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SYNDICATE CVS 1919

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

Contents

Directors and administration

MANAGING AGENT
Starr Managing Agents Limited

Directors

N C T Pawson	(Non-executive Chairman)
S G Blakey	(Chief Executive Officer)
D Stewart	(Director of Underwriting)
G J L Broughton	(Finance Director)
C W Buchanan	(Head of Casualty)
Adrian Missen	(Chief Operating Officer)
D French	(Non-executive)
R Shaak	(Non-executive)
J Mantz	(Non-executive)
J Owen	(Non-executive)

Company Secretary
A Bahia

Managing Agent's Registered Office
4th Floor
30 Fenchurch Avenue
London
EC3M 5AD

Managing Agent's Registered Number
6265337

SYNDICATE

Active Underwriter
D Stewart (Resigned 19 February 2017)
A Raven (Appointed 20 February 2017)

Bankers
Lloyds TSB Bank Plc
Citibank NA
Royal Bank of Canada
Barclays Plc

Statutory Auditor
Moore Stephens LLP, London

Strategic report

The directors of Starr Managing Agents Limited ("SMAL") present their strategic report for the year ended 31 December 2016.

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

Separate underwriting year accounts for the closed 2014 account have not been produced as the Syndicate member has agreed in writing that no underwriting year accounts shall be prepared in respect of the Syndicate.

After making enquiries, the directors have a reasonable expectation that continued capital support will be in place such that Syndicate 1919 will continue to write new business in future underwriting years of account. Accordingly they continue to adopt the going concern basis in preparing the annual accounts.

Principal activity and review of the business
The principal activity of Syndicate 1919 (''the Syndicate'') during the period was the transaction of general insurance and reinsurance business in the United Kingdom.

The Syndicate's business is underwritten under a limited number of binding authority arrangements granted to Starr Underwriting Agents Limited ("SUAL") in London, an established and experienced Underwriting Agency. SUAL is an FCA regulated insurance intermediary and an approved Lloyd's Coverholder. Lloyd's consortium business for the 2014 and post years of account is written via SMAL. Delegated authority is also given to a number of Starr offices in overseas territories to access local business not otherwise presented to Lloyd's. SUAL and SMAL share a single management team.

SUAL and SMAL are both 100% owned by Starr Global Financial Inc. (Nevada).

The Syndicate currently has a portfolio of five main product lines, namely:

Aviation – direct and facultative business including airlines, products, general aviation.
Technical Risks – direct and facultative technical risks including onshore and offshore energy, process industries, power, chemical and other heavy industries, property and construction.
Accident and Health – direct and facultative.
Political – direct and facultative business including credit risk and contract frustration.
Casualty – direct and facultative business including financial lines, construction, energy, export products and environmental and crisis management.

Results
The result for the calendar year 2016 is a profit of £24.3m (2015: profit of £20.7m). Profits will be distributed and called respectively by reference to the results of individual underwriting years. The members' funds total surplus is £76.3m (2015: surplus £45.8m). In addition, the syndicate holds Funds at Lloyd's which are not shown on the Syndicate balance sheet.

The 2016 calendar year has been profitable across the majority of divisions of Syndicate 1919. The Aviation division has performed well as a result of a conservative approach taken with the

Strategic report

strategy for the Airline class of business; other classes within Aviation, most notably Aerospace, have also performed well. The Casualty division performed well, with benign prior year claims emergence particularly in the Directors & Officers class. The Technical Risks ("Tech"), Accident & Health ("A&H"), and Political Risks ("PFR") divisions have been more marginal during 2016 - for Tech and A&H, the results have been affected by large losses such as PMV (Onshore Energy), Samarco BHP Billiton (Onshore Energy), Chevron Bigfoot (Offshore Energy) and the Walt Disney loss in respect of Carrie Fisher's death (A&H). The PFR division has been writing much less business since 2013 and therefore typically has limited impact on the Syndicate's overall performance; reserves have been running off as expected in this division during 2016. The Marine division has continued to run off favourably, generating a profit during 2016. The Syndicate began participating on the Aon Client Treaty during 2016; as this gains traction, it is expected to yield positive results, however it made limited contribution to profit during 2016.

Post reporting date events
There have been no significant post reporting date events.

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

	2016	2015
	£'000	£'000
Gross written premiums	275,691	264,308
Profit for the period	24,322	20,687
Combined ratio	86.9%	78.3%

Principal Risks and Uncertainties
The SMAL Board sets risk appetite annually as part of the Syndicate's business planning and Syndicate Capital Requirement process. SMAL's Risk Committee meets quarterly to review and update the risk register and to monitor performance against risk appetite using a series of key risk indicators reported through the ORSA process. The principal risks and uncertainties facing the Syndicate are as follows:

Insurance risk
Insurance risk includes the risk that a policy will be written for too low a premium or provide inappropriate cover (underwriting risk), that the frequency or severity of insured events will be higher than expected (claims risk), or that estimates of claims subsequently prove to be insufficient (reserving risk). The SMAL 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 SMAL Board then monitors performance against the business plan throughout the year. SMAL sets upper limits on and monitors maximum probable losses from catastrophe-exposed business. Reserve adequacy is monitored through quarterly reviews by the Syndicate actuary.

The Syndicate has a defined event risk tolerance, which determines the maximum gross & net loss that the Syndicate limits its exposure to, from major catastrophe event scenarios. At 31 December 2016 the maximum was $200m gross and $20m net for the Syndicate (2015: $200m gross and $25m net). The Syndicate also adopts risk tolerance maximum net limits for a number of non-elemental scenarios including aviation collision and North Sea rig loss.

Strategic report

The risk tolerance policy recognises that there may be circumstances in which the net event limit could be exceeded. Such circumstances include non-renewal or delay in renewal of reinsurance protection, reinsurance security failure, or regulatory and legal requirements. A detailed analysis of catastrophe exposures is carried out every month and measured against the event risk tolerance. The following assumptions and procedures are used in the process:

- The data used reflects the information supplied to the Syndicate by insureds and ceding companies. This may prove to be inaccurate or could develop during the policy period.
- The exposures are modelled using a mixture of physical models for Natural Catastrophe risks and underwriter input for Man-made Catastrophe risks to arrive at damage factors. These factors are then applied to the assumed aggregate exposure to produce gross loss estimates. The damage factors may prove to be inadequate.
- The reinsurance programme as purchased is applied – a provision for reinsurer counterparty failure is analysed but may prove to be inadequate.
- Reinstatement premiums both payable and receivable are included.

