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The Standard Syndicate

The Standard Syndicate 1884

www.syndicate1884.com

Report & Accounts 2017

The Standard Syndicate

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Highlights 2017

2017 gross written premium	Percentage of business written accretive to Lloyd's	2018 planned gross written premium
£89.3m	**49%**	**£118.9m**

- 17% increase in gross written premium for the year
- Reinsurance programme provided significant protection to windstorm losses in 2017
- Operating expense ratio reduced by 2%
- Three recognised and highly experienced market leading underwriters joined the team
- New Downstream Energy and Cyber classes
- Major capital providers continued investment for 2018 year of account

"The Standard Syndicate has unfortunately not delivered on plan in its early years of operation and we have taken and continue to take affirmative action which is already achieving results with a promising trend of improvement in the syndicate's underlying loss ratios.

The Standard Syndicate has now become established in the Lloyd's market, with a fully committed principal investor, supported by additional third-party capital. We are confident in our prospects and believe we are well placed to grow and achieve profitable underwriting results in the medium term."

R G Dorey, Active Underwriter, The Standard Syndicate

About The Standard Syndicate 1884

The Standard Syndicate 1884 ("Syndicate 1884" and "Syndicate") was established by mutual protection and indemnity (P&I) insurer, The Standard Club, and benefits from its long experience of marine insurance which stretches back to 1884. The Syndicate commenced writing in 2015 and provides a broad range of insurance covers to its clients and for the wider marine and energy market.

Given The Standard Club's deep knowledge of the shipping industry, proprietary data on fleets and maritime knowledge, the Syndicate initially focused on underwriting marine and energy risks. As the Syndicate has evolved, it has started to move to the next phase of its strategy of seeking to diversify into non-marine classes, while still capitalising on its strong relationships with The Standard Club, its members and their brokers. This is expected to help deliver lower volatility, greater scale and more sustainable earnings over time.

The Standard Club's global footprint and Charles Taylor Managing Agency's access to its parent's global network of offices mean that insureds can access services where they are needed. In addition, we have established service companies in Europe and Singapore which enables insureds to access Lloyd's security easily through the Syndicate regardless of where they are based around the world.

Our ability to offer high levels of cover, backed by Lloyd's S&P A+ security and our innovative distribution model means that the Syndicate is bringing high levels of accretive business to the Lloyd's market.

The Standard Syndicate offers a range of insurance covers designed to meet the needs of specialty clients, including shipowners, operators, offshore energy operators and other clients. Going forward the Syndicate is increasing its focus on writing more non-marine risks such as property, specie and political risks.

Class of business	Types of risk
Cargo	• General and specialist cargo, logistics, and remotely operated vehicles.
Cyber	• Cyber liability and cyber caused physical damage including business interruption; denial of service, cloud service provider, data restoration, and environmental damage.
Energy Upstream	• Physical damage relating to the marine energy business, including construction risks and control of wells, and covering mobile installations, fixed platforms and associated onshore facilities.
Energy Downstream	• Physical damage relating to onshore refining and petrochemical business including business interruption.
E&O	• Exposure to actual or alleged negligent acts of the insured in respect of third party liabilities including but not limited to breach of warranty, and copyright infringement.
Fine Art & Specie	• Fine Art, Private Jewellery, General Specie and Cash in Transit.
Hull	• Hull & Machinery for bulk cargo, liquid cargo, container, passenger, ferry, small ships and yachts, plus increased value, mortgagees' interest and war
Marine Liability	• Marine energy related non-P&I liabilities, port and terminal operators' liabilities, and transport operators' liabilities.
Marine Property	• Container terminals, dry/wet bulk terminals, shipbuilders, ro-ro terminals, port authorities, infrastructure, buildings equipment and business interruption.
Non-Marine Property	• Industrial (light and heavy) and manufacturing, mining, commercial and infrastructure risks
Political Risk & Trade Credit	• Coverage for political and credit risk for traders, exporters, contractors and corporations involved in direct investment and contracts/business activities overseas.
Political Violence & Terrorism	• Sabotage and terrorism, riots, strikes and civil commotion, political violence including war, terrorism liability and terrorism contingency.

Active Underwriter's Report

Active Underwriter's Report 2017

The Standard Syndicate was launched coming up to three years ago on 1 April 2015. It has unfortunately not delivered on plan in these early years of operation and we have taken affirmative action to improve the Syndicate's performance. These steps are already achieving results with a promising trend of improvement in the syndicate's underlying loss ratios.

Steps included:

- Appointing Steve Robson, a former BRIT managing agency director, as Syndicate managing director.
- Recruiting highly experienced underwriters and restructuring our underwriting teams.
- Re-underwriting the underperforming hull and cargo books.
- Introducing complementary new classes of business as planned at the Syndicate's launch.
- Rebalancing the syndicate's book, so that no class accounts are more than 15% of premium.
- Demonstrating long-term commitment to the market with our principal investor, The Standard Club, significantly increasing its stake in the syndicate.

This has resulted in the syndicate's underlying performance steadily improving. In the 2015 year of account, the attritional loss ratio was 82%, improving slightly to 81% in 2016 and currently performing at 57% in 2017. We believe this trend will continue.

The Standard Syndicate's results should also be viewed in the context of a start-up syndicate. In common with most start-ups we budgeted on no profit during the first three years of operation. 2018 will be our first year of operation when we are planning to deliver a profit, with a target combined ratio of 99.5%.

Year of account performance:

2015 year of account: The Syndicate underwrote gross net premiums of £28.4m, around 79% of capacity, and will close its first underwriting year with a loss of £15.5m (43.1% of capacity). The overall ultimate gross and net loss ratios are 109% and 124% respectively.

The key drivers of this result were:

- Falling oil prices led to a fall in premium income written in Lloyd's which in turn meant that growth prospects in energy and liability were effectively stopped. As a result, the energy and liability classes were well short of the premium plan.
- The reduction in energy and liability premium meant that the proportion of the hull book of the whole account was greater than planned at 50%.
- The hull account ran at a net loss ratio of 149% and sustained a net underwriting loss of £7m. These losses were caused by a combination of a large loss of £1.6m and a higher than expected incidence of attritional claims.
- The property account ran at a net loss ratio of 117% and sustained a net underwriting loss of £0.5m. Contributing to this loss were two catastrophe losses which impacted the portfolio disproportionately. The attritional performance of this class was within plan expectations.
- The cargo, energy, liability and non-marine property accounts all ran profitably, and have outperformed the Lloyds market benchmarks. The good performance of these classes was offset by the lack of scale and therefore their net profit of £2.6m could not compensate for the hull losses.

2015 closed year of account	**£000**
Gross premium written	36,449
Earned premium, net of reinsurance	31,401
Loss on the technical account for the closed year of account*	(15,149)
Claims ratio	92.8%
Acquisition and expense ratio	55.4%
Combined ratio	148.2%

The ratios are to earned premium, net of reinsurance.
*Loss on the technical account excludes investment return and currency gains/(losses).

Active Underwriter's Report

2016 year of account: The Syndicate underwrote gross net premiums of £58.8m, around 65% of capacity, and is reporting a forecast underwriting year loss of £26.4m (29.3% of capacity). The overall ultimate gross and net loss ratios are 123% and 122% respectively; excluding losses from hurricanes Harvey, Irma, Maria and Mexican Earthquake (HIMM), these are 102% and 115% respectively.

The key drivers behind this result were:

- £3.1m impact from HIMM in relation to policies which incepted in 2016 and were in force at the time of these events. The accounts most impacted by HIMM are cargo, marine property and non-marine property.
- The cargo account is running at a gross loss ratio of 224% (net 187%) and sustained an underwriting loss of £7.1m. Contributing to the underwriting loss was one large loss and one catastrophe loss (other than HIMM) totalling £2.7m, £7.9m of HIMM losses and attritional losses in excess of plan totalling £12.2m. The account benefitted from interlocking clauses on the outwards reinsurance which netted down the result.
- 27% of the 2015 hull book was not renewed. The account is running at a net loss ratio of 134% sustaining an underwriting loss of £6.4m. These losses were caused by £2.0m of large losses, attritional losses of £23.1m and HIMM losses on the yacht portfolio of £2.4m. Reinsurance recoveries provided some mitigation of the gross loss. The attritional hull performance has improved by 16% on the previous year at 110%.
- The property account is running at a net loss ratio of 105% and was impacted by HIMM.
- The energy, liability, PVT, marine property and political risk accounts are running profitably contributing a positive result of £5.4m. As for 2015, this was insufficient to set off the loss-making classes.

2017 year of account: The Syndicate has underwritten gross net premiums of £72.3m, around 72% of capacity, and is reporting a forecast underwriting year loss of £22.8m (22.8% of capacity). The overall ultimate gross and net loss ratios are 125% and 111% respectively; excluding HIM losses, these are 76% and 88% respectively.

The key drivers behind this result were:

- The net impact of HIMM is £12.5m. The accounts most impacted by HIMM are cargo, marine and non-marine property.
- 48% of the 2016 hull book was not renewed and the hull portfolio as a whole was reduced to £12.4 gross net premium. The account is running at a net loss ratio of 119% and is forecasting an underwriting loss of £2m. Attritional claims represent a loss ratio of 93%, a further improvement on last year.
- 38% of the 2016 cargo book was not renewed and the cargo class was reduced to £10.6m gross premium. The account is forecasting a net underwriting loss of £2.9m which is heavily driven by its exposure to HIMM.
- The property account is running at a net loss ratio of 162% and sustained a net underwriting loss of £3.7m. Excluding the impact of HIMM at £7.3m, the property account was forecast to return an underwriting profit.
- The energy, liability, specie and political risk accounts are currently forecast to return a net technical profit.

Low 'Cat' exposure: Like most syndicates, our 2016 and 2017 performance has been impacted by the remarkably high number of natural disasters during the policy years. Hurricanes Harvey, Irma and Maria (HIM) all feature in the top ten most expensive losses suffered by Lloyd's. We had some exposure to the Hurricane losses on our marine cargo, marine property and non-marine property books. However, we suffered no HIMM energy losses, and had only limited exposure to the California wildfires and no losses from the subsequent mudslides.

Our resilient performance is due to our strategy of writing carefully selected risks. The appointment of a Head of Property underwriter will strengthen 1884's plans to increase diversification with a defined and limited appetite to catastrophe risk exposure in 2018.

Active Underwriter's Report

The Standard Club backing: The syndicate's long-term capital backer is The Standard Club, one of the world's leading marine protection and indemnity insurers. The club is clear in its commitment to invest in the syndicate to enable it to develop and grow in a sustainable way. This commitment was shown most clearly when it increased its support of the syndicate from 47% to 86% for 2018. It sees the development of The Standard Syndicate as an important part of it wider strategy to become a broadly diversified marine and energy insurer.

The club's backing gives us direct, senior level access to ship owners who have vessels entered in the club and many other leading owners in the marine market. This enables us to secure high quality business, that would otherwise not be written in the Lloyd's market.

