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The Channel Syndicate 2015

Annual Report and Accounts

31 December 2019

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Directors and Administration

Managing Agent

The Channel Managing Agency Limited (TCMA)

MANAGING AGENT:

Directors

B J G Hilton (Chairman)*

S McMurdo (CEO)

P A Chubb (CFO)

V V V Mistry (CRO) resigned 31 October 2019

T R C Corfield (CUO)

T J Hayday*

D J Hindley* resigned 31 July 2019

V Y Peignet* resigned 1 April 2019

L Rousseau*

D M Reed*

C A T Delannes * appointed 15 April 2019, resigned 7 February 2020

J W Haynes* appointed 12 November 2019

* Non Executive Directors

Managing Agent's Registered Office

10 Lime Street

London

EC3M 7AA

Managing Agent's Registered Number

08614385

SYNDICATE:

Active Underwriter

N Forti

Bankers

Lloyds Bank plc

Citibank NA

RBC Dexia

Auditor

Mazars LLP

London

Report of the Directors of the Managing Agent

The Directors of the Managing Agent present their report in respect of Syndicate 2015 for the year ended 31 December 2019.

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

Nick Forti was appointed as Active Underwriter on 19 March 2019.

Results

The result for calendar year 2019 is a loss of £19.1m (2018: loss of £53.8m).

Principal Activity and Review of the Business

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

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

| | 2019 | 2018 |
|-------------------------|----------------|----------------|
| | £'000 | £'000 |
| Property | 147,392 | 161,395 |
| Liability | 45,305 | 76,652 |
| Credit & Political Risk | 27,791 | 39,212 |
| Legal Indemnities | 20,060 | 8,907 |
| Other | 11,215 | 26,818 |
| | <u>251,763</u> | <u>312,984</u> |

Key Performance Indicators

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

| | 2019 | 2018 |
|-----------------------------|--------------|--------------|
| | £'000 | £'000 |
| Gross Written Premiums | 251,763 | 312,984 |
| Loss for the financial year | (19,103) | (53,809) |
| Claims ratio | 64% | 76% |
| Expense ratio | 49% | 50% |
| Combined ratio | 113% | 126% |

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

Report of the Directors of the Managing Agent (continued)

We continue to review our portfolio mix in our drive towards a return to profit and have completed our exit from the Accident & Health, Marine, Professional Liability and Financial Institutions classes where we were unable to obtain acceptable terms and conditions and we have seen further deterioration from the run off of these accounts.

Following our decision to exit a number of classes, we have entered into a third-party Reinsurance to Close (RITC) contract on our 2017 Year of Account (YOA) which will remove the risk of any further deterioration on all our business written in 2017 & prior years. This contract will also enable the management team to focus on continuing to develop our specialty classes with Political and Credit Risk (PCR), Environmental Impairment Liability (EIL), Tech Liability and Fine Art all delivering a profit in 2019.

Across all classes combined we had a net reserve release of £1m in 2019. In 2018 we had a net reserve strengthening of £1m. The reserve release was due to the Property and PCR accounts partially offset by deterioration in the Professional Liability, Financial Institutions and Accident & Health classes. As stated previously, we have withdrawn from these classes producing the reserve deterioration.

We continued remediation work on our Property portfolio which produced a loss during 2019. We have reviewed our underwriting team structure and declined business which did not meet our requirements to enable us to take advantage of the improving market conditions and have been achieving meaningful risk adjusted rate increases.

Cash call

We agreed a cash call with our capital provider SCOR Underwriting Ltd (SUL) of £24m on the 2018 YOA which was paid in February 2020. This was to provide the Syndicate with additional working capital following agreement of the third-party RITC as noted above. The cash call represents 10.66% of the 2018 YOA capacity.

Report of the Directors of the Managing Agent (continued)

Operating Expenses

Net operating expenses for the year are set out below:

| | 2019 | 2018 |
|--------------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Acquisition Costs | 91,614 | 106,150 |
| Change in Deferred Acquisition Costs | 1,638 | (15,693) |
| Reinsurance Commissions | (1,979) | (1,779) |
| Managing Agency Fee | 1,538 | 1,688 |
| Other Personal Expenses | 1,405 | 2,330 |
| Other Administration Expenses | 9,190 | 12,406 |
| Net Operating Expenses | <u>103,406</u> | <u>105,102</u> |

We continue to focus on ensuring we control our costs with total net operating expenses reducing during the year and other administration costs dropping to 3.4% of gross earned premium during 2019 compared with 2018 at 4.7%.

Investment Return

The return on Syndicate funds by currency is shown below:

| | Currency | 2019 | 2018 |
|-----------------------------------|-------------------|--------------|--------------|
| | | £'000 | £'000 |
| Average Syndicate funds available | Combined Sterling | 184,690 | 191,315 |
| | Sterling | 29,292 | 24,979 |
| | Euro | 29,224 | 35,794 |
| | US Dollars | 131,699 | 134,277 |
| | Canadian Dollars | 53,079 | 49,346 |
| Investment return for the year | Combined Sterling | 5,401 | 2,556 |
| | Sterling | 912 | 394 |
| | Euro | (1) | (3) |
| | US Dollars | 4,762 | 2,246 |
| | Canadian Dollars | 1,300 | 845 |
| Calendar year investment return % | Combined Sterling | 2.92% | 1.34% |
| | Sterling | 3.11% | 1.58% |
| | Euro | 0.00% | (0.01)% |
| | US Dollars | 3.62% | 1.67% |
| | Canadian Dollars | 2.45% | 1.71% |

US Dollar surplus funds are on a daily sweep to the Western Asset Liquidity Fund.

Investment return for 2019 was 2.92% (2018: 1.34%). The Syndicate's investment strategy is to preserve capital and have a prudent approach to managing investment risk.

The investment return is calculated using all funds including cash and overseas deposits.

Report of the Directors of the Managing Agent (continued)

Financial Investments

The Syndicate's investment guidelines do not allow for the holding of equities or stock lending transactions. At 31 December 2019 the portfolio composition was as follows:

| | 2019 | 2018 |
|-------------------------|----------------|----------------|
| | £'000 | £'000 |
| Liquid funds | 26,898 | 22,938 |
| Fixed income securities | 98,228 | 112,732 |
| Other Investments | 891 | - |
| | <u>126,017</u> | <u>135,670</u> |

Other Investments includes Syndicate Loan to Lloyd's Central Fund as per note 9.