There is no guarantee that the assumptions and techniques deployed in calculating these event loss estimate figures are accurate. Furthermore, there could also be a loss which exceeds these figures. The likelihood of such a catastrophe is considered to be remote but the most severe scenarios modelled are simulated events and these simulations could prove to be unreliable.

Credit risk
The key component of credit risk is the risk of default by one or more of the Syndicate's reinsurers. SMAL has a Reinsurance Security Committee that reviews and agrees the security of the proposed reinsurers. The Committee assesses the acceptability of reinsurers and sets maximum usage limits based on each reinsurer's security rating. A listing of all acceptable security is maintained by the Reinsurance Security Committee of SMAL. Usage of any reinsurer that does not appear on the list of approved reinsurers, or usage of an approved reinsurer in excess of its applicable limit, requires prior authorisation from the Reinsurance Security Committee. The Reinsurance Security Committee reviews and agrees the form and structure of the reinsurance programme to be purchased by the Syndicate and monitors progress on placement and exhaustion of cover.

Market risk
The key aspect of market risk is that the Syndicate may incur losses on foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. The majority of assets and liabilities are denominated in the functional currency, US Dollars, however SMAL monitors net exposure to any other material currencies to determine if further action is required.

Due to the nature of our investment portfolio we are not significantly exposed to realised market valuation differences on bonds as these are not traded on a regular basis. The factor which impacts our investments most is interest rates (note 9). Interest rates have a direct impact on investment return and valuation of bonds are directly linked to interest rates and their anticipated movements.

Strategic report

Liquidity risk
This is the risk that the Syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash. To mitigate this risk the cash positions are monitored on a daily basis and investments are held in highly liquid instruments.

Operational risk
This is the risk that errors caused by people, processes or systems lead to losses to the Syndicate, both from internal and external events. SMAL seeks to manage this risk through the use of control monitoring, detailed procedures manuals, peer reviews, internal audits and appropriate training courses. The findings from the Internal Audit department are presented at an Audit Committee which reviews the key findings and monitors the implementation of associated actions. The Audit Committee is satisfied that the Internal Audit function has the appropriate resources available.

Regulatory risk
SMAL is required to comply with the requirements of the Prudential Regulation Authority (PRA), the Financial Conduct Authority (FCA) and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US Situs business. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. SMAL has a compliance team which monitors regulatory developments, assesses the impact on agency policy and carries out a compliance monitoring programme which is reported to the SMAL Board throughout the year.

Future Developments

Short-Term Plan
SMAL expects to see organic growth in the three largest divisions, being Aviation, Technical Risks and Casualty. Syndicate 1919 will continue to develop these areas where business opportunities present themselves. In addition, SMAL is constantly investigating new lines of business where opportunities may present themselves to achieve improved returns.

Medium to long-term developments
SMAL has a desire to build its managed Syndicate into significant participant in the Lloyd's market. It will do this in a number of ways:

- By expanding existing product lines where rates and competition permit. This will be done by seeking improved terms and increased participations as well as attracting new clients.
- Leveraging available capital resources within the Starr group as required to take advantage of opportunities.

By order of the Board

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Graham Broughton
Director, London
17 March 2017

Directors' report

Directors
The directors of SMAL, the managing agent during 2016, who served during the year ended 31 December 2016, were as follows:

N C T Pawson
S G Blakey
D Stewart
D French
R Shaak
J Owen
J Mantz
G J L Broughton
C W Buchanan
A Missen (Appointed 19 April 2016)

Disclosure of information to the auditors
Each of the persons who is a director of the managing agent at the date of approval of this report confirm that:

- So far as the director is aware there is no relevant audit information of which the Syndicate's auditors are unaware; and
- The director has taken all the steps that he ought to have taken as a director in order to make himself aware of relevant audit information and to establish that the Syndicate's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The Directors also confirm their agreement with the disclosures within the Strategic Report.

Auditors
The Directors of the managing agent, SMAL, intend to reappoint Moore Stephens LLP as the Syndicate's auditors.

By order of the Board

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Graham Broughton
Director, London
17 March 2017

Statement of managing agents' responsibilities

Starr Managing Agents Limited is responsible for preparing the Syndicate annual accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. 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 which 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 which are applied consistently;
2. Make judgements and estimates that are reasonable and prudent;
3. State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the annual accounts; and
4. Prepare the annual accounts on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume that the Syndicate will do so.

The managing agent is responsible for keeping adequate accounting records that are sufficient to show and explain the Syndicate's transactions and 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. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

The financial statements on pages 12 to 42 were approved by the Board of Starr Managing Agents Limited on 17 March 2017 and were signed on its behalf by

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Graham Broughton
Director, London
17 March 2017

Independent auditor's report to the members of Syndicate 1919

We have audited the annual financial statements of Syndicate 1919 for the year ended 31 December 2016 which are set out on pages 12 to 42. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Syndicate's members, as a body, in accordance with regulation 10 of 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.

Respective responsibilities of the managing agent and auditor

As explained more fully in the Statement of Managing Agent's Responsibilities on page 9, the managing agent is responsible for the preparation of Syndicate annual financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Syndicate annual financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the Syndicate annual financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on Syndicate annual financial statements

In our opinion the annual financial statements:

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2016 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.

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

In our opinion the information given in the Managing Agents' Report, which comprises the Strategic report and the Directors' report, for the financial year for which the annual financial statements are prepared is consistent with the annual financial statements.

