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SYNDICATE 1209

ANNUAL REPORT

**YEAR ENDED
31 DECEMBER 2016**

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FINANCIAL HIGHLIGHTS

	2016	2015
Syndicate capacity (£m)*	—	300.0
Gross premiums written (£m)	36.6	317.7
Net premium written (£m)	32.8	251.5
Earned premiums, net of reinsurance (£m)	158.8	254.3
Underwriting result (£m)	10.5	10.5
Profit for the financial year (£m)	58.1	14.9
Claims ratio	63.8%	51.0%
Expense ratio	29.6%	44.9%
Combined ratio	93.4%	95.9%
Investment return	1.4%	0.4%

*2015 year of account is the Syndicate's last year of participation.

**REPORT OF THE DIRECTORS OF THE MANAGING AGENT
FOR THE YEAR ENDED 31 DECEMBER 2016**

The Syndicate's last year of account participation is 2015. All new and renewed business of the Syndicate will be written in Syndicate 2003, which CUAL is also the managing agent.

Principal activities

The principal activity of the Syndicate 1209 is to underwrite general insurance business within the Lloyd's of London market. The business conducted is principally direct insurance and facultative reinsurance and the main lines of business are Marine and Offshore Energy, Aviation, Middle Market insurance, Specie, Crisis Management, Political Risks, Equine and Design Professional.

Strategic Report**Results and performance**

The Syndicate's result, as set out on pages 7 and 8, shows an underwriting result for the financial year of £20.9m (2015: £12.3m).

The position of the Syndicate at year end is highlighted in the financial highlights on page 1.

Details of business written by class of business are shown in note 4: Segmental Analysis, in the notes to the financial statements.

Strategy and future outlook

2015 year of account is the Syndicate's last year of participation.

Underwriting volumes

An analysis of the Syndicate's underwriting by class of business and geographical area is set out in note 4: Segmental Analysis, in the notes to the financial statements.

Managed syndicates and underwriting arrangements

CUAL, the managing agent of the Syndicate, is a company registered in England and Wales. CUAL is a wholly owned subsidiary of its ultimate parent XL Group Ltd ("XL"), a company registered in Bermuda. Copies of the financial statements of both CUAL and XL Group Ltd are available from 20 Gracechurch Street, London, EC3V 0BG. The Syndicate is wholly-aligned with capital provided by XL Catlin through a subsidiary.

Financial instruments

Information on the use of financial instruments by the Syndicate and its management of financial risk is disclosed on note 2 to the financial statements. In particular, the Syndicate's exposures to credit risk and liquidity risk are separately disclosed in that note. The Syndicate's exposure to cash flow risk is addressed under the headings of 'Market risk', 'Credit risk' and 'Liquidity risk'.

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



P Bradbrook
Director
21 March 2017

**REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2016**

The directors of the managing agent who were in office during the year and up to the date of signing the annual accounts are shown below. None of the directors or active underwriter participated as members during this time.

S Catlin	(Non-Executive)	
P Jardine		
P Greensmith		
R Glauber	(Non-Executive)	
P Wilson	(Non-Executive)	
J Harris		
P Bradbrook		
B Joseph	(Non-Executive)	Appointed 8 September 2016
C Ighodaro	(Non-Executive)	Appointed 12 January 2017
G Bruce-Smythe		Resigned 13 February 2016
S Long		Resigned 13 February 2016
O Whelan		Resigned 13 February 2016
R Cowdell	(Non-Executive)	Resigned 16 April 2016
N Robertson		Resigned 31 July 2016
J Gale		Resigned 1 January 2017
A McMellin		Resigned 1 January 2017

Active underwriter

In 2016, there is no active underwriter.

Company secretary

M L Rees is the company secretary.

Annual general meeting

CUAL has advance consent not to hold an annual general meeting during 2016. The member of the Syndicate has provided their written approval to this consent.

Charitable and political donations

Neither CUAL nor the Syndicate made any charitable or political donations in the year (2015: £Nil).

Registered office

The registered office of CUAL is 20 Gracechurch Street, London, EC3V 0BG. The accounting records are held at this site.

Independent auditors

CUAL intend re-appointing PricewaterhouseCoopers LLP, as auditors to the Syndicate, and PricewaterhouseCoopers LLP have expressed their willingness to continue in office. In accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the member of the Syndicate has provided written approval of the proposed re-appointment of PricewaterhouseCoopers LLP, as auditors to the Syndicate. CUAL has advance consent under the Audit Arrangements Byelaw in order for PricewaterhouseCoopers LLP to perform the audit of the Syndicate as well as certain related companies within the XL Group. The member of the Syndicate has provided their written approval to this consent.

**STATEMENT OF THE MANAGING AGENT'S RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2016**

Statement of managing agent's responsibilities

The directors of the managing agent are responsible for preparing the Syndicate annual accounts in accordance with applicable law and United Kingdom accounting standards including Financial Reporting Standard 102 - "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103 - "Insurance Contracts" ("FRS 103"), both issued by the Financial Reporting Council.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Regulations") require the managing agent to prepare syndicate annual accounts for the Syndicate at 31 December each year. The directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Syndicate and of the profit or loss of the Syndicate for that period.

In preparing these Syndicate annual accounts, the directors of the managing agent are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume that there will be future years of account of the Syndicate.

The directors of the managing agent are 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's annual accounts comply with the Regulations and the relevant provisions of the Companies Act 2006. 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 directors confirm that they have complied with the above requirements in preparing the financial statements.

Statement of disclosure of information to auditors

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

- so far as each of them is aware, there is no information relevant to the audit of the Syndicate's financial statements for the year ended 31 December 2016 of which the auditors are unaware; and
- each director has taken all the steps that he ought to have taken as a director in order to make him aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

Approved by the Board of Catlin Underwriting Agencies Limited and signed on its behalf by:



M L Rees
Company Secretary
21 March 2017

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNDICATE 1209**Report on the syndicate annual accounts****Our opinion**

In our opinion, Syndicate 1209's syndicate annual accounts (the "Syndicate annual accounts"):

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2016 and of its profit/loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008

What we have audited

The syndicate annual accounts for the year ended 31 December 2016, included within the Syndicate annual accounts (the "Annual Report"), comprise:

- the statement of profit or loss for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of financial position as at 31 December 2016;
- the statement of changes in member's balances;
- the statement of cash flows; and
- the notes to the Syndicate annual accounts, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the Syndicate annual accounts is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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

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

In our opinion the information given in the Managing Agent's Report for the financial year for which the Syndicate annual accounts are prepared is consistent with the Syndicate annual accounts.

Other matter on which we are required to report by exception

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

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

We have no exceptions to report arising from this responsibility.