Principal Risks and Uncertainties

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

United Kingdom's withdrawal from the European Union (EU) - Brexit

The UK has now left the EU and is in a transition period until the end of 2020 whilst the legal and regulatory framework governing the relationship between the EU and the UK after the end of the transition period are negotiated. Due to the anticipated loss of EU passporting rights after the end of the transition period, all new Lloyd's European Economic Area ("EEA") (re)insurance business is written through Lloyd's Insurance Company (LIC) based in Brussels. The Syndicate is currently in the process of transferring all prior EEA liabilities to the LIC through a Part VII transfer arrangement coordinated by Lloyd's to ensure an orderly run-off of existing policies and claims. The Agency continues to monitor the Brexit situation and to assess its impact on the Syndicate's activities.

Insurance Risk

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

Report of the Directors of the Managing Agent (continued)

Credit Risk

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

Market Risk

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

Liquidity Risk

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

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events that have an adverse impact on the business. The Syndicate manages these risks through qualitative and quantitative measures and setting tolerances which provide guidance in the management of operational risk. This includes the use of detailed procedure manuals, risk identification, assessment, monitoring and reporting by the Risk Management function and a structured programme of audit review and testing by the Internal Audit function. Business continuity and disaster recovery plans are in place and are regularly updated and tested.

Regulatory Risk

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

Climate Change Risk

The Syndicate recognises that climate change poses a risk and in line with regulatory expectations it is establishing controls that are proportionate to the nature, scale, and complexity of its business which the Syndicate expects to mature and evolve over time. The Syndicate has designated the climate change responsibilities to a senior manager.

Report of the Directors of the Managing Agent (continued)

Solvency II

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

Future Developments

We continue to reassess our portfolio mix and have completed our move out of the Accident & Health, Marine, Financial Institutions and Professional Liability classes whilst continuing to develop our specialty classes. In addition to expanding our existing classes, we will commence writing Legal Expenses business during 2020.

The total Syndicate capacity for the 2020 year of account is £181m compared with £205m in 2019. The reduction follows the changes to our portfolio outlined above and should suitable opportunities develop we will consider requesting Lloyd's to increase our capacity in the later part of 2020.

Directors Serving in the Year

The Directors of the Managing Agency, TCMA, who served during the year ended 31 December 2019 were as follows:

B J G Hilton (Chairman)
S McMurdo (CEO)
P A Chubb (CFO)
V V V Mistry (CRO)
T R C Corfield (CUO)
T J Hayday
D J Hindley
V Y Peignet
D M Reed
L Rousseau
C A T Delannes
J W Haynes

Disclosure of Information to the Auditor

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

Report of the Directors of the Managing Agent (continued)

Syndicate Annual General Meeting

In accordance with the Syndicate Meetings (Amendment No 1) Byelaw (No 18 of 2000) the Managing Agent does not propose holding an annual meeting this year; the Managing Agent also intends to reappoint the auditor, Mazars LLP, for a further 12 months. Should the Syndicate Member object to either of these proposals, the Managing Agent should be advised before 24 April 2020.

On behalf of the Board

Stuart McMurdo
CEO
28 February 2020

Paul Chubb
CFO
28 February 2020

Statement of Managing Agent's Responsibilities

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

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

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

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

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

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

Independent Auditor's Report to the Member of Syndicate 2015

Opinion

We have audited the annual financial statements of Syndicate 2015 (the "Syndicate") for the year ended 31 December 2019 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Member's Balance, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the annual financial statements:

- give a true and fair view of the 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 financial statements" section of our report. We are independent of the Syndicate in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of uncertainties due to United Kingdom exiting the European Union on our audit

The managing agent's view on the impact of Brexit is disclosed on page 6. The United Kingdom withdrew from the European Union on 31 January 2020 and entered into an Implementation Period which is scheduled to end on 31 December 2020. However, the terms of the future trade and other relationships with the European Union are not yet clear, and it is therefore not currently possible to evaluate all the potential implications to the Syndicate's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Syndicate as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Syndicate's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the Syndicate and this is particularly the case in relation to Brexit.

Conclusions relating to going concern

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

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

Independent Auditor's Report to the Member of Syndicate 2015 (Continued)**Other information**

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

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

We have nothing to report in this regard.

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

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

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Syndicate and its environment obtained in the course of the audit, we have not identified material misstatements in the Managing Agent's Report.

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

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

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 10, the managing agent is responsible for the preparation of the annual financial statements and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of the audit report

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

Steve Liddell (Senior Statutory Auditor)

for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St. Katharine's Way
London E1W 1DD

28 February 2020

Profit and Loss Account

Technical Account

For the year ended 31 December 2019

| | Notes | 2019 £'000 | 2018 £'000 |
|------------------------------------------------------------------------|-------|------------------------|------------------------|
| Earned premiums, net of reinsurance | | | |
| Gross premiums written | 4 | 251,763 | 312,984 |
| Outward reinsurance premiums | | (51,996) | (63,768) |
| Net premiums written | | <u>199,767</u> | <u>249,216</u> |
| Change in the provision for unearned premiums | | | |
| - Gross amount | 19 | 19,170 | (47,222) |
| - Reinsurers' share | 19 | (5,378) | 9,509 |
| Change in the net provision for unearned premiums | | <u>13,792</u> | <u>(37,713)</u> |
| Earned premiums, net of reinsurance | | <u>213,559</u> | <u>211,503</u> |
| Allocated investment return transferred from the non-technical account | | 5,401 | 2,556 |
| Claims incurred, net of reinsurance | | | |
| Claims paid | | | |
| - Gross amount | | (218,384) | (197,811) |
| - Reinsurers' share | | 68,373 | 77,264 |
| Net claims paid | | <u>(150,011)</u> | <u>(120,547)</u> |
| Change in the provision for claims | | | |
| - Gross amount | 19 | 41,729 | (14,739) |
| - Reinsurers' share | 19 | (28,769) | (25,327) |
| Change in the net provision for claims | | <u>12,960</u> | <u>(40,066)</u> |
| Claims incurred, net of reinsurance | | <u>(137,051)</u> | <u>(160,613)</u> |
| Net operating expenses | 5 | <u>(103,406)</u> | <u>(105,102)</u> |
| Balance on the technical account for general business | | <u>(21,497)</u> | <u>(51,656)</u> |

All the amounts above are in respect of continuing operations.