Independent auditor's report to the members of Syndicate 1919

Matters on which we are required to report by exception

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

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

………………………………………
Alexander Barnes, *Senior Statutory Auditor*

For and on behalf of Moore Stephens LLP, Statutory Auditor

150 Aldersgate Street
London
EC1A 4AB

21 March 2017

Income Statement: Technical account

for the year ended 31 December 2016

	Notes	£000	2016 £000	£000	2015 £000
Earned premiums, net of reinsurance					
Gross premiums written	4		275,691		264,308
Outward reinsurance premiums			(182,927)		(166,946)
Net premiums written			92,764		97,362
Change in the provision for unearned premiums:					
Gross amount			2,985		(15,164)
Reinsurers' share			(713)		14,767
Change in the net provision for unearned premiums			2,272		(397)
Earned premiums, net of reinsurance			95,036		96,965
Allocated investment return transferred from the non-technical account			9,834		3,433
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(146,525)		(192,669)	
Reinsurers' share		87,934		117,672	
Net claims paid		(58,591)		(74,997)	
Change in the provision for claims					
Gross amount		(31,361)		69,455	
Reinsurers' share		32,052		(48,548)	
Change in the net provision for claims		691		20,907	
Claims incurred, net of reinsurance			(57,900)		(54,090)
Net technical operating expenses	5		(24,639)		(21,827)
Balance on the technical account for general business			22,331		24,481

All operations are continuing.

Income Statement: Non-technical account
for the year ended 31 December 2016

	Notes	2016 £000	Restated 2015 £000
Balance on the technical account for general business		22,331	24,481
Investment return	8	10,006	3,520
Allocated investment return transferred to general business technical account		(9,834)	(3,433)
Currency translation adjustment		1,819	(3,881)
Profit for the financial year		24,322	20,687

Statement of Total Comprehensive Income
for the year ended 31 December 2016

	Notes	2016 £000	2015 £000
Profit for the financial year		24,322	20,687
Other Comprehensive Income currency translation		5,596	1,176
Total Comprehensive Income		29,918	21,863

Statement of Changes in Equity
for the year ended 31 December 2016

	Notes	Members Balances £000	Total £000
Balance at 1 January 2015		24,530	24,530
Profit and loss for the year		20,687	20,687
Other Comprehensive Income currency translation		1,176	1,176
Non-standard personal expenses		(629)	(629)
Balance at 31 December 2015		45,764	45,764
2016 Profit and loss for the year		24,322	24,322
Other Comprehensive Income currency translation		5,596	5,596
Non-standard personal expenses		574	574
Balance at 31 December 2016		76,256	76,256

Statement of Financial Position – Assets
at 31 December 2016

	Notes	£000	2016 £000	£000	Restated 2015 £000
Investments					
Financial investments	9		207,142		147,380
Reinsurers' share of technical provisions					
Provision for unearned premiums		143,025		124,743	
Claims outstanding	15	305,398		234,856	
			448,423		359,599
Debtors					
Debtors arising out of direct insurance	11	180,886		149,114	
Debtors arising out of reinsurance operations		30,927		28,794	
Other debtors		9,316		4,238	
			221,129		182,146
Other assets					
Cash at bank and in hand	9	2,414		4,730	
Overseas deposits	9,12	49,366		63,275	
			51,780		68,005
Prepayments and accrued income					
Deferred acquisition costs	18	55,343		46,958	
Other prepayments		254		430	
			55,597		47,388
Total assets			984,071		804,518

Statement of Financial Position - Liabilities
at 31 December 2016

					Restated
			2016		2015
	Notes	£000	£000	£000	£000
Capital and reserves					
Members' balances	17		76,256		45,764
Technical provisions					
Provision for unearned premiums		215,759		190,455	
Claims outstanding	15	506,799		411,419	
			722,558		601,874
Creditors					
Creditors arising out of reinsurance operations		120,586		106,043	
Creditors arising out of direct insurance operations		16,847		6,561	
Other creditors		3,244		7,833	
			140,677		120,437
Reinsurance on deferred acquisition costs	18	33,689		28,773	
Accruals and deferred income		10,891		7,670	
			44,580		36,443
Total liabilities			984,071		804,518

The financial statements on pages 12 to 42 were approved by the Board of Starr Managing Agents Limited on 17 March 2017 and were signed on its behalf by

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Graham Broughton
Director, London
17 March 2017

Statement of Cash Flows
for the year ended 31 December 2016

Cashflow Statement 2016

	Notes	2016 £000	Restated 2015 £000
Profit for the year		24,322	20,687
Increase/ (Decrease) in net technical provisions		31,861	(17,220)
(Increase) in debtors		(42,275)	(1,741)
Increase/ (Decrease) in creditors		23,461	(29,247)
Unrealised (gains)/ losses	8	(5,714)	2,113
Foreign exchange movements		(9,013)	1,176
Total Cashflow from operating activities		22,642	(24,232)
Cashflow from Investing Activities			
Purchase of Equity and debt instruments		(98,876)	(320,086)
Sale of Equity and debt instruments		76,337	337,334
Total cashflow from investing activities		(22,539)	17,248
Cashflow from Financing Activities			
Distribution of Profit		(16,543)	(12,447)
Profits added in FIS		13,330	11,236
Other Financing Activity		-	(5,616)
Total cashflow from financing activities		(3,213)	(6,827)
Net (Decrease) on cash and Cash Equivalents		(3,110)	(13,811)
Foreign exchange translation adjustment on cash		794	(75)
Cash and Cash Equivalents at beginning of year		4,730	18,616
Cash and Cash Equivalents at end of year		2,414	4,730

Notes to the financial statements
for the year ended 31 December 2016

1. Basis of preparation

These financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, and applicable Accounting Standards in the United Kingdom. The result for the year is determined on the annual basis of accounting in accordance with "FRS102: The financial reporting standard" and "FRS103: Insurance contracts", applicable from 1st January 2015.

The directors have a reasonable expectation that continued capital support will be in place such that the Syndicate will continue to write new business in future underwriting years of account. Accordingly they continue to adopt the going concern basis in preparing the annual accounts.

2. Accounting policies

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. Estimates are made for pipeline premiums, representing amounts due to the Syndicate not yet notified.

Unearned premiums

Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the balance sheet date, calculated on a combination of time apportionment and risk profile of the policy.

Reinsurance premium ceded

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

Claims provisions and related recoveries

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

The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date. The provision also includes the estimated cost of claims incurred but not reported ("IBNR") at the balance sheet date based on statistical methods.

Notes to the financial statements
for the year ended 31 December 2016

2. Accounting policies (continued)

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

The reinsurers' share of provisions for claims is based on the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. A number of statistical methods are used to assist in making these estimates.

The two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

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. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

Unexpired risks 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 by reference to classes of business which are managed together, after taking into account relevant investment return.

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.

