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The Channel Syndicate 2015

Annual Report and Accounts
31 December 2020

SCOR The Art & Science of Risk | Channel

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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)
L Rousseau*
C Fassi*
T J Hayday*
P Eckert*
D M Reed*
J W Haynes*

* 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 2020.

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

Results
The result for calendar year 2020 is a profit of £9.4m (2019: loss of £19.1m).

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

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

	2020 £'000	2019 £'000
Property	152,821	147,392
Liability	40,151	45,305
Credit & Political Risk	9,702	27,791
Legal Indemnities	19,873	20,060
Other	10,280	11,215
	232,827	251,763

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

	2020 £'000	2019 £'000
Gross Written Premiums	232,827	251,763
Profit for the financial year	9,401	(19,103)
Claims ratio	51%	64%
Expense ratio	45%	49%
Combined ratio	96%	113%

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)

2020 has been a very challenging year due to the impact of the ongoing Covid-19 global pandemic, further details about the impact of Covid-19 are set out in Note 2. We are pleased that our people, systems and processes have shown great strength and resilience and we wish to start by thanking our people for the hard work, determination and effort they have put in to continue to operate effectively and provide great service to our customers and stakeholders. We have continued to assess and adapt our underwriting approach in response to the challenges presented by Covid-19.

As noted in our report last year we have been undertaking remediation work across our underwriting portfolio and completed the third-party Reinsurance to Close (RITC) contract on our 2017 Year of Account (YOA), which removed the risk of deterioration on all our business written in 2017 & prior years, enabling the management team to focus on continuing to develop our specialty classes.

This approach has seen us return to profit in 2020, delivering a profit of £9.4m and a net combined ratio of 96% despite the challenges arising from Covid-19 and significant catastrophe activity. Most areas of the business performed well with Property, Political and Credit Risk (PCR), Environmental Impairment Liability (EIL), Legal Indemnities and Fine Art all delivering a profit in 2020. Our PCR business, in particular, has the potential to be significantly impacted by any economic downturn arising from Covid-19 and we undertook a pause in underwriting this class for part of 2020 whilst we assessed our risk appetite. Having completed this review we recommenced underwriting this class in the second half of 2020, our 2020 PCR gross written premium is significantly lower than that written in 2019.
In common with most of the market our Tech Liability business made a loss in 2020 however the strengthening market conditions and actions taken by our team lead us to believe we can return this account to profitability in 2021.

We are pleased to report that our continuing actions have led to a significant reduction in our acquisition costs and gross loss ratios and that our reserves proved more than adequate producing a net reserve release in 2020. Our administrative expenses have shown an increase, this is largely due to a reduction in expense credits arising from consortium fees receivable following the reduction in PCR business written in 2020. Our underlying expenses remain below budget and cost control remains a key focus going forward.

The market conditions continue to improve, and we are achieving meaningful risk adjusted rate increases in most areas, giving us the platform to further develop our business. We continue to work with our colleagues across the SCOR Group to identify and develop opportunities and provide effective solutions for our customers.

Our staff are key to our continued development and we aim to retain talented employees by facilitating work-life balance and by offering an innovative, inclusive and flexible work environment. We are proud to employ people who care about each other, their community and society as a whole. We support social and environmental commitment among our employees and encourage our teams to get involved in their communities.

The Company's long-term aim is that the composition of our workforce should reflect that of the community and that all workers should be offered equal opportunities to achieve their full potential. We strive to promote equal treatment of men and women. We also pay close attention to creating and maintaining the conditions necessary for a collaborative working environment among diverse nationalities, age groups and cultures.

Report of the Directors of the Managing Agent (continued)

Operating Expenses

Net operating expenses for the year are set out below:

	2020 £'000	2019 £'000
Acquisition Costs	75,675	91,614
Change in Deferred Acquisition Costs	(4,582)	1,638
Reinsurance Commissions	(626)	(1,979)
Managing Agency Fee	1,358	1,538
Other Personal Expenses	1,762	1,405
Other Administration Expenses	10,098	9,190
Net Operating Expenses	83,685	103,406

Investment Return

The return on Syndicate funds by currency is shown below:

	Currency	2020 £'000	2019 £'000
Average Syndicate funds available	Combined Sterling	147,894	184,690
	Sterling	21,839	29,292
	Euro	18,376	29,224
	US Dollars	112,980	131,699
	Canadian Dollars	47,294	53,079
Investment return for the year	Combined Sterling	2,313	5,401
	Sterling	227	912
	Euro	-	(1)
	US Dollars	1,852	4,762
	Canadian Dollars	1,099	1,300
Calendar year investment return %	Combined Sterling	1.56%	2.92%
	Sterling	1.04%	3.11%
	Euro	0.00%	0.00%
	US Dollars	1.64%	3.62%
	Canadian Dollars	2.32%	2.45%

US Dollar surplus funds are on a daily sweep to the Western Asset Liquidity Fund.
Investment return for 2020 was 1.56% (2019: 2.92%). 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 2020 the portfolio composition was as follows:

	2020 £'000	2019 £'000
Liquid funds	21,779	26,898
Fixed income securities	68,723	98,228
Other Investments	3,673	891
	94,175	126,017

Other Investments includes Syndicate Loan to Lloyd's Central Fund as per note 9.
The reduction in financial investments reflects the transfer of assets during 2020 in respect of the third-party RITC.

Principal Risks and Uncertainties

The TCMA Board's, ("the Board") risk appetite annually is aligned with the Syndicate's business planning process. The Board has established a Risk, Capital and Compliance 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 transition period governing the relationship between the EU and the UK ceased at the end of 2020. We continue to write all new Lloyd's European Economic Area ("EEA") (re)insurance business through Lloyd's Insurance Company (LIC) based in Brussels. The Syndicate has transferred 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, further details of this transfer arrangement are set out in Note 22.

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 review and approval 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 by recognised third-party rating agencies in the A range or higher. 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 of 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 the reporting currency 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 cash flow projections are reviewed 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. Through the ongoing Covid-19 pandemic, TCMA’s business is operating well and through the management actions taken (in conjunction with SCOR) we are not aware of material problems presenting themselves at this stage.

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.

Report of the Directors of the Managing Agent (continued)

Climate Change Risk
The Syndicate recognises that climate change poses a risk and in line with regulatory expectations it continues to develop processes and 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.

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 will continue to assess our portfolio mix, taking into account market developments, and expect to further develop our specialty classes. We also consider complementary classes, particularly where we can use the broader resources of the SCOR Group to provide business solutions to our clients.

The total Syndicate capacity for the 2021 year of account is £193m compared with £181m in 2020. This reflects the impact of a stronger rating environment increasing premiums. Should suitable opportunities develop we will consider requesting Lloyd's to increase our capacity in the later part of 2021.

Directors Serving in the Year
The Directors of the Managing Agency, TCMA, who served during the year ended 31 December 2020 were as follows:

B J G Hilton (Chairman)
S McMurdo (CEO)
P A Chubb (CFO)
T R C Corfield (CUO) (resigned 15 May 2020)
L Rousseau
C A T Delannes (resigned 7 February 2020)
C Fassi (appointed 1 October 2020)
T J Hayday
P Eckert (appointed 3 November 2020)
D M Reed
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 23 April 2021.

On behalf of the Board

Stuart McMurdo
CEO
02 March 2021

Paul Chubb
CFO
02 March 2021

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 2020 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 2020 and of its profit 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors of the managing agent's use of the going concern basis of accounting in the preparation of the annual financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Syndicate's ability to continue as a going concern for a period of at least twelve months from when the annual financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors of the managing agent with respect to going concern are described in the relevant sections of this report.

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. The managing agent is responsible for the other information contained within the annual report. Our opinion on the annual financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the managing agent

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

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Syndicate and the insurance sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to the Council of Lloyd's Byelaws, and we considered the extent to which non-compliance might have a material effect on the annual financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the annual financial statements such as The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We evaluated the directors' and management of the managing agent's and Syndicate management's incentives and opportunities for fraudulent manipulation of the annual financial statements (including the risk of override of controls) and determined that the principal risks were related to posting journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation the valuation of the provisions for the settlement of future claims and application of earning patterns, and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the annual financial statements. Our audit procedures included but were not limited to:

- Discussing with the directors and management of the managing agent and Syndicate management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Syndicate which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management of the managing agent and Syndicate management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities for the audit of the annual 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.

