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.

Annual Report and Financial Statements

Syndicate 1882

CHUBB

31 December 2016

Table of Contents

President's Report

On 14 January 2016, ACE Limited completed its acquisition of the Chubb Corporation and adopted the name Chubb Limited. The acquisition created the world's largest publicly traded property and casualty insurance company with operations in 54 countries and market capitalization in excess of $50 billion.

The combined Chubb insurance and reinsurance operating entities now benefit from complementary business lines, greater market presence and deeper technical expertise, and have gained experience in new industry sectors and greater access to distribution networks. And I believe we have earned the respect of our brokers, partners and clients, both in our dealings with them and in our expanded capabilities in finding solutions to their risk challenges.

Prior to the acquisition, both the Chubb Corporation and ACE Limited maintained a presence in Lloyd's through Syndicate 1882 managed by Chubb Managing Agent Limited ("CMAL") and Syndicate 2488 managed by ACE Underwriting Agencies Limited ("AUAL").

Work to integrate the legacy Chubb and legacy ACE businesses progressed during 2016, and by mid-year the operations of CMAL were substantially aligned with those of AUAL. In order to optimise operational and governance efficiencies, AUAL assumed the management of Syndicate 1882 on 30 September 2016.

Syndicate 1882 formally ceased to trade on 31 December 2016, with elements of the portfolio being renewed into Syndicate 2488 with effect from 1 January 2017. It is anticipated that Syndicate 1882's 2016 & prior years of account will be reinsured to close into Syndicate 2488 in due course.

The syndicate produced a total recognised loss of £12.1 million for 2016. Details relating to financial performance can be found in the Managing Agent's Report.

I would like to take this opportunity to acknowledge the dedication and commitment of all my Chubb colleagues who have been engaged in the management and operations of Syndicate 1882, particularly during this period of integration, and thank everyone who has supported the syndicate since its inception in 2010.

A J Kendrick
President
17 March 2017

Managing Agent's Report

The Board of Directors of the syndicate's managing agent, ACE Underwriting Agencies Limited ("AUAL") are pleased to submit their report and the audited syndicate annual accounts for the year to 31 December 2016.

This report and accounts are prepared using the annual basis of accounting as required by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Lloyd's Regulations"). In addition to this statutory requirement, the report also addresses other aspects of the syndicate's business which the Board believes will be of benefit to interested parties.

Ownership

Chubb Limited, the ultimate parent of AUAL, is the Swiss-incorporated holding company of the Chubb Group of Companies ("Chubb"), several separately incorporated insurance and reinsurance companies under the common ownership of Chubb Limited. At December 31, 2016, Chubb Limited held total assets of $159.8 billion and shareholders' equity of $48.3 billion. It is listed on the New York Stock Exchange (NYSE: CB) and is a component of the S&P 500 index. The company maintains executive offices in Zurich, New York, London and other locations, and employs approximately 30,000 people worldwide.

Consolidation of Chubb's Lloyd's Entities

Chubb operated two Lloyd's syndicates during 2016: Syndicate 2488 managed by AUAL, and Syndicate 1882 managed by Chubb Managing Agency Limited ("CMAL"). AUAL assumed the management of Syndicate 1882 through a Deed of Novation of the Managing Agent Agreement on 30 September 2016. The transfer of assets and business from CMAL to AUAL was effected by a Business Transfer Agreement on 12 October 2016, with the renewal rights to Syndicate 1882's business transferred to Syndicate 2488's capital provider, Chubb Capital I Ltd, through a Renewal Rights Transfer Agreement also on 12 October 2016.

Syndicate 1882 formally ceased to trade on 31 December 2016.

Business Overview

Chubb is the world's largest publicly traded property and casualty insurer. With operations in 54 countries, Chubb provides commercial and personal property and casualty insurance, personal accident and supplemental health insurance, reinsurance and life insurance to a diverse group of clients. The company is distinguished by its extensive product and service offerings, broad distribution capabilities, exceptional financial strength, superior claims handling expertise and local operations globally.

The company serves multinational corporations, mid-size and small businesses with property and casualty insurance and risk engineering services; affluent and high net worth individuals with substantial assets to protect; individuals purchasing life, personal accident, supplemental health, homeowners, automobile and specialty personal insurance coverage; companies and affinity groups providing or offering accident and health insurance programs and life insurance to their employees or members; and insurers managing exposures with reinsurance coverage. Chubb's core operating insurance companies maintain financial strength ratings of "AA" from Standard & Poor's and "A++" from A.M. Best.

Syndicate 1882

The principal activity of the syndicate is the underwriting of general lines of insurance focused towards niche products and customer segments. The syndicate had a capacity of £93.0m for 2016 (2015: £93.0m) and ceased to trade on 31 December 2016.

Presentation of Financial Statements

The basis of preparation of Syndicate 1882's annual financial statements is in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and applicable accounting standards in the United Kingdom.

Managing agents are required to prepare syndicate underwriting accounts, similar to those previously prepared on a three year underwriting basis in respect of any year of account which is being closed by reinsurance to close, unless all the members on the closing year agree otherwise. Syndicate 1882 is a fully aligned syndicate, with 100% of the underwriting capital provided by the Chubb corporate capital vehicle from inception. The Chubb corporate capital vehicle have agreed to waive their right to syndicate underwriting accounts in respect of Syndicate 1882's closed 2014 year of account and, as such, no information on this basis has been provided within this report and annual accounts.

Key Performance Indicators

The following financial key performance indicators ("KPIs") have been deemed relevant to the company's business. These KPIs, together with a variety of other performance indicators including production volumes, retention ratios, price monitoring, loss and expense analyses, and operating metrics are reviewed regularly by management.

£ million	**2016**	**2015 (restated)**
Gross premiums written	62.4	96.9
Net premiums written	49.3	85.9
Combined ratio % *	113.7%	124.3%
Loss for financial year	(10.1)	(16.7)

** Ratio of net claims incurred, commission and expenses to net earned premiums*

Results & Performance

The syndicate produced a loss of £10.1m (2015: £16.7m loss) for the year ended 31 December 2016. A summary of the reported financial results is shown in the table below Syndicate 1882 has restated prior year results in respect of two matters disclosed in note 1 Basis of Preparation.

£ million	**2016**	**2015 restated**
Gross premiums written	62.4	96.9
Net premiums written	49.3	85.9
Net premiums earned	74.3	79.6
Incurred losses	(63.8)	(70.0)
Operating expenses	(20.6)	(29.0)
Underwriting (loss) / profit	**(10.1)**	**(19.4)**
Investment return	2.3	1.2
Other income / (expense)	(2.3)	1.5
Loss for financial year	(10.1)	(16.7)
Combined ratio %	**113.7%**	**124.3%**

Drivers of Underwriting Result

The syndicate focused on writing third party liability, transport (cargo) and marine business. Both direct and reinsurance assumed marine business was written. Third-party liability business comprises errors & omissions insurance and directors & officers insurance.

Gross written premiums were 36% down on prior year, as the business was prepared for renewal into 2488 and reflecting adherence to AUAL's strict underwriting criteria against a backdrop of continued competitive market conditions.

The syndicate purchases reinsurance to mitigate the impact of major events and an undue frequency of smaller losses. In 2016, post-acquisition, additional reinsurance protection was purchased to bring retentions and accumulations more in-line with other operating companies within the Chubb Group.

The net loss ratio was high at 85.9% (2015: 87.9%) driven by challenging market conditions across all of 1882's classes of business.

Prior period reserve deterioration was £7.5m (2015: deterioration of £0.2 million) due to adverse experience across property, marine and third party liability.

Operating expenses constitute acquisition costs, Lloyd's subscriptions, Central Fund contributions and general administrative expenses (as part of the managing agency fee). Expenses reduced in comparison to the prior year mostly because of decreasing earned premium but also due to the synergies of running Syndicate 1882 alongside Syndicate 2488.

During the year a decision was made to transfer the FAL balance into Syndicate 1882 from its corporate member Chubb Capital Limited (CCL). The balance of FAL transferred from CCL was £136.1m.

Financial Markets Review

Volatility ebbed and flowed in 2016, with plummeting oil and commodity prices at the start of the year giving way to the surprising outcomes of the UK's Brexit referendum and the election of Donald Trump in the US. The year was also defined by a divergence in economic policy, as the Federal Reserve ("Fed") raised rates in December, while the European Central Bank ("ECB") continued easing.