Reinsurance commission receivable from quota share and facultative reinsurers, are deferred to the extent that they represent the reinsurers' share of acquisition costs. Overrider commissions receivable from reinsurers are recognised on inception of the related insurance contracts.

Notes to the financial statements
for the year ended 31 December 2016

2. Accounting policies (continued)

Foreign currencies

Monetary items are retranslated at the closing rate with exchange differences reported through the non-technical account and non-monetary items (for example, tangible assets) are not retranslated.

Non-monetary items are translated into the functional currency using period average rate of exchange prevailing at the time of the transaction as a proxy for transactional rates.

The results and financial position of the syndicate are translated into the presentation currency as follows:

a) assets and liabilities are translated at the closing rate at the balance sheet date;
b) income and expenses are translated at the average rate of exchange during each quarter of the year; and
c) all resulting exchange differences are recognised in the Statement of Other Comprehensive Income.

Under FRS 102 guidelines we were required to elect a functional currency and post this review we selected US Dollars. We are however using Great British Sterling as our presentational currency. In order to establish the exchange difference between US Dollars and Great British Sterling an average quarterly exchange rate is used. This difference is also presented in Currency Translation Differences within OCI.

Investments

Investments are stated at current value at the reporting date. For this purpose listed investments are stated at market value whilst deposits with credit institutions and overseas deposits are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date.

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.

Notes to the financial statements
for the year ended 31 December 2016

2. Accounting policies (continued)

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.

The tables provided in note 9 give further analysis on the syndicate's investments detailing credit rating, ageing and fair value hierarchy.

Taxation

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

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year are included in the balance sheet under the heading 'other debtors'. No provision has been made for any overseas tax payable by members on underwriting results.

Pension costs

Starr Underwriting Agents Limited (''SUAL'') employs all UK based staff and operates a defined contribution scheme. Pension contributions relating to Syndicate staff are charged to the Syndicate and included within net operating expenses. There are no direct transactions between the Syndicate and the pension schemes.

Profit commission

No profit commission arrangement is in place with the managing agent from the 2014 year of account and all subsequent years of account.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Syndicate's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognised in the period in which the estimate is revised if the change affects only that period, or in the period of the revision and future periods if the change affects both current and future periods.

Notes to the financial statements
for the year ended 31 December 2016

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical judgements in applying the Syndicate's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Syndicate's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

- **Reinsurance assets**

  Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses. Reinsurance assets are measured in accordance with the accounting policy stated in note 2. Reinsurance assets are subject to impairment testing and the carrying amount is reduced to its recoverable amount. The asset is impaired if objective evidence is available to suggest that it is probable that the Syndicate will not be able to collect the amounts due from reinsurers.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

- **Valuation of liabilities of non-life insurance contracts**

  Estimates are made for both the expected ultimate cost of claims reported and claims incurred but not reported (IBNR) at the reporting date. The estimate of IBNR is generally subject to a greater degree of uncertainty than that for reported claims. In calculating the estimated liability, the Syndicate uses a variety of estimation techniques based upon statistical analyses of historical experience which assumes past trends can be used to project future developments. The gross carrying amount for non-life insurance contract liabilities, the summation of IBNR and UPR, at the balance sheet is £722.6m (2015: £601.9m).
- **Valuation of financial instruments**

  The directors use their judgement in selecting an appropriate valuation technique. Where possible, financial instruments are marked at prices quoted in active markets. In certain instances, such price information is not available for all instruments and the Syndicate uses valuation techniques to measure such instruments. These techniques use "market observable inputs" where available, derived from similar assets in similar and active markets, from recent transaction prices for comparable items or from other observable market data. For positions where observable reference data are not available for some or all parameters the Syndicate estimates the non-market observable inputs used in its valuation models. More details on this are given in note 9.

  Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, yield curves, credit spreads, liquidity statistics and other factors. The use of different valuation techniques could lead to different estimates of fair value.

Notes to the financial statements
for the year ended 31 December 2016

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

- **Deferred acquisition costs**

Deferred acquisition costs are amortised systematically over the life of the contracts and tested for impairment at each balance sheet date, in accordance with the accounting policy stated in note 2. The gross deferred acquisition costs asset at the balance sheet date are £55.3m (2015: £47m). The net deferred acquisition costs asset at the balance sheet date are £21.7m (2015: £18.2m).

- **Gross written premium**

A significant proportion of revenue recognised in a year is estimated premium income (EPI). The extent of coverage under a given contract at the year-end is unknown and hence the premium income in respect of it requires estimation. The main area of estimation relates to third party coverholder arrangements. EPI is estimated based on information supplied by coverholders, review of the performance of previous year's contracts and takes into account whether the contract is a renewal or new to Starr. The total estimated Gross Written Premium for third party coverholders (including that already received) in 2016 for the 2016 year of account was £47.2m (2015: £60.4m).

4. Class of Business analysis

An analysis of the underwriting result before investment return is set out below:

2016	Gross written premiums	Gross premiums earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
	£000	£000	£000	£000	£000	£000
Direct insurance:						
Marine, aviation and transport	35,771	35,771	(22,903)	(1,911)	(11,155)	(198)
Fire and other damage to property	41,951	30,447	(19,577)	(1,360)	(10,409)	(899)
Third party liability	66,288	43,829	(22,887)	(4,521)	(9,881)	6,540
Miscellaneous	18,871	13,186	(15,572)	(275)	1,012	(1,649)
	162,881	123,233	(80,939)	(8,067)	(30,432)	3,794
Reinsurance	112,810	155,443	(96,950)	(16,572)	(33,218)	8,703
	275,691	278,676	(177,889)	(24,639)	(63,651)	12,497

Notes to the financial statements
for the year ended 31 December 2016

4. Class of Business analysis (continued)

2015	Gross written premiums	Gross premiums earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
	£000	£000	£000	£000	£000	£000
Direct insurance:						
Marine, aviation and transport	20,862	31,443	(11,706)	1,107	(15,618)	5,226
Fire and other damage to property	19,739	17,405	(6,045)	(1,491)	(7,212)	2,657
Third party liability	38,868	25,806	(9,304)	(2,119)	(6,968)	7,415
Miscellaneous	12,982	12,424	(10,445)	(1,039)	(600)	340
	92,451	87,078	(37,500)	(3,542)	(30,398)	15,638
Reinsurance	171,857	162,066	(85,715)	(18,285)	(52,656)	5,410
	264,308	249,144	(123,215)	(21,827)	(83,054)	21,048

The net assets of the Syndicate are managed as a whole and are not allocated to separate business segments.

