Appendix 8

Important information about Syndicate Reports and Accounts

Access to this document is restricted to persons who have given the certification set forth below. If this document has been forwarded to you and you have not been asked to give the certification, please be aware that you are only permitted to access it if you are able to give the certification.

The syndicate reports and accounts set forth in this section of the Lloyd's website, which have been filed with Lloyd's in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005), are being provided for informational purposes only. The syndicate reports and accounts have not been prepared by Lloyd's, and Lloyd's has no responsibility for their accuracy or content. Access to the syndicate reports and accounts is not being provided for the purposes of soliciting membership in Lloyd's or membership on any syndicate of Lloyd's, and no offer to join Lloyd's or any syndicate is being made hereby. Members of Lloyd's are reminded that past performance of a syndicate in any syndicate year is not predictive of the related syndicate's performance in any subsequent syndicate year.

You acknowledge and agree to the foregoing as a condition of your accessing the syndicate reports and accounts. You also agree that you will not provide any person with a copy of any syndicate report and accounts without also providing them with a copy of this acknowledgment and agreement, by which they will also be bound.

The Channel Managing Agency

The Channel Syndicate 2015

Annual Report and Accounts
31 December 2017

Contents

Directors and Administration

Managing Agent
The Channel Managing Agency (TCMA)

MANAGING AGENT:

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

Non Executive Directors*

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

Managing Agent's Registered Number
08614385

SYNDICATE:

Active Underwriter
T R C Corfield

Bankers
Lloyds Bank plc
Citibank NA
RBC Dexia

Auditor
Mazars LLP
London

Report of the Directors of the Managing Agent

The Directors of the Managing Agent present their report in respect of Syndicate 2015 for the year ended 31 December 2017.

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

Results

The result for calendar year 2017 is a loss of £46,920,000 (2016: loss of £19,885,000).

Principal Activity and Review of the Business

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

The Syndicate underwrites a range of business that comprises traditional Lloyd's classes, including Accident and Health, Property, Marine, Financial Institutions and Professional Liability, and specialty classes, including Political and Credit Risk, Environmental Impairment Liability and Technology Errors and Omissions.

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

	2017	2016
	£'000	£'000
Accident and Health	8,484	14,841
Property	133,162	112,359
Marine	20,942	24,210
Credit & Political Risk	24,703	28,755
Liability	75,207	61,317
	262,498	241,482

Key Performance Indicators

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

	2017	2016
	£'000	£'000
Gross Written Premiums	262,498	241,482
Loss for the financial year	(46,920)	(19,885)
Claims ratio	77%	66%
Expense ratio	50%	46%
Combined ratio	127%	112%

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

2017 was a year marked by an exceptional series of large natural catastrophe losses including Hurricanes Harvey, Irma and Maria (HIM) in the U.S. and the Caribbean, and wildfires in California. These catastrophe losses were compounded by a high frequency of large losses during 2017 but despite this elevated level of activity, the property account did benefit from a release of reserves during the financial year.

The reinsurance protections purchased by the Syndicate are designed to protect against frequency and severity of potential catastrophe events and worked as planned. However, the nature of the 2017 catastrophe events resulted in the Directors determining that it would be prudent for additional reinsurance to be purchased to provide additional cover until the expiry of those programmes during 2018. This was deemed appropriate in order to manage net exposures and capital requirements to the approved enterprise level risk appetite.

We strengthened reserves for two specific large claims on the Financial Institutions part of our Liability account during 2017 following the market wide FCA review into annuity sales. Development within our generalist Liability account was much more stable than in previous years following the action taken during 2017 to reduce exposure to this class. We have also significantly reduced our liability underwriting in a number of generalist areas whilst we have continued to develop our specialty classes including Cyber Technology Liability and Environmental Impairment Liability business.

We continue to invest in and further develop our Credit and Political Risk account and during 2017 took the opportunity to improve the credit quality of our portfolio. We had a reserve release on our Credit and Political Risk account following favourable development in the year.

Across all classes combined we had a net reserve release of £0.8m.

Net operating expenses as a percentage of gross earned premium has reduced from 39% in 2016 to 38% in 2017. However, due to the impact of additional reinsurance costs incurred in 2017, resulting from the significant catastrophe claims during the year, the net expense ratio has increased by 4%.

