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Syndicate 1884 @ Lloyds

www.syndicate1884.com

Report & Accounts 2019

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Overview

Syndicate 1884 ("the Syndicate") was launched on 1 April 2015, writing primarily marine classes. In October 2018 the CTMA Board ("the Board") took the decision to place the Syndicate into run-off with effect from 1 January 2019. Following entry into run-off the management of the Syndicate has targeted the following objectives:

- Maintain appropriate claims and post bind underwriting service levels for policyholders
- Seek to mitigate further deterioration of the result
- Reduce risk (reducing on-going capital requirements and ultimate reinsurance to close costs)
- Target third-party reinsurance to close at acceptable cost on closure of the 2018 year of account (as at 31 December 2020)

The Syndicate has made good progress in pursuing these objectives through 2019:

- Management of staffing levels and use of appropriate retention arrangements has ensured key skills have been retained and policyholder service levels maintained.

- The forecast spot result has deteriorated over the year, primarily due to a number of large losses on the Energy and Political risk classes, partially mitigated by reinsurance protection. The negative underwriting result has been partially offset by higher than previously forecast written premium.

- Reinsurance arrangements have been reviewed and renewed where necessary, with additional cover placed with lower retentions providing additional protection to the net underwriting result in 2020. The cost of additional reinsurance purchases has been within budget and within risk appetite. The Syndicate's agreed capital requirement has reduced through the year.

- The Board has approved closure of the 2017 and prior YOA into the 2018 YOA giving careful consideration that an equitable outcome is achieved for both reinsured and reinsuring capital providers. This provides finality to investors on the 2017 YOA. The Syndicate is on track to close the remaining open year at 31 December 2020.

Forecast to Ultimate	2017 pure year of account £m	2018 pure year of account £m
Gross premium written	108.8	110.6
Earned premium, net of reinsurance	**82.3**	**82.8**
Run-off provision*	(5.2)	(4.0)
Result on the technical account for the year of account**	**(54.8)**	**(45.3)**
Claims ratio	105.3%	88.1%
Acquisition ratio	32.6%	33.4%
Expense ratio	28.7%	33.2%
Combined ratio	166.6%	154.7%

Ratios are based on earned premium, net of reinsurance.
**Costs that would otherwise have been borne by future years of account, or as a direct result of going into run-off.*
*** Result on the technical account includes risk premium & run-off provision, excludes investment return and currency gains/losses.*

Run-off manager’s report

Year of account performance

2017 and prior year of account: The 2017 and prior year has been closed with a loss of £52.0m (52.0% loss on capacity). The key components of the movement in the spot result over 2019 are set out below:

Ultimate result	£m
Forecast ultimate result at 31 December 2018	*(47.3)*
Re-translation to year-end closing rates	0.9
Change in net ultimate premiums	4.9
Change in net ultimate claims	(5.8)
Run-off & RITC costs*	(4.8)
Other income	0.1
Ultimate result at 31 December 2019	**(52.0)**

** Additional Run-off & RITC costs include the net impact of risk premium paid to the 2018 YOA, provision for 2020 run-off costs allocated to 2017 and prior YOA business, and favourable movement in 2016 & prior reserves.*

The key drivers of the underwriting result were:

- Higher than previously reserved premium receipts, primarily arising from the cargo, hull and political risk classes
- Negative specific large loss experience arising from new losses on the political risk, D&O and energy classes
- Stable experience in attritional and catastrophe reserves across all other classes of business

The ultimate result includes:

- £3.0m provision for future run-off costs in 2020
- £4.7m risk premium, reflecting a contribution by the 2017 and prior YOAs to the anticipated ultimate costs required to close the 2018 YOA into a third-party reinsurer.

The risk premium has been set at 10% of net technical provisions, consistent with the risk premium charged on closure of the 2016 and prior YOA. The 2017 YOA had previously received £2.5m of risk premium on closing the 2016 & prior YOA. The Board has satisfied itself through consideration of a number of specific tests and analyses that the level of expenses and risk premium allocated to the 2017 YOA provides an equitable outcome for both reinsured and reinsuring capital providers.

2018 year of account: The forecast ultimate result for the 2018 YOA is a loss of £44.7m (44.7% loss on capacity). The key components of the movement in the spot result over 2019 are set out below:

Forecast ultimate result	£m
Forecast ultimate result at 31 December 2018	*(31.9)*
Re-translation to year-end closing rates	0.3
Change in net ultimate premiums	2.6
Change in net ultimate claims	(12.8)
Additional run-off costs*	(3.2)
Other income	0.3
Forecast ultimate result at 31 December 2019	**(44.7)**

** Additional run-off costs relate to the forecast 2020 run-off costs allocated to 2018 YOA*

The forecast ultimate result excludes both risk premium and future expenses anticipated to achieve closure of the 2018 YOA to a third-party.

The key drivers of the underwriting result were:

- Better than previously forecast written premiums, primarily arising from the cargo class
- Gross reserve strengthening in the year arising from the cargo, energy and political risk classes, partially offset by reserve releases on the marine liability and cyber classes
- Several specific large losses, arising from downstream energy exposures

Run-off manager’s report

Outlook and run-off management approach

Following significant reserve strengthening in the first quarter of 2019 the run-off reserve became more stable - for example, the fourth quarter underwriting result represented a small release across both open years of account. Material premium collections are expected to continue through 2020 arising from final adjustment premiums and settlement of amounts due from delegated or long-term contracts. The Syndicate’s exposure to live risks has reduced by more than 90% over the course of 2019 and will continue to fall by a similar proportion through 2020.

However, the Syndicate will remain exposed to a number of longer-term risks which expire after 2020, typically where the duration of the insurance contract is linked to a long-term underlying construction project or financing arrangement. These exposures primarily arise in the Energy and Political Risk classes. Consequently, there is a continuing requirement to manage net exposures, particularly for classes of business protected by reinsurance bought on a “losses occurring during” basis. Therefore, the Syndicate result remains exposed to volatility arising from its net exposure to potential future large losses on unexpired risk in excess of allowances currently held in technical provisions.

The Syndicate will continue to seek out and take opportunities to de-risk its portfolio of underwriting risks if commercially advantageous. Such actions include purchase of additional reinsurance or seeking to be replaced on risks with long expiry dates. Opportunities to de-risk the portfolio will be pursued if they allow the realisation of anticipated profits on unexpired risk, manage volatility on the account in the period to 31 December 2020, or where they are expected to reduce ultimate third-party reinsurance to close costs. The technical provisions underlying the forecast ultimate result include an allowance for costs of future tactical reinsurance purchases expected to be required in order to manage net exposures. Therefore, while the risks to the Syndicate result are reducing in line with expectations, it remains subject to continuing volatility from unexpired risk and potential adverse reserve development.