Lionel Cazali (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

03 March 2021

Profit and Loss Account

Technical Account

For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Earned premiums, net of reinsurance			
Gross premiums written	4	232,827	251,763
Outward reinsurance premiums		(35,558)	(51,996)
Net premiums written		197,269	199,767
Change in the provision for unearned premiums			
- Gross amount	19	(15,767)	19,170
- Reinsurers' share	19	2,598	(5,378)
Change in the net provision for unearned premiums		(13,169)	13,792
Earned premiums, net of reinsurance		184,100	213,559
Allocated investment return transferred from the non-technical account		2,313	5,401
Claims incurred, net of reinsurance			
Claims paid			
- Gross amount		(83,507)	(218,384)
- Reinsurers' share		9,565	68,373
Net claims paid		(73,942)	(150,011)
Change in the provision for claims			
- Gross amount	19	(15,879)	41,729
- Reinsurers' share	19	(3,699)	(28,769)
Change in the net provision for claims		(19,578)	12,960
Claims incurred, net of reinsurance		(93,520)	(137,051)
Net operating expenses	5	(83,685)	(103,406)
Balance on the technical account for general business		**9,208**	**(21,497)**

All the amounts above are in respect of continuing operations.

Non-Technical Account

For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Balance on the general business technical account		9,208	(21,497)
Investment income	8	1,684	4,723
Unrealised profits/(losses) on investments	8	712	811
Investment expenses	8	(83)	(133)
Allocated investment return transferred to general business technical account		(2,313)	(5,401)
Profit/(loss) on foreign exchange		193	2,394
Profit/(loss) for the financial year		**9,401**	**(19,103)**

Balance Sheet

Assets

At 31 December 2020

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Investments					
Other financial investments	9		94,175		126,017
Reinsurers' share of technical provisions					
Provision for unearned premiums	19	33,391		41,732	
Claims outstanding	19	26,160		93,663	
			59,551		135,395
Debtors					
Debtors arising out of direct insurance operations	10	48,770		46,589	
Debtors arising out of reinsurance operations	11	27,139		44,310	
Other debtors		1,535		2,643	
			77,444		93,542
Other assets					
Cash and cash equivalents	12	16,493		26,347	
Overseas deposits	13	16,420		30,610	
			32,913		56,957
Prepayments and accrued income					
Deferred acquisition costs	14	62,788		65,325	
Accrued interest and rent		374		698	
Other prepayments and accrued income		920		583	
			64,082		66,606
Total assets			**328,165**		**478,517**

Balance Sheet

Liabilities
At 31 December 2020

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Capital and reserves					
Member's balance			(27,417)		(64,274)
Technical provisions					
Provision for unearned premiums	19	179,640		193,031	
Claims outstanding	19	145,119		296,933	
			324,759		489,964
Creditors					
Creditors arising out of direct insurance operations	15	2,931		5,214	
Creditors arising out of reinsurance operations	16	20,947		41,989	
Other creditors including taxation and social security		3,317		2,164	
			27,195		49,367
Accruals and deferred income			3,628		3,460
Total liabilities			**328,165**		**478,517**

The notes on pages 19 to 41 form an integral part of these annual accounts.

The annual accounts on pages 15 to 41 were approved by the Board of The Channel Managing Agency Limited on 02 March 2021 and were signed on its behalf by

Stuart McMurdo
CEO
02 March 2021

Paul Chubb
CFO

02 March 2021

Statement of Changes in Member's Balance

For the year ended 31 December 2020

	2020 £'000	2019 £'000
At 1 January	(64,274)	(59,559)
Distribution loss and open year cash calls	27,456	14,388
Profit for the year	9,401	(19,103)
At 31 December	(27,417)	(64,274)

Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Cash flows from operating activities			
Profit for the year		9,401	(19,103)
(Decrease) in gross technical provisions		(165,205)	(76,125)
Decrease in reinsurers' share of technical provisions		75,845	38,888
Decrease in debtors		18,622	36,086
(Decrease) in creditors		(22,003)	(6,727)
Movement in other assets/liabilities		18,214	(5,751)
Investment return		(2,313)	(5,401)
Net cash flows from operating activities		(67,439)	(38,133)
Cash flows from investing activities			
Purchase of debt instruments		(30,860)	(71,345)
Sale of debt instruments		58,519	83,709
Investment income received		2,491	3,312
Other		(2,959)	1,198
Cash flows from financing activities			
Distribution loss		27,456	14,387
Net (decrease) in cash and cash equivalents		(12,792)	(6,872)
Foreign Exchange		2,938	2,828
Movement in cash and cash equivalents		(9,854)	(4,044)
Cash and cash equivalents at 1 January		26,347	30,391
Cash and cash equivalents at 31 December	12	16,493	26,347