We have developed the syndicate's offering to meet these owners' wider insurance needs. Many are multinational corporations with wide interests in property and other sectors. Our range of covers meets both their marine insurance needs and their non-marine property, cyber, political risk, specie, trade credit, political violence and terror insurance requirements.

The Standard Club's knowledge of these owners' operations also enables us target owners with the highest operational standards, top quality crews and expert ship management. The business is both accretive to Lloyd's and is performing better than non-club business.

Strengthened team: We have further strengthened our underwriting team by recruiting senior cargo, hull and non-marine property underwriters. We have exceptionally experienced underwriters on our core classes. Each has 30 years or more insurance market experience and excellent track records. Our ability to attract high quality underwriters demonstrates their belief in our vision to create a powerful new marine and energy underwriting presence in Lloyd's.

In addition to our appointment of Steve Robson as Syndicate Managing Director, our senior appointments include:

- Ian Smith joined as Hull Class Underwriter in November 2017 from Navigators Syndicate.
- Nick Derrick joined in November 2017 from Travelers as Cargo Class Underwriter. He is currently Chairman of the International Union of Marine Insurance (IUMI) Cargo Committee and former Chairman of the London Market Association's Joint Cargo Committee.
- Stephen Woodward (ex-Paris Re, Partner Re and Swiss Re) joined in January 2018, as Head of Property to develop the Syndicate's property portfolio.
- Suzy Black (ex-Acapella) will join as Liabilities Cass Underwriter in Q3 2018.
- Paul Crockford, will be joining from Atrium in Q2 2018 as Head of Claims. He has over 20 years' experience London market claims and is Chairman-elect of LMA Marine Claims Group.

More promising outlook: We take no satisfaction from The Standard Syndicate's disappointing performance in 2015, 2016 and 2017. As a result, some of the original capital providers decided not to support the Syndicate for 2018. We would like to place on record our thanks for their support in the prior years.

We enter 2018 with greater confidence. We have appointed a team of underwriters with strong market followings, improved our attritional loss ratio and have submitted our first business plan to Lloyd's which targets a profitable result. There are signs that the underwriting environment is starting to improve. We have also established new underwriting lines, and diversified into the non-marine property and cyber liability markets.

To support this expansion, we have secured additional box space on the second-floor gallery at Lloyd's for our energy team. This locates the team alongside other energy underwriters which we believe will improve our competitive position.

The Standard Syndicate has now become established in the Lloyd's market, with a fully committed principal investor, supported by additional third-party capital. We are confident in our prospects and believe we are well placed to grow and achieve profitable underwriting results in the medium term.

R G Dorey
Active Underwriter, The Standard Syndicate
15 March 2018

Report of the directors of the managing agent

The directors of Charles Taylor Managing Agency Limited (CTMA) present their report in respect of The Standard Syndicate (the Syndicate) for the year ended 31 December 2017.

This annual report is prepared using the annual basis of accounting as required by Statutory Instrument No.1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations").

Results: The result for the year ended 31 December 2017 is a loss of £34,182,000 (2016: loss of £26,451,000).

Principal activity: The principal activity of the Syndicate is the underwriting of direct insurance and reinsurance business in the Lloyd's market, in accordance with the risk appetite agreed by the Board of CTMA. A review of the year's activity is included in the Active Underwriter's Report.

Business review and key performance indicators: The key performance indicators during the year were as follows:

	2017	*2016*
	£000	*£000*
Gross premium written	**89,302**	*76,319*
Earned premium, net of reinsurance	**65,472**	*47,462*
Loss on the technical account for the period	**(37,010)**	*(24,449)*
Claims ratio	**99.8%**	*93.2%*
Acquisition and expense ratio	**56.7%**	*58.3%*
Combined ratio	**156.5%**	*151.5%*
Combined ratio (excluding 'HIMM' losses)	**133.2%**	*151.5%*

The ratios are to earned premium, net of reinsurance.

The Syndicate generated minimal investment returns in the year 2017 (2016: minimal investment return in the year).

Principal risks and uncertainties

External risks: The Syndicate is currently focused on providing insurance products tailored to the needs of policyholders in the marine and energy sector. Consequently, it is exposed to developments that have an impact on this sector, including trends in global trade, energy and commodity prices, and political, legal and regulatory changes such as changes in sanctions rules. The Syndicate is also directly and indirectly exposed to a range of other macroeconomic factors including exchange rates, interest rates and the levels of capital deployed within the insurance industry, which may affect levels of competition and the pricing and availability of reinsurance. The effect of such factors may be complex – for example, falls in commodity and energy prices may reduce demand for the insurance products that the Syndicate provides but may also have a positive impact on claim severity where the underlying cost of claims is linked to the same factors.

Risk management framework: The Syndicate seeks to identify, assess, monitor and manage material risks through its risk management framework. The framework is incorporated into the Syndicate's policies and includes its risk appetite, governance and a range of risk monitoring and control processes (see note 20: Risk management).

Risk management strategy: The Syndicate seeks to accept insurance risks where it believes these are priced appropriately and remain within its overall risk appetite. Its primary source of risk arises from its underwriting activities. Key underwriting risk management strategies employed include:

- Individual risk selection and line size control, including due diligence on potential risks and policyholders, and use of technical pricing tools.
- Developing a diversified portfolio of risks, for example across geography, class of business and distribution channel. The potential for excessive accumulation of exposure in catastrophe exposed areas is managed through market standard and bespoke scenarios that reflect the nature of the Syndicate's business.
- Reduction of potential catastrophe and large loss risks through the Syndicate's reinsurance programme.

CTMA employs several other specific risk management strategies, methods and tools across the range of risks that the Syndicate faces, with the intention that non-insurance related risks are minimised in a cost effective and proportionate manner.

Report of the directors of the managing agent

Future developments

The Syndicate will continue to transact the current classes of general (re)insurance business (which include Hull, Upstream & Downstream Energy, Marine Liability, Property, Cargo, Specie, D&O, E&O, Political Risks, Terrorism & Cyber). If opportunities arise to write new classes of business that fall within the Syndicate's appetite, these will be investigated at the appropriate time.

The Syndicate plans to write gross premium of £118.9 million for the 2018 year of account (2017 year of account: current forecast £93.3 million).

Having considered the risks and uncertainties and the performance of the Syndicate as disclosed in this report, CTMA has a reasonable expectation that the Syndicate will continue to write business for the foreseeable future. Moreover, CTMA expects that continued capital support will be in place to do so.

Directors serving in the period

Details of the directors of CTMA that served during the period and up to the date of signing the Syndicate Annual Report & Accounts are provided on page 56.

Disclosure of information to the auditors

In the case of each of the persons who are directors of CTMA at the time the report is approved:

- So far as the directors are aware, there is no relevant audit information, being information needed by the Syndicate auditor relating to the auditor's report, of which the auditor is unaware; and
- Having made enquiries of fellow directors of CTMA and the Syndicate's auditor, each director has taken all the steps that he or she ought to have taken as a director to become aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

Reappointment of auditors

Ernst & Young LLP has indicated its willingness to continue in office as the Syndicate's auditors, and the management of CTMA intends to reappoint them.

On behalf of the board:

R D Andrews
Director
15 March 2018

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 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 accounts; and
- Prepare the Syndicate 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 which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The managing agent is responsible for the maintenance and integrity of the corporate and financial information included on the business' website. Legislation in the United Kingdom governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

Independent auditor's report for the Annual accounts to the members of Syndicate 1884

For the year ended 31 December 2017

Opinion

We have audited the syndicate annual accounts of syndicate 1884 ('the syndicate') for the year ended 31 December 2017 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Members' Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

- give a true and fair view of the syndicate's affairs as at 31 December 2017 and of its loss 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the syndicate annual accounts section of our report below. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the managing agent's use of the going concern basis of accounting in the preparation of the syndicate annual accounts is not appropriate; or
- the managing agent has not disclosed in the syndicate annual accounts any identified material uncertainties that may cast significant doubt about the syndicate's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the syndicate annual accounts are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the syndicate annual accounts and our auditor's report thereon. The managing agent is responsible for the other information.

Our opinion on the syndicate annual accounts does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the syndicate annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the syndicate annual accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of the audit

- the information given in the managing agent's report for the financial year in which the syndicate annual accounts are prepared is consistent with the syndicate annual accounts, and

- the managing agent's report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we have not identified material misstatements in the managing agent's report.

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;

- we have not received all the information and explanations we require for our audit; or

- certain disclosures of the managing agents' emoluments specified by law are not made.

Responsibilities of the managing agent

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 the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate annual accounts, the managing agent is responsible for assessing the syndicate's ability to continue in operation, disclosing as applicable, matters related to its ability to continue in operation and using the going concern basis of accounting unless the managing agent either intends to cease to operate the syndicate, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the syndicate annual accounts

Our objectives are to obtain reasonable assurance about whether the syndicate annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these syndicate annual accounts.

A further description of our responsibilities for the audit of financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Angus Millar (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
16 March 2018

Income statement
Technical account – General business
For the year ended 31 December 2017

	Notes	2017 £000	2017 £000	*2016 £000*	*2016 £000*
Gross premiums written	*2*	89,302		*76,319*	
Outward reinsurance premiums		(21,576)		*(13,341)*	
Net written premiums			**67,726**		*62,978*
Change in the provision for unearned premiums					
- Gross amount		(7,135)		*(18,529)*	
- Reinsurers' share		4,881		*3,013*	
Change in the net provision for unearned premiums	*4*		**(2,254)**		*(15,516)*
Earned premiums, net of reinsurance			**65,472**		*47,462*
Allocated investment return transferred from the non-technical account	*10*		**31**		*6*
Claims paid					
- Gross amount		(41,600)		*(16,500)*	
- Reinsurers' share		3,766		*507*	
Change in claims outstanding					
- Gross amount		(65,894)		*(33,967)*	
- Reinsurers' share		38,369		*5,737*	
Change in the net provision for claims			**(27,525)**		*(28,230)*
Claims incurred, net of reinsurance	*3*		**(65,359)**		*(44,223)*
Net operating expenses	*6*		**(37,154)**		*(27,694)*
Balance on technical account - general business			**(37,010)**		*(24,449)*

All operations are continuing.