Cash call

Following the significant catastrophe losses experienced in the third quarter of 2017, we agreed with our capital provider SCOR Underwriting Ltd (SUL) that we would make a combined cash call of $50m across the 2016 and 2017 Years of Account to assist in the various funding requirements arising from these events, including the US Situs regulatory funding as well as the provision of loss funds to ensure our clients' claims were settled on a timely basis. These funds were received directly from SUL ahead of the required timetable demonstrating the benefits to our clients from Syndicate 2015 being part of a strong SCOR group.

The 2016 Year of Account cash call represents 9.17% of Syndicate Capacity and the 2017 Year of Account cash call represents 9.16% of Syndicate Capacity

Operating Expenses

Net operating expenses for the year are set out below:

	2017 £'000	2016 £'000
Acquisition Costs	85,980	76,704
Change in Deferred Acquisition Costs	(5,495)	(8,818)
Reinsurance Commissions	(1,402)	(732)
Managing Agency Fee	1,695	1,358
Other Personal Expenses	2,278	1,765
Other Administration Expenses	11,928	11,518
Net Operating Expenses	94,984	81,795

Total Net Operating Expenses have increased this year in line with expectations. Acquisition costs have increased in line with gross earned premium reflecting the growth of the business during 2017, whilst other administration costs have fallen from 5.4% of gross earned premium in 2016 to 4.7% in 2017.

Investment Return

The return on Syndicate funds by currency is shown below:

	Currency	2017 '000	2016 '000
Average Syndicate funds available	Combined Sterling	169,815	153,936
	Sterling	26,017	22,163
	Euro	39,198	29,771
	US Dollars	117,149	110,410
	Canadian Dollars	37,965	28,697
Investment return for the year	Combined Sterling	1,277	1,254
	Sterling	234	375
	Euro	2	148
	US Dollars	1,150	893
	Canadian Dollars	249	173
Calendar year investment return %	Combined Sterling	0.75%	0.81%
	Sterling	0.90%	1.69%
	Euro	0.01%	0.50%
	US Dollars	0.98%	0.81%
	Canadian Dollars	0.66%	0.60%

US Dollar surplus funds are on a daily sweep to the Western Asset Management Cash Mutual. During 2017 the Syndicate invested in fixed income securities for the US Dollar Situs and Euro trust funds. Towards the end of 2017 the Syndicate also invested in Canadian Dollar fixed income securities.
Investment returns for 2017 were 0.75% (2016: 0.81%). The Syndicate's investment strategy is to preserve capital and have a prudent approach to managing investment risk.

The investment return is calculated using all funds including cash and overseas deposits. The 2016 investment return for the year is comparable to the 2017 return for the year calculated on an average fund basis.

Financial Investments

The Syndicate's investment guidelines do not allow for the holding of equities or stock lending transactions. At 31 December 2017 the portfolio composition was as follows:

	2017 £'000	2016 £'000
Liquid funds	21,050	36,665
Fixed income securities	103,832	82,982
	124,882	119,647

Principal Risks and Uncertainties

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

United Kingdom's prospective withdrawal from the European Union (BREXIT)

Regulatory and commercial uncertainty precipitated by the United Kingdom's withdrawal from the European Union continues to present both threats and opportunities. For the Syndicate the proportion of Euro-denominated business remains less than 10% of overall gross premium, with the majority of this coming from a small number of facilities. Lloyd's has developed plans for accessing European Union business via the Lloyd's Insurance Company (LIC) based in Brussels. We intend to participate in the LIC and are in regular contact with Lloyd's over the progress and associated risks of this development. Lloyd's has confirmed that the LIC plan is on track and expect the LIC to be operational by 1 January 2019 although we continue to monitor the development and associated risk and take appropriate action. In addition we continue to work in conjunction with our colleagues in the SCOR group to ensure we have an appropriate response to these prospective changes to enable us to continue to support our clients and business partners and take advantage of any opportunities that may arise.

