Appendix 8

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.

The Channel Managing Agency

The Channel Syndicate 2015

Annual Report and Accounts

31 December 2016

Contents

Directors and Administration

Managing Agent
The Channel Managing Agency (TCMA)

MANAGING AGENT:

Directors
B J G Hilton (Chairman)*
P A Chubb
T R C Corfield
B Gentsch*
T J Hayday*
D J Hindley*
V V V Mistry
V Y Peignet*
D M Reed

Non Executive Directors*

Managing Agent's Registered Office
10 Lime Street
London
EC3M 7AA

Managing Agent's Registered Number
8614385

SYNDICATE:

Active Underwriter
T R C Corfield

Bankers
Lloyds Bank plc
Citibank NA
RBC Dexia

Auditors
Mazars LLP
London

Report of the Directors of the Managing Agent

The Directors of the Managing Agent present their report in respect of Syndicate 2015 for the year ended 31 December 2016.

This annual report is prepared using the annual basis of accounting as required by Regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations").

Results

The result for calendar year 2016 is a loss of £19,885,000 (2015: loss of £8,532,000).

Principal Activity and Review of the Business

The Syndicate's principal activity is the underwriting of direct insurance and reinsurance business in the Lloyd's market.

The Syndicate underwrites a range of business including Accident and Health, Property, Marine, Financial Institutions and Professional Liability.

Gross written premium income by class of business for the calendar year was as follows:

	2016	2015
	£'000	£'000
Accident and Health	14,841	18,582
Property	112,359	89,891
Marine	52,965	43,738
Financial Institutions	14,048	11,950
Professional Liability	47,269	30,019
	241,482	194,180

Key Performance Indicators

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

	2016	2015
	£'000	£'000
Gross Written Premiums	241,482	194,180
Loss for the financial year	(19,885)	(8,532)
Claims ratio	66%	60%
Expense ratio	46%	45%
Combined ratio	112%	105%

The claims ratio is the ratio of claims incurred net of reinsurance to earned premiums net of reinsurance. The expense ratio is the ratio of net operating expenses to earned premiums net of reinsurance.

Overall worldwide property losses were US$154bn and insured losses were US$45.1bn which were above the inflation-adjusted average for the past ten years[1]. This experience was reflected in the property account that incurred a higher number of catastrophe losses in 2016 than anticipated. The largest two events were Hurricane Matthew and the Alberta wildfires but we also suffered from a number of smaller earthquake and flood claims across our global portfolio. The catastrophe losses were compounded by a high frequency of large losses during 2016 but despite this elevated level of activity, the property account did benefit from a release of reserves during the financial year. There has been some reserve strengthening on marine cargo business written in 2014. However, following the re-underwriting of the marine account, the book is performing in line with or better than plan.

The professional liability book has had continued reserve strengthening in 2016, largely related to deterioration on specific known events, the result of reviews to material contracts and claims notified using both internal and external resources. This approach of establishing a timely reserve strength should ensure that as the Syndicate matures there will be a reduced risk of volatility as those claims settle out. We continue to evolve our liability underwriting to remediate the issues identified in prior years. Our focus remains to develop the specialty insurance product offering, including Environmental Impairment, Credit and Political Risks and Cyber technology liability.

[1] Munich Re *Natural catastrophe losses at their highest for four years*, 4 January, 2017

Operating Expenses

Net operating expenses for the year are set out below:

	2016 £'000	2015 £'000
Acquisition Costs	76,704	64,783
Change in Deferred Acquisition Costs	(8,818)	(7,183)
Reinsurance Commissions	(732)	(536)
Managing Agency Fee	1,358	1,256
Other Personal Expenses	1,765	1,419
Other Administration Expenses	11,518	7,480
Net Operating Expenses	81,795	67,219

Total Net Operating Expenses have increased this year in line with expectations reflecting the growth of the business during 2016.

Investment Return

The return on Syndicate funds by currency is shown below:

	Currency	2016 '000	2015 '000
Average Syndicate funds available	Combined Sterling	119,672	94,252
	Sterling	22,163	13,521
	Euro	12,814	17,998
	US Dollars	86,740	88,807
	Canadian Dollars	27,566	14,524
Investment return for the year	Combined Sterling	1,254	406
	Sterling	375	210
	Euro	148	(9)
	US Dollars	893	234
	Canadian Dollars	173	98
Calendar year investment return %	Combined Sterling	1.05%	0.43%
	Sterling	1.69%	1.55%
	Euro	1.15%	(0.05)%
	US Dollars	1.03%	0.26%
	Canadian Dollars	0.63%	0.67%

US Dollar surplus funds are on a daily sweep to the Western Asset Management Cash Mutual. The Syndicate invests in fixed income securities for the US Dollar Situs and Euro trust funds.
Investment returns for 2016 were 1.05% (2015: 0.43%). The Syndicate investment strategy is to preserve capital and have a prudent approach to managing investment risk.

Financial Investments

The Syndicate's investment guidelines do not allow the holding of equities or stock lending transactions. At 31 December 2016 the portfolio composition was as follows:

	2016 £'000	2015 £'000
Liquid funds	36,665	27,672
Fixed income securities	82,982	62,582
	119,647	90,254

Principal Risks and Uncertainties

The TCMA Board, ('the Board') sets its risk appetite annually as part of the Syndicate's business planning process. The Board has established a Risk and Capital Committee which meets quarterly to review and update the risk register and to monitor performance against risk appetite using a series of key
risk indicators and portfolio monitoring. The principal risks and uncertainties facing the Syndicate are outlined below and, where appropriate further detail is included in note 17.