Income statement
Non-technical account – General business
For the year ended 31 December 2017

	Notes	2017 £000	*2016* *£000*
Balance on technical account - general business		**(37,010)**	*(24,449)*
Investment income		**39**	*8*
Realised gains on investments		**5**	*-*
Investment expenses and charges		**-**	*-*
Realised (loss) on investments		**(13)**	*(2)*
Allocated investment return transferred to the technical account	*10*	**(31)**	*(6)*
Currency exchange gain/(loss)		**2,828**	*(2,002)*
Loss for the year		**(34,182)**	*(26,451)*

Statement of comprehensive income

For the year ended 31 December 2017

	Notes	2017 £000	*2016* *£000*
Loss for the year		**(34,182)**	*(26,451)*
Other comprehensive income		**-**	*-*
Total comprehensive income for the year		**(34,182)**	*(26,451)*

Statement of changes in members' balances

For the year ended 31 December 2017

	Notes	Profit and loss account £000	Total members balances £000
At 1 January 2017		(36,081)	(36,353)
Loss for the year		**(34,182)**	**(34,182)**
Members' agent's fees		**-**	**(115)**
At 31 December 2017		**(70,263)**	**(70,650)**

	Notes	*Profit and loss account £000*	*Total members balances £000*
At 1 January 2016		*(9,630)*	*(9,630)*
Loss for the year		*(26,451)*	*(26,451)*
Members' agent's fees		*-*	*(272)*
At 31 December 2016		*(36,081)*	*(36,353)*

Statement of financial position

As at 31 December 2017

ASSETS	Notes	2017 £000	2017 £000	*2016 £000*	*2016 £000*
Investments					
Financial investments	*11*		**8,552**		*4,403*
Reinsurers' share of technical provisions					
Provision for unearned premiums	*4*	7,724		*3,245*	
Claims outstanding	*3*	42,783		*6,538*	
			50,507		*9,783*
Debtors					
Debtors arising out of direct insurance operations	*12*	30,895		*28,983*	
Debtors arising out of reinsurance operations	*12*	10,748		*13,259*	
Other	*12*	6		*2*	
			41,649		*42,244*
Cash and other assets					
Cash at bank and in hand	*14*	1,211		*3,321*	
Other assets	*13*	4,307		*600*	
			5,518		*3,921*
Prepayments and accrued income					
Deferred acquisition costs	*5*	12,173		*11,167*	
Other prepayments and accrued income		1,121		*1,063*	
			13,294		*12,230*
Total assets			**119,520**		*72,581*

Statement of financial position

As at 31 December 2017

MEMBERS' BALANCES AND LIABILITIES	Notes	2017 £000	2017 £000	*2016 £000*	*2016 £000*
MEMBERS' BALANCE					
Profit and loss account			**70,650**		*36,353*
LIABILITIES					
Technical provisions					
Provision for unearned premiums	*4*	(50,577)		*(46,690)*	
Claims outstanding	*3*	(104,513)		*(44,009)*	
			(155,090)		*(90,699)*
Creditors					
Creditors arising out of direct insurance operations	*15*	(13,154)		*(6,264)*	
Creditors arising out of reinsurance operations	*15*	(4,080)		*(2,866)*	
Other creditors	*16*	(14,031)		*(6,521)*	
			(31,265)		*(15,651)*
Accruals and deferred income			**(3,815)**		*(2,584)*
Total members' balances and liabilities			**(119,520)**		*(72,581)*

The financial statements on pages 12 to 37 were approved by the board of directors on 15 March 2018 and were signed on its behalf by:

R D Andrews
Director

Statement of cash flows

For the year ended 31 December 2017

	Notes	2017 £000	*2016 £000*
Loss on ordinary activities		**(34,182)**	*(26,451)*
Movement in gross technical provisions		**64,390**	*61,663*
Movement in reinsurers' share of gross technical provisions		**(40,724)**	*(9,464)*
Movement in debtors		**538**	*(23,126)*
Movement in creditors		**10,595**	*10,164*
Movement in other assets		**(545)**	*(6,212)*
Investment return		**(31)**	*(6)*
Net cash flows from operating activities		**41**	*6,568*
Cash flow from investing activities			
Investment income received		**31**	*6*
Cash flow from financing activities			
Financing		**6,250**	*(500)*
Members' agents' fees advance		**(115)**	*(203)*
		6,166	*(697)*
Net increase in cash and cash equivalents		**6,207**	*5,871*
Cash and cash equivalents at beginning of period		**8,324**	*2,418*
Foreign exchange on cash and cash equivalents		**(461)**	*35*
Cash and cash equivalents at end of year		**14,070**	*8,324*
Cash at bank and in hand	*14*	**1,211**	*3,321*
Short term deposits with credit institutions	*11, 13*	**12,859**	*5,003*
Cash and cash equivalents at end of year		**14,070**	*8,324*

Notes to the financial statements

For the year ended 31 December 2017

1. Accounting policies

1.1 Statement of compliance

The financial statements have been prepared in compliance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and The Financial Reporting Standard 102 and The Financial Reporting Standard 103, being applicable UK GAAP accounting standards, and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

The financial statements are prepared under the historical cost convention except for certain financial instruments which are measured at fair value.

1.2 Basis of preparation

The financial statements for the year ended 31 December 2017 were approved for issue by the board of directors on 15 March 2018.

The financial statements are prepared in Sterling which is the functional and presentational currency of the Syndicate and are rounded to the nearest £'000.

1.3 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The following are the Syndicate's key sources of estimation uncertainty:

Insurance contract technical provisions

For insurance contracts, estimates must be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported (IBNR), at the reporting date. It can take a significant period before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form a significant proportion of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and the Bornhuetter-Ferguson methods.

The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. 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. 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 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.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

Further details are given in Note 20.

Estimates of future premiums

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates are judgmental and could result in misstatements of revenue recorded in the financial statements.

The main assumption underlying these estimates is that past premium development can be used to project future premium development.

Fair value of financial assets and derivatives determined using valuation techniques

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of discounted cash flow models and/ or mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity risk, credit risk, and model inputs such as estimated future cash flows based on management's best estimates and discount rates.

For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity, and financial conditions or counterparties. Discount rates are influenced by risk-free interest rates and credit risk.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Further details are given in Notes 11 and 20.

1.4 Significant accounting policies

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. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short-term deposits with an original maturity date of three months or less. For the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Fair value of financial assets

The Syndicate uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

See Note 11 for details of financial instruments classified by fair value hierarchy.

Investment return

Dividends are recognised when the investments to which they relate are declared 'ex-dividend'. Interest income is recognised on a time proportionate basis considering effective interest yield.

Unrealised and realised gains and losses on financial investments are recognised based on the appropriate classification of financial investments and are covered in detail under the accounting policy for financial investments.

An allocation of actual investment return on investments supporting the general insurance technical provisions and associated members' balance is made from the non-technical account to the technical account. Investment return related to non-insurance business and members' balance is attributed to the non-technical account. Investment return has been wholly allocated to the technical account as all investments relate to the technical account.

Insurance contracts – Product classification

Insurance contracts are those contracts where the Syndicate (the insurer/reinsurer) has accepted significant insurance risk from another party (the policyholder/reinsured) by agreeing to compensate the policyholder if a specified uncertain future event (the re/insured event) adversely affects the policyholders. As a general guideline, the Syndicate determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Any separable embedded derivatives within an insurance contract are separated and accounted for in accordance with FRS 102 unless the embedded derivative is itself an insurance contract (i.e., the derivative is not separated if the policyholder benefits from the derivative only when the insured event occurs).

Gross premium

Gross written premium comprises the total premiums receivable for the whole period of cover provided by the contracts entered during the year, regardless of whether these are wholly due for payment in the reporting year, together with any adjustments arising in the reporting year to such premiums receivable in respect of business written in prior reporting years or periods. They are recognised on the date on which the policy commences. Additional or return premiums are treated as a remeasurement of the initial premium. Gross written premiums are stated gross of brokerage payable and exclude taxes and duties levied on them.

Written premiums include an estimate for pipeline premiums (i.e., premiums written but not reported to the Syndicate by the reporting date) relating only to those underlying contracts of insurance where the period of cover has commenced prior to the reporting date. The most significant assumption in this estimate is that prior year experience will be consistent with current experience.

Under some policies, written premiums are adjusted retrospectively in the light of claims experience. Where written premiums are subject to an increase retrospectively, recognition of any potential increase is deferred until the additional amount can be ascertained with reasonable certainty. Where written premiums are subject to a reduction, a remeasurement taking account of such a reduction is made as soon as there is an obligation to the coverholder.

Reinsurance premium

Reinsurance written premium comprises the total premiums payable for the whole cover provided by contracts entered in the year, including portfolio premiums payable, and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the year in respect of reinsurance contracts incepting in prior accounting year or periods.

Under some policies, reinsurance premiums payable is adjusted retrospectively in the light of claims experience or where the risk covered cannot be assessed accurately at the commencement of cover. Where written premiums are subject to an increase retrospectively, recognition of any potential increase is recognised as soon as there is an obligation to the policyholder.

Profit commission

Profit commission is charged by the managing agent on the profit on a year of account taking into consideration any deficit clause. This is charged to the Syndicate as incurred but does not become payable until after the appropriate year of account closes, normally at 36 months.

Claims

Claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Technical provisions

Technical provisions comprise claims outstanding, provisions for unearned premiums and provisions for unexpired risk.

Claims outstanding
The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims; therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money.

Provisions for unearned premiums
Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. In respect of general insurance business, written premiums are recognised as earned over the period of the policy on a time apportionment basis, having regard where appropriate, to the incidence of risk. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Unexpired risks
A liability adequacy provision (the unexpired risks provision) is made where the cost of claims and expenses arising after the end of the financial year from contracts concluded before that date, are expected to exceed the provision for unearned premiums, net of deferred acquisition costs.

The assessment of whether a provision is necessary is made by considering separately each category of business based on information available at the reporting date, after offsetting surpluses and deficits arising on products that are managed together. Investment income is considered in calculating the provision.

At 31 December 2017, the Syndicate did not have an unexpired risks provision.

Deferred acquisition costs
Acquisition costs comprise costs arising from the conclusion of insurance contracts, such as intermediary commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio.

Deferred acquisition costs are costs arising from conclusion of insurance contracts that are incurred during the reporting period but that relate to a subsequent reporting period and that are carried forward to subsequent reporting periods.

Deferred acquisition costs are amortised over the period in which the related premiums are earned.

The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset amortisation is recorded in the income statement.

Commissions receivable on outwards reinsurance contracts are deferred and amortised on a straight-line basis over the term of the expected premiums payable.

Reinsurance assets
The Syndicate cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence because of an event that occurred after initial recognition of the reinsurance asset that the Syndicate may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Syndicate will receive from the reinsurer. The impairment loss is recorded in the income statement.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. There were no such gains or losses recognised in the period.

Ceded reinsurance arrangements do not relieve the Syndicate from its obligations to policyholders.

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. After initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest rate method.

Foreign currencies

The Syndicate's functional currency and presentational currency is Sterling being the primary currency of the economic environment where staff are employed, expenses are paid and where the Syndicate operates.

Transactions in foreign currencies are translated using the average exchange rates applicable in the year in which the transaction occurs. This is deemed to be a reasonable approximation of the rate at which the transaction took place. Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts, including unearned premiums and deferred acquisition costs) denominated in foreign currencies are retranslated into the functional currency at the exchange rate ruling on the reporting date.

Non-monetary items where applicable are measured in terms of historical cost in a foreign currency and translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items denominated in a foreign currency and measured at fair value are translated into the functional currency using the exchange rate ruling at the date when the fair value was determined.

Exchange differences are recorded in the non-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. Any payments on account made by the Syndicate are included in the statement of financial position under the heading 'other debtors'.