Insurance Risk

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

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

Market Risk
Market risk is the risk that the fair value or future cash flows of a financial investment or insurance contract will fluctuate. Market risk comprises three types of risk: interest rate risk, currency risk, and equity price risk.
Interest rate risk arises primarily from the Syndicate's financial investments, cash, and overseas deposits. The risk of changes in the fair value of these assets is managed by primarily investing in short-duration financial investments and cash and cash equivalents. The Investment Committee monitors the duration of these assets on a regular basis.
The Syndicate maintains four settlement currencies being Sterling, Euro, Canadian Dollar, and US Dollar and is therefore exposed to currency risk arising from fluctuations in the exchange rates of Sterling against these currencies. The foreign exchange policy is to maintain assets in the currency in which the cash flows from liabilities are to be settled in order to mitigate the currency risk inherent in these contracts.
The Syndicate holds no equities within its portfolio.

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

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

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

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

Future Developments

In 2018 we plan to continue to transact business in the current classes of general insurance and reinsurance business. The total Syndicate capacity for the 2018 year of account is £225m compared with £226m in 2017. The small reduction reflected our view of expected market conditions when we submitted our plan to Lloyd's in September 2017 before the significant catastrophe losses had occurred.

Following these losses there has been a steadying of the market with improvements being seen in a number of areas, in particular those most affected by the catastrophe losses. We will continue to review our existing portfolio and will decline business that does not meet our requirements. We will further expand and develop our specialty business areas, in accordance with our strategic plan to establish the Channel Syndicate as a recognised leading specialty Syndicate, as part of the SCOR Vision in Action three year strategic plan. As part of this plan we have established a Service Company which will assist in the development of our specialty business and enhance our distribution capabilities. Should suitable opportunities develop we will consider requesting Lloyd's to increase our capacity in the later part of 2018.

Directors Serving in the Year

The Directors of the Managing Agency, TCMA, who served during the year ended 31 December 2017 were as follows:

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

Disclosure of Information to the Auditor

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

Financial Reporting Council (FRC) Audit Quality Review (AQR)

During 2017 the audit for our 31 December 2016 report and accounts carried out by Mazars LLP was subject to review by the FRC AQR team, and the results of this review were duly reported to the TCMA Audit Committee. There were no substantial issues raised although Mazars LLP agreed to make limited changes to its audit approach.

Report of the Directors of the Managing Agent (continued)

Syndicate Annual General Meeting

In accordance with the Syndicate Meetings (Amendment No 1) Byelaw (No 18 of 2000) the Managing Agent does not propose holding an annual meeting this year; the Managing Agent also intends to reappoint the auditor, Mazars LLP, for a further 12 months. Should the Syndicate Member object to either of these proposals, the Managing Agent should be advised before 25 April 2018.

On behalf of the Board

David Reed
Director
14 March 2018

Statement of Managing Agent's Responsibilities

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

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

In preparing the Syndicate annual accounts, the Managing Agent is required to:

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

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

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

Independent Auditor's Report to the Member of Syndicate 2015

Opinion

We have audited the annual financial statements of Syndicate 2015 ('the Syndicate') for the year ended 31 December 2017, which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Member's Balance, the Statement of Cash Flows and the related notes, 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" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the annual financial statements:

- give a true and fair view of the state 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 financial statements" section of our report. We are independent of the Syndicate in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council'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 the audit report

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

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 annual financial statements is not appropriate; or
- the managing agent has not disclosed in the annual financial statements any identified material uncertainties that may cast significant doubt on the Syndicate's ability to continue to operate for a period of at least twelve months from the date when the annual financial statements are authorised for issue.

Other information

The managing agent is responsible for the other information. The other information comprises the information included in the Annual Report and Accounts, other than the annual financial statements and our auditor's report thereon. Our opinion on the annual financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 financial statements 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 this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on the other matters 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 for which the annual financial statements are prepared is consistent with those annual financial statements; and
- the Managing Agent's Report has been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Matters on which we are required to report by exception

In 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 annual financial statements are not in agreement with the accounting records; or
- certain disclosures relating to amounts recharged to the Syndicate in respect of the emoluments of the active underwriter and the directors of the managing agent are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 10, the managing agent is responsible for the preparation of the annual financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 financial statements.

