANCIAL STATEMENTS

## 5. RISK AND CAPITAL MANAGEMENT (continued)

## Currency risk (continued)

2014

	Sterling	Euro	US dollar	Other	Total
	£'000	£'000	£'000	£'000	£'000
<b>Financial investments</b>					
Debt securities and other fixed income securities	6,522	61,306	361,672	28,378	457,878
Reinsurers' share of technical provisions	8,929	1,132	44,945	1,023	56,029
Debtors	11,808	2,082	96,237	391	110,518
Other assets	5,786	3,551	34,238	732	44,307
Cash and cash equivalents	4,151	2,633	16,302	10,924	34,010
<b>Total assets</b>	<b>37,196</b>	<b>70,704</b>	<b>553,394</b>	<b>41,448</b>	<b>702,742</b>
Technical provisions	96,907	40,418	385,008	10,655	532,988
Creditors	4,608	862	27,047	373	32,890
Accruals and deferred income	9,708	187	1,646	229	11,770
<b>Total liabilities</b>	<b>111,223</b>	<b>41,467</b>	<b>413,701</b>	<b>11,257</b>	<b>577,648</b>
<b>Net assets</b>	<b>(74,027)</b>	<b>29,237</b>	<b>139,693</b>	<b>30,1910</b>	<b>125,094</b>

## Sensitivity analysis to market risks

An analysis of the Syndicate's sensitivity to interest rate and currency price risk is presented in the table below. The table shows the effect on the result and net assets of reasonably possible changes in the relevant risk variable, assuming that all other variables remain constant, if that change had occurred at the end of the reporting period and had been applied to the risk exposures at that date.

	2015	2014
	£'000	£'000
<b>Interest rate risk</b>		
Impact of 50 basis point increase on result and net assets	(3,690)	(4,467)
Impact of 50 basis point decrease on result and net assets	3,337	3,741
<b>Currency risk</b>		
Impact of 10% strengthening in sterling on results and net assets	14,477	19,913
Impact of 10% weakening in sterling on results and net assets	(13,161)	(18,101)

A 10% increase (or decrease) in exchange rates and a 50 basis point decrease in yield curves have been selected on the basis that these are considered to be reasonably possible changes in these risk variables over the following year.

The sensitivity analysis demonstrates the effect of a change in a key variable while other assumptions remain unchanged. However, the occurrence of a change in a single market factor may lead to changes in other market factors as a result of correlations.

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**NOTES TO THE FINANCIAL STATEMENTS****5. RISK AND CAPITAL MANAGEMENT (continued)****Capital Management***Capital Framework at Lloyd's*

The Society of Lloyd's ("Lloyd's") is a regulated undertaking and subject to supervision by the Prudential Regulatory Authority ("PRA") under the Financial Services and Markets Act 2000, and in accordance with the Solvency II Framework.

Within this supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with the Solvency II requirements, and beyond that to meet its own financial strength, licence and ratings objectives.

Although Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only, not at syndicate level. Accordingly, the capital requirement in respect of Syndicate 5000 is not disclosed in these financial statements.

*Lloyd's capital setting process*

In order to meet Lloyd's requirements, each syndicate is required to calculate its Solvency Capital Requirement (SCR) for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The Syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting 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.

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicates on which it is participating but not other members' shares. Accordingly, the capital requirements that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the syndicate SCR 'to ultimate'. 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 which reflects the capital requirement to cover a 1 in 200 loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2016 was 35% of the member's SCR 'to ultimate'.

In the case of Syndicate 5000 the FAL is wholly provided by Aprilgrange Limited and F&G UK Underwriters Limited which are both wholly owned subsidiaries of The Travelers Companies, Inc.