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

Pension costs

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

2. Segmental analysis

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

For the year ended 31 December 2017 (£000)	Gross written premium	Gross earned premium	Gross claims incurred	Gross operating expenses	Reinsurance balance	**Total**
Direct insurance:						
Marine, aviation and transport	41,363	44,219	(51,929)	(19,610)	8,977	**(18,343)**
Fire and other damage to property	13,114	9,079	(28,337)	(4,474)	14,530	**(9,202)**
Third-party liability	1,006	586	1,164	(298)	(3,448)	**(1,996)**
Pecuniary loss	10,816	4,516	(4,123)	(2,922)	(358)	**(2,887)**
	66,299	58,400	(83,225)	(27,304)	19,701	**(32,428)**
Reinsurance	23,003	23,767	(24,269)	(9,850)	5,739	**(4,613)**
	89,302	**82,167**	**(107,494)**	**(37,154)**	**25,440**	**(37,041)**

For the period ended 31 December 2016 (£000)	*Gross written premium*	*Gross earned premium*	*Gross claims incurred*	*Gross operating expenses*	*Reinsurance balance*	*Total*
Direct insurance:						
Marine, aviation and transport	*44,923*	*35,700*	*(32,063)*	*(16,801)*	*(1,978)*	*(15,142)*
Fire and other damage to property	*7,169*	*4,085*	*(3,232)*	*(1,890)*	*(431)*	*(1,468)*
Third-party liability	*272*	*85*	*(399)*	*(69)*	*(168)*	*(551)*
	52,364	*39,870*	*(35,694)*	*(18,760)*	*(2,577)*	*(17,161)*
Reinsurance	*23,955*	*17,920*	*(14,773)*	*(8,934)*	*(1,507)*	*(7,294)*
	76,319	*57,790*	*(50,467)*	*(27,694)*	*(4,084)*	*(24,455)*

Commissions on direct insurance gross premiums written during the year were £16,785,000 (2016: £12,809,000).

The reinsurance balance is the aggregate of all those items included in the technical account that relate to outward reinsurance transactions, including items recorded as reinsurance commissions, profit participation and reinsurers' share of paid claims. The reinsurance balance includes reinsurance commission receivable.

The geographical analysis of gross premiums written in the year by destination (or operating territory) is as follows:

	2017 £000	*2016 £000*
UK	**1,860**	*574*
Canada	**827**	*535*
United States of America	**6,218**	*12,842*
EU member states (excluding the 'UK')	**2,462**	*763*
Other	**21,133**	*7,997*
Worldwide	**56,802**	*53,608*
	89,302	*76,319*

3. Claims outstanding

	Gross £000	Reinsurers Share £000	**Net £000**
At 1 January 2017	(44,009)	6,538	**(37,471)**
Claims incurred in current underwriting year	(107,494)	42,135	**(65,359)**
Claims paid during the year	41,600	(3,766)	**37,834**
Currency exchange gain/(loss)	5,390	(2,124)	**3,266**
At 31 December 2017	**(104,513)**	**42,783**	**(61,730)**

	Gross £000	*Reinsurers Share £000*	*Net £000*
At 1 January 2016	*(6,328)*	*313*	*(6,015)*
Claims incurred in current underwriting year	*(50,467)*	*6,244*	*(44,223)*
Claims paid during the year	*16,500*	*(507)*	*15,993*
Currency exchange (loss)/gain	*(3,714)*	*488*	*(3,226)*
At 31 December 2016	*(44,009)*	*6,538*	*(37,471)*

4. Provision for unearned premiums

	Gross £000	Reinsurers Share £000	**Net £000**
At 1 January 2017	(46,690)	3,245	**(43,445)**
Premiums written in the year	(89,302)	21,576	**(67,726)**
Premiums earned in the year	82,167	16,695	**65,472**
Currency exchange gain/(loss)	3,248	(402)	**2,846**
At 31 December 2017	**(50,577)**	**7,724**	**(42,853)**

	Gross £000	*Reinsurers Share £000*	*Net £000*
At 1 January 2016	*(22,709)*	*6*	*(22,703)*
Premiums written in the year	*(76,319)*	*13,341*	*(62,978)*
Premiums earned in the year	*57,790*	*(10,328)*	*47,462*
Currency exchange (loss)/gain	*(5,452)*	*226*	*(5,226)*
At 31 December 2016	*(46,690)*	*3,245*	*(43,445)*

Notes to the financial statements

For the year ended 31 December 2017

5. Deferred acquisition costs

	£000
At 1 January 2017	11,167
Change in deferred acquisition costs	1,764
Currency exchange loss	(758)
At 31 December 2017	**12,173**

	£000
At 1 January 2016	*4,956*
Change in deferred acquisition costs	*4,957*
Currency exchange gain	*1,254*
At 31 December 2016	*11,167*

6. Net operating expenses

	2017 £000	*2016 £000*
Acquisition costs	**(21,567)**	*(18,964)*
Change in deferred acquisition costs	**1,764**	*4,957*
Administrative costs	**(14,076)**	*(11,139)*
Members' personal expenses*	**(3,275)**	*(2,548)*
	(37,154)	*(27,694)*

*Members' personal expenses include Lloyd's subscriptions, Central fund contributions, Managing agent's fees and non-standard personal expenses.

7. Staff costs

All staff that provided services to the Syndicate were employed by Charles Taylor Administration Services Limited, a related company of CTMA. The following amounts were recharged to the Syndicate in respect of staff costs:

	2017 £000	*2016 £000*
Wages and salaries*	**(7,754)**	*(7,022)*
Social security costs	**(702)**	*(494)*
Pension costs	**(251)**	*(250)*
Other	**(68)**	*(76)*
	(8,775)	*(7,842)*

* includes fees charged for shared services support within Charles Taylor plc.

The average number of employees working during the year and period for the Syndicate was as follows:

	2017	*2016*
Administration and finance	**49**	*40*
Underwriting	**21**	*24*
Claims	**2**	*2*
	72	*66*

8. Emoluments of the directors of CTMA

In their capacity as directors of CTMA, the following aggregate remuneration was charged to the Syndicate and is included within net operating expenses:

	2017	*2016*
	£000	*£000*
Aggregate remuneration in respect of qualifying services	**(727)**	*(950)*

The active underwriter received the following remuneration charged to the Syndicate and included within net operating expenses:

	2017	*2016*
	£000	*£000*
Aggregate remuneration in respect of qualifying services	**(248)**	*(238)*

No advance or credits were granted by CTMA to any of the directors during the year. We deem the directors of CTMA to be the key management personnel.

9. Auditor's remuneration

	2017	*2016*
	£000	*£000*
Audit of the Syndicate annual accounts	**(135)**	*(136)*
Other services pursuant to Regulations and Lloyd's Byelaws	**(52)**	*(40)*
	(187)	*(176)*

Auditor's remuneration is included within net operating expenses as part of the administrative costs.

10. Investment return

The Syndicate generated net investment return of £31,064 in the year (2016: £5,766).

	2017	*2016*
Average amount of funds available for investment during the period:	**£000**	*£000*
Sterling	**1,999**	*582*
United States dollars	**9,512**	*5,648*
Canadian dollars	**2,350**	*1,060*
Euro	**473**	*492*
Other	**1,722**	*570*
Combined in sterling	**12,831**	*6,389*

	2017	*2016*
Gross calendar investment yield for the period:	**%**	*%*
Sterling	**(0.54)**	*0.19*
United States dollars	**0.32**	*0.05*
Canadian dollars	**0.10**	*0.18*
Euro	**0.01**	*-*
Other	**0.94**	*0.24*
Combined in sterling	**0.24**	*0.09*

'Average amount of funds' is the average of bank balances, overseas deposits and investments held at the end of each month during the period. For this purpose, investments are revalued at month end market prices, which include accrued income where appropriate.

For the year ended 31 December 2017

11. Financial investments

At 31 December 2017	Carrying Value £000	Purchase Value £000	Unit Value £000
Deposits with credit institutions	**8,552**	**8,552**	**8,552**

At 31 December 2016	*Carrying Value £000*	*Purchase Value £000*	*Unit Value £000*
Deposits with credit institutions	*4,403*	*4,403*	*4,403*

The amount of change during the year in the fair value of financial investments, held at fair value through the income statement, attributable to changes in credit risk was nil (2016: nil).

There was no material change in fair value for financial investments held at fair value attributable to own credit risk in the reported period.

There have been no day-one profits recognised in respect of financial instruments designated at fair value through the income statement.

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

At 31 December 2017	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Deposits with credit institutions	**8,552**	**-**	**-**	**8,552**

At 31 December 2016	*Level 1 £000*	*Level 2 £000*	*Level 3 £000*	*Total £000*
Deposits with credit institutions	*4,403*	*-*	*-*	*4,403*

Level 1 category is financial assets that are measured by reference to published quotes in active markets. A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange dealer, broker, industry syndicate, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 category is financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions.

Level 3 category is financial assets measured using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

12. Debtors arising out of direct and reinsurance operations

All debtors arising from direct insurance operations and reinsurance operations are due from intermediaries (2016: due from intermediaries).

13. Other assets

Other assets comprise overseas deposits which are lodged as a condition of conducting underwriting business in certain countries.

14. Cash and cash equivalents

	2017 £000	*2016 £000*
Cash at bank and in hand	**1,211**	*3,321*

15. Creditors arising out of direct and reinsurance operations

All creditors arising from direct insurance operations and reinsurance operations are due to intermediaries (2016: due to intermediaries).

16. Other creditors

	2017 £000	*2016 £000*
Amount owed to credit institutions*	**(6,250)**	-
Financing loan	**(5,000)**	*(5,000)*
Due to CTMA affiliated companies	**(2,781)**	*(1,521)*
	(14,031)	*(6,521)*

* Revolving credit facility part-utilised; £3.75 million base rate +2%, £2.50 million base rate +3% repayable on or before 15 December 2018.

17. Related parties

Charles Taylor Managing Agency Limited (CTMA) is wholly owned by Charles Taylor Managing Agency Holdings Limited (CTMAH), which is owned by Charles Taylor plc (CT plc) and The Standard Club Limited (Standard Club). The ultimate controlling party is CT plc; copies of its accounts can be obtained from Companies House.

CT plc and its subsidiaries provide all underwriting and management services, including claims, accounting, human resources, IT and infrastructure, to both the Syndicate and CTMA by way of inter-group cross charges through Charles Taylor Managing Agency Services Limited, a 100% subsidiary of CTMAH. All transactions are entered into on normal market terms.

The Standard Club charges the Syndicate service fees for the provision of support to develop the business and promote the strategic goals of the Syndicate. The Standard Club provided the Syndicate with a financing loan facility of up to £5.0 million as at 31 December 2017. This loan facility is repayable on demand in 2018 and is expected to be repaid during the year. All transactions are entered into on normal market terms.

CTMA wholly owns two subsidiaries, The Standard Syndicate Services Limited and The Standard Syndicate Services (Asia) Pte. Limited, which are service companies approved by Lloyd's. The Syndicate utilises these service companies as coverholders to bind risks on its behalf. Under the terms of the arrangement with the Syndicate, the service companies charge fees to the Syndicate equal to their operating costs plus a margin of 5%. On behalf of the Syndicate, these service companies wrote in 2017 £2,358,000 and £1,629,000 of gross premium respectively (2016: £2,158,000 and £1,421,000 respectively).