Report of the Directors of the Managing Agent (continued)

United Kingdom's prospective withdrawal from the European Union

Regulatory and commercial uncertainty precipitated by the United Kingdom's prospective withdrawal from the European Union presents both threats and opportunities. For the Syndicate the proportion of Euro-denominated business remains less than 10% of overall gross premium. Lloyd's has developed plans for accessing European Union business via a branch operation likely to be within the Benelux countries and we will continue to work in conjunction with our colleagues in the SCOR group and Lloyd's to ensure we have an appropriate response to these prospective changes and also to enable us to take advantage of any opportunities that may arise.

Insurance Risk

Insurance risk includes the risk that underwriting results vary from their expected amounts, including the risk that the frequency or severity of insured events will be higher than expected, or that estimates of claims subsequently prove to be insufficient. The Board manages insurance risk by agreeing its appetite for these risks annually through the business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. The Board then monitors performance against the business plan throughout the year. The Syndicate uses catastrophe modelling software to model potential losses from catastrophe-exposed business. Reserve adequacy is monitored through quarterly review by the actuarial team and further reviewed and approved by the Reserving Committee. It is also reviewed annually by an independent firm of external actuaries.

Credit Risk

The key aspect of credit risk is the risk of default by one or more of the Syndicate's reinsurers. The Board's policy is that the Syndicate will usually only use reinsurers rated in the A range or higher of recognised third-party rating agencies. The Agency Reinsurance and Intermediaries Security Committee is required to assess and approve all new reinsurers before business is placed with them. The Syndicate also notes and monitors credit risk that may arise through brokers and business written via delegated underwriting authority.

Market Risk

The key aspect of market risk is that the Syndicate incurs losses on foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. The Agency's policy is, where appropriate, to maintain received income or incurred expenditure in the core currencies in which they were received or paid. Currency matching is reviewed quarterly by the Board.

Liquidity Risk

This is the risk that the Syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash. To mitigate this risk the Board reviews cash flow projections regularly.

Operational Risk
This is the risk that errors caused by people, processes, systems and external events lead to losses to the Syndicate. The Agency seeks to manage this risk through the use of detailed procedures manuals and a structured programme of testing of processes and systems by internal audit. Business continuity and disaster recovery plans are in place and are regularly updated and tested.

Regulatory Risk
Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Agency is required to comply with the requirements of the FCA, the PRA and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. The Agency has a Compliance Officer who is responsible for compliance and monitors regulatory developments and assesses the impact on Agency policy.

Solvency II
The business operates under the requirements of the Solvency II regime, and maintains its own fully operational Internal Model, which is reviewed at least annually by Lloyd's. This includes evidencing that the Agency meets the tests and standards required by the Solvency II Directive.

Future Developments
In 2017 we will continue to transact business in the current classes of general insurance and reinsurance business. Whilst recognising that the current market conditions continue to be challenging, we aim to identify new opportunities to expand and develop our specialty business. We appointed a Head of Technology and Cyber Insurance in 2016 to develop this account. The total Syndicate capacity for the 2017 year of account is £226m up from £181m in 2016. TCMA is firmly engaged in following a strategic plan to establish the Channel Syndicate as a recognised leading specialty Syndicate, as part of the SCOR Vision in Action strategy.

Directors Serving in the Year
The Directors of the Managing Agency, TCMA, who served during the year ended 31 December 2016 were as follows:

B J G Hilton (Chairman)
P A Chubb
T R C Corfield
B Gentsch
T J Hayday
D J Hindley
V V V Mistry
V Y Peignet
D M Reed

Report of the Directors of the Managing Agent (continued)

Disclosure of Information to the Auditor

So far as each person who was a Director of the Managing Agent at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with its report, of which the auditor is unaware. Having made enquiries of fellow Directors of the Agency and the Syndicate's auditor, each Director has taken all the steps that he or she is obliged to take as a Director in order to make himself or herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Syndicate Annual General Meeting

In accordance with the Syndicate Meetings (Amendment No 1) Byelaw (No 18 of 2000) the Managing Agent does not propose holding an annual meeting this year; the Managing Agent also intends to reappoint the auditor, Mazars LLP, for a further 12 months. Should the Syndicate Member object to either of these proposals, the Managing Agent should be advised before 25 April 2017.

On behalf of the Board

David Reed
Director
15 March 2017

Statement of Managing Agent's Responsibilities

The Managing Agent is responsible for preparing the Managing Agent's Report and the annual accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the Managing Agent to prepare Syndicate annual accounts at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The 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:

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

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

The Managing Agent confirms that it has complied with the above requirements in preparing the Syndicate annual accounts.

Independent Auditor's Report to the Member of Syndicate 2015

We have audited the annual accounts of Syndicate 2015 for the year ended 31 December 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Member's Balance, the Statement of Cash Flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Respective responsibilities of the managing agent and the auditor

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 9 the managing agent is responsible for the preparation of syndicate annual accounts which give a true and fair view.

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

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

Scope of the audit of the Syndicate annual accounts

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

Opinion on Syndicate annual accounts

In our opinion the annual accounts:

- give a true and fair view of the state of affairs of Syndicate 2015 as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

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

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

Independent Auditor's Report to the Member of Syndicate 2015 (continued)

Matters on which we are required to report by exception

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

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

Steve Liddell (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London E1W 1DD

15 March 2017

Profit and Loss Account

Technical Account
For the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Earned premiums, net of reinsurance			
Gross premiums written	4	241,482	194,180
Outward reinsurance premiums		(43,289)	(35,164)
Net premiums written		198,193	159,016
Change in the provision for unearned premiums			
- Gross amount		(29,845)	(19,237)
- Reinsurers' share		8,346	10,112
Change in the net provision for unearned premiums		(21,499)	(9,125)
Earned premiums, net of reinsurance		176,694	149,891
Allocated investment return transferred from the non-technical account		1,254	406
Claims incurred, net of reinsurance			
Claims paid			
- Gross amount		(109,820)	(60,265)
- Reinsurers' share		18,326	7,562
Net claims paid		(91,494)	(52,703)
Change in the provision for claims			
- Gross amount		(36,957)	(48,148)
- Reinsurers' share		12,112	10,549
Change in the net provision for claims		(24,845)	(37,599)
Claims incurred, net of reinsurance		(116,339)	(90,302)
Net operating expenses	5	(81,795)	(67,219)
Balance on the technical account for general business		**(20,186)**	**(7,224)**

All the amounts above are in respect of continuing operations.