Responsibilities for the syndicate annual accounts and the audit**Our responsibilities and those of the Managing Agent**

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 4, the Managing Agent is responsible for the preparation of the Syndicate annual accounts and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Syndicate annual accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNDICATE 1209 (CONTINUED)

What an audit of syndicate annual accounts involves

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

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

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited syndicate annual accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Matthew Nichols (Senior Statutory Auditor)**

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London

21 March 2017

**STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £000's	2015 £000's
TECHNICAL ACCOUNT - GENERAL BUSINESS			
Earned premiums, net of reinsurance			
Gross premiums written			
Continuing operations	4	36,649	317,651
Outward reinsurance premiums		(3,867)	(66,183)
Net premiums written		<u>32,782</u>	<u>251,468</u>
Change in the provision for unearned premiums			
Gross amount		155,154	(5,429)
Reinsurers' share		<u>(29,100)</u>	<u>8,291</u>
		<u>126,054</u>	<u>2,862</u>
Earned premiums, net of reinsurance		158,836	254,330
Allocated investment return transferred from the non-technical account		10,307	1,805
TOTAL TECHNICAL INCOME		<u>169,143</u>	<u>256,135</u>
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(183,395)	(189,900)
Reinsurers' share		33,081	44,510
		<u>(150,314)</u>	<u>(145,390)</u>
Change in the provision for claims			
Gross amount		70,658	36,966
Reinsurers' share		<u>(21,699)</u>	<u>(21,206)</u>
		<u>48,959</u>	<u>15,760</u>
Claims incurred, net of reinsurance	4	(101,355)	(129,630)
Net operating expenses	4 & 8	(46,938)	(114,181)
TOTAL CHARGES		<u>(148,293)</u>	<u>(243,811)</u>
BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS		<u>20,850</u>	<u>12,324</u>
Attributable to:			
Continuing operations	4	<u>20,850</u>	<u>12,324</u>

**STATEMENT OF PROFIT OR LOSS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £000's	2015 £000's
NON-TECHNICAL ACCOUNT			
Balance on the general business technical account		<u>20,850</u>	<u>12,324</u>
Investment income	9	20,644	19,483
Unrealised gains on investments	9	9,638	—
Investments expenses and charges	9	(7,359)	(3,821)
Unrealised losses on investments	9	<u>(12,616)</u>	<u>(12,852)</u>
		10,307	2,810
Allocated investment return transferred to the general business technical account	9	(10,307)	(1,805)
Gain on foreign exchange		37,239	1,568
Profit for the financial year		<u><u>58,089</u></u>	<u><u>14,897</u></u>

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £000's	2015 £000's
NON-TECHNICAL ACCOUNT			
Profit for the financial year		58,089	14,897
Exchange loss on translations		(4,052)	(964)
Total comprehensive income for the year		<u><u>54,037</u></u>	<u><u>13,933</u></u>

STATEMENT OF FINANCIAL POSITION - ASSETS
AS AT 31 DECEMBER 2016

	Notes	2016 £000's	2015 £000's
ASSETS			
Investments			
Other financial investments	10	651,537	613,436
Reinsurers' share of technical provisions			
Provision for unearned premiums	11	7,202	31,792
Claims outstanding	11	104,838	110,229
		<u>112,040</u>	<u>142,021</u>
Debtors			
Debtors arising out of direct insurance operations	13	33,601	89,427
Debtors arising out of reinsurance operations	14	21,773	30,120
Other debtors	15	2,458	2,286
		<u>57,832</u>	<u>121,833</u>
Other assets			
Cash at bank and in hand		70,839	31,487
Overseas deposits	16	77,653	69,551
		<u>148,492</u>	<u>101,038</u>
Prepayments and accrued income			
Deferred acquisition costs	17	8,853	31,396
Other prepayments and accrued income		50	441
		<u>8,903</u>	<u>31,837</u>
TOTAL ASSETS		<u><u>978,804</u></u>	<u><u>1,010,165</u></u>

**STATEMENT OF FINANCIAL POSITION - CAPITAL AND LIABILITIES
AS AT 31 DECEMBER 2016**

	Notes	2016 £000's	2015 £000's
LIABILITIES			
Member's balance		12,551	210,525
Technical provisions			
Provision for unearned premiums	11	44,624	176,653
Claims outstanding	11	571,429	559,601
		<u>616,053</u>	<u>736,254</u>
Creditors			
Creditors arising out of direct insurance operations	18	3,509	2,909
Creditors arising out of reinsurance operations	19	30,221	26,746
Amounts owed to credit institutions		39,256	28,844
Other creditors including taxation	20	275,696	807
		<u>348,682</u>	<u>59,306</u>
Accruals and deferred income		1,518	4,080
TOTAL LIABILITIES		<u><u>978,804</u></u>	<u><u>1,010,165</u></u>

The notes on pages 13 to 37 form part of these financial statements.

The Syndicate financial statements were approved by the Board of Directors of Catlin Underwriting Agencies Limited and were signed on its behalf by:



P Bradbrook
Director
21 March 2017

**STATEMENT OF CHANGES IN MEMBER'S BALANCES
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Balance attributable to underwriting £000's	Funds in Syndicate £000's	Total £000's
Balance as at 1 January 2015	(4,462)	210,287	205,825
Profit distribution – 2012 YOA	(41,707)	41,707	—
Transfer out of Funds in Syndicate	—	(9,226)	(9,226)
Member's service charges	—	(7)	(7)
Interest relating to Funds in Syndicate	—	1,005	1,005
Profit for the financial year	12,928	—	12,928
Balance as at 31 December 2015	(33,241)	243,766	210,525
Profit distribution – 2013 YOA	(8,244)	—	(8,244)
Transfer out of Funds in Syndicate	—	(243,766)	(243,766)
Profit for the financial year	54,036	—	54,036
Balance as at 31 December 2016	12,551	—	12,551

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £000's	2015 £000's
Reconciliation of profit to net cash inflow from operating activities			
Operating result		58,089	14,897
(Decrease) in gross technical provisions		(120,202)	(13,571)
Decrease in reinsurers' share of gross technical provisions		29,981	9,027
Decrease in debtors		88,455	(2,457)
Increase / (Decrease) in creditors		274,883	(3,144)
Investment return	9	(10,307)	(2,810)
Net cash generated from operating activities		<u>320,899</u>	<u>1,942</u>
Cash flow from investing activities			
Purchase of equity and debt instruments		(310,322)	(270,702)
Sale of equity and debt instruments		331,041	283,289
Investment income received		13,285	15,662
Net cash generated from investing activities		<u>34,004</u>	<u>28,249</u>
Cash flow from financing activities			
Distribution of closed year's profit		(8,244)	(41,707)
Added to Funds in Syndicate		—	32,480
Draw down of Funds in Syndicate		(243,766)	—
Member's service charge		—	(6)
Net cash used in financial activities		<u>(252,010)</u>	<u>(9,233)</u>
Net increase in cash and cash equivalents		102,893	20,958
Cash and cash equivalents at beginning of year		72,194	65,069
Effect of exchange rate changes on cash and cash equivalents		(65,851)	(13,833)
Cash and cash equivalents at end of year		<u>109,236</u>	<u>72,194</u>
Cash at bank and in hand		70,839	31,487
Short term deposits with credit institutions		77,653	69,551
Overdrafts		(39,256)	(28,844)
Cash and cash equivalents at end of the year		<u>109,236</u>	<u>72,194</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1 ACCOUNTING POLICIES

A Basis of preparation

The financial statements have been prepared in accordance with applicable UK accounting standards including Financial Reporting Standard 102 - "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103 - "Insurance Contracts" ("FRS 103"), both issued by the Financial Reporting Council and in compliance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("S12008/410") relating to insurance companies and other requirements of the Companies Act 2006.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the previous years presented, unless otherwise stated.