## NOTES TO THE FINANCIAL STATEMENTS

## 6 ANALYSIS OF UNDERWRITING RESULT

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

2015	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total	Net technical provisions
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Direct Insurance</b>							
Accident & Health	30,600	31,620	(2,047)	(16,970)	(697)	11,906	(29,728)
Marine, Aviation and Transport	53,822	55,619	(31,615)	(22,246)	(1,082)	676	(87,305)
Fire and other damage to property	75,287	77,798	(36,404)	(26,991)	(4,260)	10,143	(93,204)
Third party liability	33,824	34,952	(16,929)	(10,510)	(1,979)	5,533	(70,134)
Energy	21,079	21,782	(8,776)	(8,785)	(826)	3,395	(29,952)
Other	2,150	2,222	(1,090)	(972)	(61)	99	(14,064)
	<u>216,762</u>	<u>223,993</u>	<u>(96,861)</u>	<u>(86,474)</u>	<u>(8,905)</u>	<u>31,752</u>	<u>(324,387)</u>
<b>Reinsurance</b>	<u>70,353</u>	<u>78,888</u>	<u>(36,422)</u>	<u>(32,690)</u>	<u>(3,097)</u>	<u>6,679</u>	<u>(122,994)</u>
	<u>287,115</u>	<u>302,881</u>	<u>(133,283)</u>	<u>(119,164)</u>	<u>(12,002)</u>	<u>38,431</u>	<u>(447,381)</u>
2014 restated	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total	Net technical provisions
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Direct Insurance</b>							
Accident & Health	29,202	28,114	(6,938)	(15,457)	(3,664)	2,055	(47,659)
Marine, Aviation and Transport	60,292	58,046	(38,536)	(24,086)	3,917	(659)	(85,144)
Fire and other damage to property	73,736	70,989	(24,236)	(25,224)	(5,571)	15,958	(92,288)
Third party liability	35,920	34,582	(10,401)	(10,965)	(7,146)	6,070	(69,080)
Energy	24,698	23,778	(10,382)	(10,018)	(1,293)	2,085	(32,551)
Other	1,686	1,624	(516)	(741)	(59)	308	(14,814)
	<u>225,534</u>	<u>217,133</u>	<u>(91,009)</u>	<u>(86,491)</u>	<u>(13,816)</u>	<u>25,817</u>	<u>(341,536)</u>
<b>Reinsurance</b>	<u>86,070</u>	<u>88,397</u>	<u>(36,779)</u>	<u>(34,566)</u>	<u>(7,428)</u>	<u>9,624</u>	<u>(135,423)</u>
	<u>311,604</u>	<u>305,530</u>	<u>(127,786)</u>	<u>(121,057)</u>	<u>(21,244)</u>	<u>35,443</u>	<u>(476,959)</u>

## NOTES TO THE FINANCIAL STATEMENTS

## 7 CLAIMS OUTSTANDING

The surpluses following the reassessment of claims outstanding, net of expected reinsurance recoveries, held at the end of the previous year are as set out below:

	2015 £'000	2014 £'000
Accident & health	9,979	1,021
Marine, aviation and transport	3,896	2,313
Fire and other damage to property	5,771	8,201
Third party liability	2,404	4,693
Energy	1,666	69
Total direct	<u>23,716</u>	<u>16,297</u>
Reinsurance acceptances	6,105	6,657
	<u>29,821</u>	<u>22,954</u>

## 8 NET OPERATING EXPENSES

	2015 £'000	<i>Restated</i> 2014 £'000
Acquisition costs – commissions	67,104	75,790
Change in deferred acquisition costs	3,298	(5,180)
Administrative expenses	48,763	50,447
	<u>119,165</u>	<u>121,057</u>

Included in acquisition costs are £50,487,074 (2014: £51,963,075) in relation to commissions on direct business.

## 9 ADMINISTRATIVE EXPENSES

Administrative expenses for the year ended 31 December include:

	2015 £'000	2014 £'000
Auditors remuneration:		
Fees payable to the Syndicate's auditor for the audit of these financial statements	163	163
Fees payable to the Syndicate's auditor and its associates in respect of other services pursuant to legislation	228	224
	<u>391</u>	<u>387</u>
Members' standard personal expenses	2,695	2,374
	<u>2,695</u>	<u>2,374</u>

## 10 STAFF NUMBERS AND COSTS

All staff are employed by Travelers Management Limited. All staff cost disclosures are made in that company's financial statements.