Early in the year, global growth concerns in the midst of uncertainty from China, falling commodity prices and questions about the efficacy of central bank policies sparked a sell-off in risk assets. Despite the elevated volatility in financial markets, the fundamental backdrop remained mostly intact and supportive central banks helped reignite risk appetite in part with calming rhetoric and actions. The ECB announced additional easing measures in Europe, with a focus on credit expansion. Also, concerns about global influences and financial conditions kept the Fed on hold, with the statement suggesting a tolerance for overshooting their inflation target.

However, in late June, the unexpected outcome of the UK's Brexit referendum dominated headlines and market movements. Departing from the prevalent trend that began in mid-Q1 and extending through much of June, volatility began to rise as sovereign yields rallied significantly while risk assets generally underperformed. Still, the fundamental backdrop remained mostly intact and expectations for further central bank easing helped anchor risk appetite. Steadier commodity prices and fiscal stimulus in China helped bolster market sentiment, even as central banks remained on hold ahead of the referendum. Softer-than-expected employment data pushed market expectations for the next Fed rate hike out to 2018.

As the year progressed, markets shook off the impact of the Brexit vote and volatility decreased. Central banks featured prominently in the headlines as monetary policy concerns, in particular, the longevity of central bank support, lingered beneath the seemingly benign market environment. The Bank of Japan's "comprehensive review," the ECB's inaction, and the Fed's solidifying path towards an eventual December rate hike all contributed to sovereign yields generally rising.

Following the surprise election of Donald Trump, the market reaction was almost as surprising. In less than a day following Trump's decisive victory, volatility fell, equities rallied, credit spreads tightened and the dollar strengthened. Meanwhile, rates rose dramatically as most markets focused on the pro-growth and inflationary potential of expansionary fiscal policy, tax cuts, and deregulation. The risk seeking sentiment continued through December, even as market participants absorbed the potentially damaging protectionist rhetoric of the incoming Trump administration, leaving bond yields substantially higher than the lows levels witnessed earlier in the year.

Investment Performance

The investment management objectives are to achieve a stable investment income stream from a conservative investment base with sufficient liquidity to meet the ongoing obligations of the insurance operations of the syndicate. Total investments held at 31 December 2016 were £263.2m (2015: £103.6m). A total of £249.4m (2015: £97.7m) of the portfolio was invested in fixed income government and corporate securities, of this £232.0m had a rating of BBB or better; £13.8m (2015: £5.9m) was held in shares and other variable yield securities, many of which are administered by Lloyd's to meet the requirements for conducting insurance business in jurisdictions outside the UK.

Cash Flow

Total syndicate cash flow derived from operating activities in the year was positive. Included in these positive cash flows was cash received to settle the loss by the corporate member for the 2013 year of account.

Financial Position

Capital

Solvency II regulation came into force on 1 January 2016. Syndicate capital requirements are determined through the submission and agreement by Lloyd's of a Solvency Capital Requirement ("SCR") adjusted by Lloyd's through the application of a market wide uplift of 35%, which is referred to as the Lloyd's Economic Capital Requirement.

The Prudential Regulation Authority ("PRA") conducts reviews directly with Lloyd's on the overall SCR for the Lloyd's Market rather than at a syndicate level. The Lloyd's internal model obtained approval from the PRA in December 2015 for use in setting its statutory capital. Under the governance processes surrounding the Lloyd's internal model, the syndicate is obligated to ensure compliance with Lloyd's requirements for the internal model tests and standards, and processes are in place to meet this obligation

In order to determine the Solvency Capital Requirement, the syndicate assesses its risk profile and capital requirements using an internal model which has been developed to meet Solvency II requirements. The internal model is supported by a robust validation and governance framework which ensures its ongoing appropriateness and is refined to reflect the syndicate's experience, changes in the risk profile and advances in modelling methodologies. For 2017, the SCR shows a decrease compared with the 2016 requirement as no new business will be written from 1 January 2017.

The syndicate maintained capital throughout 2016 in line with both the Solvency Capital Requirement and the Lloyd's Economic Capital Requirement.

Syndicate 1882 meets its Funds at Lloyd's ("FAL") requirement by the provision of fixed income investments held within the syndicate which are designated as Funds in Syndicate. The overall quantum of FAL for 2016 year end increased to £134.7 million (2015: £101.8 million), due to an increase in the open year losses during 2016.

Ratings

All active syndicates benefit from the financial strength ratings assigned to the Lloyd's market by various rating agencies. Lloyd's currently holds financial strength ratings of "A (Excellent)" from A.M. Best, "A+ (Strong)" from Standard & Poor's and "AA- (Very Strong)" from Fitch. In view of these robust ratings, together with Chubb's core operating insurance companies ratings of "A++" and "AA" from A.M. Best and Standard & Poor's respectively, it has not been considered necessary to obtain an individual rating for the syndicate.

Governance

Syndicate 1882 was previously managed by Chubb Managing Agent Limited ("CMAL"). The operations and governance protocols of CMAL and AUAL were aligned during the year and AUAL assumed management of the syndicate with effect from 30 September.

AUAL has a documented corporate governance framework, the purpose of which is to exercise oversight and control over the management of its own and the syndicate's business.

The AUAL Board of Directors ("the Board") has reserved responsibility for decisions in connection with a number of matters, including those of a significant strategic, structural, capital, financial reporting, internal control, risk, contractual, policy or compliance nature. The Board meets routinely at least six times a year and may meet additionally on other occasions to discharge its responsibilities in respect of these and other matters. The Board met fourteen times in 2016.

The AUAL Board comprises six independent non-executive directors and five executive directors. During 2016 one executive director and one non-executive director left the Board and one executive and one non-executive director joined. Membership of the Board is kept under review to ensure that the composition and available expertise remains relevant to the current needs of the company. In 2016 the non-executive director that joined the Board had previously served also as a director of CMAL; in an environment when the functions of the two companies were becoming closely aligned this enabled AUAL to take advantage of existing board level experience of Syndicate 1882's business model. Both CMAL and AUAL greatly value the contribution of its non-executive directors in providing contrasting insights, experience and challenge in the Board's discussions. Details of director appointments and resignations can be found on page 12.

Key non-routine Board activity during the year included, i) consideration of plans for the integration of syndicate 1882's agency management with syndicate 2488's operations, ii) formalisation of the high level underwriting control framework, iii) consideration of conduct risk control frameworks and performance of the business and adoption of revised formal frameworks for customer and financial crime monitoring, iv) information security risk mitigation, v) assessment of the company's approach to gauging its culture, vi) consideration of the approach to capital management, vii) review of the status and effectiveness of integration of the functions supporting both AUAL and CMAL during the process of alignment of the two syndicates and viii) consideration of the revision of certain policies in support of the alignment.

The Board received regular reports on the status of business results, business and function plans, resourcing, developments in the risk and regulatory environments, regulatory compliance, actuarial and solvency matters. One meeting was set aside to consider high-level business.

The Board has delegated a number of matters to committees. Each of the following committees has formal terms of reference and matters reserved to it. Each, with the exception of the Executive Committee, Product Oversight Committee and the Routine business Committee includes non-executive directors in its membership and each reports to the Board regularly in respect of its remit. The terms of reference of each Board committee were reviewed and refreshed in 2016, but not significantly amended.

The Audit Committee, which comprises exclusively non-executive directors, considers and makes recommendations to the Board on areas including validation of solvency calculations, internal controls, financial reporting, whistleblowing, actuarial matters and the external audit. It receives reports from the compliance, actuarial and finance functions and Internal Audit on a quarterly basis.

In relation to the external audit process, the Committee monitors the nature and scope of work in the audit of the financial statements and other external reporting requirements. It meets regularly with the external Auditor without management being present.

In the case of the internal audit function, the Committee's role involves agreeing and monitoring, in conjunction with the group audit function, the nature and scope of work to be carried out by the internal audit team and the availability of sufficient resources. The Audit Committee kept a close review of the Internal Audit resources during 2016 to ensure that they remained adequate to carry out the annual audit plan for the year.

The Committee's role is aimed at providing assurance to the Board and Chubb group management that the internal control systems, agreed by executive management as being appropriate for the prudent management of the business, are operating as designed. At all times the Audit Committee is expected to challenge any aspect of these processes which it considers weak or generally poor practice.

During 2016 the Committee in particular reviewed the approach taken to validation of internal model results, and also considered the effect on the finance and assurance functions of the integration of the two syndicates' operations.

The Board has delegated responsibility for the oversight and implementation of its risk management framework to the Risk Committee. The Committee oversees and advises the Board on risk exposures, future risk strategy, the design and implementation of the risk management framework into the business and on solvency and capital matters. It also ensures that business risks and controls are recorded and monitored. It receives regular reports on the Company's "Own Risk and Solvency Assessment" metrics, required by Solvency II, which helps to provide an independent overview of management's assessment of risk and a check against risk appetites agreed by the Board.