The preparation of these financial statements required the management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in this statement of accounting policies and specifically in the following notes:

Note 10: financial assets and liabilities (valuations based on models and unobservable inputs); and
Note 11: insurance liabilities and reinsurance assets (estimates for losses incurred but not reported).

Capital supporting the business of the Syndicate, referred to as Funds at Lloyd's ("FAL") is, in part, held in separate trust funds administered by Lloyd's in addition to amounts held within the Syndicate Premium Trust Funds. The amounts held by the Corporate Member outside the Syndicate Premium Trust Funds are available to meet the underwriting obligations of the Syndicate, if required. However, these funds are not included in the Syndicate's balance sheet because they are not owned by the Syndicate. The Lloyd's central fund arrangements are available in the event that an individual member's funds are exhausted.

Separate underwriting year accounts for the 2014 underwriting year have not been prepared, as the Syndicate has taken advantage of the exemption under paragraph 6 of the Regulations.

B Basis of accounting

The financial statements have been prepared on a going concern basis, under the annual accrual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance, as follows:

(a) Premiums written

Premiums written comprise premiums on contracts inception during the financial year, together with adjustments made in the year to premiums written in prior accounting periods. They also include estimates for pipeline premiums, representing amounts due to the Syndicate not yet notified.

Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them.

Contracts with duration of greater than one year and payable in annual instalments, generally, only the initial annual instalment is included as premiums written at policy inception due to the ability of the (re)insured to commute or cancel coverage during the term of the policy. The remaining annual instalments are included as premiums written at each successive anniversary date within the term.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

1 ACCOUNTING POLICIES (continued)

(b) Unearned premiums

Written premium is earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired terms of the policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

(c) Acquisition costs

Acquisition costs, comprising commission and other internal and external costs related to the acquisition of new business and renewing existing contracts. The proportion of acquisition costs in respect of unearned premiums is deferred at the reporting date and recognised in periods when the related premiums are earned.

(d) Ceded Reinsurance

Contracts entered into by the group with reinsurers under which the group is compensated for losses on contracts issued by the group that meet the definition of an insurance contract. Insurance contracts entered into by the group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

Any benefits to which the group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers and include reinsurers' share of provisions for claims. These balances are based on calculated 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 period and the current security rating of the reinsurer involved.

Insurance contracts are those contracts that transfer significant insurance risk. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. The group assesses its reinsurance assets for impairment. If there is objective evidence of impairment, then the carrying amount is reduced to its recoverable amount and the impairment loss is recognised in the statement of profit or loss.

(e) Claims incurred

Claims incurred comprise claims and settlement expenses (both internal and external) paid in the year and the movement in provision for outstanding claims and settlement expenses, including an allowance for the cost of claims incurred by the balance sheet date but not reported until after the year-end. Claims incurred are reduced by anticipated salvage and other recoveries.

(f) Claims provisions and related recoveries

The outstanding claims comprise amounts set aside for claims notified and claims incurred but not yet reported ("IBNR").

Notified claims are estimated on a case by case basis. In estimating the cost of these the Syndicate has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in a previous period. Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortion of the development and incidence of these large claims.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

1 ACCOUNTING POLICIES (continued)

(f) Claims provisions and related recoveries (continued)

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate's actuaries. These techniques 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. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility.

The provision for claims includes amounts in respect of internal and external claims handling costs.

For general insurance contracts that are of a duration greater than one year incepting prior to this date the full estimate of gross premiums written was recognised at inception.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR having regard to the reinsurance programme in place for the class of business and the claims experience for the year. It is net of estimated irrecoverable amounts having regard to the current security rating of the reinsurance companies involved. The Syndicate uses a number of statistical techniques to assist in making the above estimates.

The two most critical assumptions with regards to 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.

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

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

The directors of CUAL 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, 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 estimate made, are reviewed regularly.

Reserves recorded within this report have considered the impacts of the "Ogden Rate" change advised on the 27 February 2017

The amount of any salvage and subrogation recoveries is separately identified and where material, reported as an asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

1 ACCOUNTING POLICIES (continued)

(f) *Claims provisions and related recoveries (continued)*

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the Balance Sheet date, including the cost of claims incurred but not yet reported to the Syndicate. The estimated cost of claims includes expenses to be incurred in settling claims. The Syndicate takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. Any differences between provisions and subsequent settlements are dealt with in the general business technical account of later years.

(g) *Unexpired risks provision*

A provision for unexpired risks is made where claims and related expenses, likely to arise 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 acquisition costs deferred. The expected claims relate to policies in force at the year-end, having regard to events that occur prior to the balance sheet date.

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

(h) *Reinsurance to close (RITC)*

Each Lloyd's Syndicate underwriting account is normally closed at the end of the third year by means of reinsurance into the following year, which reinsures all future liabilities for the closed year and all previous years in return for a premium which is approved by the managing agent. The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring Syndicate was unable to meet its obligations, and other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle the outstanding claims.

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

(i) *Financial assets at fair value through the income statement*

All financial assets are designated as fair value through the statement of profit or loss upon initial recognition because they are managed and their performance is evaluated on a fair value basis. Purchases and sales are recognised on the trade date, which is the date the group commits to purchase or sell the asset, net of transaction costs. These investments are subsequently carried at fair value.

The Syndicate's investment strategy is to invest in listed and unlisted equity securities and fixed interest rate debt securities, and derivatives designated upon initial recognition at fair value through the statement of profit or Loss. Any gains and losses arising from changes in fair value are recognised in the statement of profit or Loss in the period in which they arise.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

1 ACCOUNTING POLICIES (continued)

C 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. Net gains or losses arising from changes in the fair value of financial assets are recognised through the statement of profit or loss within 'Unrealised gains on investments' or 'Unrealised losses on investments' in the period in which they arise. Investment return is recorded in the non-technical account within the statement of profit or loss. Dividends are recognised on the date on which the shares go and include the imputed tax credits. Interest income is accrued up to the balance sheet date.

Realised gains and losses

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

Unrealised gains and losses

Unrealised gains and losses on investments represent the difference between their valuation at the balance sheet date and their purchase price or, where acquired in previous years, their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment expenses, charges or interest

There are accounted for as incurred on an accruals basis.

D Foreign currency

The Syndicate's financial statements are presented in thousands of pound sterling although its functional currency is in US dollars. Foreign currency transactions in pound sterling, Canadian dollars, Euros and Australian dollars are translated at the rate of exchange ruling at the dates of the transactions or at an appropriate average rate.