Some of the directors of CTMA are also directors of other CT plc, Standard Club and London market companies and these individuals disclose and manage any potential conflicts of interest.

Given the insurance-related activities undertaken within the broader CT plc and Standard Club groups it is possible that transactions may be entered between the Syndicate and other related parties. Any such related party transactions are entered by the Syndicate on a commercial basis.

Transactions with related parties:

	2017 £000	*2016 £000*
Charles Taylor Managing Agency Limited		
Managing agency fee	1,187	*1,087*
Capacity fee	704	*828*
	1,891	*1,915*
Amount outstanding at 31 December	**1,715**	*1,399*
The Standard Club Limited		
Financing loan	-	*(500)*
Service fees	500	*500*
Interest payable	90	*124*
	590	*124*
Amount outstanding at 31 December	**6,772**	*6,182*
Charles Taylor Managing Agency Services Limited		
Recharges (administrative expenses)	**12,043**	*10,434*
Amount outstanding at 31 December	**2,479**	*1,259*
The Standard Syndicate Services Limited		
Service fees	**688**	*804*
Amount outstanding at 31 December	**197**	*172*
The Standard Syndicate Services (Asia) PTE Limited		
Service fees	**211**	*235*
Amount outstanding at 31 December	**106**	*90*

Capital support

The Standard Club is the Syndicate's cornerstone capital provider. It supports the Syndicate through its related corporate name, Standard Club Corporate Name Limited, for the 2015, 2016 and 2017 YOA, and continues to do so for the 2018 YOA. CT plc also supports the Syndicate through its related corporate name, Charles Taylor Corporate Name Limited.

All capital providers who underwrite on the Syndicate are charged managing agency fees and profit commission on a similar basis as disclosed in the Register of Underwriting Agency Charges.

18. 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.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. FAL has regard to many factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the managing agent, no amount has been shown in these annual accounts by way of such capital resources. However, the managing agent can make a call on the members' FAL to meet liquidity requirements or to settle losses. Refer to note 20 for further details.

19. Off-balance sheet items

The Syndicate has not been party to any arrangements that are not reflected in its Statement of financial position, where material risks and benefits arise for the Syndicate.

20. Risk management

(a) Risk management framework

Risk appetite, management tolerances and risk assessment:
CTMA's risk management framework is intended to keep the Syndicate within its overall risk appetite. Risk appetite is expressed in terms of:

- The probability and impact of losses to the Syndicate's FAL and to projected profitability,
- The potential for events that could have an adverse impact on the levels of service provided to policyholders or otherwise damage the Syndicate's reputation,
- The potential for regulatory or legal sanction.

Monitoring and management of Syndicate risk against its risk appetite is implemented through more granular tolerances covering all the risks identified through the risk management framework. Risks are classified into categories, which are described in more detail below. The risk assessment process integrates the risk profile of the Syndicate and the risk controls in place. Tools used to assess and monitor risk include capital modelling, stress testing and Syndicate-tailored scenarios – for example, with respect to specific marine-related loss events.

Governance framework
The risk management framework includes clear governance processes and is designed to ensure proportionate and effective controls are operating to manage risk within each category. The central component of the risk management framework is the role played by CTMA governance committees, which monitor changes in the Syndicate's risk profile across underwriting, reserving, finance and operations. This is performed on both a qualitative basis and through monitoring of a range of risk indicators against management tolerances to identify where mitigating actions are required. An escalation process is in place which ensures emerging risks or issues are brought to the attention of senior management and the board. A key role of CTMA's risk function is to ensure that the risk management process is operating effectively and leads to consideration and implementation of actions to manage risk and capital. Policies in respect of each area of risk have been put in place which set out the risk management approach.

(b) Capital management objectives, policies and approach

Regulatory capital requirements at Lloyd's
The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000. Within this supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II capital requirements which became effective from 1 January 2016.

Solvency II requires insurers to maintain capital sufficient to cover a 1-in-200-year loss, reflecting uncertainty that could arise over a one-year time horizon (known as the Solvency Capital Requirement or "SCR"). Lloyd's has received approval from the PRA to calculate this value using its own internal capital model, based on inputs received from managing agents in respect of the syndicates they manage.

Lloyd's capital setting process
The Lloyd's capital setting process calculates capital requirements at syndicate level. Lloyd's requires each managing agent to calculate the SCR for its managed syndicates for the prospective underwriting year based on each syndicate's business forecast. This amount must be sufficient to cover a 1-in-200-year loss, reflecting the full uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). An SCR at the same confidence level but reflecting uncertainty over a one-year time horizon (one-year SCR) is also calculated for Lloyd's to use in calculating its own regulatory Solvency II requirements. The SCRs of each syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group. The SCR 'to ultimate' is the basis for the Lloyd's capital requirement for each syndicate.

Lloyd's applies an additional capital uplift known as the Economic Capital Assessment (ECA) to each syndicate's ultimate SCR. The purpose of this uplift is to meet Lloyd's financial strength, licence and credit-rating objectives. This uplift, which applies to all syndicates, is currently set at 35% of SCR 'to ultimate'.

Provision of capital by members

Regulatory capital requirements for Lloyd's apply at an overall market level and at a member level. The Syndicate is comprised of many different underwriting members of Lloyd's. Each member is severally liable for its share of Syndicate liabilities and is required to provide capital that reflects this share. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR that reflects the capital requirement to cover a 1-in-200-year loss 'to ultimate' for that member.

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

(c) Insurance risk

The Syndicate's risks arise principally from its underwriting activities. Insurance risk includes a range of risks relating to pricing, premium volume, exposure to catastrophes, lack of diversification, reserve and reinsurance risk, as highlighted in the table below:

Risk	Examples of risk management approach
Pricing of policies is insufficient given the risks accepted	• Technical and actuarial pricing and rate monitoring techniques to identify levels of price adequacy and trends. • Underwriters who are experienced and skilled in the classes for which they have authority to underwrite. • Development of an appropriate underwriting strategy and application of underwriting guidelines which include requirements to refer risks that deviate from technical pricing benchmarks or target risk characteristics. • Consideration of trends emerging from reserving analyses. • Regular peer review process which considers the quality of underwriting decisions.
Premium volumes are less than planned (in aggregate or by class of business)	• Analysis of the sources of income by class and distribution channel against expectations. • Development of class level business plans which support premium forecasts.
Excessive accumulations of risk from a single source (for example from natural catastrophes)	• Geographical exposure monitoring process, which identifies accumulations of risk and quantifies the extent to which any accumulations are exposed to natural hazards such as windstorm, flood or earthquake. • Exposure monitoring process, which seeks to identify potential additional accumulation from sources such as non-static cargo exposures or cyber risk. • Bespoke scenario analysis to understand the value of gross losses if an event were to occur. Such scenarios are monitored as the portfolio of risks written by the Syndicate changes, to ensure that the potential loss from severe catastrophic events does not exceed the Syndicate's risk appetite. • Implementation of internal limits on exposure to bespoke CTMA scenarios, Lloyd's RDS and 'clash' events. • Maximum line size limits on individual policies and per risk or asset. • Ensuring sufficient reinsurance protection is in place to mitigate the impact of severe events.
Exposure is insufficiently diversified, increasing the degree of variability in underwriting results	• Development and implementation of a business plan which is diversified across a large portfolio of insurance contracts, geographical areas and multiple classes of business. • Seeking to manage the overall variability of underwriting results through careful selection, implementation of underwriting strategy guidelines, maximum line sizes and the use of reinsurance.
Claims arising from prior year business cost more to settle than the amounts estimated in the Syndicate's reserves	• Comparison of actual claims compared with expected claim development patterns. • Monitoring of the sources and types of incurred claims to identify unanticipated trends. • Performance of regular actuarial reviews. • Comparison between independent valuation and internal year end estimate of reserves.
Reinsurance protections fail to protect the Syndicate in the manner expected	• Alignment of reinsurance coverage terms with underlying gross exposures. • Analysis of the extent to which the reinsurance programme is exposed given the underlying gross exposure. • Monitoring of remaining cover given the level of incurred claims. • Placement of reinsurance is diversified such that it is not dependent on a single reinsurer.

The table below sets out the concentration of outstanding claim liabilities by type of contract:

At 31 December 2017	Gross Liabilities £000	Reinsurance of liabilities £000	Net Liabilities £000
Direct insurance:			
Marine, aviation and transport	(46,832)	9,012	**(37,820)**
Fire and other damage to property	(22,844)	20,517	**(2,327)**
Third-party liability	(1,677)	-	**(1,677)**
Credit and suretyship	(3,948)	-	**(3,948)**
Motor	(1)	-	**(1)**
	(75,302)	29,529	**(45,773)**
Reinsurance	(29,211)	13,254	**(15,957)**
	(104,513)	**42,783**	**(61,730)**

At 31 December 2016	*Gross Liabilities £000*	*Reinsurance of liabilities £000*	*Net Liabilities £000*
Direct insurance:			
Marine, aviation and transport	*(24,363)*	*3,647*	*(20,716)*
Fire and other damage to property	*(3,469)*	*666*	*(2,803)*
Third-party liability	*(617)*	*15*	*(602)*
Credit and suretyship	*(30)*	*4*	*(26)*
	(28,479)	*4,332*	*(24,147)*
Reinsurance	*(15,530)*	*2,206*	*(13,324)*
	(44,009)	*6,538*	*(37,471)*

The table below shows the Gross insurance contract outstanding claims provision at 31 December 2017:

Underwriting year	2015 £000	2016 £000	2017 £000	**Total £000**
Estimate of cumulative claims incurred				
At end of underwriting year	(7,795)	(26,693)	(59,775)	
12 months later	(31,525)	(70,376)	-	
24 months later	(30,968)	-	-	
Current estimate of cumulative claims incurred	(30,968)	(70,376)	(59,775)	**(161,119)**
Cumulative claims paid				
At end of underwriting year	(841)	(5,407)	(6,424)	
12 months later	(11,522)	(28,072)	-	
24 months later	(22,110)	-	-	
Cumulative payments to date	(22,110)	(28,072)	(6,424)	**(56,606)**
Total gross outstanding claims provision per the statement of financial position	(8,858)	(42,304)	(53,351)	**(104,513)**

All values are converted using the reporting period end rates.

The table below shows the Net insurance contract outstanding claims provision at 31 December 2017:

Underwriting year	2015 £000	2016 £000	2017 £000	**Total £000**
Estimate of cumulative claims incurred				
At end of underwriting year	(7,452)	(22,170)	(28,317)	
12 months later	(29,387)	(56,944)	-	
24 months later	(28,966)	-	-	
Current estimate of cumulative claims incurred	(28,966)	(56,944)	(28,317)	**(114,227)**
Cumulative claims paid				
At end of underwriting year	(841)	(4,899)	(5,421)	
12 months later	(11,522)	(25,254)	-	
24 months later	(21,822)	-	-	
Cumulative payments to date	(21,822)	(25,254)	(5,421)	**(52,497)**
Total net outstanding claims provision per the statement of financial position	(7,144)	(31,690)	(22,896)	**(61,730)**

All values are converted using reporting period end rates.