Notes to the Accounts

At 31 December 2020

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

The impact of the Covid-19 crisis on the Syndicate's business and results can still not be fully assessed at this stage, given the uncertainty related both to the magnitude and duration of the Covid-19 pandemic and to the possible effects of future governmental actions and/or legal developments in this context. This uncertainty follows from the high difficulty in working on sound hypotheses on the impact of this crisis due to the lack of comparable events, the ongoing nature of the pandemic and its far-reaching impacts on world-wide economies, on the health of the population and on our customers and counterparties.

These hypotheses include, in particular:
- the duration of the pandemic, its impact on health on the short and long term;
- the availability, efficacy, effectiveness and take-up rate of the vaccines;
- the response of government bodies world-wide (including executive, legislative and regulatory);
- the potential judicial actions or social influences;
- the coverage and interpretation of the Syndicate's contracts under these circumstances;
- the assessment of the net claim estimate and impact of claim mitigation actions.

Therefore:
- any assessments and resulting figures presented in these financial statements will necessarily be estimates based on evolving analysis, and encompass a wide range of alternative hypotheses;
- at this stage, none of these scenarios, assessments, impact analysis or figures can be considered as certain or definitive.

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.

Notes to the Accounts (continued)

Actual results may differ from these estimates. TCMA carry out reserving on a quarterly basis, and so all estimates and underlying assumptions are reviewed periodically throughout the year, with any revisions to estimates approved by the TCMA Board. An actual compared to expected analysis is carried out by the Reserving Team 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 Reserving Team and peer reviewed by the TCMA Chief Actuary. The Head of Reserving makes recommendations of reserves to the Reserving Committee. The Reserving Committee meets quarterly to consider these recommendations and in turn recommend suitable reserves to the TCMA Board. In addition, an external independent Actuary is engaged by TCMA to evaluate the Syndicate's solvency reserves and provide a Statement of Actuarial Opinion ("SAO") at each year end. The main conclusions of the SAO Actuary are shared with the Audit Committee and the Board 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).

Notes to the Accounts (continued)

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

Unearned Premiums

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

Reinsurance Premium Ceded

Outward reinsurance premiums comprise premium for contracts incepting during the financial year together with 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.

Notes to the Accounts (continued)

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 year end (2019: £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 re-translated 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.

Part VII transfer
On 30 December 2020 the Syndicate transferred the relevant EEA policies and related liabilities and cash to Lloyd's Brussels. On the same date, under the Reinsurance Agreement, Lloyd's Brussels reinsured the same risks back, together with an equal amount of cash. In future years, results relating to these risks will be reported under the Inwards Reinsurance class of business, reflecting the new contractual arrangement with Lloyd's Brussels.

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 to account for all of its financial instruments.

Notes to the Accounts (continued)

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

2020	Gross written premium £'000	Gross premium earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Re-insurance balance £'000	Total £'000
Direct insurance:						
Accident and health	227	494	(356)	(23)	(42)	73
Motor (Other Classes)	26	70	(33)	(21)	(9)	7
Marine	1,152	1,648	399	(677)	(279)	1,091
Aviation	-	-	-	-	(35)	(35)
Transport	139	711	(516)	(333)	(96)	(234)
Fire and other damage to property	130,926	122,921	(52,775)	(47,579)	(18,556)	4,011
Third party liability	35,275	36,743	(22,857)	(14,129)	(5,102)	(5,345)
Pecuniary loss	23,780	16,824	(5,676)	(6,435)	(1,237)	3,476
Other	4,743	1,535	(311)	(591)	-	633
	196,268	180,946	(82,125)	(69,788)	(25,356)	3,677
Reinsurance	36,559	36,114	(17,261)	(13,897)	(1,738)	3,218
	232,827	217,060	(99,386)	(83,685)	(27,094)	6,895

2019	Gross written premium £'000	Gross premium earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Re-insurance balance £'000	Total £'000
Direct insurance:						
Accident and health	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
	197,535	226,159	(150,585)	(86,854)	(10,408	(21,688)
Reinsurance	54,228	44,774	(26,070)	(16,552)	(7,362)	(5,210)
	251,763	270,933	(176,655)	(103,406)	(17,770)	(26,898)

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.