With the adoption of FRS 102 and FRS 103, all assets and liabilities arising from insurance contracts should be treated as monetary items. At each period end foreign currency monetary items are re-translated into US dollars at the rate of exchange at the balance sheet date. For this purpose all assets and liabilities arising from insurance contracts (including unearned premiums, deferred acquisition costs and unexpired risks provisions) are monetary items. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the non-technical account.

E Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct income tax from trading income. 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 have been included in the balance sheet under the heading "other debtors".

F Investments

Investments and overseas deposits are stated at current value at the balance sheet date. For this purpose listed investments are stated at bid value and deposits with credit institutions are stated at cost. All other financial instruments are designated as at fair value through profit and loss. In line with normal Lloyd's market practice, the Syndicate writes business in certain jurisdictions that require the deposit of cash and investments in locally held trust funds therefore preventing the free transfer of cash between currencies and locations.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

1 ACCOUNTING POLICIES (continued)

G Foreign currencies

The Syndicate's financial statements are presented in thousands of pound sterling although its functional currency is in US dollars. Foreign currency transactions in pound sterling, Canadian dollars, Euros and Australian dollars are translated at the rate of exchange ruling at the dates of the transactions or at an appropriate average rate.

With the adoption of FRS 102 and FRS 103, all assets and liabilities arising from insurance contracts should be treated as monetary items. At each period end foreign currency monetary items are re-translated into US dollars at the rate of exchange at the balance sheet date. For this purpose all assets and liabilities arising from insurance contracts (including unearned premiums, deferred acquisition costs and unexpired risks provisions) are monetary items. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the non-technical account.

H Cash and cash equivalents

Cash and cash equivalents consist of cash held at bank, cash in hand, deposits held at call with banks, cash held in Lloyd's trust accounts and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These investments have less than three months maturity from the date of acquisition. Cash and cash equivalents are measured at fair value through the statement of profit or loss. Bank overdrafts, where applicable, are held within the current liabilities as amounts due to credit institutions.

Overseas deposits are considered as cash and cash equivalents within the statement of cash flows.

I Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Syndicate has designated at fair value through the statement of profit or loss. Loans and receivables are carried at amortised cost less any impairment losses.

Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables. This basis of valuation is viewed by the directors as having prudent regard to the likely realisable value.

J Financial liabilities

Creditors are recognised initially at fair value, net of directly attributable transaction costs. Creditors are subsequently stated at amortised cost determined according to the effective interest rate method.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

2 RISK MANAGEMENT

Financial risk management objectives

The Syndicate is exposed to a range of financial risks through its financial assets, insurance liabilities and reinsurance assets. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are insurance risk (including reinsurance risk), market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Syndicate primarily faces due to the nature of its investments and liabilities are interest rate, equity price risk and currency risk.

The Syndicate's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the syndicate's financial performance. It manages these positions within a risk management framework ("the framework") that has been developed to ensure that investment proceeds and returns are in excess of obligations under insurance contracts. The Syndicate produces regular reports that are circulated to the management of the Managing Agency. The principal technique of the Syndicate's framework is to match assets and liabilities from insurance contracts by reference to the type of benefits payable to contract holders. The Syndicate's framework is also integrated with the management of the financial risks associated with the syndicate's other financial assets and liabilities not directly associated with insurance liabilities.

The notes that follow explain how financial risks are managed using the categories utilised in the Syndicate's framework.

(a) Insurance risk

Insurance risk arises from the Syndicate's general insurance business and refers to the risk of loss or of adverse change in the value of insurance liabilities due to inadequate pricing and reserving assumptions. Examples of such risks include unexpected losses arising from fluctuations in the timing, frequency and severity of claims compared to expectations and inadequate reinsurance protection. The Syndicate's underwriting and reinsurance strategies are set within the context of the overall XL Catlin strategies, approved by the Board and communicated clearly throughout the business through policy statements and guidelines.

Capital resource sensitivities

The capital position is sensitive to market conditions due to changes in the value of the assets, and to assumptions and experience in respect of the value of the liabilities. The most significant risks to the Syndicate are as follows:

Event risk

The risk that individual risk losses or catastrophes lead to claims that are higher than anticipated in plans and pricing.

Pricing risk

The risk that the level of expected loss is understated in the pricing process.

Reinsurance risk

Reinsurance risk to the syndicate occurs where reinsurance contracts put in place to reduce gross insurance risk do not perform as anticipated, prove inadequate in terms of the vertical or horizontal limits purchased or result in coverage disputes.

Cycle risk

The risk that business is written in a soft market without full knowledge as to the adequacy of rates, terms and conditions.

Expense risk

The risk that the allowance for expenses and inflation in pricing is inadequate.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

2 RISK MANAGEMENT (continued)

Underwriting risks are continually monitored through, for example, the established peer review process, underwriting authority limits imposed, round table review and audits, as well as via exception reporting. Formal price monitoring procedures form part of the standard monthly management information. These contribute to the quarterly actuarial review whereby the loss outcome of the underwriting activity is continually re-assessed and considered by the Reserving actuaries. There is a dedicated Catastrophe and Aggregation management function independent of Underwriting management, whose responsibility is to model aggregate risk and support pricing decisions, providing a key control to the underwriting process.

The Syndicate seeks to maintain a diversified and balanced portfolio of risks in order to reduce the variability of outcomes. Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. This is achieved by accepting a spread of business over time, segmented between different classes of business. The Syndicate business forecasts for each class of business reflect this underwriting strategy, and set out the types of business to be written, the geographical regions in which business is to be written and the industry sectors to which the syndicate is prepared to expose itself. These plans are approved and monitored by management and are submitted to Lloyd's. The Syndicate's management also recognises that insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques. To address this, the Syndicate's actuarial team sets out the realistic disaster scenario (RDS) exposure that it is prepared to accept in certain territories to a range of natural and man-made events.

Specific scenarios monitored include:

- Two consecutive Atlantic seaboard windstorms
- Florida windstorm
- Gulf of Mexico windstorm
- European windstorm
- Japanese windstorm
- California earthquake
- New Madrid earthquake
- Japanese earthquake
- UK flood
- Terrorism

The current aggregate position is monitored at the time of underwriting a risk, and reports are produced to highlight the key aggregations to which the Syndicate is exposed. The Syndicate uses a number of modelling tools to monitor aggregation and to simulate catastrophe losses in order to measure the effectiveness of its reinsurance programmes. Stress and scenario tests are also run using these models. The greatest likelihood of significant losses to the Syndicate arises from catastrophe events, such as flood damage, windstorm or earthquake. Where possible the Syndicate's underwriting team measures geographic accumulations and uses their knowledge of the business, historical loss behaviour and commercial catastrophe modelling software. The Syndicate regularly models and monitors known accumulations of risks including natural catastrophes, marine, liability and political events. Upon application of the reinsurance coverage purchased, the key gross and net exposures are calculated on the basis of a 1 in 200 year event.