Key sensitivities

Estimated gross loss ratios – Estimated gross loss ratios are derived from the Syndicate Business Forecast which considers market benchmarks as well as assessments of changes in rate adequacy for each class of business. As the Syndicate has only been trading since April 2015 there is little experience to support or confirm the assumptions and therefore there is uncertainty in the assumed profitability across the entire Syndicate.

Effectiveness of the reinsurance programme in protecting the underwriting result – Net underwriting profit is estimated after consideration of the mitigating effect of reinsurance on gross losses, including assumptions as to the number and size of losses that may exceed the attachment point on the programme, and the effective reinsurance recovery rate that will result.

The impact of the above uncertainties is illustrated by reference to the impact of a change in the estimated attritional loss ratio (i.e. relating to those claims that are smaller than the attachment point of the reinsurance programme) in the table below:

At 31 December 2017	Gross Loss £000	Net Loss £000	**Changes in members balance £000**
5% increase in forecast attritional loss ratio	(4,108)	(4,108)	**(4,108)**
5% decrease in forecast attritional loss ratio	4,108	4,108	**4,108**

At 31 December 2016	*Gross Loss £000*	*Net Loss £000*	*Changes in members balance £000*
5% increase in forecast attritional loss ratio	*(2,890)*	*(2,890)*	*(2,890)*
5% decrease in forecast attritional loss ratio	*2,890*	*2,890*	*2,890*

(d) Financial risk

The Syndicate is exposed to a range of financial risks in the normal course of business, including counterparty credit risk, liquidity risk, and market risk, as set out below:

(i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

Credit risk is actively monitored and managed. This includes the risk of counterparty default on amounts due under reinsurance contracts, unpaid premiums on inwards insurance policies, premiums held by brokers or deposits held with credit institutions. CTMA monitors the Syndicate's level of overdue debt by counterparty, and reviews the credit worthiness of the Syndicate's reinsurers based on an analysis of the financial condition of each reinsurer. This analysis uses a range of information including financial reports, published credit rating opinions and information provided by reinsurance brokers. All reinsurers must meet minimum security thresholds. Concentration risk is managed through the application of credit limits expressed in terms of each reinsurer's share of the overall reinsurance programme. Credit risk is actively monitored through CTMA's governance committees.

The tables below show the exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position:

At 31 December 2017	Neither past due nor impaired £000	Past due £000	Impaired £000	**Total £000**
Deposits with credit institutions	8,552	-	-	**8,552**
Overseas deposits as investments	4,307	-	-	**4,307**
Reinsurers' share of claims outstanding	42,783	-	-	**42,783**
Insurance debtors	41,649	-	-	**41,649**
Cash at bank and in hand	1,211	-	-	**1,211**
	97,291	**-**	**-**	**97,291**

At 31 December 2016	*Neither past due nor impaired £000*	*Past due £000*	*Impaired £000*	*Total £000*
Deposits with credit institutions	*4,403*	-	-	*4,403*
Overseas deposits as investments	*600*	-	-	*600*
Reinsurers' share of claims outstanding	*6,538*	-	-	*6,538*
Insurance debtors	*42,244*	-	-	*42,244*
Cash at bank and in hand	*3,321*	-	-	*3,321*
	57,106	-	-	*57,106*

At 31 December 2017, there were no impaired reinsurance assets (2016: none).

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2017 by the credit ratings of the counterparties. AAA is the highest possible rating. Insurance debtors, other than amounts due from reinsurers, have been excluded from the table below as these are not rated.

			Credit ratings			
At 31 December 2017	AAA £000	AA £000	A £000	BBB £000	NR £000	**Total £000**
Deposits with credit institutions	-	-	8,552	-	-	**8,552**
Overseas deposits as investments	864	224	144	139	2,936	**4,307**
Reinsurers' share of claims outstanding	-	3,884	38,899	-	-	**42,783**
Cash at bank and in hand	-	-	1,211	-	-	**1,211**
	864	**4,108**	**48,806**	**139**	**2,936**	**56,853**

The largest reinsurer counterparty represents 20% of the overall reinsurance programme.

At 31 December 2016	*AAA £000*	*AA £000*	*Credit ratings A £000*	*BBB £000*	*NR £000*	*Total £000*
Deposits with credit institutions	*-*	*1,431*	*2,972*	*-*	*-*	*4,403*
Overseas deposits as investments	*215*	*62*	*45*	*30*	*248*	*600*
Reinsurers' share of claims outstanding	*-*	*-*	*6,538*	*-*	*-*	*6,538*
Cash at bank and in hand	*-*	*158*	*3,163*	*-*	*-*	*3,321*
	215	*1,651*	*12,718*	*30*	*248*	*14,862*

The largest reinsurer counterparty represented 20% of the overall reinsurance programme.

(ii) Liquidity risk

Liquidity risk includes the risk that the Syndicate is unable to meet its obligations to policyholders as they fall due, especially following a major loss. CTMA monitors the Syndicate's liquidity position, regularly performs liquidity stress testing and has put in place a "shock loss" credit facility to manage liquidity risk in the event of large losses.

The table below summarises the maturity profile of the Syndicate's financial and insurance liabilities based on remaining contractual obligations and outstanding claim liabilities based on the estimated timing of claim payments.

At 31 December 2017	*Carrying Amount* £000	Up to a Year £000	2 – 5 Years £000	5 – 10 Years £000	Over 10 Years £000	**Total £000**
Outstanding claim liabilities	104,513	73,223	24,248	7,042	-	**104,513**
Other creditors	31,265	31,265	-	-	-	**31,265**
	135,778	**104,488**	**24,248**	**7,042**	**-**	**135,778**

At 31 December 2016	*Carrying Amount £000*	*Up to a Year £000*	*2 – 5 Years £000*	*5 – 10 Years £000*	*Over 10 Years £000*	*Total £000*
Outstanding claim liabilities	*44,009*	*13,308*	*17,017*	*13,684*	*-*	*44,009*
Other creditors	*15,651*	*15,651*	*-*	*-*	*-*	*15,651*
	59,660	*28,959*	*17,017*	*13,684*	*-*	*59,660*

(iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is actively monitored and managed in terms of currency risk, interest rate risk and asset value risk. For assets backing outstanding claims provisions, market risk is, where possible, managed by matching the duration and currency profile of assets to the technical provisions they are backing.

(iv) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Syndicate seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

The table below summarises the exposure of the financial assets and liabilities to foreign currency exchange risk at the reporting date, as follows:

At 31 December 2017	GBP* £000	USD £000	CAD £000	EUR £000	**Total £000**
Total assets	19,429	104,773	5,602	8,411	**138,215**
Total liabilities	(36,803)	(149,774)	(6,149)	(16,139)	**(208,865)**
Currency exchange balances	(27,426)	24,958	(238)	2,706	-
Net assets/(liabilities)	**(44,800)**	**(20,043)**	**(785)**	**(5,022)**	**(70,650)**

* includes all other non-major currencies converted to sterling.

At 31 December 2016	*UK* £000*	*USD £000*	*CAD £000*	*EUR £000*	*Total £000*
Total assets	*6,775*	*57,570*	*1,817*	*6,419*	*72,581*
Total liabilities	*(15,872)*	*(81,256)*	*(1,404)*	*(10,402)*	*(108,934)*
Currency exchange balances	*(17,859)*	*16,372*	*(244)*	*1,731*	*-*
Net assets/(liabilities)	*(26,956)*	*(7,314)*	*169*	*(2,252)*	*(36,353)*

* includes all other non-major currencies converted to sterling.

The non-sterling denominated net assets of the Syndicate may contribute to a reported loss (depending on the mix relative to the liabilities), should sterling strengthen against these currencies. Conversely, they may contribute to reported gains should sterling weaken.

Sensitivity to changes in foreign exchange rates

The table below shows the impact on profit of a percentage change in the relative strength of sterling against the value of the Syndicate settlement currencies simultaneously as at the reporting date.

As at 31 December 2017	
Impact on profit and members' balance	**£000**
Sterling weakens	
10% against other currencies	**(5,191)**
20% against other currencies	**(10,382)**
Sterling strengthens	
10% against other currencies	**5,191**
20% against other currencies	**10,382**

As at 31 December 2016	
Impact on profit and members' balance	*£000*
Sterling weakens	
10% against other currencies	*(2,734)*
20% against other currencies	*(5,468)*
Sterling strengthens	
10% against other currencies	*2,734*
20% against other currencies	*5,468*

(v) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Syndicate has no significant concentration of interest rate risk. Insurance liabilities are not discounted and therefore are not exposed to interest rate risk.

(vi) Asset value risk

Asset value risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Syndicate's non-insurance or reinsurance financial assets are primarily held in cash or short-term time deposits with credit institutions, so asset value risk is minimal.

(e) Other risks

In addition to the principal risks as described in sections above, the Syndicate faces the following other key risks. Each of these risks are assessed, monitored and managed through the risk management and governance framework including committees and working groups.

(i) Operational risk

Including the risk that the Syndicate is adversely affected by inadequate or failures of internal processes and control, shortfalls in resource, failures of systems or business continuity plans or external events. CTMA employs a range of processes to monitor and manage this risk, include process efficiency tracking, monitoring of project budgets and deliverables, consideration of staff turnover and unfilled positions, and testing of systems and business continuity plans.

(ii) Conduct risk

Including the risk that the strategy of the Syndicate or the actions of underwriters or claims staff leads to customer detriment. CTMA monitors the nature of policyholders and has processes in place to monitor any conduct risks that could arise.

(iii) Legal and compliance risk

Including the risk that the Syndicate suffers regulatory sanction or fines because of a breach of applicable laws or regulation – for example, with respect to breaches of sanctions. CTMA has put in place a compliance monitoring process including the use of external database systems to identify potential sanctions, anti-money laundering or bribery and corruption risks. It is the policy of CTMA to reassess regularly the legal and compliance risk of its portfolio, and perform appropriate due diligence on all its trading partners, policyholders and transaction counterparties.

(iv) Strategy and group risk

Including the risk that the Syndicate is unable to develop and implement appropriate business plans, make effective decisions, adapt to changes in the business environment, or suffers adverse consequences from undue influence or distress of related parties. CTMA has put in place several measures to mitigate this risk, including strong internal governance processes whose operation is monitored, policies governing related party transactions and independent board oversight by non-executive directors.

21. Subsequent events

On 1st January 2018, the 2015 year of account was closed by a Reinsurance to close agreement (RITC) into the 2016 year of account. The value of the technical provisions transferred, which formed part of this agreement was £7.4 million. In addition, on 9th March 2018, CTMA Board issued a cash call statement requesting 11.2% and 10.0% of capacity for the 2016 and 2017 years of account respectively. The amount is due from members on the 15th June 2018.