The analysis of gross written premiums by geographical areas in which the risks are written is as follows:

	2016	Restated 2015
	£000	£000
UK	244,705	230,294
Other EU countries	(137)	(5)
US	20,893	22,051
Other	10,230	11,968
Total	275,691	264,308

Notes to the financial statements
for the year ended 31 December 2016

5. Net operating expenses

	2016 £000	2015 £000
Commission	15,979	13,486
Reinsurers' share of commission	(5,670)	(8,695)
Acquisition costs	18,430	19,376
Change in DAC - Commission	(1,668)	511
- Acquisition costs	871	(2,329)
Administrative expenses	8,346	9,394
Reinsurance commissions	(11,649)	(9,916)
	24,639	21,827

Members' personal expenses are included within administrative expenses. Administrative expenses are stated net of claims handling expenses allocated to claims paid.

Administrative expenses include:

	2016 £000	2015 £000
Auditor's remuneration		
- Audit of the financial statements for current year end	72	102
- Audit of the financial statements for prior year end	35	15
- Audit-related assurance services	68	74
	175	191

6. Staff numbers and costs

No staff are employed directly by Starr Managing Agents Limited (''SMAL''), therefore no staff costs have been disclosed for 2016 (2015: nil).

7. Emoluments of the directors of Starr Managing Agents Limited

The Directors' emoluments have not been charged to the Syndicate for the 2016 year, but are retained by SUAL.

The active underwriter's emoluments are not charged to the Syndicate for the 2016 year, but are retained by SUAL.

Notes to the financial statements
for the year ended 31 December 2016

8. Investment return

	2016	Restated 2015
	£000	£000
From financial instruments designated as at fair value through profit or loss	4,146	3,273
Interest on cash at bank	72	47
Investment expenses	(206)	(200)
Total	4,012	3,120
Other income from investments designated as at fair value through profit or loss		
Realised gains and losses	280	2,513
Unrealised gains and losses	5,714	(2,113)
Total	5,994	400
Net Investment Income	10,006	3,520

The above investment return represents values held within the technical and non-technical account. The non-technical account is associated with returns from the ring fenced Funds in Syndicate.

9. Financial investments

	Market Value		Cost	
	2016	2015	2016	2015
	£000	£000	£000	£000
Shares and other variable yield securities and units in unit trusts	12,170	10,167	12,170	10,167
Debt and other fixed income securities	188,219	136,024	189,428	129,735
Other Investments	6,753	1,189	6,745	1,189
	207,142	147,380	208,343	141,091

Notes to the financial statements
for the year ended 31 December 2016

9. Financial investments (continued)

Credit Risk

2016	AAA	AA	A	BBB	BB Or Less	Not Rated	Total
	£000	£000	£000	£000	£000	£000	£000
Direct							
Shares and other variable yield securities and unit trusts	-	3,535	8,635	-	-	-	12,170
Debt securities	77,764	48,026	58,333	4,096	-	-	188,219
Overseas deposits	24,205	7,561	4,498	2,525	-	10,577	49,366
Other Investments	5,946	-	807	-	-	-	6,753
Reinsurers' share of claims outstanding	-	103,576	201,811	-	11	-	305,398
Reinsurance debtors	-	7,897	11,371	-	-	24	19,292
Cash at bank and in hand	-	-	2,414	-	-	-	2,414
Total	107,915	170,595	287,869	6,621	11	10,601	583,612

Notes to the financial statements
for the year ended 31 December 2016

2015	AAA	AA	A	BBB	BB Or Less	Not Rated	Total
	£000	£000	£000	£000	£000	£000	£000
Direct							
Shares and other variable yield securities and unit trusts	-	2,771	7,396	-	-	-	10,167
Debt securities	57,602	39,710	36,457	2,255	-	-	136,024
Overseas deposits	23,527	11,407	5,103	22,961	201	76	63,275
Other Investments	1,189	-	-	-	-	-	1,189
Reinsurers' share of claims outstanding	-	6,495	227,068	-	284	1,009	234,856
Reinsurance debtors	-	1,080	27,006	-	(284)	992	28,794
Cash at bank and in hand	-	-	4,730	-	-	-	4,730
Total	82,318	61,463	307,760	25,216	201	2,077	479,035

All debt securities and other fixed income securities shown above are listed.

Credit Risk

Credit risk is the risk that the Syndicate becomes exposed to losses if a specific counterparty fails to perform its contractual obligations in a timely manner, causing the Syndicate loss and/or impacting the Syndicate's ability to meet its claims as they fall due. Credit risk can also arise from underlying causes that have an impact upon the creditworthiness of all counterparties of a particular description or geographical location. Part of the Syndicate's credit risk is mitigated by the collateral received from a third party. The Syndicate is exposed to credit risk in its investment portfolio and with its premium and reinsurance receivables. The tables above show the breakdown as at 31 December 2016 and 2015 of the exposure of the bond portfolio, liquidity funds and insurance and reinsurance receivables by credit quality.

The reinsurance recoveries from Starr Insurance & Reinsurance Limited, a group company, have been collateralised via the ring fencing of a bond portfolio. The current recoverable is £67.5m which is fully collaterised.

Notes to the financial statements
for the year ended 31 December 2016

9. Financial investments – continued

Currency Risk

Current year 2016	GBP	USD	EUR	CAD	Total
	£000	£000	£000	£000	£000
Financial investments	-	159,791	-	47,351	207,142
Overseas Deposits	34,565	2,717	-	12,084	49,366
Reinsurers' share of technical provisions	57,110	322,673	37,226	31,415	448,424
Insurance and reinsurance receivables	43,728	159,738	842	7,506	211,814
Cash and cash equivalents	1,821	32	561	-	2,414
Other assets	11,245	43,309	5,114	5,243	64,911
Total assets	148,469	688,260	43,743	103,599	984,071
Technical provisions	(105,601)	(485,828)	(72,597)	(58,532)	(722,558)
Insurance and reinsurance payables	(35,637)	(90,737)	(2,851)	(8,208)	(137,433)
Other creditors	(7,539)	(34,931)	(623)	(4,731)	(47,824)
Total liabilities	(148,777)	(611,496)	(76,071)	(71,471)	(907,815)
Net assets	(308)	76,764	(32,328)	32,128	76,256