Non-Technical Account
For the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Balance on the general business technical account		(20,186)	(7,224)
Investment income	8	1,761	769
Unrealised losses on investments		(417)	(326)
Investment expenses		(90)	(37)
Allocated investment return transferred to general business technical account		(1,254)	(406)
Profit / (Loss) on Foreign exchange		301	(1,308)
Loss for the financial year		**(19,885)**	**(8,532)**

Balance Sheet

Assets
At 31 December 2016

	Notes	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Investments					
Other financial investments	9		119,647		90,254
Reinsurers' share of technical provisions	19				
Provision for unearned premiums		37,487		24,475	
Claims outstanding		46,754		30,667	
			84,241		55,142
Debtors					
Debtors arising out of direct insurance operations	10	54,450		41,456	
Debtors arising out of reinsurance operations	11	24,976		18,735	
Other debtors		442		318	
			79,868		60,509
Other assets					
Cash and cash equivalents	12	19,485		10,468	
Overseas deposits	13	24,533		15,853	
			44,018		26,321
Prepayments and accrued income					
Deferred acquisition costs	14	48,868		35,400	
Accrued interest and rent		490		417	
Other prepayments and accrued income		584		675	
			49,942		36,492
Total assets			**377,716**		**268,718**

Balance Sheet

Liabilities
At 31 December 2016

	Notes	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Capital and reserves					
Member's balance			(36,965)		(26,033)
Technical provisions	19				
Provision for unearned premiums		161,157		112,880	
Claims outstanding		210,466		153,765	
			371,623		266,645
Creditors					
Creditors arising out of direct insurance operations	15	1,636		2,310	
Creditors arising out of reinsurance operations	16	38,508		23,325	
Other creditors including taxation and social security		241		577	
			40,385		26,212
Accruals and deferred income			2,673		1,894
Total liabilities			**377,716**		**268,718**

The notes on pages 16 to 36 form an integral part of these annual accounts.

The annual accounts on pages 12 to 36 were approved by the Board of The Channel Managing Agency Limited on 15 March 2017 and were signed on its behalf by

Paul Chubb
Director
15 March 2017

Statement of Changes in Member's Balance

For the year ended 31 December 2016

	2016 £'000	2015 £'000
At 1 January	(26,033)	(19,139)
Distribution loss	8,953	1,638
Loss for the year	(19,885)	(8,532)
At 31 December	(36,965)	(26,033)

Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Cash flows from operating activities			
Loss for the year		(19,885)	(8,532)
Increase in gross technical provisions		104,978	73,785
Increase in reinsurers' share of technical provisions		(29,099)	(22,326)
Increase in debtors		(32,809)	(13,830)
Increase in creditors		14,952	6,203
Movement in other assets/liabilities		(11,598)	15,982
Investment return		(1,254)	(406)
Net cash flows from operating activities		25,285	50,876
Cash flows from investing activities			
Purchase of debt instruments		(40,252)	(53,867)
Sale of debt instruments		27,184	6,905
Investment income received		1,322	444
Foreign Exchange		(13,407)	(914)
Other		(68)	(38)
Cash flows from financing activities			
Distribution loss from Member in respect of underwriting participation		8,953	1,638
Net increase in cash and cash equivalents		9,017	5,044
Cash and cash equivalents at 1 January		10,468	5,424
Cash and cash equivalents at 31 December	12	19,485	10,468

Notes to the Accounts

At 31 December 2016

1. Basis of preparation

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations") and Financial Reporting Standard 102 ("FRS 102") as issued in September 2015 and the Financial Reporting Standard 103 ("FRS 103") as issued in February 2017.

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

The financial statements are presented in Sterling, which is the Syndicate's functional currency. All amounts have been rounded to the nearest thousand unless otherwise shown.

2. Use of judgement and estimates

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

Actual results may differ from these estimates. TCMA carry out reserving on a quarterly basis, and so all estimates and underlying assumptions are reviewed periodically throughout the year, with any revisions to estimates approved by the TCMA Board. An actual compared to expected analysis is carried out by the Reserving Actuary on a quarterly basis. Comparing emerging experience to expectation is an important part of the reserve setting process. Actual versus expected movements within the quarter as well as actual versus expected movements during the year to date are compared. These analyses inform the Reserving Committee and Board in their validation and challenge of the reserve review results.

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

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

The amount included in respect of IBNR is based on statistical techniques of estimation applied by TCMA's Reserving Actuary and peer reviewed by the TCMA Chief Actuary. The Reserving Actuary makes recommendations of reserves to the Reserving Committee. The Reserving Committee meets quarterly to consider these recommendations and in turn recommend suitable reserves to the TCMA Board. In addition, an external independent Actuary is engaged by TCMA to evaluate the Syndicate's solvency reserves and provide a Statement of Actuarial Opinion ("SAO") each year end. The main conclusions of the SAO Actuary and the SAO report are shared with the Reserving Committee and the Board at the time of setting year end reserves to provide a further point of consideration in respect of the recommended levels of IBNR.