Loss development tables providing information about historical claims development are included in note 12.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

2 MANAGEMENT OF FINANCIAL RISK (continued)

(b) Market risk

Market risk is the impact arising from the uncertainty of asset prices, interest rates, foreign exchange rates, and other factors related to financial markets and investment asset management.

XL Catlin Group imposes restrictions on the external investment managers' investment strategies. Strict limits, by trust fund, are set for types of assets held, concentration limits and average investment grade ratings. Investments are typically investment grade bonds and investment grade asset backed securities. Guidelines and benchmarks are set annually and approved by the board.

The performance of the investment managers is monitored constantly by XL Catlin Group investment specialists and reported monthly to CUAL management and reviewed quarterly by the CUAL Board of directors. The Syndicate aims to manage exchange rate exposure in US dollar terms and asset and liabilities are duration matched. As at the 31 December 2016, more than 88% of the Syndicate's investments are rated A or above. The Syndicate does not use hedge accounting.

Market risk includes:

(i) Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities. In addition to the extent that claims inflation is correlated to interest rates, liabilities to policyholders are exposed to interest rate risk.

The Syndicate's interest rate risk is monitored by calculating the mean duration of the investment portfolio against an agreed benchmark aligned to the liabilities to policyholders under insurance contracts. The mean duration is an indicator of the sensitivity of the assets and liabilities to changes in current interest rates. The mean duration of the liabilities is determined by means of projecting expected cash flows using standard actuarial claims projection techniques. This is calculated in a consistent manner with the prior year.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value of future cash flows of an interest bearing financial asset will fluctuate because of changes in market interest rates at the reporting date.

Sensitivity analysis

Changes in interest yields, with all other variables constant, would result in changes in the capital value of debt securities and borrowings as well as subsequent interests receipts and payments. This would affect reported profits and net assets as indicated in the table below:

	Impact on profit after tax		Impact on net assets	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
50 basis points increase	(11,095)	(9,143)	(11,095)	(9,143)
50 basis points decrease	11,231	9,159	11,231	9,159

(ii) Currency risk

The Syndicate manages its foreign exchange risk against its functional currency. Foreign exchange arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Syndicate's functional currency.

The Syndicate is primarily exposed to currency risk in respect of liabilities under policies of insurance denominated in currencies other than US Dollars. The most significant currencies to which the Syndicate is exposed are Pounds Sterling, Canadian Dollar, Euro and Australian Dollar. The Syndicate seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

2 MANAGEMENT OF FINANCIAL RISK (continued)**(b) Market risk****(ii) Currency risk (continued)****2016**

	GBP £000's	USD £000's	EUR £000's	CAD £000's	AUD £000's	TOTAL £000's
Financial investments	94,525	477,148	56,421	23,443	—	651,537
Overseas deposits	6,179	10,931	—	2,877	57,666	77,653
Reinsurers' share of technical provisions	20,834	89,207	2,899	(1,476)	576	112,040
Insurance and Reinsurance receivables	10,328	47,611	(3,523)	317	641	55,374
Cash at bank and in hand	28,472	41,165	379	516	307	70,839
Other assets	3,337	5,982	1,305	110	627	11,361
Total assets	<u>163,675</u>	<u>672,044</u>	<u>57,481</u>	<u>25,787</u>	<u>59,817</u>	<u>978,804</u>
Technical provisions	(136,187)	(375,166)	(61,765)	(6,624)	(36,311)	(616,053)
Insurance and reinsurance payables	(4,048)	(34,819)	3,666	(1,021)	2,492	(33,730)
Other creditors	(21,004)	(279,278)	(4,299)	(19)	(11,870)	(316,470)
Total Liabilities	<u>(161,239)</u>	<u>(689,263)</u>	<u>(62,398)</u>	<u>(7,664)</u>	<u>(45,689)</u>	<u>(966,253)</u>

2015

	GBP £000's	USD £000's	EUR £000's	CAD £000's	AUD £000's	TOTAL £000's
Financial investments	112,377	436,766	46,151	18,142	—	613,436
Overseas deposits	8,612	9,525	—	1,459	49,955	69,551
Reinsurers' share of technical provisions	27,825	108,493	5,014	(293)	982	142,021
Insurance and Reinsurance receivables	18,792	92,777	4,919	948	2,111	119,547
Cash and cash equivalents	6,084	20,682	3,823	644	254	31,487
Other assets	6,474	22,344	3,619	143	1,543	34,123
Total assets	<u>180,164</u>	<u>690,587</u>	<u>63,526</u>	<u>21,043</u>	<u>54,845</u>	<u>1,010,165</u>
Technical provisions	(171,708)	(460,448)	(65,048)	(7,457)	(31,593)	(736,254)
Insurance and reinsurance payables	(4,625)	(26,486)	1,576	(1,257)	1,137	(29,655)
Other creditors	(3,969)	(15,343)	(529)	(137)	(13,753)	(33,731)
Total Liabilities	<u>(180,302)</u>	<u>(502,277)</u>	<u>(64,001)</u>	<u>(8,851)</u>	<u>(44,209)</u>	<u>(799,640)</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

2 MANAGEMENT OF FINANCIAL RISK (continued)

(b) Market risk (continued)

(ii) Currency risk (continued)

Sensitivity analysis

Fluctuations in the Syndicate's trading currencies against the USD would result in a change to profit after tax and net assets value.

The table below gives an indication of the impact on profit after tax and net assets of a percentage change in the relative strength of the GBP against the value of Euro, the Canadian dollar and the US dollar, simultaneously. The analysis is based on current information.

	Impact on profit after tax		Impact on net assets	
	2016	2015	2016	2015
Changes to euro, Canadian dollar and US dollar relative to Pounds sterling	£000's	£000's	£000's	£000's
GBP weakens 20% against other currencies	9,006	2,322	2,092	35,088
GBP weakens 10% against other currencies	4,912	1,267	1,141	19,139
GBP strengthens 10% against other currencies	(6,004)	(1,548)	(1,395)	(23,392)
GBP strengthens 20% against other currencies	(13,509)	(3,483)	(3,138)	(52,631)

(c) Credit risk

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

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries; and
- amounts due from issuers of debt securities.

The Syndicate manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and monitoring its exposure to regions, countries and industries. Such risks are subject to regular review.

Changes to the limits on the level of credit risk by category and territory are approved annually by the managing agency Board of Directors. Reinsurance is used to manage insurance risk. This does not, however, discharge the Syndicate's liability as primary insurer. If a reinsurer fails to pay a claim, the syndicate remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an ongoing basis by reviewing their financial strength prior to finalisation of any contract. In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy. In certain circumstances, deposits from reinsurers are also held as collateral.