Non-Technical Account

For the year ended 31 December 2019

| | Notes | 2019 £'000 | 2018 £'000 |
|-------------------------------------------------------------------------------|-------|------------------------|------------------------|
| Balance on the general business technical account | | (21,497) | (51,656) |
| Investment income | 8 | 4,723 | 3,152 |
| Unrealised profits/(losses) on investments | 8 | 811 | (469) |
| Investment expenses | 8 | (133) | (127) |
| Allocated investment return transferred to general business technical account | | (5,401) | (2,556) |
| Profit/(loss) on foreign exchange | | 2,394 | (2,153) |
| Loss for the financial year | | <u>(19,103)</u> | <u>(53,809)</u> |

Balance Sheet

Assets

At 31 December 2019

| | Notes | 2019 £'000 | 2019 £'000 | 2018 £'000 | 2018 £'000 |
|----------------------------------------------------|-------|---------------|-----------------------|-----------------------|---------------|
| Investments | | | | | |
| Other financial investments | 9 | | 126,017 | | 135,670 |
| Reinsurers' share of technical provisions | | | | | |
| Provision for unearned premiums | 19 | 41,732 | | 48,619 | |
| Claims outstanding | 19 | | <u>93,663</u> | <u>125,664</u> | |
| | | | 135,395 | | 174,283 |
| Debtors | | | | | |
| Debtors arising out of direct insurance operations | 10 | 46,589 | | 78,636 | |
| Debtors arising out of reinsurance operations | 11 | 44,310 | | 46,985 | |
| Other debtors | | | <u>2,643</u> | <u>301</u> | |
| | | | 93,542 | | 125,922 |
| Other assets | | | | | |
| Cash and cash equivalents | 12 | 26,347 | | 30,391 | |
| Overseas deposits | 13 | | <u>30,610</u> | <u>29,507</u> | |
| | | | 56,957 | | 59,898 |
| Prepayments and accrued income | | | | | |
| Deferred acquisition costs | 14 | 65,325 | | 69,066 | |
| Accrued interest and rent | | 698 | | 635 | |
| Other prepayments and accrued income | | | <u>583</u> | <u>612</u> | |
| | | | 66,606 | | 70,313 |
| Total assets | | | <u>478,517</u> | <u>566,086</u> | |

Balance Sheet

Liabilities

At 31 December 2019

| | Notes | 2019 £'000 | 2019 £'000 | 2018 £'000 | 2018 £'000 |
|--------------------------------------------------------|-------|----------------|----------------|----------------|----------------|
| Capital and reserves | | | | | |
| Member's balance | | | (64,274) | | (59,559) |
| Technical provisions | | | | | |
| Provision for unearned premiums | 19 | 193,031 | | 218,062 | |
| Claims outstanding | 19 | <u>296,933</u> | | <u>348,027</u> | |
| | | | 489,964 | | 566,089 |
| Creditors | | | | | |
| Creditors arising out of direct insurance operations | 15 | 5,214 | | 2,974 | |
| Creditors arising out of reinsurance operations | 16 | 41,989 | | 52,533 | |
| Other creditors including taxation and social security | | <u>2,164</u> | | <u>291</u> | |
| | | | 49,367 | | 55,798 |
| Accruals and deferred income | | | 3,460 | | 3,758 |
| Total liabilities | | | <u>478,517</u> | | <u>566,086</u> |

The notes on pages 18 to 40 form an integral part of these annual accounts.

The annual accounts on pages 14 to 40 were approved by the Board of The Channel Managing Agency Limited on 28 February 2020 and were signed on its behalf by

Stuart McMurdo
CEO
28 February 2020

Paul Chubb
CFO
28 February 2020

Statement of Changes in Member's Balance

For the year ended 31 December 2019

| | 2019 | 2018 |
|--------------------------------------------|-----------------|-----------------|
| | £'000 | £'000 |
| At 1 January | (59,559) | (37,543) |
| Distribution loss and open year cash calls | 14,388 | 31,793 |
| Loss for the year | (19,103) | (53,809) |
| At 31 December | <u>(64,274)</u> | <u>(59,559)</u> |

Statement of Cash Flows

For the year ended 31 December 2019

| | Notes | 2019 | 2018 |
|-------------------------------------------------------------------------------------------------|--------------|-----------------|-----------------|
| | | £'000 | £'000 |
| Cash flows from operating activities | | | |
| Loss for the year | | (19,103) | (53,809) |
| (Decrease) / Increase in gross technical provisions | | (76,125) | 81,720 |
| Decrease in reinsurers' share of technical provisions | | 38,888 | 8,530 |
| (Increase) / Decrease in debtors | | 36,086 | (53,663) |
| Increase / (Decrease) in creditors | | (6,727) | 349 |
| Movement in other assets/liabilities | | (5,751) | (4,494) |
| Investment return | | (5,401) | (2,556) |
| Net cash flows from operating activities | | <u>(38,133)</u> | <u>(23,923)</u> |
| Cash flows from investing activities | | | |
| Purchase of debt instruments | | (71,345) | (80,218) |
| Sale of debt instruments | | 83,709 | 69,430 |
| Investment income received | | 3,312 | 2,551 |
| Other | | 1,198 | 5 |
| Cash flows from financing activities | | | |
| Distribution loss | | 14,387 | (1,340) |
| Distribution loss and open year cash calls from Member in respect of underwriting participation | | - | 36,220 |
| Other | | - | (3,087) |
| Net (decrease) in cash and cash equivalents | | <u>(6,872)</u> | <u>(362)</u> |
| Foreign Exchange | | 2,828 | 868 |
| Movement in cash and cash equivalents | | <u>(4,044)</u> | <u>506</u> |
| Cash and cash equivalents at 1 January | | 30,391 | 29,885 |
| Cash and cash equivalents at 31 December | 12 | <u>26,347</u> | <u>30,391</u> |

Notes to the Accounts

At 31 December 2019

1. Basis of preparation

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

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

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

Having assessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

2. Use of judgement and estimates

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

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

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

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

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

Notes to the Accounts (continued)

Actuary are shared with the Reserving Committee and the Board at the time of setting year end reserves to provide a further point of consideration in respect of the recommended levels of IBNR.