The objectives for the management of the Syndicate’s run-off during 2020 remain unchanged:

- Maintain appropriate claims and post bind underwriting service levels for policyholders
- Seek to mitigate further deterioration of the result
- Reduce risk (reducing on-going capital requirements and ultimate reinsurance to close costs)
- Target closure of the 2018 YOA at an acceptable cost as at 31 December 2020

Robert D Andrews
Run-off Manager, Syndicate 1884 @ Lloyd’s
5 March 2020

Report of the directors of the managing agent

The directors of Charles Taylor Managing Agency Limited ("CTMA") present their report in respect of Syndicate 1884 @ Lloyd's ("the Syndicate") for the year ended 31 December 2019.

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 2019 is a loss of £20.0m (2018: loss of £56.9m).

Principal activity: The principal activity of the Syndicate is the management of the historic 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 Run-off Manager's report.

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

	2019	*2018*
Calendar year result	**£000**	*£000*
Gross premium written	**26,949**	*104,176*
Earned premium, net of reinsurance	**45,805**	*89,368*
Loss on the technical account for the year	**(22,936)**	*(53,029)*
Claims ratio	**90.4%**	*103.9%*
Acquisition ratio	**35.6%**	*31.2%*
Expense ratio	**25.0%**	*24.5%*
Combined ratio	**151.0%**	*159.6%*

Ratios are of earned premium, net of reinsurance.

The Syndicate generated £480,341 of investment income in the year 2019 (2018: £208,525).

Principal risks and uncertainties

External risks: The Syndicate's business consists of a portfolio of insurance products provided primarily to policyholders involved in the marine and energy sectors and businesses involved in international trade. Consequently, it is exposed to developments which have a direct impact on loss severity and frequency in these sectors. These include trends in global trade, energy and commodity prices, political, legal and regulatory developments such as changes in sanctions rules, and major industry loss events such as large industrial accidents or natural catastrophes. The Syndicate is also directly and indirectly exposed to a range of macroeconomic factors including exchange rates and interest rates, and to the levels of activity and capital deployed within the insurance industry, which may affect operating costs and the pricing and availability of reinsurance. The Syndicate is subject to regulatory requirements in the UK, EU, US, Canada and Singapore which are subject to change and create compliance requirements which may have an impact on operating costs and levels of capital required to be held by members.

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 summary of the risk management framework in place through 2019 in note 20: Risk management).

Risk management strategy: The primary source of risk arises from the Syndicate's historic underwriting activities. Key underwriting risk management strategies employed include:

- reduction of potential catastrophe and large loss risks through the Syndicate's reinsurance programmes
- seeking to optimise the balance between reinsurance costs and risk reduction through underwriting portfolio management, such as use of facultative reinsurance or seeking to be replaced as security
- ensuring key operational functions are appropriately resourced to manage the orderly run-off of the Syndicate's liabilities whilst minimising overall operating costs

CTMA employs a number of risk management strategies, methods and tools to manage non-insurance related risks, deemed appropriate and proportionate to the size of the risk being managed.

Report of the directors of the managing agent

Future developments

On 11 September 2019 CTMA's shareholders agreed to sell the managing agency and affiliated companies to Premia Holdings Limited ("Premia"), a Bermuda based legacy reinsurer. The sale is subject to a regulatory change of control process and is expected to complete in the first quarter of 2020. Following completion, Premia intend to use the managing agency (which will be renamed Premia Managing Agency Limited) as a platform through which it will develop its legacy reinsurance business in the Lloyd's market. The acquisition of the managing agency has several positive implications for the future of the managing agency and Syndicate:

- The sale includes the transfer of all existing staff and the systems associated with the management of the Syndicate. This will ensure continuity in the provision of claims and post-bind underwriting services to policyholders, in line with Lloyd's minimum standards and regulatory requirements.
- With the sale and re-purposing as a run-off reinsurance Syndicate, the managing agency is expected to be managing a larger portfolio of liabilities in future, providing opportunities for agency staff and increasing organisational stability.

On the basis that there are no issues identified to affect a normal run-off, and no material uncertainty with technical provisions, reinsurance assets or disputes, it is expected that the 2018 year of account will be closed at its natural closing period at the end of 2020.

On 19 September the Charles Taylor plc Board recommended a cash offer for the entire issued and to be issued share capital of Charles Taylor plc by Jewel Bidco Limited, a company formed on behalf of funds advised by Lovell Minnick Partners LLC and its affiliates ("Lovell Minnick") to be effected by means of a Scheme of Arrangement under part 26 of the Companies Act 2006. On 16 January 2020, Charles Taylor plc and LMP Bidco Limited announced that the High Court of Justice in England and Wales had sanctioned the Scheme at the Court Sanction Hearing and on 21 January 2020 the Scheme became effective in accordance with its terms. On 22 January the listing of Charles Taylor Shares on the premium listing segment of the Official List of the FCA and the admission to trading of Charles Taylor Shares on the London Stock Exchange's main market for listed securities was cancelled, and Charles Taylor was de-listed from the London Stock Exchange.

On 31 January 2020, Charles Taylor plc was re-registered as a private limited company, Charles Taylor Limited.

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 53.

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:

Robert D Andrews
Director
5 March 2020

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 2019

Opinion

We have audited the syndicate annual accounts of syndicate 1884 (‘the syndicate’) for the year ended 31 December 2019 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Changes in Members Balances, 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 2019 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.

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 directors of 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 directors of the managing agent have 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 Accounts set out on pages 2 to 7, other than the syndicate annual accounts and our auditor’s report thereon. The directors of 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.

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

Opinions on 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 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; or
- certain disclosures of the managing agents' emoluments specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the directors of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 7, 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.

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.

Angus Millar (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
5 March 2020

Income statement
Technical account – General business

For the year ended 31 December 2019

	Notes	2019 £000	2019 £000	*2018 £000*	*2018 £000*
Gross premiums written	*2*	26,949		*104,176*	
Outward reinsurance premiums		(10,598)		*(23,030)*	
Premiums written, net of reinsurance		16,351		*81,146*	
Change in the provision for unearned premiums					
- Gross amount		38,278		*6,408*	
- Reinsurers' share		(8,824)		*1,814*	
Net change in provision for unearned premiums	*4*	29,454		*8,222*	
Earned premiums, net of reinsurance			**45,805**		*89,368*
Allocated investment return transferred from the non-technical account	*10*		480		*208*
Claims paid					
- Gross amount		(66,202)		*(65,641)*	
- Reinsurers' share		12,085		*17,592*	
Net claims paid		(54,117)		*(48,049)*	
Change in claims outstanding					
- Gross amount		9,056		*(17,972)*	
- Reinsurers' share		5,439		*(24,363)*	
Net change in provision for claims		14,495		*(42,335)*	
Claims incurred, net of reinsurance	*3*		**(39,622)**		*(90,384)*
Change in other technical provisions net of reinsurance			(2,317)		*(2,438)*
Net operating expenses	*6*		**(27,282)**		*(49,783)*
Balance on technical account - general business			**(22,936)**		*(53,029)*

All operations are continuing.