The average number of employees employed by the service company but working for the Syndicate during the year was as follows:

Administration and finance	58	57
Underwriting	80	81
Claims	24	23
	<u>162</u>	<u>161</u>



## NOTES TO THE FINANCIAL STATEMENTS

## 11 KEY MANAGEMENT PERSONNEL COMPENSATION

The Directors of Travelers Syndicate Management Limited received the following aggregate remuneration charged to the Syndicate and included within net operating expenses for the years ended 31 December:

	2015 £'000	2014 £'000
Fees	116	115
Emoluments	1,376	1,127
Compensation for loss of office	33	-
	<u>1,525</u>	<u>1,242</u>

The Active Underwriter, who is also the highest paid director, received aggregate remuneration of £740,775 (2014: £661,147) charged to the Syndicate and included within emoluments above.

## 12 FINANCIAL INVESTMENTS

	Market Value		Cost	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
As at 31 December				
Debt securities and other fixed income securities	371,988	451,287	374,116	448,815
Overseas Deposits	<u>7,216</u>	<u>6,591</u>	<u>7,216</u>	<u>6,591</u>
	<u>379,204</u>	<u>457,878</u>	<u>381,332</u>	<u>455,406</u>

The Syndicate has not entered into any stock lending arrangements.

All investments are quoted on recognised stock markets and are treated as available for sale.

*Fair value measures of investments*

The Syndicate's estimates of fair value for investments are based on the framework established in the fair value accounting guidance hierarchy. The framework is based on the inputs used in valuation, gives the highest priority to quoted prices in active markets and requires that observable inputs be used in the valuations when available. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Syndicate's significant market assumptions. The level in the fair value hierarchy within which the fair value measurement is reported is based on the lowest level input that is significant to the measurement of its entirety. The three levels of the hierarchy are as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Prices based on recent transactions in identical assets (either unadjusted or adjusted)

Level 3 - Prices determined using a valuation technique.

The Syndicate utilized a third party pricing service to estimate the fair value of its investments at both 31 December 2015 and 31 December 2014.

The fair value of a financial instrument is the estimated amount at which the instrument could be exchanged in an orderly transaction between knowledgeable, unrelated, willing parties, i.e. not in a forced transaction. The estimated fair value of a financial instrument may differ from the amount that could be realized if the security was sold in an immediate sale, e.g. a forced transaction. Additionally, the valuation of investments is more subjective when markets are less liquid due to the lack of market based inputs, which may increase the

## NOTES TO THE FINANCIAL STATEMENTS

## 12 FINANCIAL INVESTMENTS (continued)

potential that the estimated fair value of an investment is not reflective of the price at which an actual transaction would occur.

For investments that have quoted market prices in active markets, the Syndicate uses the unadjusted quoted market prices as fair value and includes these prices in the amounts disclosed in Level 1 of the hierarchy. The Syndicate receives the quoted market prices from third party, nationally recognized, pricing services. When quoted market prices are unavailable, the Syndicate utilizes these pricing services to determine an estimate of fair value. The fair value estimates provided from these pricing services are included in the amount disclosed in Level 2 of the hierarchy. If quoted market prices and an estimate from a pricing service are unavailable, the Syndicate produces an estimate of fair value based on internally developed valuation techniques, which, depending on the level of observable market inputs, will render the fair value estimate as Level 2 or Level 3. The Syndicate bases all of its estimates of fair value for assets on the bid price as it represents what a third-party market participant would be willing to pay in an arm's length transaction.