Notes to the Accounts (continued)

The statistical techniques used to estimate IBNR are widely accepted actuarial techniques and generally involve projecting from past experience the development of claims over time in view of the likely ultimate claims to be experienced. However, due to the Syndicate's short history in writing some classes of business, it is not always possible to carry out actuarial projections of ultimate claims liabilities on actual Syndicate experience alone. Instead, development curves derived from LMA (Lloyd's Market Association) risk code level triangle data are combined to create benchmark curves for these classes of business, in addition to any other reasonable external benchmark data. These derived benchmark development patterns are then used to project ultimate claims based on paid and incurred Bornhuetter-Ferguson and chain ladder methods. These benchmark patterns are reviewed at least annually. As the Syndicate matures, more weight will be put on the business' own experience instead of LMA data.

For the more recent underwriting years, regard is given to variations in business accepted and the underlying terms and conditions. For these years, in deriving ultimate claims liabilities, more reliance is placed on loss ratios from the Syndicate's current business plan (unless more current information to suggest deviating from the plan loss ratios is available).

Reinsurance IBNR is made up of general IBNR on Treaty, Facultative and QS programmes, and specific reinsurance IBNR on known losses. Reinsurance IBNR calculations take into account the actual programmes that are purchased to cover each class of business and where appropriate the assumed reinsurance loss ratios are based on the Syndicate's latest internal capital model.

The provision for claims also includes amounts in respect of internal and external claims handling costs. The reserves are calculated on an undiscounted basis by class of business and year of account. The recommended reserves are on a best estimate basis with no margin for prudence or optimism. Further information about reserving risk is included in Note 17.

3. Significant Accounting Policies

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

Gross Premiums Written
Premiums written comprise premiums on contracts incepted during the financial year, as well as adjustments made in the year to premiums written in prior accounting periods. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Premiums include estimates for pipeline premiums, net of estimated future cancellations, representing amounts due to the Syndicate not yet notified.

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

Reinsurance Premium Ceded
Outward reinsurance premiums comprise premium for contracts incepting during the financial year together with adjustment to outward reinsurance ceded in previous years.

Claims Provisions and Related Recoveries
Gross claims incurred comprise the estimated cost of all claims occurring during the financial year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding established in previous years.

The provision for claims outstanding is assessed on:

1) 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

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

The Directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided, as set out in Note 2.

Unexpired Risk 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 separately by reference to classes of business which are managed together after taking into account any future investment return. No provision is necessary at the current year end (2015: £nil).

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

Foreign Currencies
Transactions in US Dollars, Canadian Dollars and Euros are translated at the average rates of exchange for the year. Transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange at the balance sheet date. Unearned premium reserves and deferred acquisition costs are treated as monetary assets and liabilities. There are no non-monetary assets and liabilities.

Exchange differences are recorded in the non-technical account.

Notes to the Accounts (continued)

Investments

Investments are stated at current value at the balance sheet date. For this purpose, listed investments are stated at market value (bid value) and deposits with credit institutions and overseas deposits are stated at cost or market value as notified by Lloyd's.

Investment Return

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

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

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

Taxation

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

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings.

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

Pension Costs

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

Cash and cash equivalents

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

Notes to the Accounts (continued)

4. Segmental Analysis

2016	Gross written premium £'000	Gross premium earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Re-insurance balance £'000	Total £'000
Direct insurance:						
Accident and health	10,761	12,669	(7,799)	(5,487)	(291)	(908)
Motor (Other Classes)	1	1	(173)	(1)	1	(172)
Marine	10,845	10,529	(7,535)	(4,109)	278	(837)
Aviation	(181)	495	(1,169)	(182)	139	(717)
Transport	5,977	6,876	(6,445)	(2,751)	138	(2,182)
Fire and other damage to property	83,774	73,201	(39,997)	(28,331)	(6,312)	(1,439)
Third party liability	60,064	48,053	(34,213)	(20,142)	(2,142)	(8,444)
Pecuniary Loss	12,896	11,147	(3,425)	(3,730)	(3,396)	596
	184,137	162,971	(100,756)	(64,733)	(11,585)	(14,103)
Reinsurance	57,345	48,666	(46,021)	(17,062)	7,080	(7,337)
	241,482	211,637	(146,777)	(81,795)	(4,505)	(21,440)

2015	Gross written premium £'000	Gross premium earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Re-insurance balance £'000	Total £'000
Direct insurance:						
Accident and health	13,321	12,312	(7,361)	(6,009)	(895)	(1,953)
Motor (Other Classes)	1	-	(4)	-	1	(3)
Marine	18,225	8,506	(9,017)	(5,470)	3,469	(2,512)
Aviation	1,819	2,557	(3,565)	(1,165)	2,117	(56)
Transport	7,268	7,671	(6,374)	(3,510)	(1,801)	(4,014)
Energy - Marine	13	8	(1)	46	(1)	52
Energy – Non Marine	(440)	361	(784)	(290)	720	7
Fire and other damage to property	57,964	54,269	(21,394)	(20,733)	(4,020)	8,122
Third party liability	40,541	36,303	(28,111)	(14,695)	(427)	(6,930)
Pecuniary Loss	10,559	7,352	(2,764)	(2,262)	(1,200)	1,126
	149,271	129,339	(79,375)	(54,088)	(2,037)	(6,161)
Reinsurance	44,909	45,604	(29,038)	(13,667)	(4,368)	(1,469)
	194,180	174,943	(108,413)	(67,755)	(6,405)	(7,630)

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

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

All contracts were concluded in the UK, albeit that the business emanates from around the world.