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

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

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

The provision for claims also includes amounts in respect of internal and external claims handling costs. The reserves are calculated on an undiscounted basis by class of business and year of account. The held reserves make allowance for emerging matters where appropriate. Further information about reserving risk is included in Note 17.

3. Significant Accounting Policies

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

Gross Premiums Written

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

Unearned Premiums

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

Notes to the Accounts (continued)

Reinsurance Premium Ceded

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

Claims Provisions and Related Recoveries

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

The provision for claims outstanding is assessed on:

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

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

Unexpired Risk Provision

A provision for unexpired risks is made where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together after taking into account any future investment return. No provision is necessary at the current year end (2018: £nil).

Deferred Acquisition Costs

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

Foreign Currencies

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

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

Exchange differences are recorded in the non-technical account.

Notes to the Accounts (continued)

Investments

Investments are stated at fair value at the balance sheet date. The Syndicate Loan is akin to an unlisted investment similar to an equity instrument, which is recognised at fair value through profit and loss. For this purpose, listed investments are stated at market value (bid value) and deposits with credit institutions and overseas deposits are stated at cost of market value as notified by Lloyd's. As permitted by FRS 102, the Syndicate has elected to apply the recognition and measurement provisions of IAS 39- Financial Instruments (as adopted for use in the EU) to account for all of its financial instruments.

Investment Return

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

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

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

Taxation

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

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

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

Pension Costs

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

Cash and cash equivalents

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

Notes to the Accounts (continued)

4. Analysis of Business Written

| | Gross written premium £'000 | Gross premium earned £'000 | Gross claims incurred £'000 | Gross operating expenses £'000 | Re-insurance balance £'000 | Total £'000 |
|-----------------------------------|--------------------------------|-------------------------------|--------------------------------|-----------------------------------|-------------------------------|-----------------|
| 2019 | | | | | | |
| Direct insurance: | | | | | | |
| Accident and health | 3,045 | 5,098 | (5,210) | (1,793) | (383) | (2,288) |
| Motor (Other Classes) | 100 | 110 | (97) | (30) | (9) | (26) |
| Marine | 2,937 | 6,165 | (1,378) | (2,689) | (5,569) | (3,471) |
| Aviation | (2) | (2) | (1,075) | 1 | (784) | (1,860) |
| Transport | 2,296 | 3,836 | (2,818) | (1,568) | 103 | (447) |
| Fire and other damage to property | 116,884 | 129,344 | (90,051) | (49,275) | 1,966 | (8,016) |
| Third party liability | 41,222 | 64,859 | (48,665) | (27,307) | 315 | (10,798) |
| Pecuniary loss | 31,053 | 16,749 | (1,291) | (4,193) | (6,047) | 5,218 |
| | <u>197,535</u> | <u>226,159</u> | <u>(150,585)</u> | <u>(86,854)</u> | <u>(10,408)</u> | <u>(21,688)</u> |
| Reinsurance | <u>54,228</u> | <u>44,774</u> | <u>(26,070)</u> | <u>(16,552)</u> | <u>(7,362)</u> | <u>(5,210)</u> |
| | <u>251,763</u> | <u>270,933</u> | <u>(176,655)</u> | <u>(103,406)</u> | <u>(17,770)</u> | <u>(26,898)</u> |

| | Gross written premium £'000 | Gross premium earned £'000 | Gross claims incurred £'000 | Gross operating expenses £'000 | Re-insurance balance £'000 | Total £'000 |
|-----------------------------------|--------------------------------|-------------------------------|--------------------------------|-----------------------------------|-------------------------------|-----------------|
| 2018 | | | | | | |
| Direct insurance: | | | | | | |
| Accident and health | 6,241 | 6,849 | (5,251) | (3,082) | (1,064) | (2,548) |
| Motor (Other Classes) | 14 | 7 | (103) | (2) | (3) | (101) |
| Marine | 7,719 | 8,988 | (12,748) | (4,282) | 4,518 | (3,524) |
| Aviation | 5 | 5 | 45 | (3) | 8 | 55 |
| Transport | 3,781 | 4,392 | (7,999) | (1,639) | 977 | (4,269) |
| Fire and other damage to property | 138,098 | 121,331 | (85,249) | (48,098) | (5,380) | (17,396) |
| Third party liability | 76,186 | 65,259 | (63,128) | (27,856) | 6,504 | (19,221) |
| Pecuniary loss | 35,714 | 19,508 | (11,333) | (6,158) | (1,618) | 399 |
| | <u>267,758</u> | <u>226,339</u> | <u>(185,766)</u> | <u>(91,120)</u> | <u>3,942</u> | <u>(46,605)</u> |
| Reinsurance | <u>45,226</u> | <u>39,423</u> | <u>(26,784)</u> | <u>(13,982)</u> | <u>(6,264)</u> | <u>(7,607)</u> |
| | <u>312,984</u> | <u>265,762</u> | <u>(212,550)</u> | <u>(105,102)</u> | <u>(2,322)</u> | <u>(54,212)</u> |

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

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

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

Notes to the Accounts (continued)

5. Net Operating Expenses

| | 2019 £'000 | 2018 £'000 |
|------------------------------------------------|-----------------------------|-----------------------------|
| Acquisition costs | (91,614) | (106,150) |
| Change in deferred acquisition costs (note 14) | (1,638) | 15,693 |
| Administrative expenses | (12,133) | (16,424) |
| Reinsurance commissions | 1,979 | 1,779 |
| | <u>(103,406)</u> | <u>(105,102)</u> |

Commission for direct insurance business for the year was £64,817,000 (2018: £63,731,000).