Income statement
Non-technical account – General business
For the year ended 31 December 2019

	Notes	2019 £000	*2018* *£000*
Balance on technical account - general business		**(22,936)**	*(53,029)*
Investment income		**436**	*205*
Realised gains on investments		**92**	*20*
Investment expenses and charges		**-**	*-*
Realised (loss) on investments		**(48)**	*(17)*
Allocated investment return transferred to the technical account	*10*	**(480)**	*(208)*
Currency exchange gain/(loss)		**2,947**	*(3,857)*
Loss for the year		**(19,989)**	*(56,886)*

Statement of comprehensive income

For the year ended 31 December 2019

	Notes	2019 £000	*2018* *£000*
Loss for the year		**(19,989)**	*(56,886)*
Other comprehensive income		-	-
Total comprehensive income for the year		**(19,989)**	*(56,886)*

Statement of changes in members' balances

For the year ended 31 December 2019

	Notes	Profit and loss account £000	Total members balances £000
At 1 January 2019		(111,350)	(91,596)
Loss for the year		(19,989)	**(19,989)**
Loss distribution		36,724	**26,502**
Open year cash calls		-	**20,000**
Other		-	**345**
At 31 December 2019		(94,615)	**(64,738)**

	Notes	*Profit and loss account £000*	*Total members balances £000*
At 1 January 2018		*(70,263)*	*(70,650)*
Loss for the year		*(56,886)*	*(56,886)*
Loss distribution		*15,799*	*15,524*
Open year cash calls		*-*	*20,078*
Other		*-*	*344*
Members' agent's fees		*-*	*(6)*
At 31 December 2018		*(111,350)*	*(91,596)*

Statement of financial position

As at 31 December 2019

ASSETS	Notes	2019 £000	2019 £000	*2018 £000*	*2018 £000*
Investments					
Financial investments	*11*		**14,661**		*15,687*
Reinsurers' share of technical provisions					
Provision for unearned premiums	*4*	1,128		*10,062*	
Claims outstanding	*3*	24,156		*19,639*	
			25,284		*29,701*
Debtors					
Debtors arising out of direct insurance operations	*12*	9,473		*31,333*	
Debtors arising out of reinsurance operations	*12*	3,186		*9,053*	
Other		694		*438*	
			13,353		*40,824*
Cash and other assets					
Cash at bank and in hand	*14*	18,969		*8,206*	
Other assets	*13*	7,705		*6,691*	
			26,674		*14,897*
Prepayments and accrued income					
Deferred acquisition costs	*5*	1,800		*10,796*	
Other prepayments and accrued income		327		*546*	
			2,127		*11,342*
Total assets			**82,099**		*112,451*

Statement of financial position

As at 31 December 2019

		2019		2018	
MEMBERS' BALANCES AND LIABILITIES	*Notes*	£000	**£000**	*£000*	*£000*
MEMBERS' BALANCE			**64,738**		*91,596*
LIABILITIES					
Technical provisions					
Provision for unearned premiums	*4*	(7,590)		*(46,531)*	
Claims outstanding	*3*	(114,931)		*(128,664)*	
Other		(4,694)		*(2,543)*	
			(127,215)		*(177,738)*
Creditors					
Creditors arising out of direct insurance operations	*15*	(10,733)		*(14,266)*	
Creditors arising out of reinsurance operations	*15*	(2,137)		*(2,793)*	
Other creditors	*16*	(3,062)		*(2,461)*	
			(15,932)		*(19,520)*
Accruals and deferred income			**(3,690)**		*(6,789)*
Total members' balances and liabilities			**(82,099)**		*(112,451)*

The financial statements on pages 10 to 35 were approved by the Board of directors on 5 March 2020 and were signed on its behalf by:

Sarbjit S Sihota
Chief Financial Officer

Statement of cash flows

For the year ended 31 December 2019

	Notes	2019 £000	2018 £000
Loss on ordinary activities		**(19,989)**	*(56,886)*
Movement in gross technical provisions		(50,521)	*22,648*
Movement in reinsurers' share of gross technical provisions		4,662	*19,260*
Movement in debtors		27,444	*2,503*
Movement in creditors		(6,687)	*(2,521)*
Movement in other assets		9,905	*1,377*
Investment return		(480)	*(208)*
Net cash flows from operating activities		**(35,666)**	*(13,827)*
Cash flow from investing activities			
Investment income received		480	*208*
Cash flow from financing activities			
Distribution loss/open year cash calls		46,502	*35,602*
Financing		345	*(5,906)*
Members' agents' fees advance		-	*(6)*
Cash flow from investing and financing activities		**47,327**	*29,898*
Net increase in cash and cash equivalents		**11,661**	*16,071*
Cash and cash equivalents at beginning of period		30,584	*14,070*
Foreign exchange on cash and cash equivalents		(910)	*443*
Cash and cash equivalents at end of year	*11, 13, 14*	**41,335**	*30,584*
Cash at bank and in hand	*14*	18,969	*8,206*
Short term deposits with credit institutions	*11, 13*	22,366	*22,378*
Cash and cash equivalents at end of year		**41,335**	*30,584*

Notes to the financial statements

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 2019 were approved for issue by the Board of directors on 5 March 2020.

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.

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 is 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, provisions for unexpired risk and risk premium provisions on closed years of account.

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 2019, the Syndicate did not hold 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 Singapore or any other 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 2019 (£000)	Gross written premium	Gross earned premium	Gross claims incurred	Gross operating expenses	Reinsurance balance	**Total**
Direct insurance:						
Marine, aviation and transport	8,541	22,486	(16,834)	(11,988)	(5,402)	**(11,738)**
Fire and other damage to property	11,239	22,134	(20,480)	(8,917)	(2,062)	**(9,325)**
Third-party liability	141	2,790	(6,147)	(287)	1,900	**(1,744)**
Pecuniary loss	2,553	6,558	(7,348)	(2,069)	5,457	**2,598**
	22,474	53,968	(50,809)	(23,261)	(107)	**(20,209)**
Reinsurance	4,475	11,259	(6,337)	(4,021)	(4,108)	**(3,207)**
	26,949	**65,227**	**(57,146)**	**(27,282)**	**(4,215)**	**(23,416)**

Commissions on direct insurance gross premiums written during the year were £7,525,000.