Notes to the Accounts (continued)

5. Net Operating Expenses

	2016 £'000	2015 £'000
Acquisition costs	(76,704)	(64,783)
Change in deferred acquisition costs	8,818	7,183
Administrative expenses	(14,641)	(10,155)
Reinsurance commissions	732	536
	(81,795)	(67,219)

Commission for direct insurance business for the year was £41,737,000 (2015: £40,334,000).

Administrative expenses include:

	2016 £'000	2015 £'000
Auditor's remuneration		
Audit of the annual accounts	(66)	(53)
Other services:		
Other assurance services	(11)	(26)
Interim reporting	(28)	(28)
	(105)	(107)

In addition to the above during 2016 Mazars LLP carried out cover holder reviews for a fee of £13,382 (2015: £2,229).

Standard personal expenses (Lloyd's subscriptions, New Central Fund Contributions, Managing Agents fees)	(3,123)	(2,675)

6. Staff Numbers and Costs

	2016 £'000	2015 £'000
Wages and salaries	13,732	11,058
Social security costs	1,710	1,424
Other pension costs	822	656
Total	16,264	13,138

The average numbers of employees of the Managing Agent but working during the year for the Syndicate were as follows:

	2016	2015
Administration	34	28
Underwriting and reinsurance	70	58
Claims	11	4
Total	115	90

Notes to the Accounts (continued)

The comparative figures are in respect of the period commencing 1 February 2015. Up until 31 January 2015 the emoluments the Directors and staff were met by The Channel Syndicate LLP, with effect from 1 February 2015 all staff and Directors were employed by TCMA.

7. Emoluments of the Directors of TCMA

The Directors of TCMA and the Active Underwriter received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2016 £'000	2015 £'000
Active underwriter	653	639
Other directors of TCMA	1,597	1,269
Total	2,250	1,908

The comparative figures above are in respect of the period commencing 1 February 2015. Up until 31 January 2015 the emoluments the directors and staff were met by The Channel Syndicate LLP, with effect from 1 February 2015 all staff and directors were employed by TCMA.

8. Investment Return

	2016 £'000	2015 £'000
Interest and dividend income	1,895	760
Realised (losses) / gains	(134)	9
Total investment income	1,761	769
Unrealised losses	(417)	(326)
Investment expenses	(90)	(37)
Total investment return	1,254	406

9. Financial Investments

	2016		2015	
	Market value £'000	Cost £'000	Market value £'000	Cost £'000
Shares and other variable securities and units in unit trusts	36,665	36,665	27,672	27,672
Debt securities and other fixed income securities	82,982	83,429	62,582	62,920
	119,647	120,094	90,254	90,592

Notes to the Accounts (continued)

The Syndicate has not traded in derivatives.

All financial investments are designated as at fair value through profit or loss.

All "Shares and other variable yield securities and units in unit trusts" and "Debt Securities and other fixed income securities" are listed.

The Syndicate classifies its financial investments as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 Prices based on recent transactions in identical assets (either unadjusted or adjusted)
Level 3 Prices determined using a valuation technique

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

Fair Value Hierarchy

As at 31 December 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Shares and other variable yield securities and unit trusts	36,665	-	-	36,665
Debt Securities and other fixed income securities	19,138	63,844	-	82,982
Total	55,803	63,844	-	119,647

As at 31 December 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Shares and other variable yield securities and unit trusts	27,672	-	-	27,672
Debt Securities and other fixed income securities	9,392	53,190	-	62,582
Total	37,064	53,190	-	90,254

10. Debtors arising out of Direct Insurance Operations

	2016 £'000	2015 £'000
Due within one year – intermediaries	54,394	41,381
Due after one year – intermediaries	56	75
	54,450	41,456

Notes to the Accounts (continued)

11. Debtors arising out of Reinsurance Operations

	2016 £'000	2015 £'000
Due within one year – intermediaries	24,976	18,720
Due after one year – intermediaries	-	15
	24,976	18,735

12. Cash and cash equivalents

	2016 £'000	2015 £'000
Cash at bank and in hand	19,485	10,468

13. Overseas Deposits

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.

As these assets are managed by Lloyd's, without reference to TCMA, overseas deposits are disclosed as Other Assets on the Balance Sheet.

14. Deferred Acquisition Costs

	2016 £'000	2015 £'000
At 1 January	35,400	27,311
Change in deferred acquisition costs	8,818	7,183
Foreign exchange	4,650	906
At 31 December	48,868	35,400

15. Creditors arising out of Direct Insurance Operations

	2016 £'000	2015 £'000
Due within one year	1,630	2,284
Due after one year	6	26
	1,636	2,310

Notes to the Accounts (continued)

16. Creditors arising out of Reinsurance Operations

	2016 £'000	2015 £'000
Due within one year	38,508	23,325
	38,508	23,325

17. Risk and Capital Management

Overview

The principal objective of TCMA's risk and financial management framework is to protect the Syndicate's Member from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit commercial opportunities. TCMA recognises the critical importance of having efficient and effective risk management systems in place.

TCMA has a Risk Management function and governance structure for the business with clear terms of reference from the Board of Directors and its appointed Committees. Day to day management of the business is the responsibility of the Executive management team. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the Board.

The Risk Management function reports to the Board via the Chief Risk Officer, who owns and maintains the Risk Management Strategy. All executive directors and selected senior management also maintain responsibility for identified risks and risk policies. These policies define the identification of risk and its interpretation to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the Syndicate goals, and specify reporting requirements.

The Board, and its relevant committees, approve the risk management policies and meet regularly to approve any commercial, regulatory and organisational requirements of such policies. Significant emphasis is placed on the assessment of the articulation and approval of the i) TCMA Risk Appetite, monitoring against which is provided at least quarterly to the Board; ii) Own Risk and Solvency Assessment (ORSA) process and report; iii) regular assessment and documentation of risks and controls; and iv) adherence to Lloyd's Minimum Standards framework.