During the year the Risk Committee's non-routine activity included: i) reviewing reports on the improvement being made in cyber and information security and the development of the Cyber Risk Framework; ii) observations on the implementation of the Conduct Risk Framework; iii) consideration of integration risk during the alignment of AEGL and CICE systems and personnel and the impact to company culture; and iv) assessing the potential outcomes for the UK/European Union referendum and subsequent implications to the Company's operations.

The Product Oversight Committee provides organisation-wide consistent oversight in respect of conduct towards customers, receiving management information in line with the revised customer conduct control framework. The Committee's members include senior management representatives including those for all major lines of business. Non-Executive directors are also invited to attend these meetings.

The remit of the Nominations Committee is to advise and recommend in connection with appointments to and the structure of the Board, including diversity and independence of composition, Board evaluation, succession planning for the non-executive directors and leadership needs.

The Executive Committee comprises executive directors and other members of the senior management team. The primary role of the Committee is to oversee the day-to-day management of business operations and performance, and to assist the President in implementing and overseeing operational strategies and decisions determined by the Board. The Executive Committee is also responsible for the oversight of support function activities, key steering groups and sub-committees including investment, credit risk, internal model steering, broker review, reserving and project reporting. It meets monthly to oversee and discuss current issues. A number of specialist sub-committees, such as those for broker credit control and reserving, report to the Executive Committee to ensure that various aspects of the business are reviewed by a wide senior management group.

AUAL has a Routine Business Committee which meets on an ad hoc basis between formal Board meetings to consider authorisation of routine activity.

Risk & Control Framework

The Chubb Group is a global underwriting franchise whose risk management obligation to stakeholders is simple: ensure sufficient financial strength over the long term in order to pay policyholder claims while simultaneously building and sustaining shareholder value.

The Chubb Enterprise Risk Management ("ERM") strategy helps achieve the goal of building shareholder value by systematically identifying, and then monitoring and managing, the various risks to the achievement of corporate business objectives and thereby minimising potential disruptions that could otherwise diminish shareholder value or balance sheet strength.

The Chubb Group Enterprise Risk Management Framework ("RMF") was introduced and approved by the Board during 2016. The Chubb RMF replaced the previous framework operated by the previous managing agent of the syndicate. The Chubb RMF describes the role of ERM within AUAL and how it helps the syndicate achieve its business objectives, meet its corporate obligations and maintain the reputation of the Chubb franchise. Chubb's documented RMF is principles-based and sets out the organisational framework for risk taking, monitoring and governance.

The RMF adopts a "three lines of defence" model, comprising day-to-day risk management and controls, risk management oversight, and independent assurance.

The RMF identifies the key risks to which each business sector, and the syndicate as a whole, is exposed, and their resultant impact on economic and regulatory capital. This framework employs Solvency II principles to assess risk and manage capital requirements to ensure the capital required to support AUAL's business objectives and to meet the requirements of policyholders and regulators.

The Board is ultimately responsible for ensuring that the company operates within an established framework of effective systems of internal control, including the approval of the overall risk tolerance for the organisation and compliance with policies, procedures, internal controls and regulatory requirements.

The Board's oversight of the RMF is effected through the various committees and functions with particular purposes and direction around the monitoring of risk tolerances and oversight of internal controls and compliance procedures. The risk management function has a strong mandate from the Board to promote the RMF and embed it across the syndicate.

The Chubb RMF sets out individual risk policies and risk appetite statements which set out defined risk-tolerance constraints for the execution of the business strategy. All key policies and procedures are subject to Board approval and ongoing review by executive management, the Risk Committee and internal audit function.

Risk disclosure and capital management

Disclosures regarding risks and capital management are provided in note 3 to the financial statements.

Compliance

Compliance with regulation, legal and ethical standards is a high priority for Chubb and AUAL, and the compliance function has an important oversight role in this regard. Annual affirmation of the Chubb Code of Conduct is required of all employees and directors.

As a subsidiary of Chubb Limited, a US listed company, the financial control environment in which the US GAAP financial statements are derived is subject to the requirements of US Sarbanes-Oxley legislation. AUAL has formalised documentation and tested controls to enable Chubb Limited to fulfil the requirements of the legislation.

AUAL is also committed to fulfilling its other compliance-related duties, including its observance of customer-focused policies, in line with regulatory principles, and it uses various metrics to assess its performance.

The managing agency employs a skilled and specialist workforce to manage its regulatory and compliance responsibilities and aims to operate to a high standard. AUAL recognises and values its relationships with regulators in each of its jurisdictions and engages in open dialogue and communication to address and resolve any issues.

Employees

Chubb is dedicated to providing a safe and ethical working environment for its employees and is fundamentally committed to the creation of an inclusive, respectful and equitable workplace. Through its policies and practices for recruitment, development, retention and promotion, AUAL seeks a diverse workforce that is effective in its local markets and communities, and takes full advantage of a wide range of experiences and backgrounds.

Chubb is an equal opportunities employer and it is company policy to promote equality of opportunity and to avoid unlawful discrimination in employment. The company seeks to create a workplace where all employees, agency staff and contractors are treated appropriately, equitably and with dignity and respect.

Chubb is an organisation dedicated to providing superior underwriting, service and execution, and seeks to foster an environment of professional excellence that enables employees to be creative, agile, innovative and ethical in meeting customers' needs, whilst aligning personal development to AUAL's performance objectives. AUAL actively supports the personal and professional development of all its employees and operates talent and leadership development programmes to help staff realise their full career potential. It also operates a performance management process designed to allow each employee's performance to be objectively reviewed and measured so that AUAL can maximise potential, motivate, celebrate success and set clear expectations of its employees that are aligned to AUAL's strategic aims.

Communication with employees is primarily effected through the corporate intranet and regular briefings and presentations by Chubb Limited's Chief Executive Officer and local senior management. Information provided is intended to present employees with key information on performance, strategy, market data and general information on the syndicate. Employees are also provided with opportunities to raise questions in each of these forums.

AUAL supports a wide range of activities that benefit the community through the Chubb International Foundation and the Chubb Community Support Committee, predominantly in the areas of education, poverty, health and the environment. Employees also participate in a number of local voluntary community schemes including the Lloyd's Community Programme, and personal fundraising efforts are also actively supported by AUAL through a charity-matching scheme.

Directors

The following served as directors of the Chubb Managing Agent Ltd from 1 January 2016 till 30th September 2016 at which time the management of Syndicate 1882 transferred to ACE Underwriting Agencies Ltd unless otherwise indicated:

M Bailey (appointed 22 November 2016)
T Wade (appointed 18 October 2016)
A Kendrick (appointed 19 January 2016)
J Napier (appointed 19 January 2016)
A Shaw (appointed 19 January 2016)
M Hammond (appointed 19 January 2016)
D Hutchinson (resigned 3 June 2016)
C D'Auria (resigned 30 September 2016)
K Docherty (resigned 27 October 2016)
N Davenport (resigned 3 June 2016)
C Smith (resigned 22 April 2016)
B Hardwick (resigned 29 June 2016)
C Giles (resigned 10 March 2016)

The following have been directors of AUAL from 1 January 2016 to the date of this report unless otherwise indicated:

Executive directors:
A J Kendrick *
M K Hammond *
R P Murray
J U Rehman (appointed 13 June 2016)
A M W Shaw *

Non-executive directors:
J A Napier *
M C Bailey
K N O'Shiel (appointed 14 November 2016)
C E Riley
A R Prindl (resigned 31 October 2016)
T C Wade
M J Yardley

* These directors were previously members of the CMAL board

Statement of Managing Agent's Responsibilities

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the notes to the syndicate annual accounts; and

The directors of the managing agent confirm that they have complied with the above requirements in preparing the syndicate annual accounts.

The managing agent is responsible for keeping adequate accounting records that are sufficient to show and explain the syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the syndicate and enable it to ensure that the syndicate annual accounts comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. The managing agent is also responsible for safeguarding the assets of the syndicate and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

Legislation in the UK concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement as to Disclosure of Information to Auditors

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

i) So far as he/she is aware, there is no information relevant to the audit of the syndicate's annual accounts for the year ended 31 December 2016 of which the auditors are unaware, and

ii) The director has taken all steps that he/she ought to have taken in his/her duty as a director in order to make him/herself aware of any relevant audit information and to establish that the syndicate's auditors are aware of that information.

Independent Auditors

The 2008 Lloyd's Regulations require that the auditors of the syndicate annual accounts be appointed by the members of the syndicate, initially for the syndicate annual accounts for this year end after which provisions for deemed reappointment of auditors will apply.