For the period ended 31 December 2018 (£000)	*Gross written premium*	*Gross earned premium*	*Gross claims incurred*	*Gross operating expenses*	*Reinsurance balance*	*Total*
Direct insurance:						
Marine, aviation and transport	*38,219*	*43,458*	*(40,682)*	*(19,596)*	*(10,810)*	*(27,630)*
Fire and other damage to property	*30,830*	*30,378*	*(18,129)*	*(13,651)*	*(9,071)*	*(10,473)*
Third-party liability	*6,076*	*4,134*	*(1,169)*	*(1,698)*	*(956)*	*311*
Pecuniary loss	*8,916*	*8,265*	*(5,522)*	*(3,515)*	*(551)*	*(1,323)*
	84,041	*86,235*	*(65,502)*	*(38,460)*	*(21,388)*	*(39,115)*
Reinsurance	*20,135*	*24,349*	*(18,111)*	*(11,323)*	*(9,037)*	*(14,122)*
	104,176	*110,584*	*(83,613)*	*(49,783)*	*(30,425)*	*(53,237)*

Commissions on direct insurance gross premiums written during the year were £20,191,000.

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:

	2019 £000	*2018 £000*
UK	**(356)**	*1,689*
Canada	**1,844**	*853*
United States of America	**(1,349)**	*10,761*
EU member states (excluding the 'UK')	**1,019**	*2,338*
Other	**4,987**	*16,511*
Worldwide	**20,804**	*72,024*
	26,949	*104,176*

3. Claims outstanding

	Gross £000	Reinsurers share £000	**Net £000**
At 1 January 2019	(128,664)	19,639	**(109,025)**
Claims incurred in current underwriting year	(57,146)	17,524	**(39,622)**
Claims paid during the year	66,202	(12,085)	**54,117**
Currency exchange gain/(loss)	4,677	(922)	**3,755**
At 31 December 2019	**(114,931)**	**24,156**	**(90,775)**

	Gross £000	*Reinsurers share £000*	*Net £000*
At 1 January 2018	*(104,513)*	*42,783*	*(61,730)*
Claims incurred in current underwriting year	*(83,613)*	*(6,771)*	*(90,384)*
Claims paid during the year	*65,641*	*(17,592)*	*48,049*
Currency exchange gain/(loss)	*(6,179)*	*1,219*	*(4,960)*
At 31 December 2018	*(128,664)*	*19,639*	*(109,025)*

4. Provision for unearned premiums

	Gross £000	Reinsurers share £000	**Net £000**
At 1 January 2019	(46,531)	10,062	**(36,469)**
Premiums written in the year	(26,949)	10,598	**(16,351)**
Premiums earned in the year	65,227	(19,422)	**45,805**
Currency exchange gain/(loss)	663	(110)	**553**
At 31 December 2019	**(7,590)**	**1,128**	**(6,462)**

	Gross £000	*Reinsurers share £000*	*Net £000*
At 1 January 2018	*(50,577)*	*7,724*	*(42,853)*
Premiums written in the year	*(104,176)*	*23,030*	*(81,146)*
Premiums earned in the year	*110,584*	*(21,216)*	*89,368*
Currency exchange gain/(loss)	*(2,362)*	*524*	*(1,838)*
At 31 December 2018	*(46,531)*	*10,062*	*(36,469)*

5. Deferred acquisition costs

	£000
At 1 January 2019	10,796
Change in deferred acquisition costs	(8,844)
Currency exchange loss	(152)
At 31 December 2019	**1,800**

	£000
At 1 January 2018	*12,173*
Change in deferred acquisition costs	*(1,923)*
Currency exchange loss	*546*
At 31 December 2018	*10,796*

6. Net operating expenses

	2019 £000	*2018 £000*
Acquisition costs	**(7,475)**	*(25,950)*
Change in deferred acquisition costs	**(8,844)**	*(1,923)*
Administrative costs	**(9,863)**	*(19,242)*
Members' personal expenses*	**(1,100)**	*(2,668)*
	(27,282)	*(49,783)*

*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:

	2019 £000	*2018 £000*
Wages and salaries*	**(5,269)**	*(10,177)*
Social security costs	**(472)**	*(834)*
Pension costs	**(133)**	*(286)*
Other	**(29)**	*(71)*
	(5,903)	*(11,368)*

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

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

	2019 Number	*2018 Number*
Administration and finance	**31**	*52*
Underwriting	**8**	*31*
Claims	**3**	*3*
	42	*86*

Notes to the financial statements

For the year ended 31 December 2019

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:

	2019 £000	2018 £000
Aggregate remuneration in respect of qualifying services	**(900)**	*(779)*

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

	2019 £000	2018 £000
Aggregate remuneration in respect of qualifying services	**(272)**	*(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

	2019 £000	2018 £000
Audit of the Syndicate annual accounts	**(87)**	*(93)*
Other services pursuant to Regulations and Lloyd's Byelaws	**(122)**	*(126)*
	(209)	*(219)*

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 £480,341 in the year (2018: £208,525).

Average amount of funds available for investment during the period:	2019 £000	2018 £000
Sterling	**12,342**	*3,259*
United States dollars	**25,798**	*23,167*
Canadian dollars	**4,695**	*3,484*
Euro	**349**	*1,057*
Other	**4,354**	*4,192*
Combined in sterling	**40,223**	*27,829*

Gross calendar investment yield for the period:	2019 %	2018 %
Sterling	**0.58**	*0.25*
United States dollars	**1.38**	*0.72*
Canadian dollars	**0.43**	*0.32*
Euro	**0.00**	*0.00*
Other	**2.35**	*1.48*
Combined in sterling	**1.19**	*0.74*

'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.

Notes to the financial statements

For the year ended 31 December 2019

11. Financial investments

At 31 December 2019	Carrying value £000	Purchase price £000	Listed £000
Deposits with credit institutions	**14,661**	**14,661**	-

At 31 December 2018	*Carrying value £000*	*Purchase price £000*	*Listed £000*
Deposits with credit institutions	*15,687*	*15,687*	*-*

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 (2018: 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 2019	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Deposits with credit institutions	**14,661**	**-**	**-**	**14,661**

At 31 December 2018	*Level 1 £000*	*Level 2 £000*	*Level 3 £000*	*Total £000*
Deposits with credit institutions	*15,687*	*-*	*-*	*15,687*

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 (2018: due from intermediaries).

