Registered number: 02973436

CATLIN (ONE) LIMITED

ANNUAL REPORT

YEAR ENDED 31 DECEMBER 2016

CATLIN (ONE) LIMITED

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CATLIN (ONE) LIMITED

COMPANY INFORMATION

Directors and officers at the date that the report is signed:

Directors	Paul Bradbrook P A Jardine
Company secretary	M L Rees
Registered number	02973436
Registered office	20 Gracechurch Street London EC3V 0BG
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT

CATLIN (ONE) LIMITED

STRATEGIC REPORT
YEAR ENDED 31 DECEMBER 2016

The directors present their strategic report for the year ended 31 December 2016.

The company acted as a corporate member at the Lloyd's and is the sole member of Syndicate 3002 ('the Syndicate") for the 2014 and subsequent years of account.

The result for the year is a profit of £1,076k (2015: loss of £458k). The result is attributable to an underwriting profit before tax (net earned premiums minus net claims incurred and net operating expenses) for 2016 of £1.294k (2015: underwriting loss before tax of £625k).

The Company's participation in the capacity of Syndicate 3002 by year of account is as follows:

	2015	**2016**	**2017**
Capacity provided by the Company (£m)	24	27	34
Percentage of total syndicate capacity	100%	100%	100%

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

	2016	*2015*
	£000's	*£000's*
Gross premiums written	**19,381**	*27,188*
Net Premium written	**11,828**	*16,904*
Earned premium, net of reinsurance	**11,336**	*13,906*
Underwriting result	**1,168**	*(625)*
Profit/(loss) for the financial year	**1,076**	*(458)*
Net claims ratio	**53.1%**	*65.9%*
Expense ratio	**36.7%**	*38.6%*
Combined ratio	**89.8%**	*104.5%*
Investment return	**0.10%**	*0.0%*

Note: The combined ratio is the ratio of net claims incurred and net operating expenses to net premiums earned. A lower combined ratio represents better performance.

Principal risks and uncertainties

The Company considers its significant exposures to financial risk to be the same as those faced by Syndicate 3002. Accordingly, these are considered as follows:

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. The Company has developed a risk and control framework in line with the wider Group, which is built on an Enterprise Risk Management Model that aims to integrate existing risk programmes into a more holistic, embedded Group wide risk and capital management framework.

All policies are approved by management and subject to ongoing review by the risk management and internal audit teams. Compliance with regulation, legal and ethical standards is a high priority for the Group, the compliance and finance departments take on an important oversight role in this regard. The Board is responsible for satisfying itself that a proper internal control framework exists to manage all risks and the controls operate effectively.

The Company is exposed to financial risk through its reinsurance assets and policyholder liabilities. The most important components of this financial risk are currency risk, credit risk and liquidity risk.

Currency risk

The Company is exposed to currency risk in respect of liabilities under policies of insurance denominated in currencies other than Pounds Sterling. There is a natural matching to currency risk as claims are normally paid in the currency of the original policy. Where this is not the case, it is taken into account by the reserving process.

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

* Amounts due from reinsurers in respect of claims already paid, and
* Amounts due from insurance intermediaries

The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publically available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy. In certain circumstances, deposits from reinsurers are also held as collateral.

Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder.

Principal risks and uncertainties(Continued)

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company ensures that sufficient funds are available at short notice to meet such liabilities. The Company's liquidity position is monitored closely, both under normal claims experience and also under realistic disaster scenarios.

Future developments and strategy

Syndicate 3002 will continue to transact life term insurance business. Disciplined growth and development of the business will continue to be encouraged and supported by the Board.

Depending upon prevailing market conditions, premium income levels are under continuous review as the Company continues to develop its relationships with distributors, generating new business while continuing to meet the needs of its clients.

The Lloyd's Stamp Capacity for the 2017 year of account has been increased to £33,902k (2016 year of account: £26,583k).

This report was approved by the Board and signed on its behalf by:

Paul Bradbrook
Director
29 September 2017

DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2016

The directors present their report together with the audited annual accounts for the year ended 31 December 2016.