The Syndicate does not offer credit risk transfer within its Terms of Business Arrangements with brokers.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

2 MANAGEMENT OF FINANCIAL RISK (continued)

(c) Credit risk (continued)

The table below provides information on the credit quality of financial assets of the Syndicate that are neither past due nor impaired:

2016	AAA	AA	A	BBB	BBB or less	Not rated	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Debt securities and other fixed income securities	319,008	112,634	139,821	66,492	4,800	8,782	651,537
Overseas deposits as investments	44,145	17,999	8,447	389	—	6,673	77,653
Reinsurers' share of claims outstanding	—	59,569	45,236	1	32	—	104,838
Cash and cash equivalents	—	—	—	—	—	70,839	70,839
Total Credit risk	<u>363,153</u>	<u>190,202</u>	<u>193,504</u>	<u>66,882</u>	<u>4,832</u>	<u>86,294</u>	<u>904,867</u>
2015	AAA	AA	A	BBB	BBB or less	Not rated	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Debt securities and other fixed income securities	309,664	109,162	135,635	55,088	3,874	13	613,436
Overseas deposits as investments	44,381	9,359	8,469	212	—	7,130	69,551
Reinsurers' share of claims outstanding	—	59,765	34,808	14	—	15,642	110,229
Cash and cash equivalents	—	—	—	—	—	31,487	31,487
Total Credit risk	<u>354,045</u>	<u>178,286</u>	<u>178,912</u>	<u>55,314</u>	<u>3,874</u>	<u>54,272</u>	<u>824,703</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

2 MANAGEMENT OF FINANCIAL RISK (continued)

(c) Credit risk (continued)

The Syndicate has insurance and reinsurance debtors that are past due but not considered to be impaired. The syndicate does not currently hold any impaired assets (2015: no impaired assets held).

2016	Neither due nor impaired £000's	Up to three months £000's	Three to six months £000's	Six months to one year £000's	Greater than one year £000's	Total £000's
Debt securities	651,537	—	—	—	—	651,537
Overseas deposits	77,653	—	—	—	—	77,653
Reinsurers' share of claims outstanding	104,838	—	—	—	—	104,838
Reinsurance debtors	—	1,498	2,101	968	(1,140)	3,427
Cash at bank and in hand	70,839	—	—	—	—	70,839
Insurance debtors	31,212	2,389	—	—	—	33,601
Other debtors	36,909	—	—	—	—	36,909
Total credit risk	972,988	3,887	2,101	968	(1,140)	978,804

2015	<i>Neither due nor impaired</i>	<i>Up to three months</i>	<i>Three to six months</i>	<i>Six months to one year</i>	<i>Greater than one year</i>	<i>Total</i>
Debt securities	613,436	—	—	—	—	613,436
Overseas deposits	69,551	—	—	—	—	69,551
Reinsurers' share of claims outstanding	110,229	—	—	—	—	110,229
Reinsurance debtors	—	6	10	12	5,612	5,640
Cash at bank and in hand	31,487	—	—	—	—	31,487
Insurance debtors	89,427	—	—	—	—	89,427
Other debtors	2,286	—	—	—	—	2,286
Total credit risk	916,416	6	10	12	5,612	922,056

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

2 MANAGEMENT OF FINANCIAL RISK (continued)

(d) Liquidity risk

Liquidity Risk is the risk that the Syndicate, although solvent, either does not have sufficient cash and short-term financial resources available to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost. The primary liquidity risk is the obligation to pay claims to policyholders as they fall due. The Syndicate manages liquidity risk through regular cash flow forecasts, access to notional cash pooling arrangements for short term liquidity management and consultation with the Syndicate treasury functions.

The following tables analyse financial liabilities by maturity date:

2016	No Stated maturity £000's	0-1 year £000's	1-3 years £000's	3-5 years £000's	>5 years £000's	Total £000's
Claims outstanding	—	196,514	199,143	80,686	95,086	571,429
Creditors	314,755	33,927	—	—	—	348,682
Total liquidity risk	<u>314,755</u>	<u>230,441</u>	<u>199,143</u>	<u>80,686</u>	<u>95,086</u>	<u>920,111</u>

2015	No Stated maturity £000's	0-1 year £000's	1-3 years £000's	3-5 years £000's	>5 years £000's	Total £000's
Claims outstanding	—	192,447	195,021	79,015	93,118	559,601
Creditors	29,315	29,991	—	—	—	59,306
Total liquidity risk	<u>29,315</u>	<u>222,438</u>	<u>195,021</u>	<u>79,015</u>	<u>93,118</u>	<u>618,907</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

2 MANAGEMENT OF FINANCIAL RISK (continued)

(e) Fair value estimation

The categorising of these assets is defined as follows:

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

With the adoption of FRS 102 on fair value hierarchy disclosures, below are the methods and assumptions used by the Syndicate in estimating the fair value of its financial instruments, together with its categorisation:

Fixed maturities and short-term investments

Fair values of fixed maturities and short-term investments are based on the quoted market price or evaluated bid prices of these securities provided by either independent pricing services, or, when such prices are not available, by reference to broker or underwriting bid indications.

The Syndicate's Level 3 fixed maturities consist of RMBS, CMBS, ABS and corporate securities, for which pricing vendors and non-binding broker quotes are the primary source of the valuations. The Syndicate compares the price to independent valuations, which may also consist of broker quotes, to assess if the prices received represent a reasonable estimate of the fair value. Although the Syndicate does not have access to the specific unobservable inputs that may have been used in the fair value measurements of RMBS, CMBS and ABS, the syndicate would expect that the significant inputs considered are prepayment rates, probability of default, loss severity in the event of default, recovery rates, liquidity premium and reinvestment rates. Significant increases or decreases in any of those inputs in isolation could result in a significantly different fair value measurement. Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

The Syndicate's level 3 investments also include fixed maturities where the prices provided by vendors have been unchanged for 3 months or more.

Other invested assets

The fair value of investments in funds is based on the net asset value provided by the funds' administrators. The fair values of holdings in equity and loan instruments are based on the market price or evaluated bid prices of these securities provided by independent pricing services, or, when such prices are not available, by reference to broker or underwriting bid indications provided by administrators and recent transactions, if any.

The Syndicate's Level 3 other invested assets consist of investments in funds with significant redemption restrictions and unquoted private equity and debt, for which manager NAV statements are the primary source of the valuations. Although the Syndicate does not have access to the specific unobservable inputs that may have been used in the fair value measurements, the syndicate would expect the significant inputs for private equity and debt to be discounted cash flows and valuations of similar sized peers. Significant increases or decreases in any of those inputs in isolation could result in a significantly different fair value measurement.

The Syndicate's level 3 investments also include other invested assets where the prices provided by vendors have been unchanged for 3 months or more.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

2 MANAGEMENT OF FINANCIAL RISK (continued)

(f) Fair value estimation (continued)

Other assets and liabilities

The fair values of cash and cash equivalents, premiums and other receivables, and accounts payable approximate their carrying value due to the immediate or short term maturity of these financial instruments.