The following table presents the level within the fair value hierarchy at which the Syndicate's investments are categorised as at 31 December:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>2015</b>				
Debt securities and other fixed income securities	50,212	321,776	-	371,988
Overseas deposits as investments	7	7,209	-	7,216
Financial investments	50,219	328,985	-	379,204
Overseas deposits as other assets	9,854	2,022	-	11,876
Deposits with credit institutions	201	-	-	201
	<u>60,274</u>	<u>331,007</u>	<u>-</u>	<u>391,281</u>
<b>2014</b>				
Debt securities and other fixed income securities	47,247	404,041	-	451,288
Overseas deposits as investments	3,190	3,400	-	6,590
Financial investments	50,437	407,441	-	457,878
Overseas deposits as other assets	10,362	2,579	-	12,941
Deposits with credit institutions	286	-	-	286
	<u>61,085</u>	<u>410,020</u>	<u>-</u>	<u>471,105</u>

## 13 DEBTORS

	2015 £'000	2014 £'000
As at 31 December		
<b>Arising out of direct insurance operations</b>		
Amounts Due within one year	112,543	101,968
Amounts due after one year	157	473
<b>Arising out of reinsurance operations</b>		
Amounts Due within one year	8,246	5,535
Amounts due after one year	27	5
	<u>120,973</u>	<u>107,981</u>
Other debtors	2,754	2,537
	<u>123,727</u>	<u>110,518</u>

## NOTES TO THE FINANCIAL STATEMENTS

## 14 DEFERRED ACQUISITION COSTS

The table below shows changes in deferred acquisition costs assets from the beginning of the period to the end of the period.

	2015 £'000	2014 £'000
Balance at 1 January	41,268	34,866
Incurred costs deferred	67,104	75,790
Amortisation	(70,402)	(70,610)
Effect of movement in exchange rates	1,422	1,222
Balance at 31 December	<u>39,392</u>	<u>41,268</u>

## 15 CLAIMS DEVELOPMENT

Claims development is shown in the tables below, both gross and net of reinsurance ceded, on an underwriting year basis. In presenting this information for the first time, the Syndicate has taken advantage of the transitional arrangements incorporated in FRS103 and accordingly is presenting the data for the last five underwriting years only, and not the full 10 years normally required by FRS103. Balances have been translated at exchange rates prevailing at 31 December 2015.

Pure Underwriting Year	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	Total £m
Estimate of ultimate gross claims						
At end of underwriting year	105	85	76	84	73	
One year later	228	157	165	144		
Two years later	218	152	183			
Three years later	204	146				
Four years later	206					
	<u>206</u>	<u>146</u>	<u>183</u>	<u>144</u>	<u>73</u>	<u>752</u>
Less gross claims paid	(193)	(115)	(116)	(56)	(12)	(492)
Gross ultimate claims reserves 2011 to 2015	13	31	67	88	61	260
Gross ultimate claims reserves 2010 & prior						82
Gross claims reserves						<u>342</u>

Pure Underwriting Year	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	Total £m
Estimate of ultimate net claims						
At end of underwriting year	96	77	69	78	68	
One year later	210	145	148	135		
Two years later	192	148	164			
Three years later	184	143				
Four years later	179					
	<u>179</u>	<u>143</u>	<u>164</u>	<u>135</u>	<u>68</u>	<u>689</u>
Less net claims paid	(142)	(115)	(113)	(56)	(12)	(438)
Net ultimate claims reserves 2011 to 2015	37	28	51	79	56	251
Net ultimate claims reserves 2010 & prior						45
Net claims reserves						<u>296</u>

## NOTES TO THE FINANCIAL STATEMENTS

## 16 TECHNICAL PROVISIONS

The table below shows changes in the insurance contract liabilities and assets from the beginning of the period to the end of the period.