Insurance Risk

Insurance risk includes the risk that underwriting results vary from their expected amounts, including the risk that the frequency or severity of insured events will be higher than expected, or that estimates of claims subsequently prove to be insufficient.

Factors considered for insurance risk include, but are not limited to:

- Our financial condition and operating results may be adversely affected by the occurrence of natural catastrophic events and/or large losses;

Notes to the Accounts (continued)

- The models we use to assess our exposure to losses from future natural catastrophes contain inherent uncertainties and our actual losses may therefore differ significantly from expectations;
- Our operating results may be adversely affected by an unexpected accumulation of attritional losses;
- The effects of emerging claim and coverage issues on our business are uncertain; and
- Our financial condition and operating results may be adversely affected if actual claims exceed our loss reserves.

The TCMA Board has implemented a robust governance framework to enable suitable oversight and challenge of the business to enable it to oversee insurance risk.

The Underwriting Committee and Underwriting Guidelines provide the framework to manage and monitor underwriting risk. The Syndicate makes use of both proportional and non-proportional reinsurance to mitigate the risk of incurring significant losses linked to one or more events. Where an individual exposure is deemed to exceed the Syndicate's appetite additional facultative reinsurance is also purchased.

The Reserving Committee oversees the management of reserving risk. The use of proprietary and standardised modelling techniques, internal and external benchmarking, and the review of claims development are all instrumental in mitigating reserving risk.

Large and catastrophe risk are managed via an Exposure Management team, and Exposure Management Sub-Committee, who also leverage specialist knowledge and expertise within the SCOR group where appropriate.

Concentration of Insurance Risk

The Syndicate's exposure to insurance risk is well diversified. The following table provides an analysis of its written premium by geographical segment. Where a policy provides worldwide coverage the geographical segment is determined by the location of the (re)insured.

	2016	**2015**
United States	37%	36%
United Kingdom	23%	22%
Europe (excluding United Kingdom)	12%	11%
Asia	5%	8%
Africa	5%	3%
Canada	4%	4%
Middle East	4%	3%
Australia & New Zealand	4%	4%
Caribbean & Central America	3%	5%
South America	3%	4%
	100%	100%

Notes to the Accounts (continued)

Sensitivity to Insurance Risk

The table below shows the impact on the result and net assets of a ten percent increase or decrease in the cost of net claims reserves.

	2016 £'000 10 per cent		2015 £'000 10 per cent	
	increase	**decrease**	**increase**	**decrease**
Accident and Health	(1,186)	1,186	(803)	803
Property	(6,104)	6,104	(4,444)	4,444
Marine	(2,774)	2,774	(2,493)	2,493
Financial Institutions	(1,917)	1,917	(1,501)	1,501
Professional Liability	(3,953)	3,953	(2,767)	2,767
Total	(15,934)	15,934	(12,008)	12,008

Credit Risk

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

TCMA is exposed to credit risk in respect of the following:

- Financial investments;
- Reinsurers' share of insurance liabilities;
- Amounts due from intermediaries (re/insurance brokers);
- Amounts due from reinsurers in respect of settled claims;
- Cash and cash equivalents; and
- Other debtors and accrued interest.

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

Management of Credit Risk
The Syndicate's credit risk in respect of debt securities is managed by placing limits on its exposure to a single counterparty, by reference to the credit rating of the counterparty. Financial assets are graded according to current credit ratings issued by rating agencies.

The Syndicate's exposure to reinsurance counterparties is monitored by the Reinsurance and Intermediaries Security Committee.

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

Notes to the Accounts (continued)

The Syndicate assesses the creditworthiness of all reinsurers by reviewing public rating information and by internal investigations. The impact of reinsurer default is regularly assessed, modelled, and managed accordingly.

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

The amounts below are neither past due or impaired.

As at 31 December 2016

	AAA £'000	AA £'000	A £'000	BBB £'000	Total £'000
Shares & other variable yield securities & unit trusts	-	-	36,665	-	36,665
Debt securities	30,781	13,493	37,633	1,075	82,982
Reinsurers' share of claims outstanding	-	14,085	32,669	-	46,754
Reinsurance recoverable on paid claims	-	851	1,773	-	2,624
Cash at bank & in hand	-	-	19,485	-	19,485
Total credit risk	30,781	28,429	128,225	1,075	188,510

As at 31 December 2015

	AAA £'000	AA £'000	A £'000	BBB £'000	Total £'000
Shares & other variable yield securities & unit trusts	-	-	27,672	-	27,672
Debt securities	15,808	19,907	25,641	1,226	62,582
Reinsurers' share of claims outstanding	-	9,527	21,140	-	30,667
Reinsurance recoverable on paid claims	-	12	1,199	-	1,211
Cash at bank & in hand	-	-	10,468	-	10,468
Total credit risk	15,808	29,446	86,120	1,226	132,600

Notes to the Accounts (continued)

Credit Risk – Ageing and Impairment

As at 31 December 2016

		Past due but not impaired			
	Neither past due or impaired £'000	**Up to three months £'000**	**Three to six months £'000**	**Greater than six months £'000**	**Total £'000**
Shares & other variable yield securities & unit trusts	36,665	-	-	-	36,665
Debt securities	82,982	-	-	-	82,982
Overseas deposits	24,533	-	-	-	24,533
Reinsurers' share of claims outstanding	46,754	-	-	-	46,754
Reinsurance recoverable on paid claims	2,624	260	109	211	3,204
Cash at bank & in hand	19,485	-	-	-	19,485
Insurance debtors	52,582	961	577	330	54,450
Other debtors	442	-	-	-	442
Total credit risk	266,067	1,221	686	541	268,515

As at 31 December 2015

		Past due but not impaired			
	Neither past due or impaired £'000	**Up to three months £'000**	**Three to six months £'000**	**Greater than six months £'000**	**Total £'000**
Shares & other variable yield securities & unit trusts	27,672	-	-	-	27,672
Debt securities	62,582	-	-	-	62,582
Overseas deposits	15,853	-	-	-	15,853
Reinsurers' share of claims outstanding	30,667	-	-	-	30,667
Reinsurance recoverable on paid claims	1,211	536	36	10	1,793
Cash at bank & in hand	10,468	-	-	-	10,468
Insurance debtors	39,733	879	620	224	41,456
Other debtors	318	-	-	-	318
Total credit risk	188,504	1,415	656	234	190,809

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial investment or insurance contract will fluctuate. Market risk comprises three types of risk: interest rate risk, currency risk, and equity price risk.

