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The Channel Syndicate 2015

Annual Report and Accounts
31 December 2021

Contents

Directors and Administration

Managing Agent
The Channel Managing Agency Limited (TCMA)

MANAGING AGENT:

Ian Kirk (Chairman)*
Stuart McMurdo (CEO)
Paul Chubb (CFO)
Jean-Paul Conoscente-Jacopin*
Catherine Fassi*
Terence Hayday*
Peter Eckert*
David Reed*
Jeremy 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 (Resigned 25 February 2022)
S McMurdo appointed interim Active Underwriter subject to Lloyd's approval (Appointed 26 February 2022)

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 2021.

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 2021 is a profit of £14.1m (2020: profit of £9.4m).

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:

	2021	2020
	£'000	£'000
Property	163,260	152,821
Liability	42,786	40,151
Credit & Political Risk	24,759	9,702
Legal Indemnities	18,949	19,873
Other	15,985	10,280
	265,739	232,827

Key Performance Indicators

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

	2021	2020
	£'000	£'000
Gross Written Premiums	265,739	232,827
Profit for the financial year	14,080	9,401
Claims ratio	46.7%	50.8%
Expense ratio	45.8%	45.5%
Combined ratio	92.5%	96.3%

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)

With the ongoing Covid-19 global pandemic, 2021 continued to be a challenging year. Although from a health standpoint, rapid deployment of vaccination campaigns in developed countries, including the UK, has helped mitigate against saturation of hospitals seen in the first wave in 2020. We are pleased that our people, systems and processes have continued to show great strength and resilience after such a long period of challenges and we wish to start by thanking our people for the continued 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 and the associated economic, social and trading developments; further details about the impact of Covid-19 are set out in Note 2.

Risks to the global economic situation have further developed during 2021, driven primarily by the global Covid-19 pandemic and the response of governments worldwide to this unprecedented strain on their finances in an effort to stimulate economic activity. Challenges evident during the latter stages of 2020 have continued throughout 2021 (namely the difficulties faced by the new President of the USA in passing his legislative agenda, coupled with continuing uncertainty over the future shape of the relationship between Britain and the EU following Brexit) and continue to cause economic uncertainty impacting the major markets within which we operate. It has also become evident throughout 2021 that as economic activity rebounds there are a number of stress points in various global supply chains (including dependence on technology and energy) that have produced economic and insurance coverage challenges. Specifically, these are elevated general inflationary pressure and increases in interest rates which we are monitoring closely to ensure we take appropriate actions recognising the uncertainty in assessing whether these changes are transitory. Additionally, these global challenges have been monitored by our underwriters for the impact on our clients.

The work undertaken in recent years has created a solid foundation for us to build on and we are pleased to report our profit has increased from £9.4m last year to £14.1m this year with our net combined ratio falling from 96.3% to 92.5%. We have achieved sustained rate increases as well as improvements in terms and conditions across most lines of business and geographies and agreed an increase with Lloyd's in our Syndicate capacity during 2021 from £193m to £211m. Most areas of the business performed strongly with Property, Political and Credit Risk (PCR), Environmental Impairment Liability (EIL), Legal Expenses, Terrorism & Political Violence and Fine Art all delivering a profit in 2021.

Our Tech Liability business is taking longer to return to profitability, remaining loss making in 2021, but with an improving net combined ratio the substantial improvements in market conditions and continued actions taken by our team lead us to believe we can return this account to profitability. The portfolio achieved substantial rate increases for 2021 and this momentum is continuing into 2022. This is coupled with improved risk selection with minimum standards that must be achieved in order to accept the risk. Line size management continues to be a focus. We created a minimum threshold for self-insured retention within the portfolio which has led to a steady increase in our portfolio attachment point.

Legal Indemnities also produced a loss in 2021 and we are reviewing our approach to this class as we assess the impact of the changing risk environment in larger property developments.

We are pleased to report that our continuing actions have led to a further reduction in our net operating expenses as a percentage of gross earned premium and that our reserves proved more than adequate producing a net reserve release in 2021. Our expenses remain below budget and cost control continues to remain a key focus.

Report of the Directors of the Managing Agent (continued)

The market conditions continue to improve, and we are still achieving meaningful risk adjusted rate increases in most areas although these improvements are slowing in some areas as capacity continues to return. Our underwriters will continue to maintain underwriting discipline with profit continuing to trump growth. We will also work with our colleagues across the SCOR Group to identify and develop opportunities and provide effective solutions for our customers.