	2015			2014		
	Gross Provisions £000	Reinsurance assets £000	Net provisions £000	Gross Provisions £000	Reinsurance assets £000	Net provisions £000
<b>Claims Outstanding</b>						
Balance at 1 January	365,387	(51,231)	314,156	368,747	(54,810)	313,937
Change in claims outstanding	(33,224)	7,031	(26,193)	(10,390)	2,793	(7,597)
Effect of movements in exchange rates	9,580	(1,455)	8,125	7,030	786	7,816
Balance at 31 December	<u>341,743</u>	<u>(45,655)</u>	<u>296,088</u>	<u>365,387</u>	<u>(51,231)</u>	<u>314,156</u>
Claims notified	204,712	(25,938)	178,774	207,366	(30,775)	176,591
Claims incurred but not reported	118,446	(19,717)	98,729	141,938	(20,456)	121,482
Unallocated loss adjustment expenses	18,585	-	18,585	16,083	-	16,083
Balance at 31 December	<u>341,743</u>	<u>(45,655)</u>	<u>296,088</u>	<u>365,387</u>	<u>(51,231)</u>	<u>314,156</u>
<b>Unearned Premiums</b>						
Balance at 1 January	167,601	(4,798)	162,803	155,913	(2,099)	153,814
Change in unearned premiums	(15,766)	(1,127)	(16,893)	6,074	(2,821)	3,253
Effect of movements in exchange rates	5,488	(105)	5,383	5,614	122	5,736
Balance at 31 December	<u>157,323</u>	<u>(6,030)</u>	<u>151,293</u>	<u>167,601</u>	<u>(4,798)</u>	<u>162,803</u>

## 17 FINANCIAL LIABILITIES

	2015 £'000	2014 £'000
As at 31 December		
Creditors arising out of direct insurance operations	14,648	14,147
Creditors arising out of reinsurance operations	<u>19,745</u>	<u>18,744</u>
	34,393	32,891
Other creditors	<u>8,014</u>	<u>11,626</u>
	<u>42,407</u>	<u>44,517</u>

All creditors are payable within one year.

## NOTES TO THE FINANCIAL STATEMENTS

## 18 CASH AND CASH EQUIVALENTS

	2015 £'000	2014 £'000
Cash at bank	24,534	20,783
Deposits with credit institutions	<u>201</u>	<u>286</u>
Total cash and cash equivalents	<u>24,735</u>	<u>21,069</u>

## 19 FOREIGN EXCHANGE RATES

The following currency exchange rates have been used for principal foreign currency transactions:

	2015	2014
Rates ruling at 31 December:		
US dollars	1.47	1.56
Canadian dollar	2.04	1.81
Euro	1.36	1.29
Average rates applied for calendar year:		
US dollar	1.53	1.65
Canadian dollar	1.95	1.82
Euro	1.38	1.24

## 20 CALENDAR YEAR INVESTMENT YIELD

(a) The average Syndicate funds available for investment during the year, and the investment return and yield for the calendar year, were as follows:

	2015 £'000	2014 £'000
Average amount of Syndicate funds available for investment during the year		
Sterling	16,557	20,600
US dollar	383,231	353,403
Canadian dollar	19,138	32,846
Euro	<u>44,373</u>	<u>65,390</u>
Total funds available for investment in Sterling	<u>463,299</u>	<u>472,239</u>
	2015 £'000	2014 £'000
Interest and realised gains and losses	5,810	5,036
Unrealised gains and losses	<u>(1,409)</u>	<u>1,428</u>
Total investment return	4,401	6,464
Total annual investment yield	1.3%	1.1%

(b) Analysis of calendar year investment yield by currency:

Sterling	1.4%	1.6%
US dollar	1.2%	1.0%
Canadian dollar	1.0%	1.8%
Euro	1.5%	1.9%

## NOTES TO THE FINANCIAL STATEMENTS

## 20 CALENDAR YEAR INVESTMENT YIELD (continued)

The above investment yields are calculated on total investment returns, including unrealised gains and losses, from all interest generating assets and include all income earned from investments, cash balances and overseas deposits.

## 21 RELATED PARTY TRANSACTIONS

All related party transactions are entered into on arms-length terms.

The Syndicate is related to Travelers Asia Pte Ltd (TAP) by virtue of common control. TAP is an insurance services company operating within the Lloyd's Asia trading platform. TAP ceased writing business and was put into run-off on 31 January 2014. Brokerage and commissions paid by the Syndicate to TAP in the year amounted to £nil (2014: £0.3m).

The Syndicate is also related to Travelers Underwriting Agency Limited (TUAL) by virtue of common control. TUAL acts as a coverholder to Lloyd's underwriters. During the year, TUAL placed inwards premium income with the Syndicate on normal commercial terms. Brokerage and commissions paid by the Syndicate to TUAL in the year amounted to £0.7m (2014: £1.2m).