Administrative expenses include:

| | 2019 £'000 | 2018 £'000 |
|------------------------------|-----------------------------|-----------------------------|
| Auditor's remuneration | | |
| Audit of the annual accounts | 109 | 100 |
| Other services: | | |
| Other assurance services | 13 | 17 |
| Interim reporting | 26 | 28 |
| | <u>148</u> | <u>145</u> |

In addition to the above during 2019, Mazars LLP carried out coverholder reviews for a fee of £5,821 (2018: £6,640).

| | | |
|-----------------------------------------------------------------------------------------------------------|----------------|----------------|
| Standard personal expenses (Lloyd's subscriptions, New Central Fund Contributions, Managing Agent's fees) | <u>(2,942)</u> | <u>(4,018)</u> |
|-----------------------------------------------------------------------------------------------------------|----------------|----------------|

6. Staff Numbers and Costs

| | 2019 £'000 | 2018 £'000 |
|-----------------------|-----------------------------|-----------------------------|
| Wages and salaries | 14,554 | 14,485 |
| Social security costs | 1,789 | 1,912 |
| Other pension costs | 750 | 837 |
| Total | <u>17,093</u> | <u>17,234</u> |

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

| | 2019 | 2018 |
|------------------------------|-------------|-------------|
| Administration | 39 | 40 |
| Underwriting and reinsurance | 64 | 72 |
| Claims | 12 | 12 |
| Total | <u>115</u> | <u>124</u> |

Notes to the Accounts (continued)

7. Emoluments of the Directors of TCMA

The Directors of TCMA (which until 18 March 2019 also included the previous Active Underwriter) and the Active Underwriter received the following aggregate emoluments, as defined by Schedule 1 to the 2008 Regulations, charged to the Syndicate and included within net operating expenses.

| | 2019 £'000 | 2018 £'000 |
|--------------------|---------------|---------------|
| Directors of TCMA | <u>1,751</u> | <u>1,641</u> |
| Active Underwriter | <u>388</u> | <u>582</u> |

8. Investment Return

| | 2019 £'000 | 2018 £'000 |
|------------------------------|---------------|---------------|
| Interest and dividend income | 4,460 | 3,358 |
| Realised losses | 263 | (206) |
| Total investment income | <u>4,723</u> | <u>3,152</u> |
| Unrealised losses | 811 | (469) |
| Investment expenses | <u>(133)</u> | <u>(127)</u> |
| Total investment return | <u>5,401</u> | <u>2,556</u> |

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

9. Financial Investments

| | 2019 | | 2018 | |
|---------------------------------------------------------------|------------------------|----------------|------------------------|----------------|
| | Fair Value £'000 | Cost £'000 | Fair Value £'000 | Cost £'000 |
| Shares and other variable securities and units in unit trusts | 26,898 | 26,898 | 22,938 | 22,938 |
| Debt securities and other fixed income securities | 98,228 | 97,442 | 112,732 | 113,217 |
| Other investments | 891 | 891 | - | - |
| | <u>126,017</u> | <u>125,231</u> | <u>135,670</u> | <u>136,155</u> |

Notes to the Accounts (continued)

The Syndicate has not traded in derivatives.

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

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

The other investments are a syndicate loan to the Lloyd's Central Fund which is an unlisted financial instrument, recognised through profit and loss.

The Syndicate classifies the measurement bases of its financial investments as follows:

Level 1 The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs are unobservable for the asset or liability.

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

Notes to the Accounts (continued)

Fair Value Hierarchy

| As at 31 December 2019 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|------------------------------------------------------------|--------------------------|--------------------------|--------------------------|------------------------|
| Shares and other variable yield securities and unit trusts | 26,898 | - | - | 26,898 |
| Debt securities and other fixed income securities | 19,619 | 78,609 | - | 98,228 |
| Other Investments | - | - | 891 | 891 |
| Total | <u>46,517</u> | <u>78,609</u> | <u>891</u> | <u>126,017</u> |

| As at 31 December 2018 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|------------------------------------------------------------|--------------------------|--------------------------|--------------------------|------------------------|
| Shares and other variable yield securities and unit trusts | 22,938 | - | - | 22,938 |
| Debt Securities and other fixed income securities | 29,233 | 83,499 | - | 112,732 |
| Total | <u>52,171</u> | <u>83,499</u> | <u>-</u> | <u>135,670</u> |

10. Debtors arising out of Direct Insurance Operations

| | 2019 £'000 | 2018 £'000 |
|--------------------------------------|-----------------------|-----------------------|
| Due within one year – intermediaries | 46,581 | 78,595 |
| Due after one year – intermediaries | 8 | 41 |
| | <u>46,589</u> | <u>78,636</u> |

Notes to the Accounts (continued)

11. Debtors arising out of Reinsurance Operations

| | 2019 | 2018 |
|--------------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Due within one year – intermediaries | 44,308 | 46,960 |
| Due after one year – intermediaries | 2 | 25 |
| | <u>44,310</u> | <u>46,985</u> |

12. Cash and cash equivalents

| | 2019 | 2018 |
|--------------------------|--------------|--------------|
| | £'000 | £'000 |
| Cash at bank and in hand | 26,347 | 30,391 |

13. Overseas Deposits

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

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

14. Deferred Acquisition Costs

| | 2019 | 2018 |
|-----------------------------------------------|---------------|---------------|
| | £'000 | £'000 |
| At 1 January | 69,066 | 51,865 |
| Change in deferred acquisition costs (note 5) | (1,638) | 15,693 |
| Foreign exchange | (2,103) | 1,508 |
| At 31 December | <u>65,325</u> | <u>69,066</u> |

15. Creditors arising out of Direct Insurance Operations

| | 2019 | 2018 |
|---------------------|--------------|--------------|
| | £'000 | £'000 |
| Due within one year | 5,214 | 2,972 |
| Due after one year | - | 2 |
| | <u>5,214</u> | <u>2,974</u> |

Notes to the Accounts (continued)

16. Creditors arising out of Reinsurance Operations

| | 2019 | 2018 |
|---------------------|---------------|---------------|
| | £'000 | £'000 |
| Due within one year | 41,989 | 52,533 |
| | <u>41,989</u> | <u>52,533</u> |

17. Risk and Capital Management

Overview

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

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

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

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

Insurance Risk

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

Notes to the Accounts (continued)

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

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

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

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

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

Large and catastrophe risks are managed via an Exposure Management team, as an intrinsic part of the Risk Management function, who also leverage specialist knowledge and catastrophe accumulation expertise within the SCOR group where appropriate.