Operating Expenses

Net operating expenses for the year are set out below:

	2021 £'000	2020 £'000
Acquisition Costs	81,240	75,675
Change in Deferred Acquisition Costs	(8,689)	(4,582)
Reinsurance Commissions	(2,016)	(626)
Managing Agency Fee	1,583	1,358
Other Personal Expenses	1,876	1,762
Other Administration Expenses	11,999	10,098
Net Operating Expenses	85,993	83,685

Investment Return

The return on Syndicate funds by currency is shown below:

	Currency	2021 £'000	2020 £'000
Average Syndicate funds available	Combined Sterling	144,098	147,894
	Sterling	19,296	21,839
	Euro	18,628	18,376
	US Dollars	99,993	112,980
	Canadian Dollars	59,987	47,294
Investment return for the year	Combined Sterling	(243)	2,313
	Sterling	94	227
	Euro	-	-
	US Dollars	(316)	1,852
	Canadian Dollars	(184)	1,099
Calendar year investment return %	Combined Sterling	(0.17%)	1.56%
	Sterling	0.49%	1.04%
	Euro	0.00%	0.00%
	US Dollars	(0.32%)	1.64%
	Canadian Dollars	(0.31%)	2.32%

Report of the Directors of the Managing Agent (continued)

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

Investment return for 2021 was -0.17% (2020: 1.56%). The Syndicate's investment strategy is to preserve capital and have a prudent approach to managing investment risk.
The investment return is calculated using all funds including cash and overseas deposits.

The macro-economic environment has meant that the overall investment management environment remained extremely challenging, and we produced a small investment loss in the year due to Treasury yields spiking upwards at the end of 2021. Our return was better than benchmark. However, we expect conditions to remain difficult in 2022 and will therefore continue with a short dated well rated portfolio.

Financial Investments
The Syndicate's investment guidelines do not allow for the holding of equities or stock lending transactions. At 31 December 2021 the portfolio composition was as follows:

	2021 £'000	2020 £'000
Liquid funds	25,033	21,779
Fixed income securities	81,108	68,723
Other Investments	3,750	3,673
	109,891	94,175

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

Principal Risks and Uncertainties
The TCMA Board's, ("the Board") risk appetite is aligned with the Syndicate's business planning process. The Board has established a Risk, Capital and Compliance Committee which meets quarterly to review the summary risk dashboard, the risk register and to monitor performance against risk thresholds 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 Trade and Cooperation Agreement reached between the UK and EU in late December 2020 removed some of the uncertainty around the cross-channel trading position, but it did not cover financial services in any meaningful way. This has not changed substantially during 2021. This has confirmed our decision to continue to write all new Lloyd's European Economic Area ("EEA") (re)insurance business through Lloyd's Insurance Company (LIC) based in Brussels.

Report of the Directors of the Managing Agent (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 which can also be influenced by factors beyond TCMA's control, including both claims inflation (mainly influenced by general economic conditions) and the changing regulatory and legal environment, including developments in legislation and litigation (often referred to as "social inflation"). 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.

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 because of changes in market prices and macro-economic variables. 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.

Report of the Directors of the Managing Agent (continued)

Operational Risk
Operational risk is the risk of loss resulting from inadequate or failed internal processes/controls, staff resources, 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 Group Internal Audit function. Business continuity and disaster recovery plans are in place and are regularly updated and tested. During the ongoing Covid-19 pandemic, TCMA's business continues to show operational resilience. Over the course of the year, management have engaged with TCMA staff and SCOR Group both to ensure effective business continuity during the pandemic (with no significant operational issues) and to ensure staff were supported throughout this uncertain period.

Regulatory Risk
Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. TCMA 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. TCMA has a Compliance Officer who is responsible for compliance and monitors regulatory developments and assesses the impact on Agency policy.

Societal/Environmental
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 societal and environmental commitment among our employees and encourage our teams to get involved in their communities.

TCMA'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. All staff operating on behalf of TCMA must agree to comply with SCOR Group's Code of Conduct which reinforces ethical principles and requirements as regards preventing conflicts of interest. The Code of Conduct is supplemented by a policy defining the alert procedures ("whistleblowing") available for all staff, as well as other support mechanisms.