13. Other assets

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

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For the year ended 31 December 2019

14. Cash and cash equivalents

	2019 £000	*2018* *£000*
Cash at bank and in hand	**18,969**	*8,206*

15. Creditors arising out of direct and reinsurance operations

All creditors arising from direct insurance operations and reinsurance operations are due to intermediaries (2018: due to intermediaries).

16. Other creditors

	2019 £000	*2018* *£000*
Due to CTMA affiliated companies	**(3,062)**	*(2,461)*

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 Limited (CT) and The Standard Club Limited (Standard Club). The ultimate controlling party is CT; copies of its accounts can be obtained from Companies House.

CT and its subsidiaries provide 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.

CTMAH and CTMA wholly owns two subsidiaries, The Standard Syndicate Services Limited and The Standard Syndicate Services (Asia) Pte. Limited respectively, 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 2019 £3,409,000 and £1,692,000 of gross premium respectively (2018: £2,819,000 and £1,855,000 respectively).

Some of the directors of CTMA are also directors of other CT, Standard Club and London market companies and these individuals disclose and manage any potential conflicts of interest. Any business transacted has been and will continue to be conducted at an arm's length commercial basis with no involvement, either directly or indirectly by the individuals. Other than directorship fees, salaries and other related remuneration, no personal benefit is derived by the individuals concerned from any such arrangements.

Given the insurance-related activities undertaken within the broader CT 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:

	2019 £000	*2018 £000*
Charles Taylor Managing Agency Limited		
Run-off fee/Managing agency fee	654	*1,187*
Capacity fee	-	*632*
	654	*1,819*
Amount outstanding at 31 December	**1,278**	*2,046*
The Standard Club Limited		
Interest payable	37	*58*
	37	*58*
Amount outstanding at 31 December	**500**	*1,000*
Charles Taylor Managing Agency Services Limited		
Recharges (administrative expenses)	**9,173**	*13,684*
Amount outstanding at 31 December	**1,088**	*2,146*
The Standard Syndicate Services Limited		
Service fees	**28**	*581*
Amount outstanding at 31 December	**153**	*252*
The Standard Syndicate Services (Asia) PTE Limited		
Service fees	**205**	*253*
Amount outstanding at 31 December	**43**	*63*

Capital support

The Standard Club was the Syndicate's primary capital provider. It supported the Syndicate through its related corporate name, The Standard Club Corporate Name Limited, for the 2017 and 2018 YOA. Charles Taylor Limited also supported the Syndicate through its related corporate name, Charles Taylor Corporate Name Limited.

All capital providers who underwrite on the Syndicate were 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 ultimate result,
- the potential that the Syndicate liquidity is insufficient to meet gross policyholder obligations under stressed circumstances at any time,
- 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 collection of outstanding premiums, exposure to catastrophes, lack of diversification, reserve and reinsurance risk, as highlighted in the table below:

Risk	Examples of risk management approach
Premium collections are less than forecast	• analysis of actual verses expected premium income by policy to identify uncollected or outstanding amounts • monthly monitoring of actual collections verses actuarial forecasts of premium at class level to identify trends
Excessive accumulations of risk from a single source	• 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 • 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	• seeking to manage the overall variability of underwriting results through de-risking of existing live exposures 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

Notes to the financial statements

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

At 31 December 2019	Gross Liabilities £000	Reinsurance of liabilities £000	**Net Liabilities £000**
Direct insurance:			
Marine, aviation and transport	(60,601)	3,774	**(56,827)**
Fire and other damage to property	(39,346)	9,905	**(29,441)**
Third-party liability	(7,983)	2,541	**(5,442)**
Credit and suretyship	(6,901)	7,936	**1,035**
	(114,831)	24,156	**(90,675)**
Reinsurance	(100)	-	**(100)**
	(114,931)	**24,156**	**(90,775)**

At 31 December 2018	*Gross Liabilities £000*	*Reinsurance of liabilities £000*	*Net Liabilities £000*
Direct insurance:			
Marine, aviation and transport	*(59,827)*	*4,683*	*(55,144)*
Fire and other damage to property	*(22,739)*	*7,977*	*(14,762)*
Third-party liability	*(4,243)*	*725*	*(3,518)*
Credit and suretyship	*(6,340)*	*-*	*(6,340)*
	(93,149)	*13,385*	*(79,764)*
Reinsurance	*(35,515)*	*6,254*	*(29,261)*
	(128,664)	*19,639*	*(109,025)*

The table below shows the Gross insurance contract outstanding claims provision at 31 December 2019:

Underwriting year	2015 £000	2016 £000	**2017 £000**	**2018 £000**	**Total £000**
Estimate of cumulative claims incurred					
At end of underwriting year	(7,899)	(27,006)	(60,775)	(43,202)	
12 months later	(31,877)	(71,301)	(102,916)	(86,363)	
24 months later	(31,225)	(69,737)	(114,565)	-	
36 months later	(30,898)	(70,373)	-	-	
48 months later	(30,316)	-	-	-	
Current estimate of cumulative claims incurred	(30,316)	(70,373)	(114,565)	(86,363)	**(301,617)**
Cumulative claims paid					
At end of underwriting year	(892)	(5,709)	(6,799)	(4,430)	
12 months later	(12,119)	(29,587)	(47,052)	(26,382)	
24 months later	(23,239)	(49,918)	(76,424)	-	
36 months later	(26,517)	(56,257)	-	-	
48 months later	(27,623)	-	-	-	
Cumulative payments to date	(27,623)	(56,257)	(76,424)	(26,382)	**(186,686)**
Total gross outstanding claims provision per the statement of financial position					**(114,931)**

All values are converted using the reporting period end rates.

Notes to the financial statements

The table below shows the Net insurance contract outstanding claims provision at 31 December 2019:

Underwriting year	2015 £000	2016 £000	**2017 £000**	**2018 £000**	**Total £000**
Estimate of cumulative claims incurred					
At end of underwriting year	(7,551)	(22,445)	(28,601)	(39,443)	
12 months later	(29,702)	(57,683)	(76,827)	(70,516)	
24 months later	(29,193)	(60,504)	(84,027)	-	
36 months later	(29,065)	(61,060)	-	-	
48 months later	(28,101)	-	-	-	
Current estimate of cumulative claims incurred	(28,101)	(61,060)	(84,027)	(70,516)	**(243,704)**
Cumulative claims paid					
At end of underwriting year	(892)	(5,170)	(5,732)	(4,407)	
12 months later	(12,119)	(26,594)	(32,591)	(25,609)	
24 months later	(22,935)	(42,349)	(53,759)	-	
36 months later	(25,672)	(47,782)	-	-	
48 months later	(25,779)	-	-	-	
Cumulative payments to date	(25,779)	(47,782)	(53,759)	(25,609)	**(152,929)**
Total net outstanding claims provision per the statement of financial position					**(90,775)**

All values are converted using reporting period end rates.