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

Steve Liddell (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St. Katharine’s Way
London E1W 1DD
14 March 2018

Profit and Loss Account

Technical Account

For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Earned premiums, net of reinsurance			
Gross premiums written	4	262,498	241,482
Outward reinsurance premiums		(64,429)	(43,289)
Net premiums written		198,069	198,193
Change in the provision for unearned premiums			
- Gross amount	19	(10,317)	(29,845)
- Reinsurers' share	19	1,903	8,346
Change in the net provision for unearned premiums		(8,414)	(21,499)
Earned premiums, net of reinsurance		189,655	176,694
Allocated investment return transferred from the non-technical account		1,277	1,254
Claims incurred, net of reinsurance			
Claims paid			
- Gross amount		(144,265)	(109,820)
- Reinsurers' share		16,144	18,326
Net claims paid		(128,121)	(91,494)
Change in the provision for claims			
- Gross amount	19	(121,803)	(36,957)
- Reinsurers' share	19	104,308	12,112
Change in the net provision for claims		(17,495)	(24,845)
Claims incurred, net of reinsurance		(145,616)	(116,339)
Net operating expenses	5	(94,984)	(81,795)
Balance on the technical account for general business		**(49,668)**	**(20,186)**

All the amounts above are in respect of continuing operations.

Non-Technical Account

For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Balance on the general business technical account		(49,668)	(20,186)
Investment income	8	1,993	1,761
Unrealised losses on investments		(607)	(417)
Investment expenses		(109)	(90)
Allocated investment return transferred to general business technical account		(1,277)	(1,254)
Profit on foreign exchange		2,748	301
Loss for the financial year		**(46,920)**	**(19,885)**

Balance Sheet

Assets

At 31 December 2017

	Notes	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Investments					
Other financial investments	9		124,882		119,647
Reinsurers' share of technical provisions					
Provision for unearned premiums	19	36,636		37,487	
Claims outstanding	19	146,177		46,754	
			182,813		84,241
Debtors					
Debtors arising out of direct insurance operations	10	59,080		54,450	
Debtors arising out of reinsurance operations	11	30,200		24,976	
Other debtors		209		442	
			89,489		79,868
Other assets					
Cash and cash equivalents	12	29,885		19,485	
Overseas deposits	13	25,881		24,533	
			55,766		44,018
Prepayments and accrued income					
Deferred acquisition costs	14	51,865		48,868	
Accrued interest and rent		560		490	
Other prepayments and accrued income		658		584	
			53,083		49,942
Total assets			**506,033**		**377,716**

Balance Sheet

Liabilities
At 31 December 2017

	Notes	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Capital and reserves					
Member's balance			(37,543)		(36,965)
Technical provisions					
Provision for unearned premiums	19	162,601		161,157	
Claims outstanding	19	321,768		210,466	
			484,369		371,623
Creditors					
Creditors arising out of direct insurance operations	15	2,765		1,636	
Creditors arising out of reinsurance operations	16	51,830		38,508	
Other creditors including taxation and social security		896		241	
			55,491		40,385
Accruals and deferred income			3,716		2,673
Total liabilities			**506,033**		**377,716**

The notes on pages 18 to 38 form an integral part of these annual accounts.

The annual accounts on pages 14 to 38 were approved by the Board of The Channel Managing Agency Limited on 14 March 2018 and were signed on its behalf by

Paul Chubb
Director
14 March 2018

Statement of Changes in Member's Balance

For the year ended 31 December 2017

	2017 £'000	2016 £'000
At 1 January	(36,965)	(26,033)
Distribution loss and open year cash calls	46,342	8,953
Loss for the year	(46,920)	(19,885)
At 31 December	(37,543)	(36,965)

Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities			
Loss for the year		(46,920)	(19,885)
Increase in gross technical provisions		112,746	104,978
Increase in reinsurers' share of technical provisions		(98,572)	(29,099)
Increase in debtors		(12,761)	(32,809)
Increase in creditors		16,149	14,952
Movement in other assets/liabilities		11,955	(11,598)
Investment return		(1,277)	(1,254)
Net cash flows from operating activities		(18,680)	25,285
Cash flows from investing activities			
Purchase of debt instruments		(80,510)	(40,252)
Sale of debt instruments		53,750	27,184
Investment income received		1,736	1,322
Other		(458)	(68)
Cash flows from financing activities			
Distribution loss and open year cash calls from Member in respect of underwriting participation		46,342	8,953
Net increase in cash and cash equivalents		2,180	22,424
Foreign Exchange		8,220	(13,407)
Movement in cash and cash equivalents		10,400	9,017
Cash and cash equivalents at 1 January		19,485	10,468
Cash and cash equivalents at 31 December	12	29,885	19,485

Notes to the Accounts

At 31 December 2017

1. Basis of preparation

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

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

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

2. Use of judgement and estimates

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

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

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

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

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

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

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

Reinsurance IBNR is made up of general IBNR on Treaty, Facultative and Quota Share programmes, and specific reinsurance IBNR on known losses. Reinsurance IBNR calculations take into account the actual programmes that are purchased to cover each class of business and where appropriate the assumed reinsurance loss ratios are based on the Syndicate's latest views calculated from the Internal Model.

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

3. Significant Accounting Policies

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

Gross Premiums Written

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

Unearned Premiums

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

Notes to the Accounts (continued)

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

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

The provision for claims outstanding is assessed on:

1) An individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs; and

2) The estimated cost of IBNR claims at the balance sheet date based on statistical methods.

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

Unexpired Risk Provision
A provision for unexpired risks is made where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together after taking into account any future investment return. No provision is necessary at the current year end (2016: £nil).

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

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange at the balance sheet date. Unearned premium reserves and deferred acquisition costs are treated as monetary assets and liabilities.

Exchange differences are recorded in the non-technical account.

Investments
Investments are stated at fair 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 of market value as notified by Lloyd's.

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

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

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

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

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

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

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

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

4. Analysis of Business Written

2017	Gross written premium £'000	Gross premium earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Re-insurance balance £'000	Total £'000
Direct insurance:						
Accident and health	6,325	8,340	(6,264)	(4,141)	(1,099)	(3,164)
Motor (Other Classes)	2	2	(37)	(4)	(1)	(40)
Marine	9,787	10,336	(9,460)	(4,383)	521	(2,986)
Aviation	(8)	(7)	(450)	3	88	(366)
Transport	4,962	5,646	(3,219)	(2,328)	395	494
Fire and other damage to property	105,404	100,502	(135,898)	(37,460)	46,785	(26,071)
Third party liability	73,323	65,901	(44,258)	(27,130)	997	(4,490)
Pecuniary loss	19,060	18,569	(7,450)	(4,832)	(2,965)	3,322
	218,855	209,289	(207,036)	(80,275)	44,721	(33,301)
Reinsurance	43,643	42,892	(59,031)	(14,709)	13,204	(17,644)
	262,498	252,181	(266,067)	(94,984)	57,925	(50,945)

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

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

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

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

Notes to the Accounts (continued)

5. Net Operating Expenses

	2017 £'000	2016 £'000
Acquisition costs	(85,980)	(76,704)
Change in deferred acquisition costs (note 14)	5,495	8,818
Administrative expenses	(15,901)	(14,641)
Reinsurance commissions	1,402	732
	(94,984)	(81,795)

Commission for direct insurance business for the year was £54,679,000 (2016: £41,737,000).

Administrative expenses include:

	2017 £'000	2016 £'000
Auditor's remuneration		
Audit of the annual accounts	(67)	(66)
Other services:		
Other assurance services	(17)	(11)
Interim reporting	(28)	(28)
	(112)	(105)

In addition to the above during 2017, Mazars LLP carried out cover holder reviews for a fee of £13,513 (2016: £13,382).

Standard personal expenses (Lloyd's subscriptions, New Central Fund Contributions, Managing Agents fees)	(3,973)	(3,123)

6. Staff Numbers and Costs

	2017 £'000	2016 £'000
Wages and salaries	14,938	13,732
Social security costs	1,902	1,710
Other pension costs	860	822
Total	17,700	16,264

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

	2017	2016
Administration	40	36
Underwriting and reinsurance	72	70
Claims	10	9
Total	122	115

7. Emoluments of the Directors of TCMA

The Directors of TCMA and the Active Underwriter received the following aggregate emoluments, as defined by Schedule 1 to the 2008 Regulations, charged to the Syndicate and included within net operating expenses.