We are currently in the process of aligning the terms of our contracts of employment for staff employed by TCMA with other SCOR employees in London. Whilst this is being done to enhance our ability to share synergies with the rest of the SCOR Group and enable greater mobility of staff across the wider SCOR Group, we are aware that any change in terms and conditions can increase uncertainty. However, we are working to ensure we minimise any adverse impact on staff retention.

TCMA management regularly engage with staff in a variety of ways to ensure they are supported. Through the uncertain period of the pandemic all employees have been provided with the necessary IT equipment to enable them to work effectively and efficiently at home for a prolonged period and they have also been provided with a range of support services to help maintain their resilience and wellbeing during these unprecedented times. TCMA continues to engage with the wider SCOR Group on developing a "new normal" hybrid working approach, reflecting the benefits the flexibility of working outside of the office brings but also recognising that there are significant benefits from conducting certain activities within an office environment.

TCMA recognises that climate change poses a risk and it continues to develop processes and controls that are proportionate to the nature, scale, and complexity of its business which we anticipate will evolve and mature over time. The Syndicate has designated the climate change responsibilities to a senior manager.

In the longer term, TCMA's business activities and operations may be exposed to risks from developing sustainability issues, such as risks stemming from global climate change and environmental degradation. Climate change is likely to impact the risks associated with TCMA's strategy, underwriting, investments and operations due to physical climate risks, the creation of transition risks (due to the shift towards a low-carbon economy) and the potential to negatively impact the TCMA's and SCOR's reputation.

With respect to climate change, TCMA's underwriting business could be exposed to physical climate risks, caused by changes in the frequency and severity of certain natural catastrophe events that are predicted in global warming scenarios. Although scientific understanding of the precise causal mechanisms between global warming and the occurrence of particular natural phenomena are still being established, catastrophe events that are potentially impacted include hurricanes (including storm surges and pluvial flooding), floods (both river flooding and pluvial flooding), heatwaves, wildfires and droughts. SCOR is reducing its exposure to carbon-intensive sectors and has made commitments to transition to net-zero emissions in its underwriting portfolio by 2050 with interim targets being developed. SCOR's and TCMA's approach is to actively support its clients in their own commitments to follow credible transition pathways.

We are aware of the urgency to act against global warming and SCOR Group has taken strong commitments in its climate policy including carbon neutrality in its invested assets portfolio by 2050 with an interim target for 2025 to align with the Paris Agreement. As part of the SCOR Group ethos of being a sustainable investor, TCMA operates a strict investment policy with restrictions.

SCOR strives to limit the environmental impacts stemming from the management of its operational processes worldwide, which include the operation of the buildings it occupies, business travel and to a lesser extent office equipment, including energy consumption and use of renewable energy, greenhouse gas emissions and voluntary offsetting. TCMA operates within SCOR Group's operational infrastructure.

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. Although the UK Government announced in June 2020 that it would review certain features of the prudential regulatory regime, EU Solvency II, this review is still underway and therefore the Solvency II regime continues to apply.

Report of the Directors of the Managing Agent (continued)

Future Developments
We will continue to assess our portfolio mix, taking into account market developments, and expect to develop further our specialty classes and will 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 2022 year of account is £236m compared with £211m in 2021. 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 2022.

Our Active Underwriter Nick Forti left the Syndicate in February this year and we would like to thank Nick for his contribution during a challenging period and wish him well for the future. In the interim, Stuart McMurdo is acting as Active Underwriter (subject to Lloyd's approval) whilst we finalise the appointment of our new Active Underwriter who will drive the next stage of our development.

Directors Serving in the Year
The Directors of the Managing Agency, TCMA, who served during the year ended 31 December 2021 were as follows:

Brian Hilton (Chairman)* (resigned 17 April 2021)
Ian Kirk (Chairman)* (appointed 11 June 2021)
Stuart McMurdo (CEO)
Paul Chubb (CFO)
Laurent Rousseau* (resigned 31 July 2021)
Jean-Paul Conoscente-Jacopin* (appointed 25 October 2021)
Catherine Fassi*
Terence Hayday*
Peter Eckert*
David Reed*
Jeremy Haynes*

***** Non Executive Directors

Report of the Directors of the Managing Agent (continued)

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.

Syndicate Annual General Meeting

In accordance with the Syndicate Meetings (Amendment No 1) Byelaw (No 18 of 2000), the Managing Agent does not propose holding an annual meeting this year; the Managing Agent also intends to reappoint the auditor, Mazars LLP, for a further 12 months. Should the Syndicate Member object to either of these proposals, the Managing Agent should be advised before 25 April 2022.