The Syndicate is also related to The Travelers Indemnity Company (TIC) by virtue of common control. TIC is the investment manager for the Syndicate. Investment Management fees paid by the Syndicate to TIC in the year amounted to £0.3m (2014: £0.2m). Intercompany reinsurance premiums payable to TIC amounted to £2.2m (2014: £1.7m).

The Syndicate is also related to Travelers Syndicate Management Limited (TSML) by virtue of common control. The agency fees charged to the Syndicate amounted to £0.2m (2014: £0.2m)

The Syndicate is also related to Travelers Management Limited (TML) by virtue of common control. The recharged expenses amounted to £43.7m (2014:£44.3m)

## 22 EXPLANATION OF TRANSITION TO FRS 102 FROM OLD UK GAAP

As stated in note 2, these are the Syndicate's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 4 have been applied consistently in preparing the financial statements for the year ended 31 December 2015 and the comparative information presented in these financial statements for the year ended 31 December 2014. The Syndicate has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (old UK GAAP). An explanation of how the transition from old UK GAAP to FRS 102 has affected the Syndicate's financial position and financial performance is set out in the table below and the narrative that accompanies the table.

	Profit for the financial year ended 31 December 2014	Other Comprehensive Income for the financial year ended 31 December 2014	Members' balances as at 31 December 2014
	£'000	£'000	£'000
Amount under old UK GAAP	40,493	2,170	125,094
Profit and loss on exchange	742	(742)	-
Unrealised investment gains and losses	(2)	2	-
<b>Amount under FRS 102</b>	<b>41,233</b>	<b>1,430</b>	<b>125,094</b>

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**NOTES TO THE FINANCIAL STATEMENTS****22 EXPLANATION OF TRANSITION TO FRS 102 FROM OLD UK GAAP (continued)***Profit and loss on exchange*

FRS 102 requires the Syndicate to adopt a single functional currency. This is the currency of the primary economic environment in which the Syndicate operates. For Syndicate 5000 this is the US dollar. Previously the Syndicate has treated each of Sterling, US dollar, Canadian dollar and the Euro as functional currencies. Under FRS 102, profits and losses from movements in foreign exchange rates between other currencies and the US dollar functional currency are recognised in the profit and loss account. Under the old UK GAAP foreign exchange translation differences between other currencies and the four functional currencies were recognised in the profit and loss account.

In addition, under FRS 102 profits and losses on exchange arising from converting amounts from the functional currency to the sterling presentational currency used in the financial statements are recognised in other comprehensive income. This is unchanged from the old UK GAAP.

This change in accounting policy has no overall impact on members' balances as it results in off-setting changes between the profit and loss account and other comprehensive income.

*Unrealised investment gains and losses*

FRS 102 requires the Syndicate to apply recognition and measurement provisions for financial investments. Under these provisions the Syndicate has designated its investments as available for sale. As such, any unrealised gains or losses arising from changes in the fair value of the financial investments are recognised in other comprehensive income. Previously, under old UK GAAP, unrealised gains and losses were recognised in the profit and loss account, together with realised gains and losses and interest received. Realised gains and losses and interest received continue to be recognised in the profit and loss account under FRS 102.

This change in accounting policy has no overall impact on members' balances as it results in off-setting changes between the profit and loss account and other comprehensive income.

**23 ULTIMATE CONTROLLING PARTY**

The immediate and ultimate parent company of Travelers Syndicate Management Limited (TSM) is The Travelers Companies, Inc. (TRV), a company registered in the USA. Group accounts for TRV are available from the Company Secretary of TSM, Exchequer Court, 33 St. Mary Axe, London EC3A 8AG.

**24 CONTINGENT LIABILITIES**

At 31 December 2015 there was £3.3m (2014: £7m) in respect of letters of credit issued on behalf of the Syndicate. The letters of credit are lodged in the Syndicate's US Surplus Lines and Credit for Reinsurance trust funds in order to support gross liability funding requirements.