The annual accounts are prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and Financial Reporting Standard 103, "Insurance Contracts" ("FRS 103").

Results and dividends
The Profit for the year amounted to £1.1m (2015: Loss of £0.5m) as shown on page 10.

During the year, the Syndicate wrote £19.4m in gross premiums (2015: £27.2m).

The Company incurred a net claims ratio of 53.1% (2015 : 65.9%).

The Company held total Funds at Lloyd's of £25,313k (2015: £25,702k) on behalf of the syndicate 3002 , which in accordance with GENPRU2.3.34R can be used to support the solvency position of the syndicate.

The directors do not recommend a final dividend (2015: £nil).

Directors
The directors who held office during the year are listed on page 1.

Disclosure of information to the auditors
Each of the persons who are a director at the date of this report confirms that:

* so far as each director is aware, there is no relevant audit information for which the Company's auditors are unaware; and

* each director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Statement of Directors' responsibilities

The directors are responsible for preparing the Strategic and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Company's financial statements in accordance with United Kingdom accounting standards including Financial Reporting Standard 102 - "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103 - "Insurance Contracts" ("FRS 103"), both issued by the Financial Reporting Council and in compliance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("SI2008/410") relating to insurance companies and other requirements of the Companies Act 2006.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

* select suitable accounting policies and then apply them consistently;
* make judgements and accounting estimates that are reasonable and prudent;
* state whether applicable UK Accounting Standards, have been followed, subject to any material departures disclosed and explained in the financial statements; and
* prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Company Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report was approved by the Board and signed on its behalf by:

Paul Bradbrook
Director
29 September 2017

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CATLIN (ONE) LIMITED

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion, Catlin (One) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company'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 Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Statement of Profit or Loss for the year then ended;
- the Statement of Financial Position as at 31 December 2016;
- the Statement of Changes in Equity for the year then ended; and
- the Notes to the Financial Statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CATLIN (ONE) LIMITED (CONTINUED)

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the 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 financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

MNichols

Matthew Nichols (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 September 2017

CATLIN (ONE) LIMITED

STATEMENT OF PROFIT OR LOSS
YEAR ENDED 31 DECEMBER 2016

	Note	2016 £000's	*2015 £000's*
TECHNICAL ACCOUNT			
Gross premiums written		**19,381**	*27,188*
Outward reinsurance premiums		**(7,553)**	*(10,284)*
Net premiums written		**11,828**	*16,904*
Change in the gross provision for unearned premiums		**(1,302)**	*(6,670)*
Change in the provision for unearned premiums, reinsurers' share		**810**	*3,672*
Change in the net provision for unearned premiums		**(492)**	*(2,998)*
Earned premiums net of reinsurance		**11,336**	*13,906*
Allocated investment return transferred from the non-technical account		**11**	—
Total technical income		**11,347**	*13,906*
Claims paid			
Gross amount		**(6,057)**	*(4,102)*
Reinsurers' share		**2,262**	—
Net of reinsurance		**(3,795)**	*(4,102)*
Change in the provision for claims			
Gross amount		**80**	*(342)*
Reinsurers' share		—	—
Net of reinsurance		**80**	*(342)*
Claims incurred, net of reinsurance		**(3,715)**	*(4,444)*
Change in the long term business provisions			
Gross amount		**300**	*(11,971)*
Reinsurers' share		**(2,608)**	*7,246*
Net of reinsurance		**(2,308)**	*(4,725)*
Net operating expenses	6	**(4,156)**	*(5,362)*
Investment expenses and charges		—	—
Balance on the technical account		**1,168**	*(625)*

CATLIN (ONE) LIMITED

STATEMENT OF PROFIT OR LOSS (CONTINUED)
YEAR ENDED 31 DECEMBER 2016

	Note	2016 £000's	*2015 £000's*
NON-TECHNICAL ACCOUNT			
Balance on the technical account		**1,168**	*(625)*
		1,168	*(625)*
Investment income		**11**	—
Allocated investment income transferred to the general business technical account		**(11)**	—
Foreign exchange gains		**126**	*32*
Profit/(Loss) on ordinary activities before tax		**1,294**	*(593)*
Tax on profit/(loss) on ordinary activities	8	**(218)**	*135*
Profit/(Loss) for the financial year		**1,076**	*(458)*