5. Net Operating Expenses

	2020 £'000	2019 £'000
Acquisition costs	(75,675)	(91,614)
Change in deferred acquisition costs (note 14)	4,582	(1,638)
Administrative expenses	(13,218)	(12,133)
Reinsurance commissions	626	1,979
	(83,685)	(103,406)

Commission for direct insurance business for the year was £50,333,000 (2019: £64,817,000).

Administrative expenses include:

	2020 £'000	2019 £'000
Auditor's remuneration		
Audit of the annual accounts	109	109
Other services:		
Other assurance services	13	13
Interim reporting	26	26
	148	148

In addition to the above during 2019, Mazars LLP carried out coverholder reviews for a fee of £5,821. No coverholder reviews were carried out during 2020.

Standard personal expenses (Lloyd's subscriptions, New Central Fund Contributions, Managing Agent's fees)	(3,120)	(2,942)

6. Staff Numbers and Costs

	2020 £'000	2019 £'000
Wages and salaries	15,337	14,554
Social security costs	1,873	1,789
Other pension costs	835	750
Total	18,045	17,093

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

	2020	2019
Administration	37	39
Underwriting and reinsurance	66	64
Claims	9	12
Total	112	115

Notes to the Accounts (continued)

7. Emoluments of the Directors of TCMA

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

	2020 £'000	2019 £'000
Directors of TCMA	1,169	1,751
Active Underwriter	504	388

8. Investment Return

	2020 £'000	2019 £'000
Interest and dividend income	1,858	4,460
Realised gains/(losses)	(174)	263
Total investment income	1,684	4,723
Unrealised gains	712	811
Investment expenses	(83)	(133)
Total investment return	2,313	5,401

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

9. Financial Investments

	2020		2019	
	Fair Value £'000	Cost £'000	Fair Value £'000	Cost £'000
Shares and other variable securities and units in unit trusts	21,779	21,779	26,898	26,898
Debt securities and other fixed income securities	68,723	68,130	98,228	97,442
Other investments	3,673	3,644	891	891
	94,175	93,553	126,017	125,231

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.

Fair Value Hierarchy

As at 31 December 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Shares and other variable yield securities and unit trusts	21,779	-	-	21,779
Debt securities and other fixed income securities	21,556	47,167	-	68,723
Other Investments	-	-	3,673	3,673
Total	43,335	47,167	3,673	94,175

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	46,517	78,609	891	126,017

Notes to the Accounts (continued)

10. Debtors arising out of Direct Insurance Operations

	2020 £'000	2019 £'000
Due within one year – intermediaries	48,770	46,581
Due after one year – intermediaries	-	8
	48,770	46,589

11. Debtors arising out of Reinsurance Operations

	2020 £'000	2019 £'000
Due within one year – intermediaries	27,139	44,308
Due after one year – intermediaries	-	2
	27,139	44,310

12. Cash and cash equivalents

	2020 £'000	2019 £'000
Cash at bank and in hand	16,493	26,347

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

	2020 £'000	2019 £'000
At 1 January	65,325	69,066
Change in deferred acquisition costs (note 5)	4,582	(1,638)
Foreign exchange	(7,119)	(2,103)
At 31 December	62,788	65,325

Notes to the Accounts (continued)

15. Creditors arising out of Direct Insurance Operations

	2020 £'000	2019 £'000
Due within one year	2,931	5,214
	2,931	5,214

16. Creditors arising out of Reinsurance Operations

	2020 £'000	2019 £'000
Due within one year	20,947	41,989
	20,947	41,989

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.

Notes to the Accounts (continued)

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

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

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

Notes to the Accounts (continued)

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.

	2020	**2019**
United States	49%	40%
United Kingdom	19%	24%
Europe (excluding United Kingdom)	4%	9%
Canada	12%	7%
Australia & New Zealand	7%	5%
Africa	2%	3%
Caribbean & Central America	2%	5%
Asia	2%	3%
Middle East	2%	2%
South America	1%	2%
	100%	100%

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

	2020 £'000 10 per cent		**2019 £'000 10 per cent**	
	increase	**decrease**	**increase**	**decrease**
Property	(6,296)	6,296	(8,046)	8,046
Liability	(3,570)	3,570	(8,835)	8,835
Credit & Political Risk	(1,228)	1,228	(833)	833
Legal Indemnities	(129)	129	(54)	54
Other	(673)	673	(2,559)	2,559
Total	(11,896)	11,896	(20,327)	20,327

Notes to the Accounts (continued)

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.