Concentration of Insurance Risk

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

| | 2019 | 2018 |
|-----------------------------------|-------------|-------------|
| United States | 40% | 37% |
| United Kingdom | 24% | 27% |
| Europe (excluding United Kingdom) | 9% | 10% |
| Canada | 7% | 6% |
| Australia & New Zealand | 5% | 5% |
| Africa | 3% | 4% |
| Caribbean & Central America | 5% | 4% |
| Asia | 3% | 3% |
| Middle East | 2% | 2% |
| South America | 2% | 2% |
| | <u>100%</u> | <u>100%</u> |

Notes to the Accounts (continued)

Sensitivity to Insurance Risk

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

| | 2019 | | 2018 | |
|-------------------------|-----------------|---------------|-----------------|---------------|
| | £'000 | | £'000 | |
| | 10 per cent | | 10 per cent | |
| | increase | decrease | increase | decrease |
| Property | (8,046) | 8,046 | (8,716) | 8,716 |
| Liability | (8,835) | 8,835 | (9,594) | 9,594 |
| Credit & Political Risk | (833) | 833 | (541) | 541 |
| Legal Indemnities | (54) | 54 | (47) | 47 |
| Other | (2,559) | 2,559 | (3,338) | 3,338 |
| Total | <u>(20,327)</u> | <u>20,327</u> | <u>(22,236)</u> | <u>22,236</u> |

Credit Risk

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

The Syndicate is exposed to credit risk in respect of the following:

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

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

Management of Credit Risk

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

The Syndicate's exposure to reinsurance counterparties is monitored by the Reinsurance Committee).

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

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

Notes to the Accounts (continued)

Exposure to Credit Risk

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

As at 31 December 2019

| | AAA | AA | A | BBB | Other | Total |
|--------------------------------------------------------|---------------|---------------|----------------|--------------|--------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Shares & other variable yield securities & unit trusts | - | - | 26,898 | - | - | 26,898 |
| Debt securities | 13,947 | 37,754 | 45,948 | 579 | - | 98,228 |
| Other Investments | - | - | - | - | 891 | 891 |
| Overseas deposits | 14,641 | 3,029 | 2,766 | 1,227 | 8,947 | 30,610 |
| Reinsurers' share of claims outstanding | 1,326 | 37,382 | 54,955 | - | - | 93,663 |
| Reinsurance recoverable on paid claims | - | 9,082 | 6,103 | - | - | 15,185 |
| Cash at bank & in hand | - | - | 26,347 | - | - | 26,347 |
| Total credit risk | 29,914 | 87,247 | 163,017 | 1,806 | 9,838 | 291,822 |

As at 31 December 2018

| | AAA | AA | A | BBB | Other | Total |
|--------------------------------------------------------|---------------|---------------|----------------|--------------|--------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Shares & other variable yield securities & unit trusts | - | - | 22,938 | - | - | 22,938 |
| Debt securities | 47,731 | 13,703 | 50,524 | 774 | - | 112,732 |
| Overseas deposit | 16,389 | 4,085 | 2,571 | 1,247 | 5,215 | 29,507 |
| Reinsurers' share of claims outstanding | - | 45,477 | 80,187 | - | - | 125,664 |
| Reinsurance recoverable on paid claims | - | 11,555 | 6,807 | - | - | 18,362 |
| Cash at bank & in hand | - | - | 30,391 | - | - | 30,391 |
| Total credit risk | 64,120 | 74,820 | 193,418 | 2,021 | 5,215 | 339,594 |

Notes to the Accounts (continued)

Credit Risk – Ageing and Impairment

As at 31 December 2019

Past due but not impaired

| | Neither past due or impaired £'000 | Up to three months £'000 | Three to six months £'000 | Greater than six months £'000 | Total £'000 |
|--------------------------------------------------------------|------------------------------------------------|--------------------------------|------------------------------------|----------------------------------------|----------------|
| Shares & other variable yield securities & unit trusts | 26,898 | - | - | - | 26,898 |
| Debt securities | 98,228 | - | - | - | 98,228 |
| Other Investments | 891 | - | - | - | 891 |
| Overseas deposits | 30,610 | - | - | - | 30,610 |
| Reinsurers' share of claims outstanding | 93,663 | - | - | - | 93,663 |
| Reinsurance recoverable on paid claims | 9,885 | 173 | 1,348 | 3,779 | 15,185 |
| Cash at bank & in hand | 26,347 | - | - | - | 26,347 |
| Insurance debtors | 44,831 | 596 | 438 | 724 | 46,589 |
| Other debtors | 140,106 | - | - | - | 140,106 |
| Total credit risk | 471,459 | 769 | 1,786 | 4,503 | 478,517 |

As at 31 December 2018

Past due but not impaired

| | Neither past due or impaired £'000 | Up to three months £'000 | Three to six months £'000 | Greater than six months £'000 | Total £'000 |
|--------------------------------------------------------------|------------------------------------------------|--------------------------------|------------------------------------|----------------------------------------|----------------|
| Shares & other variable yield securities & unit trusts | 22,938 | - | - | - | 22,938 |
| Debt securities | 112,732 | - | - | - | 112,732 |
| Overseas deposits | 29,507 | - | - | - | 29,507 |
| Reinsurers' share of claims outstanding | 125,664 | - | - | - | 125,664 |
| Reinsurance recoverable on paid claims | 14,495 | 964 | 1,772 | 1,131 | 18,362 |
| Cash at bank & in hand | 30,391 | - | - | - | 30,391 |
| Insurance debtors | 76,179 | 630 | 1,254 | 573 | 78,636 |
| Other debtors | 147,856 | - | - | - | 147,856 |
| Total credit risk | 559,762 | 1,594 | 3,026 | 1,704 | 566,086 |

Notes to the Accounts (continued)

Market Risk

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

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

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

Interest Rate Risk:

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

Currency Risk:

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

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

Equity Price Risk:

The Syndicate holds no equities within its portfolio.