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 £000's	*2015 £000's*
Reinsurers' share of technical provisions			
Provision for unearned premiums	9	**5,626**	*3,715*
Long term business provision	9	**6,828**	*7,455*
		12,454	*11,170*
Debtors : amounts falling due within one year			
Debtors arising out of direct insurance operations	11	**23,121**	*7,739*
Debtors arising out of reinsurance operations	12	**8,770**	*10,663*
Other debtors	13	**9**	*584*
		31,900	*18,986*
Other assets			
Cash and cash equivalents		**18,381**	*7,748*
Overseas deposits		**32**	*17*
		18,413	*7,765*
Prepayments and accrued income			
Deferred acquisition costs	14	**2,405**	*2,184*
Other prepayments and accrued income		**24**	—
		2,429	*2,184*
TOTAL ASSETS		**65,196**	*40,105*

CATLIN (ONE) LIMITED

STATEMENT OF FINANCIAL POSITION (Continued)
AS AT 31 DECEMBER 2016

	Note(s)	**2016** **£000's**	*2015* *£000's*
Capital and reserves			
Called up share capital	17	**320**	*320*
Share premium account		**2,880**	*2,880*
Profit and loss account		**1,383**	*307*
Total shareholders' funds		**4,583**	*3,507*
Technical provisions			
Provision for unearned premiums	9	**14,318**	*10,683*
Long term business provision	9,10,18	**17,563**	*13,792*
		31,881	*24,475*
Provisions for other risks and charges	16	**453**	*232*
Creditors : amounts falling due within one year			
Creditors arising out of reinsurance operations	15	**18,054**	*8,840*
Amounts owed to group undertakings	15	**4,739**	*—*
Other creditors	15	**4,553**	*2,404*
		27,346	*11,244*
Accruals and deferred income		**933**	*647*
TOTAL LIABILITIES		**65,196**	*40,105*

The financial statements on pages 10 to 35 were approved by the Board of Directors and signed on its behalf by:

Paul Bradbrook
Director
29 September 2017

CATLIN (ONE) LIMITED

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Share premium account	Profit and loss account	Total Shareholders' fund
	£000's	£000's	£000's	£000's
Balance as at 1 January 2015	**320**	**2,880**	**765**	**3,965**
(Loss) for the financial year	—	—	(458)	(458)
Balance as at 31 December 2015	**320**	**2,880**	**307**	**3,507**
Profit for the financial year	—	—	**1,076**	1,076
Balance as at 31 December 2016	**320**	**2,880**	**1,383**	**4,583**

1 ACCOUNTING POLICIES

1.1 Statement of Compliance

The financial statements are prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and Financial Reporting Standard 103, "Insurance Contracts" ("FRS 103").

1.2 Basis of preparation

The financial statements have been prepared on the going concern basis, and in accordance with applicable accounting standards and under the historical cost convention, as modified by the revaluation of certain investments, in compliance with The Large and Medium-sized Companies and Groups (Account and Reports) Regulations 2008 ("SI2008/410") relating to insurance companies, and other requirements of the Companies Act 2006.

All accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

1.3 Critical accounting judgements and estimation uncertainty

Significant judgement is required when allowing for risk and uncertainty within claims outstanding. This is discussed in detail in accounting policy 1.8.

The managing agent makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are listed below.

* The estimation of the ultimate liability arising from claims made under insurance contracts is the syndicate's most critical accounting estimate. This is discussed in detail in accounting policy 1.8.
* The managing agent makes an estimate of premiums written during the year that have not yet been notified by the financial year end ('pipeline premiums') based on prior year experience and current year business volumes. The pipeline premium is booked as written and an assessment is made of the related unearned premium provision and an estimate of claims incurred but not reported in respect of the earned element.

1.4 Going Concern

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

1.5 Exemption from preparing cash flow statement

The Company has availed itself of the exemption under FRS 102 section 1 on 'Reduced disclosures for subsidiaries' on the grounds that it is a wholly-owned subsidiary whose ultimate parent is XL Group plc (incorporated in the Republic of Ireland) which prepares a group consolidated cash flow statement in its group consolidated financial statements that are publically available.