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).

Notes to the Accounts (continued)

As at 31 December 2020

	AAA £'000	AA £'000	A £'000	BBB £'000	Other £'000	Total £'000
Shares & other variable yield securities & unit trusts	-	-	21,779	-	-	21,779
Debt securities	13,236	35,543	19,592	352	-	68,723
Other Investments	-	-	-	-	3,673	3,673
Overseas deposits	8,229	2,840	1,369	976	3,006	16,420
Reinsurers' share of claims outstanding	-	11,127	15,033	-	-	26,160
Reinsurance recoverable on paid claims	-	654	4	-	-	658
Cash at bank & in hand	-	-	16,493	-	-	16,493
Total credit risk	21,465	50,164	74,270	1,328	6,679	153,906

As at 31 December 2019

	AAA £'000	AA £'000	A £'000	BBB £'000	Other £'000	Total £'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 deposit	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

Notes to the Accounts (continued)

Credit Risk – Ageing and Impairment

As at 31 December 2020

	Neither past due or impaired £'000	Past due but not impaired Up to three months £'000	Three to six months £'000	Greater than six months £'000	Total £'000
Shares & other variable yield securities & unit trusts	21,779	-	-	-	21,779
Debt securities	68,723	-	-	-	68,723
Other Investments	3,673	-	-	-	3,673
Overseas deposits	16,420	-	-	-	16,420
Reinsurers' share of claims outstanding	26,160	-	-	-	26,160
Reinsurance recoverable on paid claims	159	307	46	146	658
Cash at bank & in hand	16,493	-	-	-	16,493
Insurance debtors	47,117	503	812	338	48,770
Other debtors	125,489	-	-	-	125,489
Total credit risk	326,013	810	858	484	328,165

As at 31 December 2019

	Neither past due or impaired £'000	Past due but not impaired Up to three months £'000	Three to six months £'000	Greater than six months £'000	Total £'000
Shares & other variable yield securities & unit trusts	26,898	-	-		26,938
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

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 2020

	Carrying Amount £'000	Less than 1 year £'000	1-2 Years £'000	2-5 Years £'000	More than 5 years £'000
Outstanding claims liabilities	145,119	61,110	38,468	39,432	6,109
Other creditors	27,195	27,195	-	-	-
Total	172,314	88,305	38,468	39,432	6,109

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

Currency Risk

As at 31 December 2020

	GBP £'000	USD £'000	EURO £'000	CAD £'000	Total £'000
Financial investments	3,673	66,992	-	23,510	94,175
Reinsurers' share of technical provisions	11,581	38,039	5,672	4,259	59,551
Insurance & reinsurance receivables	17,719	46,924	4,903	6,363	75,909
Cash & cash equivalents	4,484	218	11,791	-	16,493
Overseas deposits	11,857	1,218	-	3,345	16,420
Other assets	36,315	21,758	3,374	4,170	65,617
Total assets	85,629	175,149	25,740	41,647	328,165
Technical provisions	(92,025)	(179,292)	(28,033)	(25,409)	(324,759)
Insurance & reinsurance payables	(6,274)	(12,328)	(2,445)	(2,831)	(23,878)
Other creditors and accruals	(6,542)	(372)	(31)	-	(6,945)
Total liabilities	(104,841)	(191,992)	(30,509)	(28,240)	(355,582)
Net assets/(liabilities)	(19,212)	(16,843)	(4,769)	13,407	(27,417)

Notes to the Accounts (continued)

Currency Risk (continued)

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)

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.

Interest Rate Risk	2020 £'000	2019 £'000
Impact of 50 basis point increase on result/member's balance	(608)	(897)
Impact of 50 basis point decrease on result/member's balance	399	908

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.