PricewaterhouseCoopers LLP has indicated its willingness to continue in office as the Syndicate auditor.

Approved by the board and signed on its behalf

M K Hammond

Director
17 March 2017

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNDICATE 1882

Report on the syndicate annual accounts

Our Opinion

In our opinion, Syndicate 1882 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 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 Annual Report and Financial Statements (the "Annual Report"), comprise:
- the Statement of Financial Position as at 31 December 2016;
- the Income Statement for the year then ended;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Members' Balances;
- the Statement of Cash Flows; and
- the notes to the financial statements, 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 matters on which we are required to report by exception

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

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

We have no exceptions to report arising from this responsibility.

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 12, 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.

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.

James Pearson
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
17 March 2017

The maintenance and integrity of the AUAL website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Income Statement
for the year ended 31 December 2016

Technical account – general business	Notes	2016 £000	2015 (restated) £000
Earned premiums, net of reinsurance			
Gross premiums written	4	62,375	96,877
Outwards reinsurance premiums		(13,104)	(10,936)
Net premiums written		49,271	85,941
Change in the gross provision for unearned premiums		25,349	(6,989)
Change in the provision for unearned premiums, reinsurers' share		(330)	673
Change in unearned premiums, net of reinsurance		25,019	(6,316)
Earned premiums, net of reinsurance		74,290	79,625
Allocated investment return transferred from the non-technical account		1,730	1,202
Total technical income		76,020	80,827
Claims incurred, net of reinsurance			
Claims paid, gross amount	4	(49,432)	(46,486)
Claims paid, reinsurers' share		1,392	3,954
Net claims paid		(48,040)	(42,532)
Change in the provision for claims, gross amount	4	(19,895)	(16,068)
Change in the provision for claims, reinsurers' share		4,121	(11,374)
Change in the provision for claims, net of reinsurance		(15,774)	(27,442)
Claims incurred, net of reinsurance		(63,814)	(69,974)
Net operating expenses	6	(20,635)	(29,008)
Total technical charges		(84,449)	(98,982)
Balance on the general business technical account		(8,429)	(18,155)

Income Statement
for the year ended 31 December 2016

Non-technical account	Notes	2016 £000	2015 (restated) £000
Balance on the general business technical account		(8,429)	(18,155)
Investment return			
Investment income	9	2,585	1,272
Investment expenses and charges	9	(255)	(70)
Allocated investment return transferred to general business technical account	9	(1,730)	(1,202)
Investment return	9	600	-
(Loss)/Profit on exchange		(2,309)	1,455
Loss for the financial year		(10,138)	(16,700)

The above results are all derived from continuing operations.

Statement of Comprehensive Income
for the year ended 31 December 2016

	Notes	2016 £000	2015 (restated) £000
Loss for the financial year		(10,138)	(16,700)
Other recognised gains and losses			
Unrealised losses on investments	9	(2,016)	(351)
Total recognised losses relating to the year		(12,154)	(17,051)

Statement of Changes in Members' Balances for the year ended 31 December 2016

Changes in 2016	Funds in Syndicate £'000	Fair value reserve £000	Profit and loss account £000	Total members' balances £000
At 1 January 2016		156	(27,778)	(27,622)
Total comprehensive income for the year		(2,016)	(10,138)	(12,154)
Receipt of loss from members' personal reserve fund			5,926	5,926
Funds In Syndicate	136,060			136,060
At 31 December 2016	136,060	(1,860)	(31,990)	102,210

Changes in 2015 (restated)	Fair value reserve £000	Profit and loss account £000	Total members' balances £000
At 1 January 2015	507	(19,033)	(18,526)
Total comprehensive income for the year	(351)	(16,700)	(17,051)
Receipt of loss from members' personal reserve fund	-	7,955	7,955
At 31 December 2015	156	(27,778)	(27,622)

Statement of Financial Position
as at 31 December 2016

Assets	Notes	2016 £000	2015 (restated) £000
Investments			
Other financial investments	10	263,188	103,601
Reinsurers' share of technical provisions			
Provision for unearned premiums		2,700	2,641
Claims outstanding		18,759	12,311
		21,459	14,952
Debtors			
Debtors arising out of direct insurance operations	3	24,041	27,808
Debtors arising out of reinsurance operations	3	28,306	32,279
Other debtors	11	845	1,393
		53,192	61,480
Other assets			
Cash at bank and in hand	14	7,878	7,018
Other assets		6,924	5,464
		14,802	12,482
Prepayments and accrued income			
Accrued interest and rent		2,240	660
Deferred acquisition costs		10,687	11,847
Other prepayments and accrued income		56	38
		12,983	12,545
Total assets		365,624	205,060

Statement of Financial Position
as at 31 December 2016

Liabilities	**Notes**	**2016** **£000**	**2015** **(restated)** **£000**
Capital and reserves			
Members' balances	12	102,210	(27,622)
Technical provisions			
Provision for unearned premiums		47,941	64,386
Claims outstanding		188,563	146,426
		236,504	210,812
Creditors			
Creditors arising out of direct insurance operations		3,574	6,252
Creditors arising out of reinsurance operations		14,663	9,578
Other creditors including taxation and social security	13	6,749	3,452
		24,986	19,282
Accruals and deferred income		1,924	2,588
Total liabilities		365,624	205,060

The syndicate annual accounts on pages 16 to 40 were approved by the board of ACE Underwriting Agencies Ltd on the 15 March 2017 and were signed on its behalf by:

M Hammond

Director
17 March 2017

Statement of Cash Flows
for the year ended 31 December 2016

	Notes	2016 £000	2015 (restated) £000
Loss on ordinary activities		(10,138)	(16,700)
Increase in gross technical provisions		25,692	26,781
(Increase) reinsurers' share of gross technical provisions		(6,508)	9,815
(Increase)/Decrease in debtors		7,847	(1,357)
Increase in creditors		5,040	1,074
Investment return		(2,330)	(1,202)
Movements in other liabilities		(9,421)	1,111
Other		-	(4,794)
Net cash inflows from operating activities		10,182	14,728
Investing activities			
Investment income received		2,330	1,202
Purchase of debt and equity investments		(184,694)	(39,061)
Sale of debt and equity investments		45,912	16,252
Foreign Exchange		(12,840)	-
Other		(2,847)	(912)
Net cash outflows from investing activities		(152,139)	(22,519)
Financing activities			
Receipt of losses from members' personal reserve fund		141,986	7,955
Other		-	(352)
Net cash inflows from financing activities		141,986	7,603
Increase/(decrease) in cash and cash equivalents		29	(188)
Cash and cash equivalents at 1 January		7,018	7,206
Exchange differences on opening cash		831	-
Cash and cash equivalents at 31 December		7,878	7,018

1 BASIS OF PREPARATION

These annual accounts include all sources of capital supporting the operations of the syndicate. Capital is provided to Lloyd's by the syndicate's members in the form of Funds at Lloyd's ("FAL"), and held in trust as disclosed in note 10. Given that Syndicate 1882 is a fully aligned syndicate, with 100% of the underwriting capacity provided by a Chubb corporate capital vehicle, these accounts are able to disclose the total FAL supporting the operations of the syndicate (see note 16).

The syndicate annual accounts have been prepared in accordance with the provisions of Schedule 3 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("SI2008/410"), Regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Lloyd's Regulations") and applicable accounting standards in the United Kingdom, including Financial Reporting Standard FRS 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and Financial Reporting Standard FRS 103, "Insurance Contracts" ("FRS 103").

These annual accounts have been prepared on a going concern basis. The principal accounting policies, which are set out below, have been applied consistently to all the years presented unless otherwise stated. The company has adopted FRS 102 and FRS 103 in these financial statements.

The prior year financial statements have been restated including the opening members' balances as at 1 January 2015. This restatement was made to:

1. Correct the premium earning profile for long term (typically 10 year duration) engineering contracts – earning less premium at the beginning of the risk period and more at the end to be more reflective of the incidence of risk. They were previously earned evenly over the life of the contract.
2. Reduce the Estimated Premium Income for written but not received Marine Cargo premium. After investigation it was determined that this premium income was not going to materialise and so a reduction was required to the prior year premium debtor and premium written balance.

The overall impact of these restatements was to reduce opening members' balances as at 1 January 2015 by £4,795,000 and increase the loss for the year ended 31 December 2015 by £974,000.

The Syndicate's functional currency and presentational currency is Sterling.

2 ACCOUNTING POLICIES

Premiums written

Premiums written, which are stated gross of brokerage but exclusive of premium taxes, relate to business incepted during the year, together with adjustments made in the year to premiums written in prior accounting periods. Estimates are made of pipeline premiums, representing amounts due but not yet received or notified to the syndicate by intermediaries.