On behalf of the Board

Stuart McMurdo
CEO
02 March 2022

Paul Chubb
CFO
02 March 2022

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 syndicate annual accounts of Syndicate 2015 (the “syndicate”) for the year ended 31 December 2021 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Members’ Balances, the Statement of Cash Flows and the notes to the syndicate annual accounts, 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 syndicate annual accounts:

- give a true and fair view of the state of the syndicate’s affairs as at 31 December 2021 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 syndicate annual accounts” section of our report. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, including the 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 syndicate annual accounts, we have concluded that the directors of the managing agent’s use of the going concern basis of accounting in the preparation of the syndicate annual accounts 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 syndicate annual accounts 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 Syndicate Annual Report and Accounts, other than the syndicate annual accounts and our auditor’s report thereon. The directors of the managing agent are responsible for the other information. Our opinion on the syndicate annual accounts does not

cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the syndicate annual accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of 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 syndicate annual accounts are prepared is consistent with the syndicate annual accounts; and
- the Managing Agent's Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In 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 in relation to which The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires us to report to you, if in our opinion:

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual accounts are not in agreement with the accounting records; or
- certain disclosures of the managing agent's emoluments specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 12, the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

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

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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 its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the syndicate annual accounts: regulatory and supervisory requirements of the Prudential Regulation Authority and the Financial Conduct Authority, and regulations set by the Council of Lloyd's. We also considered those laws and regulations that have a direct impact on the preparation of the syndicate annual accounts such as The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of directors and management of the managing agent and syndicate's management as to whether the syndicate is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations to the 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.

In addition, we evaluated the directors' and management of the managing agent's and syndicate management's incentives and opportunities for fraudulent manipulation of the syndicate annual accounts (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 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 is available 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 members, as a body, in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate and the syndicate's members, as a body, for our audit work, for this report, or for the opinions we have formed.

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 2022

Profit and Loss Account

Technical Account

For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Earned premiums, net of reinsurance			
Gross premiums written	4	265,739	232,827
Outward reinsurance premiums		(54,269)	(35,558)
Net premiums written		211,470	197,269
Change in the provision for unearned premiums			
- Gross amount	19	(35,396)	(15,767)
- Reinsurers' share	19	11,553	2,598
Change in the net provision for unearned premiums		(23,843)	(13,169)
Earned premiums, net of reinsurance		187,627	184,100
Allocated investment return transferred from the non-technical account		(243)	2,313
Claims incurred, net of reinsurance			
Claims paid			
- Gross amount		(92,450)	(83,507)
- Reinsurers' share		2,891	9,565
Net claims paid		(89,559)	(73,942)
Change in the provision for claims			
- Gross amount	19	(39,042)	(15,879)
- Reinsurers' share	19	41,050	(3,699)
Change in the net provision for claims		2,008	(19,578)
Claims incurred, net of reinsurance		(87,551)	(93,520)
Net operating expenses	5	(85,993)	(83,685)
Balance on the technical account for general business		**13,840**	**9,208**

All the amounts above are in respect of continuing operations.

Non-Technical Account

For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Balance on the general business technical account		13,840	9,208
Investment income	8	1,241	1,684
Unrealised (losses)/profits on investments	8	(1,385)	712
Investment expenses	8	(99)	(83)
Allocated investment return transferred to general business technical account		243	(2,313)
Profit on foreign exchange		240	193
Profit for the financial year		**14,080**	**9,401**

Balance Sheet

Assets

At 31 December 2021

	Notes	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Investments					
Other financial investments	9	109,687		94,175	
Deposits with ceding undertakings	9	204		-	
			109,891		94,175
Reinsurers' share of technical provisions					
Provision for unearned premiums	19	45,262		33,391	
Claims outstanding	19	68,050		26,160	
			113,312		59,551
Debtors					
Debtors arising out of direct insurance operations	10	60,779		48,770	
Debtors arising out of reinsurance operations	11	31,362		27,139	
Other debtors		1,916		1,535	
			94,057		77,444
Other assets					
Cash and cash equivalents	12	28,280		16,493	
Overseas deposits	13	18,318		16,420	
			46,598		32,913
Prepayments and accrued income					
Deferred acquisition costs	14	70,674		62,788	
Accrued interest and rent		303		374	
Other prepayments and accrued income		445		920	
			71,422		64,082
Total assets			**435,280**		**328,165**