1 ACCOUNTING POLICIES (CONTINUED)

1.6 Exemption from disclosing related party transactions

As the Company is a wholly-owned subsidiary whose ultimate parent XL Group Ltd (incorporated in the Republic of Ireland), the Company has taken advantage of the exemption contained in FRS 102 section 33 'Related Party Disclosures' from disclosing related party transactions with entities which form part of the XL Group Ltd group.

1.7 Insurance and investment contracts – classification

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

The Company has not issued any investment contracts, as set out above, in this or prior years and has only issued insurance contracts.

The results of the Company are determined on an annual basis, whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

(i) Premiums written

Premiums written represent premiums on business incepting during the year. They include estimates for pipeline premiums and adjustments to the prior year and are stated before deduction of commissions and other related acquisition costs. Cancellations of premium policies are excluded from gross premiums written.

Single premium contracts consist of those contracts under which there is no expectation of continuing premiums being paid at regular intervals. Additional single premiums paid in respect of existing individual contracts shall be included in gross premiums written.

(ii) Outward reinsurance premiums ceded

Outward reinsurance premiums ceded represents premiums for contracts incepting during the financial year together with adjustments to outwards reinsurance premiums ceded in previous years. They are allocated to the appropriate accounting period on bases which fairly reflect the allocation of the underlying business being protected.

(iii) Unearned premiums written

Premiums written are recognised as earned income over the period of the policy on a time apportionment basis, having regard, where appropriate, to the incidence of risk. The provision for unearned premiums represents the portion of premiums written that relate to unexpired terms of policies in force at the Statement of Financial Position date, and is calculated on a daily pro rata basis. The unearned premium provision is recognised separately from the long term business provision.

(iv) Claims incurred

Claims incurred comprise claims and related expenses paid during the year and changes in the provisions for outstanding claims, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years.

1 ACCOUNTING POLICIES (CONTINUED)

1.7 Insurance and investment contracts - classification (continued)

(v) Claims provisions and related reinsurance recoveries

Claims outstanding comprise claims notified and not yet paid and include a provision for claims handling expenses in respect of those claims.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

(vi) Deferred acquisition costs

Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned. Management's estimate of what constitutes "other related expenses" has changed in the year, see note 6.

(vii) Unexpired risks provision

Provisions are made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risks provision. The expected claims are calculated having regard to events that have occurred prior to the Statement of Financial Position date.

Unexpired risk surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises.

1.8 Long term business provision

The long term business provision is determined in accordance with the requirements of the EU Third Life Directive 92/96/EEC, under which certain contingency and other reserves required by insurance company regulations are excluded from the long term business provision.

The basis of the calculation is as follows:
Provision is made at year end for the cost of claims incurred but not yet reported to the Company. The estimated cost of claims includes expenses to be incurred in settling plus a provision for future administrative expenses relating to existing business. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

1.9 Investment return

Investment return consisting solely of bank interest is credited to the technical account. No transfer is made to the non-technical account as all investment assets relate to the technical account.

1 ACCOUNTING POLICICES (CONTINUED)

1.10 Foreign currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates (the functional currency). The financial statements are presented in Pounds Sterling, which is the Company's functional currency.

Transactions in foreign currencies are revalued into the functional currency using average rates of exchange as a proxy for the transactional rates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the non-technical account.

At each period end foreign currency monetary items are translated using the closing rate. For this purpose all assets and liabilities arising from insurance contracts (including unearned premiums, deferred acquisition costs and unexpired risks provisions) are monetary items.

1.11 Pension costs

Catlin Holdings Limited, a fellow group company, operates a defined contribution scheme. Pension contributions relating to staff working on the affairs of the Company are charged to the Company and included within net operating expenses.

1.12 Overseas deposits

Overseas deposits are stated at fair value. Any movements in fair value during the year are recognised in the Statement of Profit or Loss.