The following tables present the Syndicate's holdings of assets measured at fair value:

Estimated total losses	Level 1 £000's	Level 2 £000's	Level 3 £000's	Total £000's
Debt securities and other fixed income securities	—	651,537	—	651,537
Overseas deposits	12,988	64,664	—	77,652
Total	<u>12,988</u>	<u>716,201</u>	<u>—</u>	<u>729,189</u>
As at 31 December 2015	Level 1 £000's	Level 2 £000's	Level 3 £000's	Total £000's
Debt securities and other fixed income securities	—	613,436	—	613,436
Loans and deposits with credit institutions	14,172	55,379	—	69,551
Total	<u>14,172</u>	<u>668,815</u>	<u>—</u>	<u>682,987</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

3 MANAGEMENT OF CAPITAL

(a) Capital Framework at Lloyd's

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

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

Although, as described below, 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 applies at overall and member level respectively, not at Syndicate level. Accordingly the capital requirement in respect of Syndicate 1209 is not disclosed in these financial statements. See note 20 for details of the Syndicate's FAL and FIS requirements.

(b) 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 Syndicate(s) on which it participates but not other members' shares. Accordingly, the capital requirement 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 year 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'.

(c) Provision of capital by members

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

Resources available to meet members' and Lloyd's capital requirements are separately identified in the Statement of Changes in Member's Balances.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

4 SEGMENTAL ANALYSIS

An analysis of the technical account balance before investment return is set out below:

2016	Gross Premiums Written	Gross Premiums Earned	Gross Claims Incurred	Net operating expenses	Reinsurance Balance	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Accident and health	(21)	(21)	(7,496)	5	(294)	(7,806)
Motor (other classes)	—	—	15	—	(876)	(861)
Marine aviation and transport	(1,542)	56,536	(40,978)	(13,190)	2,530	4,898
Fire and other damage to property	11,712	33,848	(19,936)	(10,420)	(2,741)	751
Third party liability	16,633	28,937	(36,665)	(7,380)	472	(14,636)
Other	2,574	15,084	(1,187)	(3,029)	(3,445)	7,423
Reinsurance acceptances	7,293	57,419	(6,490)	(12,924)	(17,231)	20,774
Total	36,649	191,803	(112,737)	(46,938)	(21,585)	10,543
2015	Gross Premiums Written	Gross Premiums Earned	Gross Claims Incurred	Net operating expenses	Reinsurance Balance	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Accident and health	(24)	(24)	4,236	8	(1,592)	2,628
Motor (other classes)	—	—	368	—	(1,289)	(921)
Marine aviation and transport	100,566	95,697	(39,825)	(32,976)	(8,915)	13,981
Fire and other damage to property	50,513	50,179	(18,779)	(20,650)	(3,013)	7,737
Third party liability	35,656	37,592	(37,981)	(13,481)	2,351	(11,519)
Other	31,782	24,335	(8,976)	(7,069)	(9,498)	(1,208)
Reinsurance acceptances	99,158	104,443	(51,977)	(40,013)	(12,632)	(179)
Total	317,651	312,222	(152,934)	(114,181)	(34,588)	10,519

The reinsurance balance represents the charge to the technical account from the aggregate of all items relating to outwards reinsurance.

All business written by the Syndicate is signed through Xchanging Ins-sure Services (XIS) and is treated as having originated in the UK.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

5 PROFIT FOR THE FINANCIAL YEAR

Profit for the financial year is stated after charging:

	2016 £000's	2015 £000's
Auditor's remuneration		
Audit services:		
Fees payable to the Syndicate's auditor for the audit of the syndicate annual accounts	55	86
Other services		
Fees payable to the Syndicate's auditor and its associates for other services:		
Other services pursuant to legislation, including the audit of the regulatory return	120	187
	<u>120</u>	<u>187</u>

6 MOVEMENT IN PRIOR YEAR'S PROVISION FOR CLAIMS OUTSTANDING

An overall release of prior year's provisions for claims during the year of approximately £19.0m (2015: release of £37.6m) was primarily driven by the favourable experience on the Marine accounts in Aviation and Marine of £26.5m (2015: release of £54.7m), and Property and Fire release of £0.5m (2015: release of £5.3m). This is offset by the adverse experience on the Public Liability accounts in Third Party Liability of £11.0m (2015: strengthening of £23.4m).

7 EMPLOYEES & DIRECTORS

The Syndicate has no direct employees. The employees that provide services to the Syndicate are employed by other XL Catlin Group companies and are recharged to the Syndicate. The expense recharge includes the cost of these employees, but it is not possible to ascertain separately the element of the expense recharge that relates directly to staff costs or staff numbers.

Directors' emoluments for the year are as follows:

	2016 £000's	2015 £000's
Aggregate emoluments	-	144
	<u>-</u>	<u>144</u>

Emoluments of the active underwriter are:

	2016 £000's	2015 £000's
Aggregate emoluments	-	144
	<u>-</u>	<u>144</u>

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

From 2016 the Syndicate was not recharged any expenses relating to the remuneration of the directors of CUAL.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

8 NET OPERATING EXPENSES

	2016 £000's	2015 £000's
Acquisition costs	9,878	57,455
Members' standard personal expenses	(383)	2,706
Change in deferred acquisition costs	26,827	(385)
Administrative expenses	12,626	62,120
Reinsurers' commissions	(2,010)	(7,715)
	<u>46,938</u>	<u>114,181</u>

Total acquisition costs for direct insurance accounted for by the Syndicate during the year amounted to £8.4m (2015: £41.4m).

9 INVESTMENT RETURN

	2016 £000's	2015 £000's
Investment income		
Income from financial investments	20,644	19,483
	<u>20,644</u>	<u>19,483</u>
Investment expenses and charges		
Investment management expenses	(1,478)	(1,590)
Losses on the realisation of investments	(5,880)	(2,231)
	<u>(7,358)</u>	<u>(3,821)</u>
Unrealised gains on investments	9,637	—
Unrealised loss on investments	(12,616)	(12,852)
	<u>(2,979)</u>	<u>(12,852)</u>
Investment return	<u>10,307</u>	<u>2,810</u>
Transferred to the technical account	10,307	1,805
Retained in the non-technical account	—	1,005
	<u>10,307</u>	<u>2,810</u>

10 OTHER FINANCIAL INVESTMENTS

	Market value		Cost	
	2016 £000's	2015 £000's	2016 £000's	2015 £000's
Debt securities and other fixed income securities	651,537	613,436	678,864	631,541
	<u>651,537</u>	<u>613,436</u>	<u>678,864</u>	<u>631,541</u>

Member's Funds in Syndicate held within the premium trust funds are £nil (2015: £243.7m). The Syndicate does not hold any listed investments in its portfolio.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

11 INSURANCE LIABILITIES AND REINSURANCE ASSETS

2016	Provision for unearned premium £000's	Claims Outstanding £000's
Gross Technical Provisions		
As at 1 January 2016	176,653	559,601
Movement in the provision	(155,154)	(70,559)
Foreign exchange movements	23,125	82,387
As at 31 December 2016	<u>44,624</u>	<u>571,429</u>
Reinsurers' share of technical provisions		
As at 1 January 2016	31,792	110,229
Movement in the provision	(29,101)	(21,699)
Foreign exchange movements	4,511	16,308
As at 31 December 2016	<u>7,202</u>	<u>104,838</u>
Net technical provisions		
As at 1 January 2016	144,861	449,372
As at 31 December 2016	<u>37,422</u>	<u>466,591</u>

The gross claims reported, the loss adjustment liabilities and the liabilities for claims incurred but not reported are gross of expected recoveries from salvage and subrogation.