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Balance Sheet

Liabilities
At 31 December 2021

	Notes	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Capital and reserves					
Member's balance			(13,075)		(27,417)
Technical provisions					
Provision for unearned premiums	19	216,075		179,640	
Claims outstanding	19	184,872		145,119	
			400,947		324,759
Creditors					
Creditors arising out of direct insurance operations	15	581		2,931	
Creditors arising out of reinsurance operations	16	38,121		20,947	
Other creditors including taxation and social security		5,087		3,317	
			43,789		27,195
Accruals and deferred income			3,619		3,628
Total liabilities			**435,280**		**328,165**

The notes on pages 21 to 43 form an integral part of these annual accounts.

The annual accounts on pages 17 to 43 were approved by the Board of The Channel Managing Agency Limited on 02 March 2022 and were signed on its behalf by

Stuart McMurdo
CEO
02 March 2022

Paul Chubb
CFO
02 March 2022

Statement of Changes in Member's Balance

For the year ended 31 December 2021

	2021 £'000	2020 £'000
At 1 January	(27,417)	(64,274)
Distribution loss and open year cash calls	262	27,456
Profit for the year	14,080	9,401
At 31 December	(13,075)	(27,417)

Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Cash flows from operating activities			
Profit for the year		14,080	9,401
Increase/(Decrease) in gross technical provisions		76,188	(165,205)
(Increase)/Decrease in reinsurers' share of technical provisions		(53,761)	75,845
(Increase)/Decrease in debtors		(23,953)	18,622
Increase/(Decrease) in creditors		16,585	(22,003)
Movement in other assets/liabilities		(4,947)	18,214
Investment return		243	(2,313)
Net cash flows from operating activities		24,435	(67,439)
Cash flows from investing activities			
Purchase of debt instruments		(58,472)	(30,860)
Sale of debt instruments		45,484	58,519
Investment income received		1,136	2,491
Other		(1,251)	(2,959)
Cash flows from financing activities			
Distribution loss		262	27,456
Net increase/(decrease) in cash and cash equivalents		11,594	(12,792)
Foreign Exchange		193	2,938
Movement in cash and cash equivalents		11,787	(9,854)
Cash and cash equivalents at 1 January		16,493	26,347
Cash and cash equivalents at 31 December	12	28,280	16,493

Notes to the Accounts

At 31 December 2021

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 Syndicate has performed an analysis of its portfolio of insurance contracts to determine the exposure to Covid-19 losses and has concluded that whilst the full impact is unknown, on its current analysis adequate provision has been made for future loss development within its reserves. The Syndicate also notes the adoption of appropriate exclusionary language in polices issued since the pandemic began. It should be noted that the full impact of the Covid-19 crisis on the Syndicate's business and future results cannot be accurately assessed, in particular given the uncertainty related to the evolution of the pandemic, to its effects on health and on the economy, and to the possible effects of future governmental actions or legal developments in this context.

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 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.

Notes to the Accounts (continued)

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 history of writing some classes of business 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.

Notes to the Accounts (continued)

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.

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.

Notes to the Accounts (continued)

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 (2020: £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.

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.

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.

Notes to the Accounts (continued)

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.

Debtors and creditors arising out of direct and reinsurance operations
Debtors and creditors arising out of direct and reinsurance operations are initially recognised at transaction price and are subsequently carried at the recoverable amount. The carrying value is reviewed for impairment whenever events or circumstances arise indicating that the carrying amount is greater than the recoverable amount, with the impairment adjustment recorded in the profit and loss. Debtors arising out of direct insurance and reinsurance operations are stated net of specific provisions against doubtful debts which are made on the basis of reviews conducted by management.

Other debtors and creditors
Any other debtors and creditors are recognised initially at transaction price and subsequently carried at the recoverable amount. The carrying value of other debtors is reviewed for impairment whenever events or circumstances arise indicating that the carrying amount is greater than the recoverable amount, with the impairment adjustment recorded in the profit and loss account. All other debtors and creditors are due within one year, unless otherwise stated.