Currency Risk	2020 £'000	2019 £'000
Impact of 10 percent increase in GBP/USD	(1,684)	(4,587)
Impact of 10 percent decrease in GBP/USD	1,684	4,587
Impact of 10 percent increase in GBP/EUR	(477)	(1,926)
Impact of 10 percent decrease in GBP/EUR	477	1,926
Impact of 10 percent increase in GBP/CAD	1,341	1,550
Impact of 10 percent decrease in GBP/CAD	(1,341)	(1,550)

Notes to the Accounts (continued)

Capital Management

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

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to supervision by the 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 at 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.

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, license 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 following table 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. The data starts in 2018 as effective from 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 which will pick up these liabilities through this Reinsurance to Close.

Notes to the Accounts (continued)

Gross

Year U/W Pure	At end of UW year £'000	One year later £'000	Two years later £'000
2018	83,346	180,855	177,807
2019	41,466	101,290	
2020	38,703		

Net

Year U/W Pure	At end of UW year £'000	One years later £'000	Two years later £'000
2018	59,093	143,878	144,456
2019	37,531	92,367	
2020	34,374		

Underwriting Pure year	Gross estimated balance to pay £'000	Net estimated balance to pay £'000
2018	57,858	44,353
2019	57,967	49,636
2020	29,294	24,970
	145,119	118,959

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 £12m net of reinsurance was made to prior year reserves during 2020 (2019 £1m).

The reserve release was primarily due to the Property and PCR accounts offset by deterioration in Tech Liability.

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 2020	296,933	(93,663)	203,270
Movement per technical account	15,879	3,699	19,578
Foreign Exchange	782	(1,139)	(357)
RITC Transfer	(168,475)	64,943	(103,532)
At 31 December 2020	145,119	(26,160)	118,959
Unearned Premiums			
At 1 January 2020	193,031	(41,732)	151,299
Movement per technical account	15,767	(2,598)	13,169
Foreign Exchange	(2,023)	322	(1,701)
RITC Transfer	(27,135)	10,617	(16,518)
	179,640	(33,391)	146,249

	Gross provisions £'000	Reinsurance assets £'000	Net £'000
Provision for Claims			
At 1 January 2019	348,027	(125,644)	222,363
Movement per technical account	(41,729)	28,769	(12,960)
Foreign Exchange	(9,365)	3,232)	(6,133)
At 31 December 2019	296,933	(93,663)	203,270
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	193,031	(41,732)	151,299

20. Subsequent Events

There are no significant post Balance Sheet events.

Notes to the Accounts (continued)

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 2020, the recharge to the Syndicate was £18,267,000 (2019 £18,440,000). The balance outstanding at the year-end owed by the Syndicate to TCMA was £1,805,000 (2019 £829,000).

The amount of reinsurance ceded to SCOR SE companies was £3,581,000 (2019: £10,076,000). The amount due from SCOR SE companies was £16,000 (2019 amount due to SCOR SE companies was £1,141,000).

22. Part VII Transfer Disclosure

On 30 December 2020, the Members and former Members of the Syndicate, as comprised for each of the relevant years of account between 1993 and April 2019 (or October 2020 in the case of German reinsurance), transferred all relevant policies (and related liabilities) underwritten by them for those years of account to Lloyd's Insurance Company S.A. ('Lloyd's Brussels'), in accordance with Part VII of the Financial Services and Markets Act 2000. On the same date, the Members of the Syndicate entered into a 100% Quota Share Reinsurance Agreement whereby Lloyd's Brussels reinsured all risks on the same policies back to the relevant open years of account of the Syndicate which wrote the transferring policies and/or inherited liabilities on transferring policies through Reinsurance to Close of earlier years of account.

Following the sanction of the scheme by the High Court, the scheme took effect on 30 December 2020 and the Members and former Members of the Syndicate transferred the impacted EEA policies and related liabilities to Lloyd's Brussels, together with cash of $23.4m. On the same date, under the Reinsurance Agreement, Lloyd's Brussels reinsured the same risks back, together with an equal amount of cash of $23.4m. The combined effect of the two transactions had no economic impact for the Syndicate, and accordingly there is no impact on the Syndicate's income statement or balance sheet.

Current year underwriting results for the transferred policies have been reported in the same classes of business as in prior years, as the effective date of the transfer was 30 December 2020, and in line with Society of Lloyd's guidance no movements were processed on these policies on 31 December 2020. In future years, results relating to these risks will be reported under the Inwards Reinsurance class of business, reflecting the new contractual arrangement with Lloyd's Brussels.