	2017 £'000	**2016 £'000**
Active Underwriter	451	511
Other directors of TCMA	1,066	1,223
Total	1,517	1,734

8. Investment Return

	2017 £'000	**2016 £'000**
Interest and dividend income	2,168	1,895
Realised losses	(175)	(134)
Total investment income	1,993	1,761
Unrealised losses	(607)	(417)
Investment expenses	(109)	(90)
Total investment return	1,277	1,254

All realised and unrealised losses arise from investments designated as fair value through profit and loss.

9. Financial Investments

	2017		**2016**	
	Fair Value £'000	**Cost £'000**	**Fair Value £'000**	**Cost £'000**
Shares and other variable securities and units in unit trusts	21,050	21,050	36,665	36,665
Debt securities and other fixed income securities	103,832	104,428	82,982	83,429
	124,882	125,478	119,647	120,094

Notes to the Accounts (continued)

The Syndicate has not traded in derivatives.

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

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

The Syndicate classifies its financial investments as follows:

Level 1 The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 Inputs are unobservable for the asset or liability.

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

Fair Value Hierarchy

As at 31 December 2017	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Shares and other variable yield securities and unit trusts	21,050	-	-	21,050
Debt securities and other fixed income securities	24,914	78,918	-	103,832
Total	45,964	78,918	-	124,882

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

10. Debtors arising out of Direct Insurance Operations

	2017 £'000	**2016 £'000**
Due within one year – intermediaries	59,043	54,394
Due after one year – intermediaries	37	56
	59,080	54,450

11. Debtors arising out of Reinsurance Operations

	2017 £'000	2016 £'000
Due within one year – intermediaries	30,194	24,976
Due after one year – intermediaries	6	-
	30,200	24,976

12. Cash and cash equivalents

	2017 £'000	2016 £'000
Cash at bank and in hand	29,885	19,485

13. Overseas Deposits

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

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

14. Deferred Acquisition Costs

	2017 £'000	2016 £'000
At 1 January	48,868	35,400
Change in deferred acquisition costs (note 5)	5,495	8,818
Foreign exchange	(2,498)	4,650
At 31 December	51,865	48,868

15. Creditors arising out of Direct Insurance Operations

	2017 £'000	2016 £'000
Due within one year	2,754	1,630
Due after one year	11	6
	2,765	1,636

16. Creditors arising out of Reinsurance Operations

	2017 £'000	2016 £'000
Due within one year	51,830	38,508
	51,830	38,508

17. Risk and Capital Management

Overview

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

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

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

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

Insurance Risk

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

Notes to the Accounts (continued)

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

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

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

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

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

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

Concentration of Insurance Risk

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

	2017	**2016**
United States	36%	37%
United Kingdom	25%	23%
Europe (excluding United Kingdom)	14%	12%
Canada	6%	4%
Asia	4%	5%
Australia & New Zealand	4%	4%
Africa	3%	5%
Middle East	3%	4%
Caribbean & Central America	3%	3%
South America	2%	3%
	100%	100%

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

	2017 £'000 10 per cent		2016 £'000 10 per cent	
	increase	**decrease**	**increase**	**decrease**
Accident and Health	(804)	804	(1,186)	1,186
Property	(6,298)	6,298	(6,104)	6,104
Marine	(2,307)	2,307	(2,531)	2,531
Credit & Political Risk	(408)	408	(243)	243
Liability	(7,091)	7,091	(5,870)	5,870
Total	(16,908)	16,908	(15,934)	15,934

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

The Syndicate is exposed to credit risk in respect of the following:
- Financial investments;
- Reinsurers' share of insurance liabilities;
- Amounts due from intermediaries (re/insurance brokers);
- Amounts due from reinsurers in respect of settled claims;
- Cash and cash equivalents; and
- Other debtors and accrued interest.