Notes to the financial statements
for the year ended 31 December 2016

9. Financial investments – continued

Currency Risk

Prior year 2015	GBP	USD	EUR	CAD	Total
	£000	£000	£000	£000	£000
Financial investments	-	115,357	-	32,023	147,380
Reinsurers' share of technical provisions	57,244	252,596	28,042	21,717	359,599
Insurance and reinsurance receivables	36,983	130,052	4,663	6,210	177,908
Cash and cash equivalents	53,077	6,631	511	7,786	68,005
Other assets	17,084	25,167	5,224	4,151	51,626
Total assets	164,388	529,803	38,440	71,887	804,518
Technical provisions	(112,314)	(395,191)	(53,818)	(40,551)	(601,874)
Insurance and reinsurance payables	(29,538)	(74,767)	(2,108)	(6,191)	(112,604)
Other creditors	(18,346)	(21,140)	(1,814)	(2,976)	(44,276)
Total liabilities	(160,198)	(491,098)	(57,740)	(49,718)	(758,754)
Net assets	4,190	38,705	(19,300)	22,169	45,764

Asset liability matching by currency risk

Underwriting assets are initially held in the settlement currencies of Sterling, Euros, US Dollars, Canadian Dollars, which represent the majority of the Syndicate’s liabilities by currency, thus reducing the underwriting asset liability matching currency risk. The tables above presents the Syndicate’s assets and liabilities by currency. The amounts are stated in the sterling equivalent of the local currency, in order that the amounts can be reconciled to the Syndicate’s statement of financial position. The foreign exchange policy is to maintain assets in the currency in which the cash flows from liabilities are to be settled. This minimises the currency risk inherent in these contracts so far is allowed by regulatory requirements. Profits or losses are converted to be reflected in the net assets of the functional currency, US Dollars.

Notes to the financial statements
for the year ended 31 December 2016

9. Financial investments – continued

Fair Value Hierarchy

Level 1
Quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market is one in which transactions for the asset occur with sufficient frequency and volume to provide readily and regularly available quoted prices.

Level 2
Inputs to a valuation model other than quoted prices included within Level 1 that are observable and current for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3
Inputs to a valuation model for the asset or liability that are not based on observable market data (unobservable inputs) and are significant to the overall fair value measurement.

Listed equities traded on a primary exchange in an active market are classified as Level 1.

The fair value is based upon quotes from pricing services where available. These pricing services derive prices based on an average of quotes provided by brokers. Where multiple quotes are not available, the fair value is based upon evaluated pricing services, which typically use proprietary cash flow models and incorporate observable market inputs, such as credit spreads, benchmark quotes and other trade data. If such services do not provide coverage of the asset, then fair value is determined manually using indicative broker quotes, which are corroborated by recent market transactions in similar or identical assets. Where there is an active market for these assets and their fair value is the unadjusted quoted market price, these are classified as Level 1. Level 1 also includes bond funds, where fair value is based upon quoted prices. Where the market is inactive or the price is adjusted, but significant market observable inputs have been used by the pricing sources, then these are considered to be Level 2. This is typically the case for government agency debt, corporate debt, mortgage and asset-backed securities and catastrophe bonds. Certain assets, for which prices or other market inputs are unobservable, are classified as Level 3.

Loans and deposits with credit institutions
As a condition of underwriting within certain countries they require a certain level of capital to be held in restricted accounts. These are known as 'overseas deposits' and are lodged centrally with Lloyd's. The split between levels is determined by Lloyd's who provide a working schedule detailing the underpinned assets.

Notes to the financial statements
for the year ended 31 December 2016

9. Financial investments – continued

2016	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Direct insurance:				
Shares and other variable yield securities and units in unit trusts	12,170	-	-	12,170
Debt securities and other fixed income securities	-	188,219	-	188,219
Overseas Deposits	13,357	36,009	-	49,366
Other investments	-	6,753	-	6,753
Total	25,527	230,981	-	256,508

2015	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Direct insurance:				
Shares and other variable yield securities and units	10,167	-	-	10,167
Debt securities and other fixed income securities	-	136,024	-	136,024
Overseas Deposits	26,999	36,276	-	63,275
Other investments	-	1,189	-	1,189
Total	37,166	173,489	-	210,655

Notes to the financial statements
for the year ended 31 December 2016

9. Financial investments – continued

Other Investments

The amount disclosed within this categorisation relates to asset and mortgage backed securities.

Sensitivity Analysis

	2016 £000	2015 £000
Interest rate risk		
Impact of 50 basis point increase on result	(1,284)	(890)
Impact of 50 basis point decrease on result	1,299	900
Impact of 50 basis point increase on net assets	(1,284)	(890)
Impact of 50 basis point decrease on net assets	1,299	900

Currency Risk

Policyholders' assets are held in the settlement currencies of Sterling, US dollars, Canadian dollars and Euros which represent the majority of the Syndicate's liabilities by currency. This limits the underlying foreign exchange risk.

Foreign exchange exposure also arises when business is written in non-settlement currencies. These transactions are converted into Sterling at the prevailing spot rate once the premiums are received. Consequently there is exposure to currency movements between the risk being written and the premiums being converted. Payments in non-settlement currencies are converted back into the underlying currency at the time a claim is to be settled; therefore the Syndicate is exposed to exchange rate risk between the claim being made and the settlement being paid. In addition there is the currency risk arising from the claims in a settlement currency being different from the net premiums earned in that currency.

2016

Currency Risk	Sterling £000	USD £000	Euro £000	CAD £000	Total £000
Net Assets	(308)	76,764	(32,328)	32,128	76,256

2015

Currency Risk	Sterling £000	USD £000	Euro £000	CAD £000	Total £000
Net Assets	4,190	38,705	(19,300)	22,169	45,764

Notes to the financial statements
for the year ended 31 December 2016

9. Financial investments – continued

The tables above presents the Syndicate's net assets by currency. The amounts are stated in the sterling equivalent of the local currency.

If the foreign currencies were to strengthen/weaken by 10% against the syndicates functional currency, US Dollar, the movement in the monetary net assets and liabilities of the Syndicate would result in the following gains/(losses) in the Income Statement at 31 December 2016.