Key sensitivities

Estimated gross loss ratios – Estimated loss ratios are derived using a range of actuarial methodologies applied to emerging claims and reinsurance data. These methodologies rely on assumptions for loss emergence rates, premium rate adequacy and a general view of market strength and terms. There is a high degree of judgement in these assumptions leading to a significant level of uncertainty in the ultimate cost of claims.

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 points of the reinsurance programme) in the table below:

At 31 December 2019	Gross Loss £000	Net Loss £000	**Changes in members balance £000**
5% increase in forecast attritional loss ratio	(3,261)	(3,261)	**(3,261)**
5% decrease in forecast attritional loss ratio	3,261	3,261	**3,261**

At 31 December 2018	*Gross Loss £000*	*Net Loss £000*	*Changes in members balance £000*
5% increase in forecast attritional loss ratio	*(5,529)*	*(5,529)*	*(5,529)*
5% decrease in forecast attritional loss ratio	*5,529*	*5,529*	*5,529*

(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 2019	Neither past due nor impaired £000	Past due £000	Impaired £000	**Total £000**
Deposits with credit institutions	14,661	-	-	**14,661**
Overseas deposits as investments	7,705	-	-	**7,705**
Reinsurers' share of claims outstanding	24,156	-	-	**24,156**
Reinsurance debtors	-	1,300	-	**1,300**
Cash at bank and in hand	18,969	-	-	**18,969**
Insurance debtors	9,473	-	-	**9,473**
Other debtors	5,835	-	-	**5,835**
	80,799	**1,300**	**-**	**82,099**

At 31 December 2018	*Neither past due nor impaired £000*	*Past due £000*	*Impaired £000*	*Total £000*
Deposits with credit institutions	*15,687*	-	-	*15,687*
Overseas deposits as investments	*6,691*	-	-	*6,691*
Reinsurers' share of claims outstanding	*19,639*	-	-	*19,639*
Reinsurance debtors	-	*1,546*	-	*1,546*
Cash at bank and in hand	*8,206*	-	-	*8,206*
Insurance debtors	*31,333*	-	-	*31,333*
Other debtors	*29,349*	-	-	*29,439*
	110,905	*1,546*	-	*112,451*

At 31 December 2019, there were no impaired reinsurance assets (2018: none).

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2019 by the credit ratings of the counterparties. AAA is the highest possible rating. Insurance debtors and other debtors have been excluded from the table below as these are not rated.

	Credit ratings						
At 31 December 2019	AAA £000	AA £000	A £000	BBB £000	<BBB £000	NR £000	**Total £000**
Deposits with credit institutions	-	-	14,661	-	-	-	**14,661**
Overseas deposits as investments	2,449	535	439	421	1,340	2,521	**7,705**
Reinsurers' share of claims outstanding*	-	1,831	22,325	-	-	-	**24,156**
Reinsurance debtors	-	72	1,228	-	-	-	**1,300**
Cash at bank and in hand	-	-	18,969	-	-	-	**18,969**
	2,449	**2,438**	**57,622**	**421**	**1,340**	**2,521**	**66,791**

**The largest reinsurer counterparty represents no more than 20% of the overall reinsurance programme.*

Notes to the financial statements

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2018 by the credit ratings of the counterparties. AAA is the highest possible rating. Insurance debtors have been excluded from the table below as these are not rated.

			Credit ratings				
	AAA	*AA*	*A*	*BBB*	*<BBB*	*NR*	*Total*
At 31 December 2018	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Deposits with credit institutions	-	-	*15,687*	-	-	-	*15,687*
Overseas deposits as investments	*1,468*	*372*	*258*	*327*	*419*	*3,847*	*6,691*
*Reinsurers' share of claims outstanding**	-	*1,572*	*18,067*	-	-	-	*19,639*
Reinsurance debtors	-	*225*	*1,321*	-	-	-	*1,546*
Cash at bank and in hand	-	-	*8,206*	-	-	-	*8,206*
	1,468	*2,169*	*43,539*	*327*	*419*	*3,847*	*51,769*

**The largest reinsurer counterparty represented no more than 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 2019	Carrying Amount £000	Up to a Year £000	1 – 3 Years £000	3 – 5 Years £000	Over 5 Years £000	**Total £000**
Outstanding claim liabilities	(114,931)	(85,007)	(28,398)	(1,526)	-	**(114,931)**
Other creditors	(15,932)	(15,932)	-	-	-	**(15,932)**
	(130,863)	**(100,939)**	**(28,398)**	**(1,526)**	**-**	**(130,863)**

At 31 December 2018	*Carrying Amount £000*	*Up to a Year £000*	*1 – 3 Years £000*	*3 – 5 Years £000*	*Over 5 Years £000*	*Total £000*
Outstanding claim liabilities	*(128,664)*	*(83,796)*	*(28,428)*	*(15,536)*	*(904)*	*(128,664)*
Other creditors	*(19,520)*	*(19,520)*	-	-	-	*(19,520)*
	(148,184)	*(103,316)*	*(28,428)*	*(15,536)*	*(904)*	*(148,184)*

(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 2019	GBP* £000	USD £000	CAD £000	EUR £000	Total £000
Total assets	20,488	53,656	3,051	4,904	**82,099**
Total liabilities	(14,590)	(118,626)	(1,946)	(11,675)	**(146,837)**
Currency exchange balances	(27,692)	20,692	(761)	7,761	-
Net (assets)/liabilities	**(21,794)**	**(44,278)**	**344**	**990**	**(64,738)**

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

At 31 December 2018	*GBP* £000*	*USD £000*	*CAD £000*	*EUR £000*	*Total £000*
Total assets	*10,218*	*89,119*	*2,447*	*14,194*	*115,978*
Total liabilities	*(22,346)*	*(156,943)*	*(2,175)*	*(26,110)*	*(207,574)*
Currency exchange balances	*(32,591)*	*26,275*	*(230)*	*6,546*	*-*
Net (assets)/liabilities	*(44,719)*	*(41,549)*	*42*	*(5,370)*	*(91,596)*

** 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 2019	
Impact on profit and members' balance	**£000**
Sterling weakens	
10% against other currencies	**(4,408)**
20% against other currencies	**(8,816)**
Sterling strengthens	
10% against other currencies	**4,408**
20% against other currencies	**8,816**

As at 31 December 2018	
Impact on profit and members' balance	*£000*
Sterling weakens	
10% against other currencies	*(4,935)*
20% against other currencies	*(9,870)*
Sterling strengthens	
10% against other currencies	*4,935*
20% against other currencies	*9,870*

(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 2020, the 2017 and prior years of account was closed by a Reinsurance to close agreement (RITC) into the 2018 year of account. The value of the technical provisions transferred, which formed part of this agreement was £51.7 million.