Liquidity Risk

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

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

Notes to the Accounts (continued)

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

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

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

As at 31 December 2019

| | Carrying Amount £'000 | Less than 1 year £'000 | 1-2 Years £'000 | 2-5 Years £'000 | More than 5 years £'000 |
|--------------------------------|--------------------------------------|---------------------------------------|--------------------------------|--------------------------------|----------------------------------------|
| Outstanding claims liabilities | 296,933 | 110,286 | 70,722 | 93,223 | 22,702 |
| Other creditors | 49,367 | 49,367 | - | - | - |
| Total | 346,300 | 159,653 | 70,722 | 93,223 | 22,702 |

As at 31 December 2018

| | Carrying amount £'000 | Less than 1 year £'000 | 1-2 years £'000 | 2-5 years £'000 | More than 5 years £'000 |
|--------------------------------|--------------------------------------|---------------------------------------|--------------------------------|--------------------------------|----------------------------------------|
| Outstanding claims liabilities | 348,027 | 125,086 | 85,865 | 110,221 | 26,855 |
| Other creditors | 55,798 | 55,796 | 2 | - | - |
| Total | 403,825 | 180,882 | 85,867 | 110,221 | 26,855 |

Notes to the Accounts (continued)

Currency Risk

As at 31 December 2019

| | GBP £'000 | USD £'000 | EURO £'000 | CAD £'000 | Total £'000 |
|-------------------------------------------|------------------|------------------|-----------------|-----------------|------------------|
| Financial investments | 891 | 97,909 | - | 27,216 | 126,016 |
| Reinsurers' share of technical provisions | 27,656 | 87,403 | 17,174 | 3,162 | 135,395 |
| Insurance & reinsurance receivables | 36,299 | 59,437 | (118) | (4,719) | 90,899 |
| Cash & cash equivalents | 6,803 | 168 | 19,375 | - | 26,346 |
| Overseas deposits | 22,725 | 3,005 | - | 4,880 | 30,610 |
| Other assets | 31,435 | 30,551 | 4,846 | 2,417 | 69,249 |
| Total assets | 125,809 | 278,473 | 41,277 | 32,956 | 478,515 |
| Technical provisions | (135,341) | (269,768) | (67,417) | (17,438) | (489,964) |
| Insurance & reinsurance payables | 392 | (54,491) | 6,910 | (13) | (47,202) |
| Other creditors and accruals | (5,511) | (80) | (33) | - | (5,624) |
| Total liabilities | (140,460) | (324,339) | (60,540) | (17,451) | (542,790) |
| Net assets/(liabilities) | (14,651) | (45,866) | (19,263) | 15,505 | (64,275) |

As at 31 December 2018

| | GBP £'000 | USD £'000 | EURO £'000 | CAD £'000 | Total £'000 |
|-------------------------------------------|------------------|------------------|-----------------|-----------------|------------------|
| Financial investments | - | 108,555 | - | 27,115 | 135,670 |
| Reinsurers' share of technical provisions | 39,273 | 114,672 | 18,887 | 1,451 | 174,283 |
| Insurance & reinsurance receivables | 36,135 | 86,820 | 4,253 | (1,587) | 125,621 |
| Cash & cash equivalents | 5,760 | 279 | 24,352 | - | 30,391 |
| Overseas deposits | 22,210 | 3,141 | - | 4,156 | 29,507 |
| Other assets | 24,787 | 35,329 | 7,613 | 2,885 | 70,614 |
| Total assets | 128,165 | 348,796 | 55,105 | 34,020 | 566,086 |
| Technical provisions | (150,693) | (316,853) | (81,585) | (16,958) | (566,089) |
| Insurance & reinsurance payables | 1,188 | (61,931) | 5,592 | (356) | (55,507) |
| Other creditors and accruals | (3,912) | (137) | - | - | (4,049) |
| Total liabilities | (153,417) | (378,921) | (75,993) | (17,314) | (625,645) |
| Net assets/(liabilities) | (25,252) | (30,125) | (20,888) | 16,706 | (59,559) |

Notes to the Accounts (continued)

Sensitivity to Market Risks for Financial Investments

Sensitivity Analysis

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

The table shows the impact on the result and member's balance.

| | 2019 | 2018 |
|--------------------------------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Interest Rate Risk | | |
| Impact of 50 basis point increase on result/member's balance | (897) | (885) |
| Impact of 50 basis point decrease on result/member's balance | 908 | 892 |

Sensitivity to Foreign Exchange Rate Changes

Sensitivity Analysis

An analysis of the Syndicate's sensitivity to GBP/USD, GBP/EUR and GBP/CAD exchange rate increase and decrease for its result and member's balance at the period end is shown in the table below.

| | 2019 | 2018 |
|------------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Currency Risk | | |
| Impact of 10 percent increase in GBP/USD | (4,587) | (3,013) |
| Impact of 10 percent decrease in GBP/USD | 4,587 | 3,013 |
| Impact of 10 percent increase in GBP/EUR | (1,926) | (2,089) |
| Impact of 10 percent decrease in GBP/EUR | 1,926 | 2,089 |
| Impact of 10 percent increase in GBP/CAD | 1,550 | 1,671 |
| Impact of 10 percent decrease in GBP/CAD | (1,550) | (1,671) |

Capital Management

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

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

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

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

Notes to the Accounts (continued)

In order to meet Lloyd's and regulatory requirements, each Syndicate is required to calculate its Solvency Capital Requirement (SCR) in line with the business plan for the prospective underwriting year that is proposed for approval. The amounts are to be sufficient to cover losses at the 99.5th percentile, reflecting uncertainty in the run-off of underwriting liabilities to ultimate (SCR 'to ultimate') and for a one year time horizon (1 year SCR). The SCRs of each Syndicate are subject to review and agreement by Lloyd's.

For establishing Lloyd's minimum solvency requirements, Lloyd's uses the agreed Syndicate SCR to ultimate as a starting point. Over and above this, Lloyd's applies a market wide capital uplift, currently 35%, to the SCR, to derive the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's rather than a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives.