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

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

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

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

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

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

As at 31 December 2017

	AAA £'000	AA £'000	A £'000	BBB £'000	Other £'000	Total £'000
Shares & other variable yield securities & unit trusts	-	-	21,050	-	-	21,050
Debt securities	41,456	20,812	41,250	314	-	103,832
Overseas deposits	13,540	3,470	2,407	1,045	5,419	25,881
Reinsurers' share of claims outstanding	-	40,570	105,607	-	-	146,177
Reinsurance recoverable on paid claims	-	5,611	2,465	-	-	8,076
Cash at bank & in hand	-	-	29,885	-		29,885
Total credit risk	54,996	70,463	202,664	1,359	5,419	334,901

As at 31 December 2016

	AAA £'000	AA £'000	A £'000	BBB £'000	Other £'000	Total £'000
Shares & other variable yield securities & unit trusts	-	-	36,665	-	-	36,665
Debt securities	30,781	13,493	37,633	1,075	-	82,982
Overseas deposit	13,161	4,110	2,209	745	4,308	24,533
Reinsurers' share of claims outstanding	-	14,085	32,669	-	-	46,754
Reinsurance recoverable on paid claims	-	1,039	2,165	-	-	3,204
Cash at bank & in hand	-	-	19,485	-	-	19,485
Total credit risk	43,942	32,727	130,826	1,820	4,308	213,623

Credit Risk – Ageing and Impairment

As at 31 December 2017

	Neither past due or impaired £'000	Past due but not impaired: Up to three months £'000	Three to six months £'000	Greater than six months £'000	Total £'000
Shares & other variable yield securities & unit trusts	21,050	-	-	-	21,050
Debt securities	103,832	-	-	-	103,832
Overseas deposits	25,881	-	-	-	25,881
Reinsurers' share of claims outstanding	146,177	-	-	-	146,177
Reinsurance recoverable on paid claims	7,646	282	45	103	8,076
Cash at bank & in hand	29,885	-	-	-	29,885
Insurance debtors	56,961	984	329	806	59,080
Other debtors	112,052	-	-	-	112,052
Total credit risk	503,484	1,266	374	909	506,033

As at 31 December 2016

	Neither past due or impaired £'000	Past due but not impaired: Up to three months £'000	Three to six months £'000	Greater than six months £'000	Total £'000
Shares & other variable yield securities & unit trusts	36,665	-	-	-	36,665
Debt securities	82,982	-	-	-	82,982
Overseas deposits	24,533	-	-	-	24,533
Reinsurers' share of claims outstanding	46,754	-	-	-	46,754
Reinsurance recoverable on paid claims	2,624	260	109	211	3,204
Cash at bank & in hand	19,485	-	-	-	19,485
Insurance debtors	52,582	961	577	330	54,450
Other debtors	109,643	-	-	-	109,643
Total credit risk	375,268	1,221	686	541	377,716

Market Risk

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

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

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

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

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

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

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

Liquidity Risk

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

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

Notes to the Accounts (continued)

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

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

As at 31 December 2017

	Carrying Amount £'000	Less than 1 year £'000	1-2 Years £'000	2-5 Years £'000	More than 5 years £'000
Outstanding claims liabilities	321,769	112,946	88,276	100,012	20,535
Other creditors	55,490	55,479	11	-	-
Total	377,259	168,425	88,287	100,012	20,535

As at 31 December 2016

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

Currency Risk

As at 31 December 2017

	GBP £'000	USD £'000	EURO £'000	CAD £'000	Total £'000
Financial investments	-	87,649	14,594	22,639	124,882
Reinsurers' share of technical provisions	34,956	133,258	13,270	1,329	182,813
Insurance & reinsurance receivables	23,937	68,785	(2,233)	(1,209)	89,280
Cash & cash equivalents	7,324	260	22,301	-	29,885
Overseas deposits	19,557	2,451	-	3,873	25,881
Other assets	18,864	27,431	4,912	2,085	53,292
Total assets	104,638	319,834	52,844	28,717	506,033
Technical provisions	(122,897)	(282,938)	(64,125)	(14,409)	(484,369)
Insurance & reinsurance payables	(454)	(56,716)	3,245	(670)	(54,595)
Other creditors and accruals	(4,492)	(87)	(26)	(7)	(4,612)
Total liabilities	(127,843)	(339,741)	(60,906)	(15,086)	(543,576)
Net assets/(liabilities)	(23,205)	(19,907)	(8,062)	13,631	(37,543)