Notes to the Accounts (continued)

4. Analysis of Business Written

2021	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	-	-	(539)	(7)	(3)	(549)
Motor (Other Classes)	39	44	4	(12)	(3)	32
Marine	8	60	183	(97)	(41)	105
Aviation	-	-	-	-	-	-
Transport	221	213	888	(32)	(21)	1,048
Fire and other damage to property	139,281	131,540	(79,553)	(53,532)	6,496	4,951
Third party liability	38,235	31,834	(18,743)	(11,195)	(2,026)	(130)
Pecuniary loss	36,640	18,890	(15,793)	(9,476)	(1,244)	(7,623)
Other	8,949	7,428	(3,339)	(3,020)	-	1,070
	223,373	190,009	(116,892)	(77,371)	3,158	(1,096)
Reinsurance	42,366	40,334	(14,600)	(8,622)	(1,933)	15,179
	265,739	230,343	(131,492)	(85,993)	1,225	14,083

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

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

	2021 £'000	2020 £'000
Acquisition costs	(81,240)	(75,675)
Change in deferred acquisition costs (note 14)	8,689	4,582
Administrative expenses	(15,458)	(13,218)
Reinsurance commissions	2,016	626
	(85,993)	(83,685)

Commission for direct insurance business for the year was £54,062,000 (2020: £50,333,000).

Administrative expenses include:

	2021 £'000	2020 £'000
Auditor's remuneration		
Audit of the annual accounts	(141)	(109)
Other services:		
Other assurance services	(14)	(13)
Interim reporting	(28)	(26)
	(183)	(148)

Standard personal expenses (Lloyd's subscriptions, New Central Fund Contributions, Managing Agent's fees)	(3,459)	(3,120)

6. Staff Numbers and Costs

	2021 £'000	2020 £'000
Wages and salaries	(15,119)	(15,337)
Social security costs	(1,819)	(1,873)
Other pension costs	(892)	(835)
Total	(17,830)	(18,045)

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

	2021	2020
Administration	35	37
Underwriting and reinsurance	59	66
Claims	11	9
Total	105	112

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.

	2021 £'000	2020 £'000
Directors of TCMA	679	1,169
Active Underwriter	468	504

8. Investment Return

	2021 £'000	2020 £'000
Interest and dividend income	1,506	1,858
Realised (losses)	(265)	(174)
Total investment income	1,241	1,684
Unrealised (losses)/gains	(1,385)	712
Investment expenses	(99)	(83)
Total investment return	(243)	2,313

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

9. Financial Investments

	2021		2020	
	Fair Value £'000	Cost £'000	Fair Value £'000	Cost £'000
Shares and other variable securities and units in unit trusts	25,033	25,033	21,779	21,779
Debt securities and other fixed income securities	81,108	82,514	68,723	68,130
Deposits with ceding undertakings	204	204	-	-
Other investments	3,546	3,644	3,673	3,644
	109,891	111,395	94,175	93,553

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 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Shares and other variable yield securities and unit trusts	25,033	-	-	25,033
Debt securities and other fixed income securities	7,040	74,068	-	81,108
Deposits with ceding undertakings	-	204	-	204
Other Investments	-	-	3,546	3,546
Total	32,073	74,272	3,546	109,891

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
Deposits with ceding undertakings	-	-	-	-
Other Investments	-	-	3,673	3,673
Total	43,335	47,167	3,673	94,175

Notes to the Accounts (continued)

10. Debtors arising out of Direct Insurance Operations

	2021 £'000	2020 £'000
Due within one year – intermediaries	60,779	48,770
Due after one year – intermediaries	-	-
	60,779	48,770

11. Debtors arising out of Reinsurance Operations

	2021 £'000	2020 £'000
Due within one year – intermediaries	31,362	27,139
Due after one year – intermediaries	-	-
	31,362	27,139

12. Cash and cash equivalents

	2021 £'000	2020 £'000
Cash and cash equivalents	28,280	16,493

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

	2021 £'000	2020 £'000
At 1 January	62,788	65,325
Change in deferred acquisition costs (note 5)	8,689	4,582
Foreign exchange	(803)	(7,119)
At 31 December	70,674	62,788

Notes to the Accounts (continued)

15. Creditors arising out of Direct Insurance Operations

	2021 £'000	2020 £'000
Due within one year	581	2,931
	581	2,931

16. Creditors arising out of Reinsurance Operations

	2021 £'000	2020 £'000
Due within one year	38,121	20,947
	38,121	20,947

17. Risk and Capital Management

Overview

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

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

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

The Board, and its relevant Committees, approve the risk management policies and meet regularly to approve any commercial, regulatory and organisational requirements of such policies. Significant emphasis is placed on the assessment of the articulation and approval of the i) TCMA Risk Appetite, monitoring against which is provided 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 or man-made 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 our Risk Management, 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.