1.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

1.14 Dividends

Dividends payable are recognised when approved by the Board.

1.15 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the year. Tax is recognised in the Statement of Profit or Loss, except to the extent that it relates to items recognised directly in equity. In this case, tax is also recognised directly in equity.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years and is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Deferred tax arises from timing differences that are differences between taxable profits and total profit as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

2 MANAGEMENT OF FINANCIAL RISK

Financial risk management objectives

The Company is exposed to a range of financial risks through its financial assets, insurance liabilities and reinsurance assets. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are insurance risk (including reinsurance risk), market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and liabilities are interest rate, equity price risk and currency risk.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. It manages these positions within a risk management framework ("the framework") that has been developed to ensure that investment proceeds and returns are in excess of obligations under insurance contracts. The Company produces regular reports that are circulated to the management of the Managing Agency. The principal technique of the Company's framework is to match assets and liabilities from insurance contracts by reference to the type of benefits payable to contract holders. The Company's framework is also integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance liabilities.

The notes that follow explain how financial risks are managed using the categories utilised in the Company's framework.

(a) Insurance risk

Insurance risk arises from the Company's long term insurance business and refers to the risk of loss or of adverse change in the value of insurance liabilities due to inadequate pricing and reserving assumptions. Examples of such risks include unexpected losses arising from fluctuations in the timing, frequency and severity of claims compared to expectations and inadequate reinsurance protection. The Company's underwriting and reinsurance strategies are set within the context of the overall XL Catlin strategies, approved by the Board and communicated clearly throughout the business through policy statements and guidelines.

Capital resource sensitivities

The capital position is sensitive to market conditions due to changes in the value of the assets, and to assumptions and experience in respect of the value of the liabilities. The most significant risks to the Company are as follows:

Event risk
The risk that individual risk losses or catastrophes lead to claims that are higher than anticipated in plans and pricing.

Pricing risk
The risk that the level of expected loss is understated in the pricing process.

Reinsurance risk
Reinsurance risk to the Company occurs where reinsurance contracts put in place to reduce gross insurance risk do not perform as anticipated, prove inadequate in terms of the vertical or horizontal limits purchased or result in coverage disputes.

Cycle risk
The risk that business is written in a soft market without full knowledge as to the adequacy of rates, terms and conditions.

Expense risk
The risk that the allowance for expenses and inflation in pricing is inadequate.

2 MANAGEMENT OF FINANCIAL RISK (CONTINUED)

(a) Insurance risk (continued)

Underwriting risks are continually monitored through, for example, the established peer review process, underwriting authority limits imposed, round table review and audits, as well as via exception reporting. Formal price monitoring procedures form part of the standard monthly management information. These contribute to the quarterly actuarial review whereby the loss outcome of the underwriting activity is continually re-assessed and considered by the Reserving actuaries. There is a dedicated Catastrophe and Aggregation management function independent of Underwriting management, whose responsibility is to model aggregate risk and support pricing decisions, providing a key control to the underwriting process.

(b) Market risk

Market risk is the impact arising from the uncertainty of asset prices, interest rates, foreign exchange rates, and other factors related to financial markets and investment asset management.

XL Catlin Group imposes restrictions on the external investment managers' investment strategies. Strict limits, by trust fund, are set for types of assets held, concentration limits and average investment grade ratings. Investments are typically investment grade bonds and investment grade asset backed securities. Guidelines and benchmarks are set annually and approved by the board.

The performance of the investment managers is monitored constantly by XL Catlin Group investment specialists and reported monthly to CUAL management and reviewed quarterly by the CUAL Board of directors. The Company aims to manage exchange rate exposure in US dollar terms and asset and liabilities are duration matched.

Market risk includes:

(i) Interest rate risk

The Company holds no investments, only cash, which is not materially sensitive to changes in interest rates. As such, the Company is not considered to be materially subject to interest rate risk.

(ii) Equity price risk

As the Company holds no equities, it is not subject to equity price risk.

(iii) Currency risk

The Company manages its foreign exchange risk against its functional currency. Foreign exchange arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Company's functional currency.