Unearned premiums

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on the basis of established risk profiles or time apportionment as appropriate.

Acquisition costs

Acquisition costs comprise brokerage, commissions and other related costs, and are deferred over the period in which the related premiums are earned.

2 ACCOUNTING POLICIES - continued

Claims incurred

Claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect expenses and adjustments to claims outstanding from previous years. Where applicable, deductions are made for reinsurance, salvage and other recoveries.

Provision for claims outstanding and related reinsurance recoveries

The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs and deduction for expected salvage and other recoveries. The provision also includes the estimated cost of claims incurred but not reported ("IBNR") at the balance sheet date based on statistical methods.

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

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

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

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

When calculating the provision for claims outstanding, the reported business segments are subject to specific issues, as set out below:

Fire and other damage to property; marine; accident and health

These business segments are predominantly "short tail"; that is there is not a significant delay between the occurrence of the claim and the claim being reported to the syndicate. The costs of claims notified to the syndicate at the balance sheet date are estimated on a case by case basis to reflect the individual circumstances of each claim. The ultimate expected cost of claims is projected from this data by reference to statistics, which show how estimates of claims incurred in previous periods have developed over time to reflect changes in the underlying estimates of the cost of notified claims and late notifications.

2 ACCOUNTING POLICIES - continued

Third party liability

Liability claims are longer tail than the classes of business described above and so a larger element of the provision for claims outstanding relates to IBNR. Claims estimates for the syndicate's liability business are derived from a combination of loss ratio based estimates and an estimate based upon actual claims experience using a predetermined formula whereby greater weight is given to actual claims experience as time passes. The initial estimate of the loss ratio based on the experience of previous years adjusted for factors such as premium rate changes and claims inflation, and on the anticipated market experience, is an important assumption in this estimation technique. In respect of liability claims, the assessment of claims inflation and anticipated market experience is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. The liability class of business is also subject to the emergence of new types of latent claims but no allowance is included for this as at the balance sheet date.

Reinsurance acceptances

This business segment includes both short tail and longer tail business, and is subject to the issues laid out in the preceding two sections.

Unexpired risks provision

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

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. Both realised investment gains and losses be included as part of investment return in the profit and loss account. Dividends receivable are accounted for by reference to the date on which the price of the investment is quoted ex-dividend. Interest and expenses are accounted for on an accruals basis.

Realised gains and losses on investments carried at bid value are calculated as the difference between net sale proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their purchase price or, if they have previously been revalued, 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 return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting underwriting business. Other than investment return on Funds at Lloyd's retained within the syndicate, all investment return has been wholly allocated to the technical account.

Investments

Investments in marketable securities are stated at bid value on the balance sheet date. For quoted investments where there is an active market, this is their quoted bid price at the balance sheet date. For quoted investments where there is no active market, the bid value is determined by reference to prices for similar assets in active markets.

Overseas deposits are stated at market value, as notified by Lloyd's.

2 ACCOUNTING POLICIES – continued

Investments – fair value through statement of comprehensive income

Investments in bonds, short term deposits and unit trusts that invest predominantly in bonds and short term deposits are classified as available for sale financial assets. Bond purchases and sales are recognised at trade date.

Available for sale financial assets are subsequently re-appraised to their fair value at each statement of financial position date. Where there is an active market for these investments, fair value is based upon quoted prices using bid price. Where there is not an active market, but other market data is observable for these investments, fair value is based upon that market data using expected bid price.

The fair value adjustments for these available for sale financial assets are shown as unrealised gains and losses in the statement of comprehensive income.

Impairment losses on available for sale financial assets are recognised in the income statement if there has been an event that has had a negative impact on the expected future cash flows of the asset and the fair value of the asset is below its amortised cost.

Insurance and other receivables

Insurance and other receivables are recognised at fair value less any provision for impairment. Any impairment of a receivable will be recognised if there is evidence that the company will not be able to collect the amounts receivable according to the original terms of the receivable.

Insurance and other payables

Payables arising from insurance contracts, creditors and deposits received from reinsurers, are initially measured at cost, which is equal to fair value, net of transaction costs.

Taxation

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

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the syndicate during the year have been included in the balance sheet under the heading "other debtors".

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

Foreign currencies

Foreign currency transactions are converted to sterling using the rate for the month in which the transaction is recorded. Foreign exchange gains and losses arising from the settlement of transactions, and from the retranslation of monetary assets and liabilities to rates prevailing at the statement of financial position date, are recognised in the non-technical part of the income statement.

Profit commission

Profit commission is chargeable by the managing agent at a rate of 15% of the year of account profit, subject to the operation of a deficit clause. This does not become payable until after the appropriate year of account closes, normally at 36 months.

3 CAPITAL MANAGEMENT & FINANCIAL RISK MANAGEMENT

Capital management

AUAL assesses its capital needs on a risk management basis and maintains an efficient capital structure consistent with the company's risk profile and business requirements, and to meet regulatory requirements. The company then seeks to maintain financial strength and capital adequacy to support business growth and meet the requirements of policyholders, rating agencies and regulators, whilst retaining financial flexibility by ensuring substantial levels of liquidity. Once the capital needs have been met, it is the policy of the company to distribute any surplus capital through dividends to its ultimate parent company.

From a prudential perspective, the Lloyd's market is regulated by the PRA and is subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held. In line with regulatory requirements AUAL manages its capital levels in 2016 in the context of Solvency II and the Funds at Lloyd's requirement.

Solvency II regulation came into force on 1 January 2016. From 1 January 2016, syndicate 1882 regulatory capital requirement has been set according to the Solvency II Internal Model. The company performs tests and controls to ensure continuous and full compliance with the Solvency II regulations.

The primary objectives of the company in managing capital can be summarised as follows:

- to satisfy the requirements of its policyholders, regulators and rating agencies;
- to match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- to manage exposures to key risks;
- to maintain financial strength to support new business growth;
- to retain financial flexibility by maintaining strong liquidity.

Insurance risk

Insurance risk arises from fluctuations in the frequency and/or severity of claims. The syndicate mitigates this risk by maintaining underwriting discipline throughout its operations. This policy is supported by each strategic business unit's underwriting guidelines, expertise and appropriate authority limits. These guidelines are updated regularly to reflect developments in the nature of the insurance risks being underwritten. The syndicate also uses a reinsurance programme to manage its insurance risk by providing cover against certain large exposures.

Sensitivity to insurance risk

As highlighted in note 2, there is inherent uncertainty in the ultimate cost of claims for which the company uses a variety of different actuarial techniques to estimate the provision for claims outstanding. If the net claims ratio for the year had been higher by 1%, then the loss for the financial year would have been increased by £0.7m (2015: £0.8m) and members' balances would have been lower by £0.7m (2015: £0.8m). If the net claims ratio had been lower by 1%, then the loss for the financial year would have been lower by £0.7m (2015: £0.8m) and members' balances would have been higher by £0.7m (2015: £0.8m).

Concentrations of insurance risk

80.1% of the 2016 net written premiums (2015: 69.5%) and 58.6% of the 2016 net claims incurred (2015: 55.0%) related to Marine insurance, though within that class there were a number of different products, notably Excess of Loss, Cargo, Hull and Marine Liability.

3 CAPITAL MANAGEMENT & FINANCIAL RISK MANAGEMENT – continued

Financial risk management objectives

The syndicate is exposed to a range of financial risks through its financial assets and financial liabilities. The most important components of this financial risk are market risk (including interest rate risk and currency risk), liquidity risk and credit risk.

These financial risks principally arise from the investment activity of the business and consequent holdings in fixed income investments, all of which are exposed to general and specific market movements. The underwriting activity of the business also generates financial risk, particularly in the form of currency risk as well as liquidity and credit risk through its insurance and reinsurance receivables and payables. The notes below explain how financial risks are managed. The processes used to manage these risks are unchanged from previous periods, and cover areas such as investment activity through stochastic modelling of the portfolio, within its internal capital model and consequent capital requirements.

Investment activity governance

The managing agent operates an Investment Committee which functions under terms of reference determined by the Executive Committee of the Board. The Committee is charged with establishing and effecting an appropriate investment policy for the syndicate having regard to the financial risk appetite of the syndicate. In addition, the committee has the responsibility for recommending the appointment and removal of investment managers, for reviewing the managers' performance and for reporting on all other material aspects of the investment function.

The Investment Committee comprises senior Chubb management and is chaired by the Chief Executive Officer of Chubb Asset Management, the group's investment specialists who provide advisory services to Chubb group companies including AUAL. The Committee also includes the Chief Executive Officer, Chief Financial Officer and Treasurer of the managing agent.