	10% strengthening of currency against USD	10% weakening of currency against USD
2016	**£000**	**£000**
Currency		
GBP	-	-
EUR	(2,939)	3,592
CAD	2,921	(3,570)

10. Maturity profiles

2016	**0-1 year £000**	**1-3 years £000**	**3-5 year £000**	**>5 years £000**	**Total**
Creditors	140,677	-	-	-	140,677
Claims Outstanding	158,101	199,423	92,700	56,575	506,799
Total	298,778	199,423	92,700	56,575	647,476

2015	**0-1 year £000**	**1-3 years £000**	**3-5 year £000**	**>5 years £000**	**Total**
Creditors	120,436	-	-	-	120,436
Claims Outstanding	76,900	175,113	83,092	76,314	411,419
Total	197,336	175,113	83,092	76,314	531,855

Above is a maturity profile showing when creditors fall due. There are no derivative based liabilities.

Notes to the financial statements
for the year ended 31 December 2016

11. Debtors arising out of direct insurance operations

	2016	2015
	£000	£000
Due from group intermediaries	73,520	51,679
Due from non-group intermediaries	107,366	97,435
	180,886	149,114

12. Overseas deposits

	2016	2015
	£000	£000
Overseas deposits	49,366	63,275

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries.

13. Aging of Debt

	Neither due nor impaired	Up to 3 months	3 to 6 months	6 months to 1 year	Over 1 Year	Total
2016						
	£000	£000	£000	£000	£000	£000
Direct insurance:						
Shares and other variable yield securities and unit trusts	12,170	-	-	-	-	12,170
Debt securities	188,219	-	-	-	-	188,219
Overseas deposits as investments	49,366	-	-	-	-	49,366
Other investments	6,753	-	-	-	-	6,753
Reinsurer' share of claims outstanding	305,398	-	-	-	-	305,398
Reinsurance debtors	19,292	10,049	782	249	555	30,927
Cash at bank and in hand	2,414	-	-	-	-	2,414
Insurance debtors	143,587	20,571	9,210	1,849	5,669	180,886
Other debtors	206,094	-	-	-	1,844	207,938
Total	933,293	30,620	9,992	2,098	8,068	984,071

Notes to the financial statements
for the year ended 31 December 2016

13. Aging of Debt – continued

2015	Neither due nor impaired	Up to 3 months	3 to 6 months	6 months to 1 year	Over 1 Year	Total
	£000	£000	£000	£000	£000	£000
Direct insurance:						
Shares and other variable yield securities and unit trusts	10,167	-	-	-	-	10,167
Debt securities	136,024	-	-	-	-	136,024
Overseas deposits as investments	63,275	-	-	-	-	63,275
Other investments	1,189	-	-	-	-	1,189
Reinsurer' share of claims outstanding	234,856	-	-	-	-	234,856
Reinsurance debtors	27,967	402	640	187	(402)	28,794
Cash at bank and in hand	4,730	-	-	-	-	4,730
Insurance debtors	126,042	14,857	5,357	728	2,130	149,114
Other debtors	175,302	-	-	-	1,067	176,369
Total	779,552	15,259	5,997	915	2,795	804,518

Within the tables above, 'Other debtors' contain an amount of £143.0m (2015: £124.7m) in relation to Reinsurance share of unearned premium. These items are disclosed in the currency risk tables (pages 29 & 30) within 'Reinsurers' share of technical provisions'. This has been reallocated in order to conform with Lloyd's reporting requirements.

Aging of Debt
It is important that the Syndicate can pay their obligations as they fall due. Levels of cash are therefore managed on a daily basis and buffers of liquid assets are held in excess of the immediate requirements. This is to reduce the risk of being forced sellers of any of the Syndicate's assets. The Syndicate funds its insurance liabilities with a portfolio of cash and debt securities exposed to market risk. The above tables indicate the ageing past due of cash flows arising from assets at both 31 December 2016 and 31 December 2015.

Notes to the financial statements
for the year ended 31 December 2016

14. Claims development triangles

Gross of Reinsurance

Underlying Pure Year	Incurred at end of underwriting year	1 year later	2 years later	3 years later	4 years later	5 years later	Cumulative payments
2011	138,638	237,490	226,891	221,873	224,490	222,004	186,658
2012	85,545	181,433	206,664	200,724	197,229	-	167,097
2013	92,055	185,620	176,105	169,623	-	-	104,008
2014	86,116	164,118	164,633	-	-	-	77,525
2015	83,380	196,098	-	-	-	-	50,807
2016	94,795	-	-	-	-	-	9,593

Net of Reinsurance

Underlying Pure Year	Incurred at end of underwriting year	1 year later	2 years later	3 years later	4 years later	5 years later	Cumulative payments
2011	62,939	99,271	93,992	89,562	91,576	90,588	72,735
2012	34,565	66,680	74,300	72,047	71,800	-	58,745
2013	37,270	80,117	76,011	72,424	-	-	43,347
2014	36,068	73,487	77,568	-	-	-	34,873
2015	29,548	66,750	-	-	-	-	16,230
2016	28,033	-	-	-	-	-	2,485

The Syndicate is taking advantage of the transitional provision with section 6.3 of FRS 103 in order to build up to a ten year history over time.

Notes to the financial statements
for the year ended 31 December 2016

14. Claims development triangles (continued)

Claims Split by Reporting Year of Account

Underlying Pure Year	Gross Estimated Balance to pay	Net Estimated Balance to pay
2011	35,346	17,854
2012	30,132	13,056
2013	65,615	29,077
2014	87,109	42,695
2015	145,291	50,520
2016	85,202	25,548

Estimated balance to pay

Underlying Pure Year	Gross	Net
2010 & prior	58,103	22,652
Grand Total	506,799	201,401

Claims development
The tables above illustrate the development of the estimates of earned ultimate cumulative claims for the Syndicate after the end of the underwriting year, illustrating how amounts estimated have changed from the first estimates made. Tables have been constructed on an underwriting year basis. Non-sterling balances have been converted using period end 2016 exchange rates to aid comparability.

At the end of each first year, only part of the premium written will have been earned and it is expected that ultimate claims will increase during the period over which the premium is earned.