The Company is primarily exposed to currency risk in respect of liabilities under policies of insurance denominated in currencies other than Pound Sterling. The most significant currencies to which the Company is exposed are US Dollar and Euro. The Company seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

2 MANAGEMENT OF FINANCIAL RISK (CONTINUED)

(b) Market risk (continued)

(iii) Currency risk (continued)

2016	**GBP £000's**	**USD £000's**	**EUR £000's**	**TOTAL £000's**
Overseas deposits	22	10	—	32
Reinsurer's share of technical provisions	926	11,319	209	12,454
Insurance and Reinsurance receivables	3,244	28,388	259	31,891
Cash at bank and in hand	10,171	5,671	2,539	18,381
Other assets	2,438	—	—	2,438
Total assets	**16,801**	**45,388**	**3,007**	**65,196**
Technical provisions	(5,328)	(25,769)	(785)	(31,882)
Insurance and reinsurance payables	(1,139)	(16,639)	(276)	(18,054)
Other creditors	(7,328)	(1,955)	(9)	(9,292)
Provisions for other risks and charges	(453)	—	—	(453)
Accruals and deferred income	—	(933)	—	(933)
Total Liabilities	**(14,248)**	**(45,296)**	**(1,070)**	**(60,614)**

2015	*GBP £000's*	*USD £000's*	*EUR £000's*	*TOTAL £000's*
Overseas deposits	17	—	—	17
Reinsurers' share of technical provisions	207	10,934	29	11,170
Insurance and Reinsurance receivables	3,671	14,586	145	18,402
Cash and cash equivalents	2,361	2,912	2,475	7,748
Other assets	1,261	1,421	86	2,768
Total assets	**7,517**	**29,853**	**2,735**	**40,105**
Technical provisions	(5,734)	(18,307)	(434)	(24,475)
Insurance and reinsurance payables	(555)	(8,266)	(19)	(8,840)
Other creditors	(2,545)	(738)	—	(3,283)
Total Liabilities	**(8,834)**	**(27,311)**	**(453)**	**(36,598)**

2 MANAGEMENT OF FINANCIAL RISK (CONTINUED)

(b) Market risk (continued)

(iii) Currency risk (continued)

Sensitivity analysis

Fluctuations in the Company's trading currencies against the sterling would result in a change to profit after tax and net assets value.

The table below gives an indication of the impact on profit after tax and net assets of a percentage change in the relative strength of the Pound sterling against the value of the Euro, the Canadian dollar and the US dollar, simultaneously. The analysis is based on current information.

	Impact on profit after tax		Impact on net assets	
	2016	**2015**	**2016**	**2015**
Changes to Euro, Canadian dollar and US dollar relative to pounds sterling	**£000's**	**£000's**	**£000's**	**£000's**
GBP weakens 20% against other currencies	**215**	76	**973**	584
GBP weakens 10% against other currencies	**117**	42	**531**	319
GBP strengthens 10% against other currencies	**(143)**	(51)	**(649)**	(390)
GBP strengthens 20% against other currencies	**(323)**	(115)	**(1,460)**	(877)

(c) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries;

The Company manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and monitoring its exposure to regions, countries and industries. Such risks are subject to regular review.

Changes to the limits on the level of credit risk by category and territory are approved annually by the managing agency Board of Directors. Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an ongoing basis by reviewing their financial strength prior to finalisation of any contract. In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy. In certain circumstances, deposits from reinsurers are also held as collateral.

2 MANAGEMENT OF FINANCIAL RISK (CONTINUED)

(c) Credit risk (continued)

The table below provides information on the credit quality of financial assets of the Company that are neither past due nor impaired:

2016	**AAA**	**AA**	**A**	**BBB or less**	**Not rated**	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Overseas deposits	—	—	8	—	24	**32**
Reinsurers' share of claims outstanding	—	—	6,156	672	—	**6,828**
Cash at bank and in hand	—	—	5,671	12,710	—	**18,381**
Total	**—**	**—**	**11,835**	**13,382**	**24**	**25,241**

2015	*AAA*	*AA*	*A*	*BBB or less*	*Not rated*	*Total*
	£000's	*£000's*	*£000's*	*£000's*	*£000's*	*£000's*
Overseas deposits	—	—	17	—	—	*17*
Reinsurers' share of claims outstanding	—	—	6,716	739	—	*7,455*
Cash at bank and in hand	—	—	—	—	7,748	*7,748*
Total	—	—	*6,733*	*739*	*7,748*	*15,220*

The Company has no reinsurance debtors that are past due but not considered to be impaired. The Company does not currently hold any impaired assets (2015: no impaired assets held).