The investment management function is outsourced to specialist external managers.

Asset allocation policy

The Investment Committee has established a broad asset allocation policy which defines the limits for different asset types. The asset allocation policy cites two major asset classes: investment grade fixed income securities and alternative assets. Alternative assets can include equities, high yield and emerging market instruments. The policy stipulates a target range of between 75% and 100% for investment grade fixed income securities and a range of between 0% and 25% for alternative asset classes. The current allocation to alternative assets sits at the mid of the target range, however, the position is regularly reviewed by the Investment Committee. The syndicate held no equities and emerging market instruments in 2016.

Investment guidelines

Investment management agreements have been established with the external investment managers. The agreements include specific guidelines for each individual portfolio in order to limit risks arising from duration, currency, liquidity, credit and counterparty exposures. The managers provide quarterly affirmation of compliance with these guidelines.

Interest rate risk

The syndicate is exposed to interest rate risk primarily through its investments in fixed interest securities and, to the extent that claims inflation is correlated to interest rates, its liabilities to policyholders. Interest rate risk arises in the fixed income investment portfolio primarily through instrument duration. Accordingly, the investment guidelines include restrictions relating to the maximum weighted average duration of the portfolio.

3 CAPITAL MANAGEMENT & FINANCIAL RISK MANAGEMENT – continued

The restriction is stated by reference to the permissible duration variance compared to the customised benchmark index by which the external investment managers' performance is assessed.

Sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. To illustrate the downside risk within the fixed interest portfolio of £249.4m with external managers as at 31 December 2016 (2015: £97.7m), an increase of 50 basis points in interest yields across all portfolios consecutively (principally sterling, euro and US dollars) has been calculated. Such an increase would decrease the market value of the investment portfolio and lead to a decrease in the total investment return of £4.2m (2015: £1.2m) and accordingly decrease total shareholders' funds by £4.2m (2015: £1.2m).

Equity price risk

The syndicate held no equities in 2016 (2015: Nil) and as a result the syndicate is not susceptible to equity price risk.

Currency risk

The syndicate is primarily exposed to currency risk in respect of assets and liabilities under policies of insurance denominated in currencies other than sterling. The syndicate maintains various currency balances generated through regular business activity but the majority of the funds held are denominated in Euros, Australian dollars and US dollars. The syndicate's policy seeks to ensure that an approximate currency match of assets and liabilities is maintained. Any component of the members' funds denominated in currencies other than sterling gives rise to currency risk due to exchange rate volatility relative to sterling. The accounting policy for foreign currencies is stated in note 2 to the financial statements. Balance sheet components (monetary assets and liabilities) are translated to sterling using the rates of exchange at year end.

Currency risk can arise where assets and liabilities are expected to be settled in differing currencies. The syndicate largely mitigates this risk by matching assets with liabilities in the same currency subject to any regulatory funding requirements. In particular, the syndicate has significant amounts of US Dollar, Euro, and Australian Dollar transactions. If these currencies had weakened by 5% against Sterling, then the syndicate's net assets would have been reduced by £1.0m (2015: £0.8m).

Liquidity risk

Liquidity risk is the risk that the syndicate is unable to meet its obligations as they fall due. To counter this risk, the syndicate aims to maintain funds in the form of cash or cash equivalents to meet known cash flows. In addition, the asset allocation policy and the investment guidelines are structured in order to ensure that funds are predominantly held in investment grade fixed income securities, the proceeds of which are readily realisable.

However, a significant share of the syndicate's investments are held to meet regulatory deposit requirements which may not be available to meet recommended liquidity needs.

As indicated in the balance sheet, the syndicate's financial liabilities are all payable within one year. Non-derivative financial liabilities with contractual maturities are payable within normal terms of trade, which is on average 60 days. Non-derivative financial liabilities with contractual maturities are limited to reinsurance premiums payable and expense accruals.

3 CAPITAL MANAGEMENT & FINANCIAL RISK MANAGEMENT – continued

The table below shows the contractual maturity for financial liabilities.

31 December 2016	No Stated Maturity	0-1 year	1-3 years	3-5 years	>5 years	Total
Claims outstanding	-	30,676	34,765	14,955	108,167	188,563
Creditors	-	24,986	-	-	-	24,986
Total	-	55,662	34,765	14,955	108,167	213,549

31 December 2015	No Stated Maturity	0-1 year	1-3 years	3-5 years	>5 years	Total
Claims outstanding	-	23,821	26,996	11,613	83,996	146,426
Creditors	-	19,282	-	-	-	19,282
Total	-	43,103	26,996	11,613	83,996	165,708

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The syndicate is exposed to credit risk through its investment activity and its insurance operations.

The syndicate is exposed to investment credit and price risk as a result of its holdings in fixed income. The risk in respect of fixed income investments is moderated by the application of detailed investment guidelines which limit the size of holdings with individual issuers, restrict duration and dictate minimum credit quality, both for individual holdings and for the aggregate weighted portfolio.

The average credit quality of investment portfolios using Standard & Poor's ratings remained high throughout the year and at year end was "AA". This is comparable to the previous year ("AAA").

The investment guidelines seek to limit the credit risk of each of the portfolios through specifying eligible/ineligible investments; setting maximum counterparty exposures and minimum weighted credit quality and individual issuer credit quality.

Credit risk – insurance operations

The syndicate is exposed to credit risk as a result of its regular insurance and reinsurance activity. The areas of key exposure are:

- reinsurers' share of provision for claims outstanding;
- debtors arising from reinsurers in respect of claims already paid;
- amounts due from direct insurance and reinsurance policyholders; and
- amounts due from direct insurance and reinsurance intermediaries.

Ceded reinsurance is used to manage and mitigate inwards direct insurance and reinsurance risk. Ceded reinsurance does not discharge the syndicate's liability as primary insurer. If a ceded reinsurer fails to pay a claim, the syndicate remains liable for the payment to the policyholder. A Reinsurance Security Committee is operated by the Chubb group which analyses the creditworthiness of ceded reinsurers on a quarterly basis by reviewing their financial strength. In addition, the recent payment history of ceded reinsurers is used to update the reinsurance purchasing strategy.

3 CAPITAL MANAGEMENT & FINANCIAL RISK MANAGEMENT – continued

With regard to direct insurance and reinsurance receivables, the syndicate operates a committee to review broker security, a process for monitoring arrangements with managing general agents, and, in certain circumstances, the requirement for collateral to be posted by the policyholder to the benefit of the syndicate.

The assets bearing credit risk are summarised below:

	2016	2015 (restated)
	£'000	£'000
Other financial investments	263,188	103,601
Reinsurers' share of technical provisions	21,460	14,952
Debtors arising out of direct insurance operations	24,041	27,808
Debtors arising out of reinsurance operations	28,306	32,279
Total assets bearing credit risk	336,995	178,640

Other financial investments are designated as fair value through other comprehensive income at inception, and their performance evaluated on a fair value basis, in accordance with a documented investment strategy as detailed in note 2. The Moody's credit rating for other financial investments is detailed below.

	2016	2015
	£'000	£'000
AAA	71,995	106,432
AA	125,861	1,571
A	32,612	505
BBB	20,730	464
Below BBB or not rated	18,910	93
Total assets bearing credit risk	270,108	109,065

Other financial investments are neither past due nor impaired.

The amount of change, during the period and cumulatively, in the fair value of receivables that is attributed to changes in credit risk is represented by the provision for impairment against receivables past due.

Reinsurers' share of technical provisions includes claims outstanding, related claims handling costs and IBNR. This is described along with the valuation methods in note 2. This balance includes 0.0% past due that have been impaired (2015: 0.0%).

Debtors arising out of direct and reinsurance operations are held at fair value less any provision for impairment as described in note 2. They include 0.0% (2015: 0.0%) that have been impaired and 34.4% (2015: 19.3%) that are past due, but not impaired. The latter is aged 16.0% up to six months (2015: 13.5%), 7.6% six months to a year (2015: 3.2%) and the remaining 10.9% is older than a year (2015: 2.6%).

The Standard and Poor's credit rating for reinsurers share of claims provisions and debtors arising out of reinsurance operations that are neither past due nor impaired are detailed over the page.