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

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

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

Currency Risk:
The Syndicate maintains four settlement currencies being Sterling, Euro, Canadian Dollar, and US Dollar and is therefore exposed to currency risk arising from fluctuations in the exchange rates of Sterling against these currencies.

The foreign exchange policy is to maintain assets in the currency in which the cash flows from liabilities are to be settled in order to mitigate the currency risk inherent in these contracts.

Equity Price Risk:
The Syndicate holds no equities within its portfolio.

Liquidity Risk

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

The nature of the Syndicate's exposures to liquidity risk and its objectives, policies and processes for managing liquidity risk have not changed significantly from the prior year. The business has a low appetite for this risk category.

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

Notes to the Accounts (continued)

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

- Forecasts are prepared and reviewed to predict future cash flows;
- The Syndicate sets limits for the average duration of investments;
- Assets purchased by the Syndicate are required to satisfy specified marketability requirements; and
- The Syndicate maintains cash and liquid assets to meet daily calls on its insurance contracts.

As at 31 December 2016

	Carrying Amount £'000	Less than 1 year £'000	1-2 Years £'000	2-5 Years £'000	More than 5 years £'000
Outstanding claims liabilities	210,466	39,952	44,109	72,166	54,239
Other creditors	40,385	40,379	6	-	-
Total	250,851	80,331	44,115	72,166	54,239

As at 31 December 2015

	Carrying amount £'000	Less than 1 year £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Outstanding claims liabilities	153,765	32,646	34,351	52,163	34,605
Other creditors	26,212	26,186	26	-	-
Total	179,977	58,832	34,377	52,163	34,605

Currency Risk

As at 31 December 2016

	GBP £'000	USD £'000	EURO £'000	CAD £'000	Total £'000
Financial investments	-	89,928	13,820	15,899	119,647
Reinsurers' share of technical provisions	20,383	47,860	12,915	3,083	84,241
Insurance & reinsurance receivables	20,352	60,189	(845)	(270)	79,426
Cash & cash equivalents	4,395	963	14,127	-	19,485
Overseas deposits	19,101	2,026	-	3,406	24,533
Other assets	17,030	27,948	3,900	1,506	50,384
Total assets	81,261	228,914	43,917	23,624	377,716
Technical provisions	(98,482)	(203,761)	(55,601)	(13,779)	(371,623)
Insurance & reinsurance payables	(97)	(41,125)	1,650	(572)	(40,144)
Other creditors and accruals	(2,384)	(496)	(34)	-	(2,914)
Total liabilities	(100,963)	(245,382)	(53,985)	(14,351)	(414,681)
Net assets/(liabilities)	(19,702)	(16,468)	(10,068)	9,273	(36,965)

Notes to the Accounts (continued)

As at 31 December 2015

	GBP £'000	USD £'000	EURO £'000	CAD £'000	Total £'000
Financial investments	-	71,043	12,074	7,137	90,254
Reinsurers' share of technical provisions	11,760	38,655	4,474	253	55,142
Insurance & reinsurance receivables	14,071	45,070	1,275	(225)	60,191
Cash & cash equivalents	4,169	862	5,437	-	10,468
Overseas deposits	13,086	1,224	-	1,543	15,853
Other assets	12,619	20,654	2,704	833	36,810
Total assets	55,705	177,508	25,964	9,541	268,718
Technical provisions	(73,483)	(156,595)	(30,733)	(5,834)	(266,645)
Insurance & reinsurance payables	(443)	(26,000)	712	96	(25,635)
Other creditors and accruals	(2,217)	(251)	(3)	-	(2,471)
Total liabilities	(76,143)	(182,846)	(30,024)	(5,738)	(294,751)
Net assets/(liabilities)	(20,438)	(5,338)	(4,060)	3,803	(26,033)

Sensitivity to Market Risks for Financial Investments

Sensitivity Analysis

An analysis of the Syndicate's sensitivity to interest rate increase and decrease for its financial investments at the period end is shown in the table below.

The table shows the impact on the result and net assets.

Interest Rate Risk	2016 £'000	2015 £'000
Impact of 50 basis point increase on result/net assets	(702)	(568)
Impact of 50 basis point decrease on result/net assets	712	394

Sensitivity to Foreign Exchange Rate Changes

Sensitivity Analysis

An analysis of the Syndicate's sensitivity to GBP/USD and GBP/EUR exchange rate increase and decrease for its net assets and liabilities at the period end is shown in the table below.

Currency Risk	2016 £'000	2015 £'000
Impact of 10 percent increase in GBP/USD	(1,647)	(534)
Impact of 10 percent decrease in GBP/USD	1,647	534
Impact of 10 percent increase in GBP/EUR	(1,007)	(406)
Impact of 10 percent decrease in GBP/EUR	1,007	406

Notes to the Accounts (continued)

Capital Management

TCMA operates under the Solvency II Directive requirements and the Society of Lloyd's capital framework.