2015 CLOSED YEAR OF ACCOUNT – UNDERWRITING YEAR ACCOUNTS

Statement of managing agent's responsibilities

For the 2015 closed year of account as at 31 December 2017

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare syndicate underwriting year accounts for each syndicate in respect of any underwriting year which is being closed by reinsurance to close at 31 December. In accordance with the UK accounting standards, comprising Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102") as modified by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No.8 of 2005). The syndicate underwriting year accounts are required by law to give a true and fair view of the result of the closed year of account.

In preparing these syndicate underwriting year accounts, the managing agent is required to:

- select suitable accounting policies which are applied consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable as between the members of the syndicate affected. The amount charged by way of premium in respect of the reinsurance to close shall, where the reinsuring members and reinsured members are members of the same syndicate for different years of account, be equitable as between them, having regard to the nature and amounts of the liabilities reinsured;

- consider all income and charges relating to a closed year of account without regard to the date of receipt or payment;

- make judgements and estimates that are reasonable and prudent;

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in these accounts.

The managing agent is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the syndicate underwriting year accounts comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board:

R D Andrews
Director
15 March 2018

Independent auditor's report for the 2015 underwriting year to the members of Syndicate 1884

For the 36 months ended 31 December 2017

Opinion

We have audited the syndicate underwriting year accounts for the 2015 year of account of syndicate 1884 ('the syndicate') for the three years ended 31 December 2017 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Members' Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 12, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate underwriting year accounts:

- give a true and fair view of the loss for the 2015 closed year of account;
- 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 and have been properly prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the syndicate underwriting year accounts section of our report below. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate underwriting year accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with The Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate and the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The managing agent's use of the going concern basis of accounting in the preparation of the syndicate underwriting accounts on the basis that the recorded assets and liabilities will be realised and discharged in the normal course of business is not appropriate; or
- the managing agent has not disclosed in the syndicate underwriting accounts any identified material uncertainties that may cast significant doubt on the ability of the syndicate to realise its assets and discharge its liabilities in the normal course of business.

Other information

The other information comprises the information included in the annual report, other than the syndicate underwriting year accounts and our auditor's report thereon. The managing agent is responsible for the other information.

Our opinion on the syndicate underwriting year accounts does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the syndicate underwriting year accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate underwriting year accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the syndicate underwriting year accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report for the 2015 underwriting year to the members of Syndicate 1884

For the 36 months ended 31 December 2017

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) requires us to report to you, if in our opinion:

- the managing agent in respect of the syndicate has not kept adequate accounting re cords; or
- the syndicate underwriting year accounts are not in agreement with the accounting records

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 39, the managing agent is responsible for the preparation of the syndicate underwriting year accounts in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and The Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate underwriting accounts, the managing agent is responsible for assessing the syndicate's ability to realise its assets and discharge its liabilities in the normal course of business, disclosing, as applicable, any matters that impact its ability to do so.

Auditor's responsibilities for the audit of the syndicate underwriting year accounts

Our objectives are to obtain reasonable assurance about whether the syndicate underwriting year accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these syndicate underwriting year accounts.

A further description of our responsibilities for the audit of financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Angus Millar (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
16 March 2018

Income statement
Technical account – General business

For the 36 months ended 31 December 2017

	Notes	£000	**2015 closed year of account £000**
Syndicate allocated capacity			**36,000**
Gross premiums written	*2*		**36,449**
Outward reinsurance premiums			**(5,048)**
Earned premiums, net of reinsurance			**31,401**
Allocated investment return transferred from the non-technical account			**7**
Claims paid:			
Gross amount		(22,327)	
Reinsurers' share		300	
Net claims paid			**(22,027)**
Reinsurance to close premium payable, net of reinsurance			**(7,118)**
Net operating expenses	*4*		**(17,405)**
Balance on technical account			**(15,142)**

Income statement

Non-technical account – General business

For the 36 months ended 31 December 2017

	Notes	2015 closed year of account £000
Balance on technical account - general business		**(15,142)**
Investment income		**10**
Realised gains on investments		**1**
Investment expenses and charges		**-**
Realised loss on investments		**(4)**
Allocated investment return transferred to the technical account		**(7)**
Currency exchange loss		**(382)**
Loss for the 2015 closed year of account		**(15,524)**

There are no recognised gains or losses in the accounting period other than those dealt with in the technical and non-technical accounts. All results for the closed year relate to continuing activities.

The notes on pages 47 to 53 form part of these financial statements.

Statement of financial position

For the 2015 closed year of account as at 31 December 2017

ASSETS	*Notes*	£000	**£000**
Investments			
Financial investments	*5*		**491**
Reinsurance recoveries anticipated on gross reinsurance to close premium payable to close the account	*3*		**1,714**
Debtors			
Debtors arising out of direct insurance operations	*6*	1,198	
Debtors arising out of reinsurance operations	*6*	413	
Other	*7*	4,750	
			6,361
Cash and other assets			
Cash at bank and in hand	*8*	374	
Other assets	*9*	300	
			674
Total assets			**9,240**

Statement of financial position

For the 2015 closed year of account as at 31 December 2017

MEMBERS' BALANCES AND LIABILITIES	Notes	£000	**£000**
Members balance			
Amount due from members			**15,524**
Reinsurance to close premium payable to close the account – gross amount	*3*		**(8,858)**
Creditors			
Creditors arising out of direct insurance operations	*10*	(1,090)	
Creditors arising out of reinsurance operations	*10*	(260)	
Other creditors	*11*	(13,670)	
			(15,020)
Accruals and deferred income			**(886)**
Total members' balances and liabilities			**(9,240)**

The financial statements on pages 42 to 53 were approved by the board of directors on 15 March 2018 and were signed on its behalf by:

R D Andrews
Director

Notes to the financial statements

	Notes	**£000**
Loss on ordinary activities		(15,524)
Movement in reinsurance to close premium		7,144
Movement in debtors		(6,361)
Movement in creditors		8,520
Movement in other assets/liabilities		886
Investment return		(7)
Net cash flows from operating activities		**(5,342)**
Cash flow from investing activities		
Investment income received		7
Cash flow from financing activities		
Financing	11	6,500
		6,507
Net increase in cash and cash equivalents		**1,165**
Cash at bank and in hand	*8*	374
Short term deposits with credit institutions	*5, 9*	791
Cash and cash equivalents at end of year		**1,165**

1. Accounting policies

1.1 Statement of compliance

The financial statements have been prepared in compliance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and FRS 102 and FRS 103, being applicable UK GAAP accounting standards, and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

The financial statements are prepared under the historical cost convention except for certain financial instruments which are measured at fair value.

1.2 Basis of preparation

The financial statements for the 2015 closed year of account as at 31 December 2017 were approved for issue by the board of directors on 15 March 2018.

The financial statements are prepared in Sterling which is the functional and presentational currency of the Syndicate and are rounded to the nearest £'000.

1.3 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The following are the Syndicate's key sources of estimation uncertainty:

Insurance contract technical provisions

For insurance contracts, estimates must be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported (IBNR), at the reporting date. It can take a significant period before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form most of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, including the Chain Ladder and the Bornhuetter-Ferguson methods.

The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. 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. 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 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 can arise from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

Reinsurance to close

The underwriting accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of the three-year period, outstanding liabilities can be normally estimated with sufficient accuracy to permit the year of account to be closed by payment of a reinsurance to close premium to the successor year of account.

The reinsurance to close premium is estimated by reference to the outstanding technical provisions, including outstanding claims, unearned premium net of deferred acquisition costs, and unexpired risks for the closed year(s) of account. Although the estimate for these liabilities is considered fair and reasonable, it is implicit in the estimate that there could be a variance from this premium amount.

The reinsurance to close premium transfers the liability in respect of all claims, reinsurance premiums, return premiums and other payments in respect of the closing year to the members of the receiving year of account and gives them the benefit of refunds, recoveries and premium receivable falling due and other income for the closing year of account not credited to date.

1.4 Significant accounting policies

Insurance contracts – Product classification
Insurance contracts are those contracts where the Syndicate (the insurer/reinsurer) has accepted significant insurance risk from another party (the policyholder/reinsured) by agreeing to compensate the policyholder if a specified uncertain future event (the re/insured event) adversely affects the policyholders. As a general guideline, the Syndicate determines whether it has significant insurance risk by comparing benefits paid with benefits payable, if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.
Any separable embedded derivatives within an insurance contract are separated and accounted for in accordance with FRS 102 unless the embedded derivative is itself an insurance contract (i.e., the derivative is not separated if the policyholder benefits from the derivative only when the insured event occurs).

Gross premium
Gross written premium comprises the total premiums receivable for the whole period of cover provided by the contracts entered during the reporting period, regardless of whether these are wholly due for payment in the reporting period, together with any adjustments arising in the reporting period to such premiums receivable in respect of business written in prior reporting periods. They are recognised on the date on which the policy commences. Additional or return premiums are treated as a remeasurement of the initial premium. Gross written premiums are stated gross of brokerage payable and exclude taxes and duties levied on them.
Written premiums include an estimate for pipeline premiums (i.e., premiums written but not reported to the Syndicate by the reporting date) relating only to those underlying contracts of insurance where the period of cover has commenced prior to the reporting date. The most significant assumption in this estimate is that prior year experience will be consistent with current experience.

Under some policies, written premiums are adjusted retrospectively in the light of claims experience. Where written premiums are subject to an increase or decrease retrospectively, recognition of any movement is deferred until the additional amount can be ascertained with reasonable certainty. Where written premiums are subject to a reduction, a remeasurement taking account of such a reduction is made as soon as there is an obligation to the coverholder.

Reinsurance premium
Reinsurance written premium comprises the total premiums payable for the whole cover provided by contracts entered in the period, including portfolio premiums payable, and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the period in respect of reinsurance contracts incepting in prior accounting periods.

Under some policies, reinsurance premiums payable is adjusted retrospectively in the light of claims experience or where the claims experience differs from expected at the time the policy commenced. Where written premiums are subject to an increase retrospectively, recognition of any potential increase is recognised as soon as there is an obligation to the policyholder.

Profit commission
Profit commission is charged by the managing agent on the profit on a year of account taking into consideration any deficit clause. This is charged to the Syndicate as incurred but does not become payable until after the appropriate year of account closes, normally at 36 months.

Claims
Claims include all claims occurring during the period, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, if applicable, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Reinsurance recoveries are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Notes to the financial statements

Investment return

Dividends are recognised when the investments to which they relate are declared 'ex-dividend'. Interest income is recognised on a time proportionate basis considering effective interest yield.

Unrealised and realised gains and losses on financial investments are recognised based on the appropriate classification of financial investments and are covered in detail under the accounting policy for financial investments.

An allocation of actual investment return on investments supporting the general insurance technical provisions and associated members' balance is made from the non-technical account to the technical account. Investment return related to non-insurance business and members' balance is attributed to the non-technical account. Investment return has been wholly allocated to the technical account as all investments relate to the technical account.

Foreign currencies

The Syndicate's functional currency and presentational currency is Sterling being the primary currency of the economic environment in which the Syndicate operates.