3 CAPITAL MANAGEMENT & FINANCIAL RISK MANAGEMENT – continued

	2016 £'000	2015 £'000
AAA	-	6
AA	9,682	835
A	10,569	13,392
BBB	-	25
Below BBB or not rated	180	92
Total assets bearing credit risk	20,431	14,350

4 SEGMENTAL ANALYSIS

Segmental information in the format required by Schedule 3 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 is as follows:

Year to 31 December 2016	Gross premiums written £'000	Gross premiums earned £'000	Gross Claims Incurred £'000	Gross Operating Expenses £'000	Reinsurance balance £'000
Direct Insurance					
Fire and other damage to property	6,179	9,203	8,402	2,329	(2,972)
Marine, aviation and transport	17,037	24,891	18,758	6,541	(1,120)
Accident and health	(51)	251	97	31	-
Third party liability	8,204	12,447	10,378	2,399	(539
Reinsurances acceptances	31,006	40,932	31,692	9,335	(3,290)
TOTAL	62,375	87,724	69,327	20,635	(7,921)

Year to 31 December 2015	Gross premiums written £'000	Gross premiums earned £'000	Gross Claims Incurred £'000	Gross Operating Expenses £'000	Reinsurance balance £'000
Direct Insurance					
Fire and other damage to property	8,554	6,179	7,573	2,419	(1,362)
Marine, aviation and transport	24,054	22,503	10,138	8,119	(3,848)
Accident and health	(75)	250	125	58	-
Third party liability	15,100	14,343	14,509	3,899	(3,911)
Reinsurances acceptances	49,244	46,613	30,209	14,513	(8,562)
TOTAL	96,877	89,888	62,554	29,008	(17,683)

The reinsurance balance represents the credit/(charge) to the technical account from the aggregate of all items relating to outwards reinsurance. All business is completed in the United Kingdom.

4 SEGMENTAL ANALYSIS - continued

Gross written premium information by destination (location of risk) as required by Schedule 1, Regulations 2015 (Part V, 84) is as follows:

	2016	2015
	£'000	£'000
United Kingdom	17,616	35,559
United States of America	11,286	13,778
Continental Europe	13,957	14,583
Africa and Middle East	3,033	6,056
Asia Pacific	7,272	12,464
Americas	9,212	14,437
	62,375	96,877

5 MOVEMENT IN PRIOR YEAR'S PROVISION FOR CLAIMS OUTSTANDING

The prior year's net provision for claims outstanding generated a deficit for 2016 (2015: deficit) as detailed below:

	2016	2015
	£'000	£'000
Direct		
Fire and other damage to property	(1,850)	(2,407)
Marine, Aviation and transport	(2,102)	3,343
Accident and health	29	-
Third party liability	(1,971)	(3,017)
Reinsurance Acceptances	(1,614)	1,850
	(7,508)	(231)

6 NET OPERATING EXPENSES – TECHNICAL ACCOUNT

	2016	2015 (restated)
	£'000	£'000
Acquisition costs	10,477	17,696
Change in deferred acquisition costs	1,170	(1,198)
Administrative expenses	9,240	12,757
Reinsurance commission	(252)	(247)
	20,635	29,008

"Acquisition costs" includes total commissions for direct business amounting to £5.2m (2015: £7.9m).

"Administrative expenses" includes the managing agent's fee (which covers most expenses generally classified as syndicate expenses) – net of an element of the fee deemed to be indirect acquisition costs and included within acquisition costs – Lloyd's Central Fund contributions and Lloyd's subscriptions.

The managing agent's fee for 2016, before the transfer to acquisition costs, is £0.5m (2015: £0.5m).

7 AUDITORS REMUNERATION

	2016 £'000	2015 £'000
Fees payable to the syndicate's auditors and their associates for the audit of the syndicate's annual accounts	169	96
Fees payable to the syndicate's auditors and their associates for other services:		
Audit –related assurance services	50	82
Non – audit fees	-	58
	219	236

During the year, the syndicate obtained the following services from the managing agent's auditors and their associates.

"Audit-related assurance services" includes reports under section 404 of the US Public Company Accounting Reform and Investor Protection Act 2002, and also the audit of the syndicate's regulatory returns.

8 DIRECTORS & EMPLOYEES

Staff costs

The managing agency has no employees (2015-none). Staff that support the syndicate and managing agency are employed by ACE INA Services U.K. Limited ("AIS") and Chubb European Services Limited (CESL) fellow Chubb group undertaking.

Directors' emoluments

All directors of the managing agent received emoluments from AIS & CESL in respect of their services to the syndicate and Chubb group companies. The cost of these emoluments is covered by the managing agent's fee and incorporated within the management charges from AIS & CESL to the managing agent. For disclosure purposes, it is not practical to allocate these amounts to the underlying entities to which the directors provide services. Consequently, the following amounts represent the total emoluments paid by AIS & CESL in respect of the directors of the managing agent.

	2016 £'000	2015 £'000
Aggregate emoluments and benefits	4,916	863
Compensation for loss of office	1,500	-
Company pension contributions to money purchases pension schemes	58	59
	6,474	922

8 DIRECTORS & EMPLOYEES - continued

Included in the above amounts paid by AIS & CESL in respect of the directors of the managing agent, the active underwriter was paid a total of £492,767 (2015: £254,323) in respect of emoluments and benefits and the highest paid director was paid a total of £829,033 (2015: £313,199) in respect of emoluments and benefits. The amount of accrued pension and accrued lump sum in relation to the highest paid director at the end of the year was Nil (2015: £25,178)

The aggregate emoluments above do not include share based remuneration. All executive directors of the managing agent are entitled to shares in ACE Limited under long-term incentive plans. During the year, four directors received shares in Chubb Limited under long-term incentive plans and four directors' exercised options over the shares of Chubb Limited. The highest paid director received shares in Chubb Limited under long-term incentive plans.

Pension benefits are accruing to two current directors under the ACE European Group UK Pension Plan and three current directors under the ACE INA Services Group flexible retirement plan (Stakeholder scheme). Until 31 March 2002, retirement benefits accrued under the ACE London Pension Scheme to one current director under the final salary section and to one current director under the money purchase section. Two further directors participate in the Chubb Insurance Company of Europe Pension & Life Assurance plan (Final Salary Scheme) Disclosures relating to these scheme are contained within the financial statements for AIS and CESL respectively.

9 INVESTMENT RETURN

	2016 £'000	2015 £'000
Investment Income		
Investment income	2,484	1,278
Gains on the realisation of investments	230	29
	2,714	1,307
Investment expenses and charges		
Investment management expenses	(256)	(70)
Losses on the realisation of investments	(129)	(35)
	(385)	(105)
Net unrealised gains and losses on investments		
Unrealised gains on investments	17	-
Unrealised losses on investments	(2,033)	(351)
	(2,016)	(351)
TOTAL INVESTMENT RETURN	313	851

Investment return is analysed between:

	2016 £'000	2015 £'000
Allocated investment return transferred to the general business technical account	1,731	1,202
Net Investment included in the non-technical account	(1,418)	(351)
	313	851

10 OTHER FINANCIAL INVESTMENTS

	2016 £'000	2015 £'000
Market value:		
Debt securities and other fixed interest securities	249,368	97,746
Overseas deposits	6,921	5,464
Shares and other variable yield securities	13,820	5,855
	270,109	109,065
Cost:		
Debt securities and other fixed interest securities	244,559	97,588
Overseas deposits	6,921	5,464
Shares and other variable yield securities	13,820	5,855
	265,300	108,907

The overseas deposits are held under Lloyd's premium trust deed arrangements where applicable and are administered by Lloyd's. The syndicate is required to lodge deposits in various overseas insurance markets as a condition of conducting underwriting business in those markets. All such overseas deposits are calculated in accordance with the relevant territorial authority's requirements, usually by reference to outstanding liabilities derived from business written in those territories.

£133.1m (2015: Nil) of the total market value relates to Funds at Lloyd's, as explained in note 12; this is analysed as follows:

	2016 £'000	2015 £'000
Market value:		
Debt securities and other fixed interest securities	133,073	-
	133,073	-
Cost:		
Debt securities and other fixed interest securities	135,031	-
	135,031	-

Fair Value Hierarchy

FRS 102 requires the company to classify financial instruments into a fair value hierarchy as follows:

- Level 1 – The unadjusted quoted price in an active market for identical assets or liabilities that the syndicate can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.
- Level 3 – Inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

An analysis of financial instruments at 31 December 2016 by fair value hierarchy is set out below:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Debt securities and other fixed income securities	2,734	246,633	-	249,367
Shares and other variable yield securities	-	13,820	-	13,820
Overseas deposits	1,827	5,093	-	6,920
Total	4,561	265,546	-	270,107

10 OTHER FINANCIAL INVESTMENTS - continued

An analysis of financial instruments at 31 December 2015 by fair value hierarchy is set out below:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Debt securities and other fixed income securities	97,745	-	-	97,745
Shares and other variable yield securities	5,855	-	-	5,855
Overseas deposits	4,922	542	-	5,464
Total	108,522	542	-	109,064

Debt securities and other fixed interest securities' with active markets such as Government securities are classified within Level 1, as fair values are based on quoted market prices. For debt securities and other fixed interest securities that trade in less active markets, including corporate securities, fair values are based on the output of pricing models, the significant inputs into which include, but are not limited to, yield curves, credit risks and spreads, measures of volatility, and prepayment speeds. These debt securities and other fixed interest securities are classified within Level 2. For debt securities and other fixed interest securities and debt securities and other fixed interest securities for which pricing is unobservable, these are classified within Level 3.