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

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

Lloyd's capital setting processes use a capital requirement set at individual Syndicate level as a starting point. However, the requirement to meet Solvency II and Lloyd's capital requirements applies at overall and Member level (SCOR Underwriting Limited) only respectively, not at Syndicate level. The Syndicate is supported 100% by SCOR via the SCOR Underwriting Limited Member. As such, the capital requirement in respect of the Syndicate is not disclosed in these financial statements.

Lloyd's capital setting process:
In order to meet Lloyd's and regulatory requirements, each Syndicate is required to calculate its Solvency Capital Requirement (SCR) for the prospective underwriting year, in line with the business plan that is proposed for approval. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate') and for a one year time horizon (1 year SCR). The SCRs of each Syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.

For establishing Lloyd's minimum solvency requirements, Lloyd's uses the Syndicate SCR to ultimate as a starting point. Over and above this, Lloyd's applies a market wide capital uplift, currently 35%, to the SCR, to derive the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives.

Any material change in business plan will trigger the recalculation of the SCR to ultimate, and be advised to Lloyd's. TCMA must also confirm the Syndicate's solvency position quarterly to Lloyd's.

18. Claims Development

The table below represents the estimated ultimate claims development by underwriting year in respect of the cumulative premiums earned at each relevant year end. Premiums written are allocated to an underwriting year based on the inception date of the policy or the inception date of the facility where the premium is written under a delegated authority agreement. As such the earned premium for an underwriting year will continue to increase in years two and three leading to an underlying increase in estimated ultimate claims in years two and three.

Notes to the Accounts (continued)

Gross

Year U/W Pure	At end of UW year £'000	One year later £'000	Two years later £'000	Three years later £'000	Four years later £'000	Five years later £'000
2011	6,892	14,493	13,550	13,115	12,663	12,064
2012	26,308	58,492	58,135	61,491	65,938	
2013	40,610	96,467	102,029	97,644		
2014	47,320	118,913	139,507			
2015	44,683	115,192				
2016	65,050					

Net

Year U/W Pure	At end of UW year £'000	One year later £'000	Two years later £'000	Three years later £'000	Four years later £'000	Five years later £'000
2011	6,620	14,026	13,038	12,526	12,139	11,543
2012	22,920	52,949	53,401	54,917	55,920	
2013	36,010	76,294	82,376	79,154		
2014	42,937	102,061	114,147			
2015	37,521	98,894				
2016	52,979					

Underwriting Pure year	Gross estimated balance to pay £'000	Net estimated balance to pay £'000
2011	459	459
2012	15,820	8,278
2013	23,543	17,155
2014	55,486	45,872
2015	69,807	57,031
2016	45,351	34,917
	210,466	163,712

The Syndicate has loss reserves for various events and for IBNR. Losses continue to develop, both positively and negatively on these open balances. Whilst the Syndicate has a reasonable degree of confidence as to the ultimate adequacy of its reserves for all events, volatility exists around the final settlement value. Overall on an aggregate basis, reserve releases of £1.4m net of reinsurance were made to prior year reserves during 2016. In 2015 there was a reserve strengthening of £4.4m.

Overall the reserve release in 2016 was primarily generated by the Property account offset by a strengthening of the Professional Liability and Marine account reserves.

Notes to the Accounts (continued)

19. Technical Provisions

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

	Gross provisions £'000	Reinsurance assets £'000	Net £'000
Provision for Claims			
At 1 January 2016	153,765	(30,667)	123,098
Movement per technical account	36,957	(12,112)	24,845
Foreign Exchange	19,744	(3,975)	15,769
At 31 December 2016	210,466	(46,754)	163,712
Unearned Premiums			
At 1 January 2016	112,880	(24,475)	88,405
Movement per technical account	29,845	(8,346)	21,499
Foreign Exchange	18,432	(4,666)	13,766
At 31 December 2016	161,157	(37,487)	123,670

	Gross provisions £'000	Reinsurance assets £'000	Net £'000
Provision for Claims			
At 1 January 2015	102,816	(19,473)	83,343
Movement per technical account	48,148	(10,549)	37,599
Foreign Exchange	2,801	(645)	2,156
At 31 December 2015	153,765	(30,667)	123,098
Unearned Premiums			
At 1 January 2015	90,044	(13,342)	76,702
Movement per technical account	19,237	(10,112)	9,125
Foreign Exchange	3,599	(1,021)	2,578
At 31 December 2015	112,880	(24,475)	88,405

20. Post Balance Sheet Events

There are no significant post Balance Sheet events.

21. Disclosure of Interests

Managing Agent's Interests

The Financial Statements of TCMA can be obtained by application to the Registered Office (see page 2).

Notes to the Accounts (continued)

Related Companies' Interests

Syndicate 2015's dedicated capital provider is SCOR Underwriting Limited. SCOR Underwriting Limited is a subsidiary of SCOR Global P&C SE and shares the same ultimate parent, SCOR SE.

TCMA, a subsidiary undertaking of SCOR SE, provides management services to the Syndicate. In 2016, the recharge to the Syndicate was £18,016,000 (2015 £15,129,000). The balance outstanding at the year end owed by the Syndicate to TCMA was £237,000 (2015 £577,000).

The amount of premium ceded by SCOR SE companies in the period was £nil (2015: £nil). The amount of reinsurance ceded to SCOR SE companies was £14,975,000 (2015: £10,618,000).

The Channel Syndicate LLP, a subsidiary undertaking of SCOR SE, provided management services to the Syndicate until 31 January 2015. In 2016, the recharge to the Syndicate was £nil (2015 £796,000). The balance outstanding at the year end was £nil (2015: £nil). The Channel Syndicate LLP was dissolved on 12 January 2016.