Transactions in foreign currencies are translated using the average exchange rates applicable in the year in which the transaction occurs. This is deemed to be a reasonable approximation of the rate at which the transaction took place. Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts, including unearned premiums and deferred acquisition costs) denominated in foreign currencies are retranslated into the functional currency at the exchange rate ruling on the reporting date.

Non-monetary items where applicable are measured in terms of historical cost in a foreign currency and translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items denominated in a foreign currency and measured at fair value are translated into the functional currency using the exchange rate ruling at the date when the fair value was determined.

Exchange differences are recorded in the non-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, and no provision has been made for any overseas tax payable by members on underwriting results. It is the responsibility of members to agree and settle their tax liabilities with the taxation authorities of their country of residence.

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. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date.

Fair value of financial assets and derivatives determined using valuation techniques

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of discounted cash flow models and/ or mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity risk, credit risk, and model input s such as estimated future cash flows based on management's best estimates and discount rates.

For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity, and financial conditions or counterparties. Discount rates are influenced by risk-free interest rates and credit risk.

Changes in assumptions about these factors could affect the reported fair value of financial instruments. Further details are given in Notes 5 and Note 20 of the annual accounts.

Fair value of financial assets
The Syndicate uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short-term deposits with an original maturity date of three months or less. For the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Claims outstanding
The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims; therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions. The liability is not discounted for the time value of money.

Reinsurance assets
The Syndicate cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence because of an event that occurred after initial recognition of the reinsurance asset that the Syndicate may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Syndicate will receive from the reinsurer. The impairment loss is recorded in the income statement.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. There were no such gains or losses recognised in the period.

Ceded reinsurance arrangements do not relieve the Syndicate from its obligations to policyholders.

Insurance receivables
Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. After initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

Insurance payables
Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest rate method.

Risk management
Because of the 2015 year of account reinsuring to close into the 2016 year of account, the residual risks to the members on the closed year have been minimised. The risk disclosure requirements of FRS 102 are deemed not applicable to these underwriting year accounts. It should be noted however, that a reinsurance contract does not extinguish the primary liability of the original underwriting year of account.

2. Segmental analysis

An analysis of the underwriting result before investment return and profit/(loss) on exchange is set out below:

	Gross written premium £000	Gross earned premium £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	**Total £000**
Direct insurance:						
Marine, aviation and transport	24,721	24,721	(22,846)	(12,054)	(1,375)	**(11,555)**
Fire and other damage to property	2,510	2,510	(3,554)	(1,093)	(85)	**(2,222)**
Third-party liability	161	161	(37)	(61)	(77)	**(14)**
	27,391	27,391	(26,437)	(13,208)	(1,537)	**(13,791)**
Reinsurance	9,058	9,058	(4,727)	(4,197)	(1,492)	**(1,358)**
	36,449	**36,449**	**(31,164)**	**(17,405)**	**(3,029)**	**(15,149)**

Commissions on direct insurance gross premiums written on the 2015 year of account were £6,243,000.

The reinsurance balance is the aggregate of all those items included in the technical account that relate to outward reinsurance transactions, including items recorded as reinsurance commissions, profit participation and reinsurers' share of paid claims. The reinsurance balance includes reinsurance commission receivable.

The geographical analysis of gross premiums written on the 2015 year of account by destination (or operating territory) is as follows:

	£000
UK	**642**
Canada	**241**
United States of America	**1,377**
EU member states (excluding UK)	**532**
Other	**3,332**
Worldwide	**30,325**
	36,449

3. Reinsurance to close premium payable

	Reported £000	IBNR £000	**Total £000**
Gross reinsurance to close premium payable	(6,380)	(2,347)	**(8,727)**
Reinsurance recoveries anticipated	884	830	**1,714**
Claims handling expense provision	(96)	(35)	**(131)**
Reinsurance to close premium, net of reinsurance	**(5,592)**	**(1,552)**	**(7,144)**

4. Net operating expenses

	£000
Acquisition costs	**(8,054)**
Administrative costs	**(8,106)**
Members' personal expenses*	**(1,176)**
Members' agent fees	**(69)**
	(17,405)

*Members' personal expenses include Lloyd's subscriptions, Central fund contributions, Managing agent's fees and non-standard personal expenses.

5. Financial investments

	Carrying Value £000	Purchase Value £000	Unit Value £000
Deposits with credit institutions	**491**	**491**	**491**

The amount of change in the fair value of financial investments, held at fair value through the income statement, attributable to changes in credit risk was nil. There was no material change in fair value for financial investments held at fair value attributable to own credit risk. There have been no day-one profits recognised in respect of financial instruments designated at fair value through the income statement.

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

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Deposits with credit institutions	**491**	**-**	**-**	**491**

Level 1 category is financial assets that are measured by reference to published quotes in active markets. A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange dealer, broker, industry syndicate, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 category is financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions.

Level 3 category is financial assets measured using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

6. Debtors arising out of direct and reinsurance operations

All debtors arising from direct insurance operations and reinsurance operations are due from intermediaries.

7. Other debtors

	£000
Inter-year of account balance	**4,750**

Inter-year balances are on a year of account and settlement currency basis.

8. Cash and cash equivalents

	£000
Cash at bank and in hand	**374**

9. Other assets

Other assets comprise overseas deposits which are lodged as a condition of conducting underwriting business in certain countries.

10. Creditors arising out of direct and reinsurance operations

All creditors arising from direct insurance operations and reinsurance operations are due to intermediaries.

11. Other creditors

	£000
Financing loan	**(4,000)**
Inter-year of account balance*	**(6,962)**
Amounts owed to credit institutions**	**(2,500)**
Due to CTMA affiliated companies	**(208)**
	(13,670)

** Inter-year balances are on a year of account and settlement currency basis.*
*** Revolving credit facility part-utilised; £2.50 million base rate +3% repayable on or before 15 December 2018.*

12. Related parties

Relevant information regarding relating parties as they affect the 2015 closed year of account is detailed in note 17 of the annual accounts on pages 28 to 29.

Summary of results

Year of account	2015	2016	2017	*2018*
Status	**Closed**	**Open**	**Open**	*Approved*
Syndicate allocated capacity (£m)	*36,000*	*90,000*	*99,985*	*99,985*
Number of underwriting members	*477*	*498*	*397*	*8*
Net premiums net of brokerage (£m)	*23,346*	*46,814*	*46,549*	-
Results for an illustrative share of £10,000				
Gross premiums	10,125	8,484	9,007	-
Net premiums	**8,723**	**7,090**	**2,763**	**-**
RITC from an earlier year of account	-	-	-	-
Net claims incurred	(6,119)	(2,955)	(611)	-
RITC for the year of account	(1,977)	(3,564)	(2,366)	-
Underwriting result	**627**	**571**	**(214)**	**-**
Profit/(loss) on exchange	(106)	48	69	-
Syndicate operating expenses	(4,489)	(3,298)	(2,327)	-
Balance on the technical account	**(3,968)**	**(2,679)**	**(2,472)**	**-**
Investment return	2	1	2	-
Result before personal expenses	**(3,966)**	**(2,678)**	**(2,470)**	**-**
Illustrative personal expenses:				
Managing agent fee	(125)	(121)	(119)	-
Lloyd's central fund	(82)	(103)	(59)	-
Lloyd's subscription	(36)	(54)	(26)	-
Non-standard personal expense	(84)	(92)	(29)	
Members agent fee	(19)	-	-	-
	(346)	**(370)**	**(233)**	**-**
Result after personal expenses	**(4,312)**	**(3,048)**	**(2,703)**	**-**

About The Standard Club

The Standard Club is a mutual insurance association, owned by its shipowner members and controlled by a board of directors drawn from the membership. The club insures shipowners, operators and charterers for their liabilities to third parties arising out of ship operations. The Standard Club prides itself on the quality of its service to its members and sets great store on responsiveness and support always, especially in times of crisis. Just as important is the emphasis on financial strength and stability through the club's strong balance sheet and financial resilience.

While The Standard Club's core business is the provision of protection and indemnity (P&I) insurance, it has a long and successful track record of offering other covers to its members. The club established The Standard Syndicate for two reasons – first, to enable members to benefit from high standards of service and financial security across a broader range of marine and energy covers; and second, to diversify the club and strengthen its financial position. For more information on The Standard Club, visit www.standard-club.com.

About Charles Taylor Managing Agency

Every syndicate must have an appointed managing agent to employ the underwriting staff, ensure compliance with Lloyd's minimum standards and manage day-to-day operations. Charles Taylor Managing Agency is a managing agent purpose-built to deliver turn-key and managed service solutions.

Charles Taylor Managing Agency is a business of Charles Taylor plc., which is a leading provider of technical services to clients across the global insurance market. Charles Taylor has been providing services since 1884 and today employs more than 2,100 staff, operating from 107 locations, spread across 29 countries in the UK, the Americas, Asia Pacific, Europe, the Middle East and Africa.

Corporate information

Managing Agent
Charles Taylor Managing Agency Limited

Directors

B J Hurst-Bannister (Chairman) *	
D G Marock *	
T A Rhodes *	
S J Riley *	
R D Andrews	
N J Finlay	*appointed 8 January 2018*
A Gupta	*appointed 17 August 2016; resigned 1 February 2018*
C H Schirmer	*resigned 4 September 2017*
A Thawani	*resigned 31 August 2017*

** Non-executive director*

Company Secretary
Charles Taylor & Co. Limited

Managing Agent's Registered Office
Standard House 12-13
Essex Street
London
WC2R 3AA

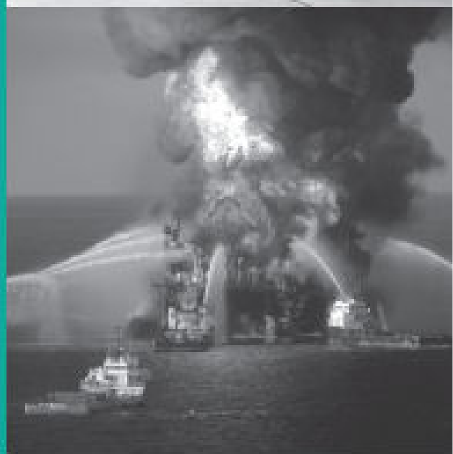
Managing Agent's Registered Number
09147885

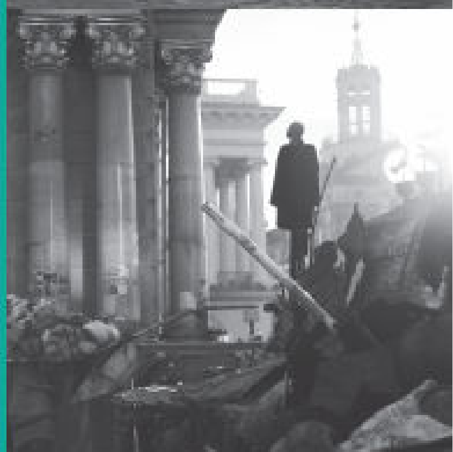
Syndicate 1884

Active Underwriter
R G Dorey

Bankers
Barclays PLC
Citibank NA
RBC Dexia

Independent Auditor
Ernst & Young LLP, London





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