Shares and other variable yield securities include short term investments, such as liquidity funds. Where such securities are traded in active markets, they are classified within Level 1, as fair values are based on quoted market prices. Where no active market exists for such securities they are typically classified within Level 2 and where pricing is unobservable, Level 3.

During the period no investments were transferred between Level 2 and Level 3.

11 OTHER DEBTORS

	2016 £'000	2015 £'000
Amounts falling due within one year:		
Other debtors	845	1,393
Total	845	1,393

12 MEMBERS' BALANCES

Members participate on syndicates by reference to years of account and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a particular year.

Members' balances are supported by Funds at Lloyd's ("FAL"), as disclosed in note 16. Members' balances carried forward at 31 December include £134.7m (2015: Nil) designated as FAL. Members' balances designated as FAL are included in the following asset headings:

	2016 £'000	2015 £'000
Other financial investments (note 10)	133.1	-
Deposits with credit institutions	-	-
Other prepayment and accrued income	1.6	-
Total assets designated as Funds at Lloyds	134.7	-

13 OTHER CREDITORS

	2016	2015
	£'000	£'000
Amounts falling due within one year:		
Other creditors	6,749	3,452
	6,749	3,452

14 CASH AND CASH EQUIVALENTS

Reconciliation of cash and cash equivalents to the Balance Sheet Position

	2016	2015
	£'000	£'000
Cash at bank and in hand	7,878	7,018
	7,878	7,018

Cash equivalents include deposits held at call with banks 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 change in value. Such investments are those with less than three months' maturity from the date of acquisition, or which are redeemable on demand with only an insignificant change in their fair values.

15 TRANSACTIONS WITH RELATED PARTIES

The ultimate holding company of the syndicate's managing agent, ACE Underwriting Agencies Limited ("AUAL"), is Chubb Limited, a company which is registered in Zurich, Switzerland and quoted on the New York Stock Exchange.

Copies of the ultimate holding company's consolidated accounts can be obtained from Investor Relations at Chubb's executive offices at 17 Woodbourne Avenue, Hamilton HM 08, Bermuda.

The syndicate may have reinsured, or have been reinsured by, insurance companies in which Chubb Limited has interests and of which it and certain of its subsidiaries are controllers. During calendar year 2016, a number of outwards reinsurance contracts were effected with group companies. The main excess of loss reinsurance programmes in operation during 2016 were shared with other Chubb companies, including ACE European Group Limited. Included within outwards reinsurance premium in the technical account for the year ended 31 December 2016, £4.1 million relates to reinsurance contracts placed with group companies; of this amount, £3.2 million relates to reinsurance contracts placed with Chubb Tempest Reinsurance and £0.9 million placed with

Federal Insurance Inc. Creditors arising out of reinsurance operations as at 31 December 2016 includes £0.5 million payable to Chubb Tempest Reinsurance.

The syndicate's capacity is provided entirely by Chubb Capital Limited which trades as a corporate member of Lloyd's, participating only on Syndicate 1882. This company is a wholly owned subsidiary within the Chubb group.

Managing agency fees of £0.5 million (2015: £0.5 million) were paid by the syndicate to AUAL & CMAL. Staff providing services to AUAL, CMAL and the syndicate are employed by ACE INA Services U.K. Limited ("AIS") and Chubb European Services Ltd (CESL), both of which are Chubb Limited companies. AIS and CESL settle expenses on behalf of, and provided services to, the syndicates and AUAL.

16 FUNDS AT LLOYD'S

Every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's ("FAL"). These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities and can therefore be considered as the capital supporting the operations of the syndicate.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on Prudential Regulatory Authority (PRA) requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and assessment of the reserving risk in respect of business that has been underwritten. As referred to in notes 10 and 12, the syndicate's members have met their FAL requirements by a loan from a fellow group company. At 31 December 2016 FAL totalled £134.7 million (2015: £101.8million).

17 CLAIMS DEVELOPMENT TABLES

The following tables show the development of claims over a period of time on both a gross and net of reinsurance basis. FRS 103 requires that claims development shall go back to the period when the earliest claim arose for which there is still uncertainty about the amount and timing of the claims payment, but need not go back more than 10 years. When adopting FRS 103 for the first time, the standard allows the syndicate to disclose information in relation to claims development occurring up to 5 years from the first year of adoption which was 2015. The top half of the table shows how the estimates of total claims for each underwriting year develop over time. The lower half of the table reconciles the cumulative claims to the amount appearing in the balance sheet.

The cumulative claims estimates and payments for each underwriting year are translated into sterling at the current year-end rates.

Claims development as at 31 December 2016 - Gross

	2011	2012	2013	2014	2015	2016	Total
Estimate of ultimates:							
End of underwriting year	36,622	48,266	32,808	34,837	44,722	29,257	
One Year Later	76,618	72,688	52,861	58,404	78,551		
Two Years Later	101,674	70,524	48,887	63,456			
Three Years Later	109,859	72,895	53,018				
Four Years Later	120,546	75,124					
Five Years Later	119,938						
Current estimate of ultimate claims	119,938	75,124	53,018	63,456	78,551	29,257	
Cumulative payments	(97,381)	(51,320)	(32,050)	(28,007)	(23,914)	(3,421)	
In balance sheet	22,557	23,804	20,968	35,449	54,637	25,836	183,251
Provision for prior financial years							5,312
Liability in the balance sheet							188,563

17 CLAIMS DEVELOPMENT TABLES - continued

Claims development as at 31 December 2016 – Net

	2011	2012	2013	2014	2015	2016	Total
Estimate of ultimates:							
End of underwriting year	34,712	38,982	29,466	31,806	43,777	26,972	
One Year Later	64,677	59,237	48,968	56,116	74,709		
Two Years Later	71,524	66,101	46,629	60,404			
Three Years Later	69,580	65,154	51,683				
Four Years Later	79,704	67,507					
Five Years Later	77,807						
Current estimate of ultimate claims	77,807	67,507	51,683	60,404	74,709	26,972	
Cumulative payments	(62,639)	(44,165)	(32,050)	(28,007)	(23,879)	(3,421)	
In balance sheet	15,168	23,342	19,633	32,397	50,830	23,551	164,921
Provision for prior financial years							4,883
Liability in the balance sheet							169,804

18 RECONCILIATION OF INSURANCE BALANCES

	2016 £'000	2015 £'000
At 1 January	11,847	10,675
Change in net acquisition costs deferred during the year	(1,160)	1,172
At 31 December	10,687	11,847

The reconciliation of opening and closing unearned premium provision is as follows:

	Gross		Reinsurer's share	
	2016	2015 (restated)	2016	2015 (restated)
	£'000	£'000	£'000	£'000
At 1 January	64,386	57,276	2,641	1,916
Increase/(decrease) in provision	(29,063)	6,990	(783)	674
Foreign exchange movements	12,618	120	842	51
At 31 December	47,941	64,386	2,700	2,641

18 RECONCILIATION OF INSURANCE BALANCES - continued

The reconciliation of opening and closing provision for claims is as follows:

	Gross		Reinsurer's share	
	2016	**2015 (restated)**	**2016**	**2015 (restated)**
	£'000	£'000	£'000	£'000
At 1 January	146,427	130,264	12,311	23,250
Increase/(decrease) in provision	20,076	16,069	4,121	(11,374)
Foreign exchange movements	22,061	94	2,327	435
At 31 December	188,563	146,427	18,759	12,311

19 SUBSEQUENT EVENTS

On 27th February the Lord Chancellor announced a change in the Ogden rate for discounting personal injury claims, reducing them to negative 0.75%. This change does not have a material effect on financial statements of Syndicate 1882.

20 ULTIMATE HOLDING COMPANY

The managing agent's immediate holding company is Chubb Leadenhall Limited. The managing agent's ultimate holding company is Chubb Limited, a company which is registered in Zurich, Switzerland and quoted on the New York Stock Exchange. Copies of the ultimate holding company's consolidated accounts can be obtained from Investor Relations at Chubb's executive offices at 17 Woodbourne Avenue, Hamilton HM 08, Bermuda.