	2021	2020
United States	43%	49%
United Kingdom	20%	19%
Europe (excluding United Kingdom)	8%	4%
Canada	13%	12%
Australia & New Zealand	8%	7%
Africa	1%	2%
Caribbean & Central America	2%	2%
Asia	2%	2%
Middle East	1%	2%
South America	2%	1%
	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.

	2021 £'000 10 per cent		2020 £'000 10 per cent	
	increase	decrease	increase	decrease
Property	(4,715)	4,715	(6,296)	6,296
Liability	(4,061)	4,061	(3,570)	3,570
Credit & Political Risk	(1,236)	1,236	(1,228)	1,228
Legal Indemnities	(770)	770	(129)	129
Other	(901)	901	(673)	673
Total	(11,683)	11,683	(11,896)	11,896

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 a sub-set of the Executive Committee.

The 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 2021

	AAA £'000	AA £'000	A £'000	BBB £'000	Other £'000	Total £'000
Shares & other variable yield securities & unit trusts	-	-	25,033	-	-	25,033
Debt securities	18,064	36,687	25,592	765	-	81,108
Other Investments	-	-	-	-	3,546	3,546
Overseas deposits	10,601	1,721	2,203	1,518	2,275	18,318
Deposits with ceding undertakings	-	-	-	-	204	204
Reinsurers' share of claims outstanding	1,511	22,249	43,447	179	664	68,050
Reinsurance recoverable on paid claims	-	437	1,050	58	-	1,545
Cash & cash equivalents	-	-	28,280	-	-	28,280
Total credit risk	30,176	61,094	125,605	2,520	6,689	226,084

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 deposit	8,229	2,840	1,369	976	3,006	16,420
Deposits with ceding undertakings	-	-	-	-	-	-
Reinsurers' share of claims outstanding	-	11,127	15,033	-	-	26,160
Reinsurance recoverable on paid claims	-	654	4	-	-	658
Cash & cash equivalents	-	-	16,493	-	-	16,493
Total credit risk	21,465	50,164	74,270	1,328	6,679	153,906

Notes to the Accounts (continued)

Credit Risk – Ageing and Impairment

As at 31 December 2021		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	25,033	-	-	-	25,033
Debt securities	81,108	-	-	-	81,108
Other Investments	3,546	-	-	-	3,546
Overseas deposits	18,318	-	-	-	18,318
Deposits with ceding undertakings	204	-	-	-	204
Reinsurers' share of claims outstanding	68,050	-	-	-	68,050
Reinsurance recoverable on paid claims	1,460	85	-	-	1,545
Cash & cash equivalents	28,280	-	-	-	28,280
Insurance debtors	57,488	1,653	1,488	150	60,779
Other debtors	148,417	-	-	-	148,417
Total credit risk	431,904	1,738	1,488	150	435,280

As at 31 December 2020		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	21,779	-	-	-	21,779
Debt securities	68,723	-	-	-	68,723
Other Investments	3,673	-	-	-	3,673
Overseas deposits	16,420	-	-	-	16,420
Deposits with ceding undertakings	-	-	-	-	-
Reinsurers' share of claims outstanding	26,160	-	-	-	26,160
Reinsurance recoverable on paid claims	159	307	46	146	658
Cash & cash equivalents	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

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 Syndicate's exposure to each major component at the reporting date 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 2021

	Carrying Amount £'000	Less than 1 year £'000	1-2 Years £'000	2-5 Years £'000	More than 5 years £'000
Outstanding claims liabilities	184,872	79,717	46,577	49,698	8,880
Other creditors	43,789	43,789	-	-	-
Total	228,661	123,506	46,577	49,698	8,880