2017 and prior CLOSED YEAR OF ACCOUNT – UNDERWRITING YEAR ACCOUNTS

Statement of managing agent's responsibilities

For the 2017 closed year of account as at 31 December 2019

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") and Financial Reporting Standard 103 "Insurance Contracts" ("FRS 103") 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:

Robert D Andrews
Director
5 March 2020

Independent auditor's report for the 2017 underwriting year to the members of Syndicate 1884

For the 36 months ended 31 December 2019

Opinion

We have audited the syndicate underwriting year accounts for the 2017 year of account of syndicate 1884 ('the syndicate') for the three years ended 31 December 2019 which comprise the Income Statement, 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 2017 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.

Emphasis of matter – closure of the 2017 year of account

We draw attention to the Basis of preparation which explains that the 2017 year of account of syndicate 1884 has closed and all assets and liabilities transferred to the 2018 year of account by reinsurance to close at 31 December 2019.

As a result, the 2017 year of account of syndicate 1884 is no longer a going concern. The reinsurance to close occurs in the normal course of business for a syndicate year of account at the 36 months stage of development and the syndicate underwriting accounts have been prepared on the basis that the recorded assets and liabilities will be realised and discharged in the normal course of business.

Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the Underwriting Year Accounts, 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 2017 underwriting year to the members of Syndicate 1884

For the 36 months ended 31 December 2019

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 37, 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.

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.

Angus Millar (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
5 March 2020

Income statement
Technical account – General business
For the 36 months ended 31 December 2019

	Notes	£000	2017 closed year of account £000
Syndicate allocated capacity			**99,985**
Gross premiums written	*2*	109,957	
Outward reinsurance premiums		(26,317)	
Earned premiums, net of reinsurance			**83,640**
Reinsurance to close premiums, received, net of reinsurance			**26,927**
Allocated investment return transferred from the non-technical account			**320**
Claims paid:			
Gross amount		(86,920)	
Reinsurers’ share		24,887	
Reinsurance to close premium payable, net of reinsurance	*3*	(50,400)	
			(112,433)
Net operating expenses	*4*		**(51,600)**
Balance on technical account	*5*		**(53,146)**

Income statement
Non-technical account – General business
For the 36 months ended 31 December 2019

	Notes	2017 closed year of account £000
Balance on technical account - general business		**(53,146)**
Investment income		265
Realised gains on investments		101
Investment expenses and charges		-
Realised loss on investments		(46)
Allocated investment return transferred to the technical account		(320)
Currency exchange gain		1,023
Loss for the 2017 closed year of account		**(52,123)**

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 45 to 51 form part of these financial statements.

Statement of financial position

For the 2017 closed year of account as at 31 December 2019

ASSETS	Notes	£000	£000
Investments			
Financial investments	*6*		**6,240**
Reinsurance recoveries anticipated on gross reinsurance to close premium payable to close the account	*3*		**9,489**
Debtors			
Debtors arising out of direct insurance operations	*7*	2,217	
Debtors arising out of reinsurance operations	*7*	1,060	
Other		2,544	
			5,821
Cash and other assets			
Cash at bank and in hand	*8*	14,145	
Other assets	*9*	5,495	
			19,640
Total assets			**41,190**

Statement of financial position

For the 2017 closed year of account as at 31 December 2019

MEMBERS' BALANCES AND LIABILITIES	Notes	£000	£000
Members balance			
Amount due from members		52,123	
Cash call(s) made		(19,998)	
			32,125
Reinsurance to close premium payable to close the account – gross amount	*3*		**(59,889)**
Creditors			
Creditors arising out of direct insurance operations	*10*	(6,981)	
Creditors arising out of reinsurance operations	*10*	(1,390)	
Other creditors	*11*	(1,959)	
			(10,330)
Accruals and deferred income			**(3,096)**
Total members' balances and liabilities			**(41,190)**

The financial statements on pages 40 to 51 were approved by the Board of directors on 5 March 2020 and were signed on its behalf by:

Sarbjit S Sihota
Chief Financial Officer

Statement of cash flows

For the 2017 closed year of account as at 31 December 2019

	Notes	**£000**
Loss on ordinary activities		**(52,123)**
Movement in reinsurance to close premium		50,400
Movement in debtors		(3,967)
Movement in creditors		10,330
Movement in other assets/liabilities		3,096
Investment return		(320)
Net cash flows from operating activities		**7,416**
Cash flow from investing activities		
Investment income received		320
Cash flow from financing activities		
Distribution loss/open year cash calls		19,998
Financing		(1,854)
Cash flow from investing and financing activities		**18,464**
Net increase in cash and cash equivalents		**25,880**
Cash at bank and in hand	*8*	14,145
Short term deposits with credit institutions	*6,9*	11,735
Cash and cash equivalents at end of year		**25,880**

Notes to the financial statements

For the 2017 closed year of account as at 31 December 2019

1. Accounting policies

1.1 Statement of compliance

These syndicate underwriting year accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ('the Regulations') and applicable Accounting Standards in the United Kingdom, including Financial Reporting Standard 102 (FRS 102) and Insurance Contracts 103 (FRS 103)..

1.2 Basis of preparation

The financial statements for the 2017 closed year of account as at 31 December 2019 were approved for issue by the Board of directors on 5 March 2020.

Whilst the directors of the managing agent have a reasonable expectation that the syndicate has adequate resources to continue in operational existence for the foreseeable future, these financial statements represent the participation of members in the 2017 year of account which closed on 31 December 2019. The accumulated losses of the 2017 year of account will be called shortly after publication of these accounts. Therefore the 2017 year of account is not continuing to trade and, accordingly, the directors have not adopted the going concern basis in the preparation of these accounts. The amounts reported would be identical if the accounts had been prepared on a going concern basis as the 2017 year of account will be closed by payment of a reinsurance to close premium, which is consistent with the normal course of business for a Lloyd's syndicate and with the approach we have applied to earlier underwriting years. 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 enough 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.