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

18. Claims Development

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

| Gross | | | | | | | | | |
|-------|---------|---------|---------|---------|---------|---------|--------|--------|--------|
| Year | At end | One | Two | Three | Four | Five | Six | Seven | Eight |
| U/W | of UW | year | years | years | years | years | years | years | years |
| Pure | year | later | later | later | later | later | later | later | later |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| 2011 | 6,765 | 14,022 | 13,152 | 12,699 | 12,267 | 11,678 | 11,352 | 11,333 | 11,298 |
| 2012 | 25,388 | 56,451 | 56,303 | 59,652 | 64,093 | 63,886 | 66,845 | 66,677 | |
| 2013 | 38,943 | 92,451 | 98,003 | 93,699 | 92,376 | 91,142 | 95,291 | | |
| 2014 | 45,361 | 114,247 | 134,226 | 140,134 | 144,542 | 144,238 | | | |
| 2015 | 42,736 | 110,300 | 119,125 | 127,942 | 125,253 | | | | |
| 2016 | 62,664 | 183,120 | 204,212 | 209,098 | | | | | |
| 2017 | 127,479 | 219,477 | 243,979 | | | | | | |
| 2018 | 85,313 | 185,170 | | | | | | | |
| 2019 | 42,140 | | | | | | | | |

Notes to the Accounts (continued)

Net

| Year | At end of UW year | One years later | Two years later | Three years later | Four years later | Five years later | Six years later | Seven years later | Eight years later |
|------|-------------------------|-----------------------|-----------------------|-------------------------|------------------------|------------------------|-----------------------|-------------------------|-------------------------|
| Pure | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| 2011 | 6,504 | 13,564 | 12,640 | 12,143 | 11,774 | 11,188 | 10,862 | 10,843 | 10,807 |
| 2012 | 22,140 | 51,173 | 51,778 | 53,288 | 54,275 | 53,894 | 55,717 | 55,579 | |
| 2013 | 34,546 | 73,188 | 79,401 | 76,121 | 75,362 | 74,356 | 75,457 | | |
| 2014 | 41,169 | 97,976 | 109,814 | 106,449 | 109,053 | 109,003 | | | |
| 2015 | 35,904 | 94,717 | 100,808 | 106,634 | 106,590 | | | | |
| 2016 | 50,902 | 131,198 | 144,260 | 144,520 | | | | | |
| 2017 | 61,187 | 139,637 | 147,243 | | | | | | |
| 2018 | 60,551 | 147,315 | | | | | | | |
| 2019 | 38,154 | | | | | | | | |

| Underwriting Pure year | Gross estimated balance to pay £'000 | Net estimated balance to pay £'000 |
|------------------------|--------------------------------------------------|------------------------------------------------|
| 2011 | 149 | 149 |
| 2012 | 13,031 | 7,078 |
| 2013 | 11,473 | 5,003 |
| 2014 | 12,457 | 13,902 |
| 2015 | 17,970 | 14,341 |
| 2016 | 44,346 | 28,298 |
| 2017 | 65,431 | 32,634 |
| 2018 | 100,071 | 73,825 |
| 2019 | 32,003 | 28,039 |
| | <u>296,931</u> | <u>203,269</u> |

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

Overall on an aggregate basis, a reserve release of £1m net of reinsurance was made to prior year reserves during 2019. In 2018 there was a reserve strengthening of £1m.

The reserve release was due to the Property and PCR accounts partially offset by deterioration in the Professional Liability, Financial Institutions and Accident & Health classes.

Notes to the Accounts (continued)

19. Technical Provisions

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

| | Gross provisions £'000 | Reinsurance assets £'000 | Net £'000 |
|--------------------------------|---------------------------------------|-----------------------------------------|----------------------|
| Provision for Claims | | | |
| At 1 January 2019 | 348,027 | (125,664) | 222,363 |
| Movement per technical account | (41,729) | 28,769 | (12,960) |
| Foreign Exchange | (9,365) | 3,232 | (6,133) |
| At 31 December 2019 | <u>296,933</u> | <u>(93,663)</u> | <u>203,270</u> |
| Unearned Premiums | | | |
| At 1 January 2019 | 218,062 | (48,619) | 169,443 |
| Movement per technical account | (19,170) | 5,378 | (13,792) |
| Foreign Exchange | (5,861) | 1,509 | (4,352) |
| At 31 December 2019 | <u>193,031</u> | <u>(41,732)</u> | <u>151,299</u> |

| | Gross provisions £'000 | Reinsurance assets £'000 | Net £'000 |
|--------------------------------|---------------------------------------|-----------------------------------------|----------------------|
| Provision for Claims | | | |
| At 1 January 2018 | 321,768 | (146,177) | 175,591 |
| Movement per technical account | 14,739 | 25,327 | 40,066 |
| Foreign Exchange | 11,520 | (4,814) | 6,706 |
| At 31 December 2018 | <u>348,027</u> | <u>(125,664)</u> | <u>222,363</u> |
| Unearned Premiums | | | |
| At 1 January 2018 | 162,600 | (36,636) | 125,964 |
| Movement per technical account | 47,222 | (9,509) | 37,713 |
| Foreign Exchange | 8,240 | (2,474) | 5,766 |
| At 31 December 2018 | <u>218,062</u> | <u>(48,619)</u> | <u>169,443</u> |

20. Subsequent Events

Effective 1 January 2020 Syndicate 2015 placed the RITC of the liabilities of the 2017 and prior underwriting years with a third-party Lloyd's syndicate. This transaction results in the transfer from Syndicate 2015 of gross and net technical provisions of £184.6 million and £110.8 million respectively.

Notes to the Accounts (continued)

A cash call with Syndicate 2015 capital provider SUL of £24m on the 2018 YOA was paid in February 2020. This was to provide the Syndicate with additional working capital following agreement of the third-party RITC as noted above. The cash call represents 10.66% of the 2018 YOA capacity

21. Disclosure of Interests

Managing Agent's Interests

The Financial Statements of TCMA are available by application to the Registered Office (see page 2).

Related Companies' Interests

Syndicate 2015's dedicated capital provider is SCOR Underwriting Limited which shares the same ultimate parent, SCOR SE.

TCMA, a subsidiary undertaking of SCOR SE, provides management services to the Syndicate. In 2019, the recharge to the Syndicate was £18,440,000 (2018 £18,285,000). The balance outstanding at the year end owed by the Syndicate to TCMA was £829,000 (2018 £291,000).

The amount of reinsurance ceded to SCOR SE companies was £10,076,000 (2018: £18,905,000). The amount due to SCOR SE companies was £1,141,000 (2018 amount due from SCOR SE companies was £2,861,000).