During 2016, net ultimate claims in respect of prior underwriting years (2014 & prior) reduced by £6.7m. This was mainly due to favourable claims development over the year in the Director's & Officers, Marine Liability and Aerospace classes. The Airline Liability class also benefited from a £2.7m takedown in the large 2008 Air France loss. These reductions were offset by net ultimate claims increases in the A&H and General Liability classes, partly due to increased exposure estimates as inwards premium from binders were revised upwards.

Notes to the financial statements
for the year ended 31 December 2016

14. Claims development triangles (continued)

Claims reserves established can be more or less than adequate to meet eventual claims arising. The level of uncertainty varies significantly from class to class but can arise from inadequate case reserves for known large losses and catastrophes or from inadequate provision for IBNR. The impact on profit of a 1% variation in the total net claims reserves would be £2.7 million (2015: £2.2 million).

15. Reconciliation of provision for claims, UPR and DAC

	Provision for Claim		UPR		DAC	
	Gross	**Reinsurance**	**Gross**	**Reinsurance**	**Gross**	**Reinsurance**
2016	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Brought Forward Balance	411,418	234,856	190,455	124,743	46,958	28,773
Movement in Provision	31,361	32,052	(2,985)	(713)	1,193	395
Foreign Exchange Differences	64,020	38,490	28,289	18,996	7,192	4,521
Subrogation	-	-	-	-	-	-
Carried Forward Balance	506,799	305,398	215,759	143,026	55,343	33,689

	Provision for Claim		UPR		DAC - Restated	
	Gross	**Reinsurance**	**Gross**	**Reinsurance**	**Gross**	**Reinsurance**
2015	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Brought Forward Balance	473,625	278,073	170,558	106,616	39,032	22,997
Movement in Provision	(69,455)	(48,548)	15,164	14,768	6,907	5,089
Foreign Exchange Differences	10,849	6,664	4,733	3,359	1,019	687
Subrogation	(3,601)	(1,333)	-	-	-	-
Carried Forward Balance	411,418	234,856	190,455	124,743	46,958	28,773

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16. Related parties

Starr Managing Agents Limited

Syndicate 1919 is managed by SMAL. SMAL is owned 100% by Starr Global Financial Inc. (Nevada).

The Syndicate's Corporate Member, Starr Syndicate Limited (''SSL'')'s immediate parent is Starr Indemnity & Liability Company (Texas) and is owned 100% by Starr Global Financial Inc. (Nevada).

Starr Underwriting Agents Limited (SUAL)

SUAL underwrites on behalf of Syndicate 1919. SUAL is owned 100% by Starr Global Financial Inc. (Nevada).

Starr Underwriting Agents Dubai (SUAD)

SUAD underwrites on behalf of Syndicate 1919. SUAD is owned 100% by Starr Global Holdings AG. (Switzerland).

Other Starr Companies

Other companies within the Starr Companies Group have been authorised as Lloyd's Coverholders and granted binding authorities to produce business on behalf of the Syndicate for which they receive commission, and in some cases, a profit commission. All contracts are prepared using standard market wordings and are on a commercial arm's length basis.

Certain directors of SMAL and SUAL hold directorships in certain of these companies. These are disclosed to the Boards on the conflicts registers.

Syndicate 1919 purchases a global catastrophe cover from Starr Insurance & Reinsurance Limited ("SIRL") (a Bermudian regulated insurer) protecting all catastrophe exposed lines of business.

Again there are common directorships between these entities that are disclosed in the conflicts registers. All contracts are prepared using standard market wordings and are on a commercial arm's length basis.

With effect from 1 January 2011 SUAL is acting as coverholder to the UK branch of SIRL; SUAL is remunerated on a commission basis. SMAL has considered this and sees no material risk to the Syndicate. A protocol has been signed between all 3 parties (SIRL, SUAL and SMAL) defining the allocation of risks to the two carriers.

With effect from 1 January 2014 SMAL is writing Lloyd's consortium business for which SMAL receives a consortium management fee and binding authority commission. Prior to this period the Syndicate participated in a number of consortia managed by SUAL for which SUAL received a consortium management fee and binding authority commission.

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17. Capital

Starr Syndicate Limited, which supports Syndicate 1919, is required to hold regulatory capital in compliance with the prudential rules issued by the UK's Prudential Regulation Authority ("PRA") and is also subject to Lloyd's capital requirements, including maintaining Funds at Lloyd's ("FAL") and Funds in Syndicate ("FIS"), both of which are held in USD. Since FAL is not under the management of the managing agent, no amount has been shown in these financial statements by way of such capital resources. However, should the corporate member fail to meet their financial obligations when called to meet a loss or cash call, the managing agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses.

In addition to FAL Syndicate 1919 also has FIS which are retained earnings from the syndicate distribution. These funds are only available to the corporate member and as such are not shown on the balance sheet of the Syndicate.

In order to meet Lloyd's requirements, each syndicate is required to calculate its Solvency Capital Requirement (SCR) for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2016 & 2017 was 35% of the member's SCR 'to ultimate'.

At 31 December 2016, the agreed ECA as a percentage of the agreed underwriting capacity for the following underwriting year was 71.4% (2015: 67.6%).

The Syndicate also benefits from mutualised capital within the Lloyd's Central Fund, for which a variable annual levy, for 2016 of 0.35% (2015: 0.5%) of Syndicate gross premium, is payable.

The LCR is expected to be reviewed annually by Lloyd's and periodically by the PRA. The PRA expects management to apply their rules continuously. If a firm's capital falls below its ECA, steps must be taken to restore capital adequacy. Due to the nature of the Lloyd's capital setting process, FAL requirements are formally assessed and funded twice yearly at discrete periods and must be met for the Syndicate to continue underwriting.

At 31 December 2016, Starr Syndicate Limited contributed FIS of £26.9 million (2015: £10.6), Starr USA Asset Holdings funded the agreed FAL requirement of £136.4 million (2015: £130.5 million).

Starr does not seek to retain any assets in excess of the Lloyd's capital requirement within the Lloyd's framework and any surplus will be retained locally as FIS, allowing FAL to be reduced.

Notes to the financial statements
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18. Restatement

The 2015 balance sheet has been restated to gross up the gross and reinsurers' share of acquisition costs (gross of £47m, reinsurers' share of £28.8m). Previously the net balance (£18.2m) had been disclosed.