As at 31 December 2016

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

Sensitivity to Market Risks for Financial Investments

Sensitivity Analysis

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

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

Interest Rate Risk	2017 £'000	2016 £'000
Impact of 50 basis point increase on result/net assets	(882)	(702)
Impact of 50 basis point decrease on result/net assets	889	712

Sensitivity to Foreign Exchange Rate Changes

Sensitivity Analysis

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

Currency Risk	2017 £'000	2016 £'000
Impact of 10 percent increase in GBP/USD	(1,991)	(1,647)
Impact of 10 percent decrease in GBP/USD	1,991	1,647
Impact of 10 percent increase in GBP/EUR	(806)	(1,007)
Impact of 10 percent decrease in GBP/EUR	806	1,007

Capital Management

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

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

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

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

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

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

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

18. Claims Development

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

Notes to the Accounts (continued)

Gross

Year U/W Pure	At end of UW year £'000	One year later £'000	Two years later £'000	Three years later £'000	Four years later £'000	Five years later £'000	Six years later £'000
2011	6,807	13,959	13,138	12,656	12,230	11,635	11,309
2012	25,223	56,337	56,246	59,525	64,164	63,985	
2013	38,550	91,719	97,335	93,005	91,681		
2014	44,974	113,376	133,169	138,973			
2015	42,301	109,090	117,917				
2016	62,741	181,544					
2017	125,372						

Net

Year U/W Pure	At end of UW year £'000	One year later £'000	Two years later £'000	Three years later £'000	Four years later £'000	Five years later £'000	Six years later £'000
2011	6,550	13,505	12,622	12,110	11,748	11,156	10,829
2012	22,009	51,139	51,781	53,229	54,272	53,920	
2013	34,210	72,561	79,012	75,588	74,821		
2014	40,828	97,146	108,925	105,480			
2015	35,563	93,708	99,883				
2016	50,849	130,331					
2017	60,455						

Underwriting Pure year	Gross estimated balance to pay £'000	Net estimated balance to pay £'000
2011	199	199
2012	13,718	7,038
2013	15,984	10,308
2014	47,976	29,373
2015	39,299	30,490
2016	109,515	65,886
2017	95,077	32,297
	321,768	175,591

The Syndicate has loss reserves for various events and for IBNR. Losses continue to develop, both positively and negatively on these open balances. Whilst the Syndicate has a reasonable degree of confidence as to the ultimate adequacy of its reserves for all events, volatility exists around the final

settlement value. Overall on an aggregate basis, reserve releases of £0.8m net of reinsurance were made to prior year reserves during 2017. In 2016 there was a reserve release of £1.4m.

The Property, Marine and Credit and Political Risk accounts generated a surplus which was partially offset by a strengthening in the Liability and Accident and Health classes.

19. Technical Provisions

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

	Gross provisions £'000	Reinsurance assets £'000	Net £'000
Provision for Claims			
At 1 January 2017	210,466	(46,754)	163,712
Movement per technical account	121,803	(104,308)	17,495
Foreign Exchange	(10,501)	4,885	(5,616)
At 31 December 2017	321,768	(146,177)	175,591
Unearned Premiums			
At 1 January 2017	161,157	(37,487)	123,670
Movement per technical account	10,317	(1,903)	8,414
Foreign Exchange	(8,873)	2,754	(6,119)
At 31 December 2017	162,601	(36,636)	125,965

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

20. Post Balance Sheet Events

There are no significant post Balance Sheet events.

21. Disclosure of Interests

Managing Agent's Interests

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

Related Companies' Interests

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

TCMA, a subsidiary undertaking of SCOR SE, provides management services to the Syndicate. In 2017, the recharge to the Syndicate was £18,955,000 (2016 £18,016,000). The balance outstanding at the year end owed by the Syndicate to TCMA was £905,000 (2016 £237,000).

The amount of premium ceded by SCOR SE companies in the period was £nil (2016: £nil). The amount of reinsurance ceded to SCOR SE companies was £12,320,000 (2016: £14,975,000).