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

Currency Risk

As at 31 December 2021

	GBP £'000	USD £'000	EURO £'000	CAD £'000	Total £'000
Investments	3,546	70,107	-	36,034	109,687
Reinsurers' share of technical provisions	21,801	80,243	7,289	3,979	113,312
Insurance & reinsurance receivables	20,978	57,859	6,487	6,817	92,141
Cash & cash equivalents	12,387	198	15,695	-	28,280
Overseas deposits	10,997	1,332	-	5,989	18,318
Other assets	42,517	22,726	3,430	4,869	73,542
Total assets	112,226	232,465	32,901	57,688	435,280
Technical provisions	(122,837)	(204,137)	(36,233)	(37,740)	(400,947)
Insurance & reinsurance payables	(7,360)	(27,067)	(3,188)	(1,087)	(38,702)
Other creditors and accruals	(8,291)	(495)	80	-	(8,706)
Total liabilities	(138,488)	(231,699)	(39,341)	(38,827)	(448,355)
Net assets/(liabilities)	(26,262)	766	(6,440)	18,861	(13,075)

Notes to the Accounts (continued)

Currency Risk (continued)

As at 31 December 2020

	GBP £'000	USD £'000	EURO £'000	CAD £'000	Total £'000
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)

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	2021 £'000	2020 £'000
Impact of 50 basis point increase on result/member's balance	(680)	(608)
Impact of 50 basis point decrease on result/member's balance	634	399

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	2021 £'000	2020 £'000
Impact of 10 percent increase in GBP/USD	77	(1,684)
Impact of 10 percent decrease in GBP/USD	(77)	1,684
Impact of 10 percent increase in GBP/EUR	(644)	(477)
Impact of 10 percent decrease in GBP/EUR	644	477
Impact of 10 percent increase in GBP/CAD	1,886	1,341
Impact of 10 percent decrease in GBP/CAD	(1,886)	(1,341)

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. There is no data in respect of the 2017 and prior years as these years have been reinsured into another Lloyd's Syndicate through an external 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	Three years later £'000
2018	83,952	182,198	178,967	179,409
2019	41,516	101,879	113,474	
2020	39,048	100,967		
2021	59,188			

Net

Year U/W Pure	At end of UW year £'000	One year later £'000	Two years later £'000	Three years later £'000
2018	59,527	144,931	145,333	146,598
2019	37,580	92,909	97,022	
2020	34,716	81,291		
2021	36,496			

Underwriting Pure year	Gross estimated balance to pay £'000	Net estimated balance to pay £'000
2018	42,892	31,722
2019	49,501	33,891
2020	49,761	30,554
2021	42,718	20,655
	184,872	116,822

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 £5.7m net of reinsurance was made to prior year reserves during 2021 (2020 £12.0m).

The reserve release was primarily due to the favourable development across Property classes partially offset by adverse development on the Legal Indemnities class.

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 2021	145,119	(26,160)	118,959
Movement per technical account	39,042	(41,050)	(2,008)
Foreign Exchange	711	(840)	(129)
At 31 December 2021	184,872	(68,050)	116,822
Unearned Premiums			
At 1 January 2021	179,640	(33,391)	146,249
Movement per technical account	35,396	(11,553)	23,843
Foreign Exchange	1,039	(318)	721
At 31 December 2021	216,075	(45,262)	170,813

	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)
At 31 December 2020	179,640	(33,391)	146,249

20. Subsequent Events

Subsequent to the year end the conflict between Russia and Ukraine, with its recent military escalation, could lead to potential future claims from insurance and reinsurance contracts issued by the Syndicate. There is also significant uncertainty about the potential impact of the conflict on the global economy. The main risks are related to the uncertain geopolitical and economic environment, particularly with regards to the future development of economic growth, interest rates and inflation, due to the current geopolitical tensions. Economic uncertainties amplified by geopolitical trends have the potential to negatively impact the global economy and trade.

The Syndicate's future results could be affected by these developments. Based on currently available information in this evolving situation, we are unable to make an estimate of the financial effect; however, the Directors have assessed the main risks and have concluded that existing uncertainties do not cast significant doubt upon the Syndicate's ability to continue as a going concern.

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 as TCMA, SCOR SE.

TCMA, a subsidiary undertaking of SCOR SE, provides management services to the Syndicate. In 2021, the recharge to the Syndicate was £19,929,000 (2020 £18,267,000). The balance outstanding at the year-end owed by the Syndicate to TCMA was £4,495,000 (2020 £1,805,000). The balance outstanding at year-end owed by the Syndicate to it's sister company SCOR UK Company Ltd was £2,000 (2020: Nil).

The amount of reinsurance ceded to SCOR SE companies was £1,948,000 (2020: £3,581,000). The amount due to SCOR SE companies was £584,000 (2020: £16,000).