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 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 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 2017 and prior years of account reinsuring to close into the 2018 year of account, the residual risks to the members on the closed years 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	46,091	46,091	(34,645)	(21,630)	(13,900)	**(24,084)**
Fire and other damage to property	19,210	19,210	(25,036)	(9,015)	5,776	**(9,065)**
Third-party liability	4,270	4,270	(1,669)	(2,004)	(1,118)	**(521)**
Credit and suretyship	12,385	12,385	(9,200)	(5,811)	(3,380)	**(6,006)**
	81,956	81,956	(70,550)	(38,460)	(12,622)	**(39,676)**
Reinsurance	28,001	28,001	(16,370)	(13,140)	(12,281)	**(13,790)**
	109,957	**109,957**	**(86,920)**	**(51,600)**	**(24,903)**	**(53,466)**

Commissions on direct insurance gross premiums written on the 2017 and prior years of account were £20,238,000.

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 2017 year of account by destination (or operating territory) is as follows:

	£000
UK	1,928
Canada	1,447
United States of America	7,407
EU member states (excluding UK)	2,487
Other countries	25,624
Worldwide	71,064
	109,957

3. Reinsurance to close premium payable

	Reported £000	IBNR £000	**Total £000**
Gross reinsurance to close premium payable	(37,704)	(22,185)	**(59,889)**
Reinsurance recoveries anticipated	8,668	821	**9,489**
Reinsurance to close premium, net of reinsurance	**(29,036)**	**(21,364)**	**(50,400)**

4. Net operating expenses

	£000
Acquisition costs	**(27,100)**
Administrative costs	**(20,791)**
Members' personal expenses*	**(3,594)**
Members' agent fees	**(115)**
	(51,600)

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

5. Result on the technical account

	2016 & prior years of account £000	2017 pure year of account £000	**Total £000**
Technical account before operating expenses and investment return	2,505	(4,371)	**(1,866)**
Operating expenses*	(1,054)	(50,546)	**(51,600)**
Investment return	17	303	**320**
	1,468	(54,614)	**(53,146)**

**Operating expenses includes Acquisition costs, Administration costs, Members' Lloyd's personal expenses and Members' Agency fees.*

6. Financial investments

	Carrying value £000	Purchase price £000	Listed £000
Deposits with credit institutions	**6,240**	**6,240**	-

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	**6,240**	-	-	**6,240**

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.

7. Debtors arising out of direct and reinsurance operations

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

8. Cash and cash equivalents

	£000
Cash at bank and in hand	**14,145**

9. Other assets

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

Notes to the financial statements

For the 2017 closed year of account as at 31 December 2019

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
Due to CTMA affiliated companies	(1,959)

12. Related parties

Relevant information regarding relating parties as they affect the 2017 closed year of account is detailed in note 17 of the annual accounts on pages 26 to 27.

Summary of results

Year of account	2015	2016	*2017*	*2018*
Status	**Closed**	**Closed**	**Closed**	*Forecast*
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	46,399	56,540	*55,155*
Results for an illustrative share of £10,000				
Gross premiums	10,125	8,868	10,997	*11,059*
Net premiums	**8,723**	**7,370**	**8,365**	*8,279*
RITC from an earlier year of account	-	822	2,693	-
Net claims incurred	(6,119)	(5,010)	(6,204)	*(4,415)*
RITC for the year of account	(1,977)	(3,032)	(5,040)	*(4,849)*
Underwriting result	**627**	**150**	**(186)**	*985*
Profit/(loss) on exchange	(106)	(64)	102	*(5)*
Syndicate operating expenses	(4,489)	(3,813)	(4,790)	*(5,162)*
Balance on the technical account	**(3,968)**	**(3,727)**	**(4,874)**	*(4,182)*
Investment return	2	8	32	*60*
Result before personal expenses	**(3,966)**	**(3,719)**	**(4,842)**	*(4,122)*
Illustrative personal expenses:				
Managing agent fee	(125)	(121)	(157)	*(205)*
Lloyd’s central fund	(82)	(72)	(101)	*(38)*
Lloyd’s subscription	(36)	(38)	(44)	*(39)*
Non-standard personal expense	(84)	(92)	(58)	*(68)*
Members agent fee	(19)	(23)	(11)	*(1)*
	(346)	**(346)**	**(371)**	*(351)*
Result after personal expenses	**(4,312)**	**(4,065)**	**(5,213)**	*(4,473)*

Corporate information

Managing Agent
Charles Taylor Managing Agency Limited

Directors

B J Hurst-Bannister (Chairman)*	
T A Rhodes *	
S J Riley *	
R D Andrews	
N J Finlay	*appointed 8 January 2018, resigned 31 October 2019*
C M Grint	*appointed 6 November 2018, resigned 31 May 2019*
J P Grose*	
S D Robson	*appointed 1 June 2018, resigned 31 January 2019*
S S Sihota	

** Non-executive directors*

Company Secretary
Charles Taylor & Co. Limited

Managing Agent's Registered Office
The Minister Building
21 Mincing Lane
London
EC3R 7AG

Managing Agent's Registered Number
09147885

Syndicate
Syndicate 1884 @ Lloyds

Run-off Manager
R D Andrews

Bankers
Barclays PLC
Citibank NA
RBC Dexia

Independent Auditor
Ernst & Young LLP, London

Syndicate 1884 @ Lloyd's is managed by Charles Taylor Managing Agency Ltd. Charles Taylor Managing Agency Ltd is a Lloyd's managing agent and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

The Standard Syndicate Services Limited is a service company and a Lloyd's coverholder that is part of the Charles Taylor Limited group of companies. The Standard Syndicate Services Limited is an appointed representative of Charles Taylor Managing Agency Ltd which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. The Standard Syndicate Services Limited has authority to enter into contracts of insurance on behalf of the Lloyd's underwriting members of Syndicate 1884 which is managed by Charles Taylor Managing Agency Ltd.

The Standard Syndicate Services Asia Pte. Ltd. is a service company and a Lloyd's coverholder that is part of the Charles Taylor Limited group of companies. The Standard Syndicate Services Asia Pte. Ltd. is regulated by the Monetary Authority of Singapore in its capacity as a Lloyd's coverholder under the Insurance (Lloyd's Asia Scheme) Regulations. The Standard Syndicate Services Asia Pte. Ltd. has authority to enter into contracts of insurance on behalf of the Lloyd's underwriting members of Syndicate 1884 @ Lloyd's which is managed by Charles Taylor Managing Agency Ltd. Charles Taylor Managing Agency Ltd is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

The information and commentary herein are not intended to amount to legal or technical advice to any person in general or about a specific case. Every effort is made to make them accurate and up to date. However, no responsibility is assumed for their accuracy nor for the views or opinions expressed, nor for any consequence of or reliance on them. You are advised to seek specific legal or technical advice from your usual advisers about any specific matter.

Charles Taylor Managing Agency Ltd.
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