2015	Provision for unearned premium £000's	Claims Outstanding £000's
Gross Technical Provisions		
As at 1 January 2015	162,419	587,406
Movement in the provision	(5,429)	(36,966)
Foreign exchange movements	19,663	9,161
As at 31 December 2015	<u>176,653</u>	<u>559,601</u>
Reinsurers' share of technical provisions		
As at 1 January 2015	22,695	128,353
Movement in the provision	8,291	(21,206)
Foreign exchange movements	806	3,082
As at 31 December 2015	<u>31,792</u>	<u>110,229</u>
Net technical provisions		
As at 1 January 2015	139,724	459,053
As at 31 December 2015	<u>144,861</u>	<u>449,372</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

12 CLAIMS DEVELOPMENT TRIANGLES

To illustrate the robustness of our reserves, the loss development tables below provide information about historical claims development by the pure underwriting year.

Gross claims development

	2010 & Prior £'000	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	Total £'000
12 months		232,677	108,347	92,381	103,533	91,248	
24 months		261,914	209,972	205,659	210,666	203,717	
36 months		255,641	210,550	200,477	216,512		
48 months		241,375	202,872	198,601			
60 months		252,500	211,516				
72 months		251,535					
Estimated total losses	5,730,408	251,535	211,516	198,601	216,512	203,717	6,812,289
Paid claims	<u>(5,552,440)</u>	<u>(206,052)</u>	<u>(137,491)</u>	<u>(131,007)</u>	<u>(132,670)</u>	<u>(81,200)</u>	<u>(6,240,860)</u>
Gross reserves	<u>177,968</u>	<u>45,483</u>	<u>74,025</u>	<u>67,594</u>	<u>83,842</u>	<u>122,517</u>	<u>571,429</u>

Net claims development

	2010 & Prior £'000	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	Total £'000
12 months		204,120	99,568	79,642	81,386	71,831	
24 months		205,734	186,496	182,795	172,203	171,598	
36 months		193,176	189,870	178,280	173,294		
48 months		180,425	183,303	179,246			
60 months		187,732	193,523				
72 months		187,362					
Estimated total losses	4,009,378	187,362	193,523	179,246	173,294	171,598	4,914,401
Paid claims	<u>(3,880,158)</u>	<u>(146,797)</u>	<u>(125,808)</u>	<u>(116,428)</u>	<u>(109,319)</u>	<u>(69,300)</u>	<u>(4,447,810)</u>
Net reserves	<u>129,220</u>	<u>40,565</u>	<u>67,715</u>	<u>62,818</u>	<u>63,975</u>	<u>102,298</u>	<u>466,591</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

13 DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2016	2015
	£000's	£000's
Due within one year	33,601	89,427
	<u>33,601</u>	<u>89,427</u>

14 DEBTORS ARISING OUT OF REINSURANCE OPERATIONS

	2016	2015
	£000's	£000's
Due within one year	21,773	30,120
	<u>21,773</u>	<u>30,120</u>

15 OTHER DEBTORS

	2016	2015
	£000's	£000's
VAT receivable	92	157
Other taxes payable	—	1
Amounts due from group undertakings	2,366	2,128
Total Other debtors	<u>2,458</u>	<u>2,286</u>

16 OVERSEAS DEPOSITS

	2016	2015
	£000's	£000's
Illinois – USA	3,550	3,506
Joint Asset Trust Fund – USA	1,701	1,398
Australian Deposit	53,789	49,184
Joint Asset Trust Fund – Australia	3,872	2,364
South African Deposit	236	213
Additional Securities Limited	6,673	7,129
Kentucky – USA	4,955	4,298
Canadian Margin Fund	2,877	1,459
	<u>77,653</u>	<u>69,551</u>

Overseas deposits represent balances held with Lloyd's to permit underwriting in certain territories. These assets are managed by Lloyd's on a pooled basis and are predominantly invested in debt and other fixed income securities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

17 DEFERRED ACQUISITION COSTS

	2016 £000's	2015 £000's
On insurance contracts	<u>8,853</u>	<u>31,396</u>

The reconciliation of opening and closing deferred acquisition costs is as follows:

	2016 £000's	2015 £000's
At 1 January	31,396	29,436
Expenses for the acquisition of contracts deferred during the year	(23,572)	385
Foreign exchange losses	1,029	1,575
At 31 December	<u>8,853</u>	<u>31,396</u>

18 CREDITORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2016 £000's	2015 £000's
Due within one year	<u>3,509</u>	<u>2,909</u>

19 CREDITORS ARISING OUT OF REINSURANCE OPERATIONS

	2016 £000's	2015 £000's
Due within one year	<u>30,221</u>	<u>26,746</u>

20. OTHER CREDITORS

	2016 £000's	2015 £000's
Dividend payable	275,018	—
Amounts due to group undertakings	480	471
Inter-syndicate balances	198	336
Total Other creditors	<u>275,696</u>	<u>807</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

21 FUNDS AT LLOYD'S AND FUNDS IN SYNDICATE

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

The level of FAL/FIS that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. This capital requirement is based on a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the managing agent, no amount has been shown in these financial statements by way of such capital resources. However, the managing agent is able to make a call on the member's FAL to meet liquidity requirements or to settle losses.

As at 31 December 2016, the value of FAL is £295.5m (2015: £82.0m) and FIS is £nil (2015: £243.7m).

22 RELATED PARTY TRANSACTIONS

No managing agency fees were paid by the Syndicate as from 2016 (2015: £300,000). The amount due from other XL Group entities to the Syndicate as at year-end is £3.7m (2015: £1.5m).

The amount of reinsurance placed with XL Insurance (Bermuda) Ltd ("XLIB") in 2016 is 57% (2015: 22%) of its overall reinsurance spend.

Reinsurance recoveries from XLIB on paid claims were approximately 22% of Syndicate 1209's reinsurance recoveries on paid claims (2015: 21%) and reinsurance reserve recoveries from XLIB were approximately 2% of Syndicate 1209's reserved recoveries for both 2016 and 2015.

A number of reinsurances have been purchased jointly for the benefit of the Syndicate and other XL Group companies and conditions applied by Lloyd's in relation to these reinsurances have been adhered to.

Since 2014 the Syndicate has entered into a 100% Quota Share Reinsurance treaty agreement with XL Insurance Guernsey Ltd ("XLIG") where all XLIG Kidnap and Ransom and Specie business is ceded to the Syndicate up to 2015 year of account.

23 ULTIMATE PARENT UNDERTAKING

CUAL, the managing agent of the Syndicate, is a company registered in England and Wales. CUAL is a wholly-owned subsidiary of XL Group Ltd, a company registered in Bermuda. Copies of the financial statements of both CUAL and XL Group Ltd are available from 20 Gracechurch Street, London, EC3V 0BG.