2016	**Neither due nor impaired**	**Up to three months**	**Three to six months**	**Six months to one year**	**Greater than one year**	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Overseas deposits	32	—	—	—	—	32
Reinsurers' share of claims outstanding	6,828	—	—	—	—	6,828
Reinsurance debtors	—	—	—	—	—	—
Cash at bank and in hand	18,381	—	—	—	—	18,381
Insurance debtors	23,109	—	—	12	—	23,121
Other debtors	9	—	—	—	—	9
Total credit risk	**48,359**	—	—	**12**	—	**48,371**

2 MANAGEMENT OF FINANCIAL RISK (CONTINUED)

(c) Credit risk (continued)

2015	*Neither due nor impaired*	*Up to three months*	*Three to six months*	*Six months to one year*	*Greater than one year*	*Total*
	£000's	*£000's*	*£000's*	*£000's*	*£000's*	*£000's*
Overseas deposits	17	—	—	—	—	17
Reinsurers' share of claims outstanding	7,455	—	—	—	—	7,455
Reinsurance debtors	—	—	—	—	—	—
Cash at bank and in hand	7,748	—	—	—	—	7,748
Insurance debtors	7,245	—	495	—	—	7,740
Other debtors	2,768	—	—	—	—	2,768
Total credit risk	**25,233**	—	**495**	—	—	**25,728**

The Company has insurance and reinsurance debtors that are past due but not considered to be impaired of £12k (2015: £495k).

(d) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of the syndicate is the obligation to pay claims as they fall due. The projected settlement of these liabilities is modelled, on a regular basis, using actuarial techniques. The Syndicate manages this risk by maintaining sufficient liquid assets to meet expected cash flow requirements.

The following tables analyse financial liabilities by maturity date:

2016	**No Stated maturity**	**0-1 year**	**1-3 years**	**3-5 years**	**>5 years**	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Creditors	—	27,346	—	—	—	**27,346**
Claims outstanding	—	16,290	—	351	922	**17,563**
Financial liabilities	—	**43,636**	**0**	**351**	**922**	**44,909**

2015	*No Stated maturity*	*0-1 year*	*1-3 years*	*3-5 years*	*>5 years*	*Total*
	£000's	*£000's*	*£000's*	*£000's*	*£000's*	*£000's*
Creditors	—	*11,244*	—	—	—	*11,244*
Claims outstanding	—	*7,881*	*5,911*	—	—	*13,792*
Financial liabilities	*0*	*19,125*	*5,911*	*0*	*0*	*25,036*

2 MANAGEMENT OF FINANCIAL RISK (CONTINUED)

(e) Fair value estimation

The fair values of cash and cash equivalents, premiums and other receivables, and accounts payable approximate their carrying value due to the immediate or short term maturity of these financial instruments.

Other assets and liabilities

The fair values of cash and cash equivalents, premiums and other receivables, and accounts payable approximate their carrying value due to the immediate or short term maturity of these financial instruments.

The following tables present the Company's holdings of assets measured at fair value:

2016	**Level 1 £000's**	**Level 2 £000's**	**Level 3 £000's**	**Total £000's**
Loans and deposits with credit institutions	**25**	—	—	**25**
Total	**25**	—	—	**25**

2015	*Level 1 £000's*	*Level 2 £000's*	*Level 3 £000's*	*Total £000's*
Loans and deposits with credit institutions	17	—	—	*17*
Total	*17*	—	—	*17*

3 MANAGEMENT OF CAPITAL

(a) Capital Framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000 and in accordance with Solvency II legislation.

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

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements applies at overall and member level respectively, not at syndicate level. See notes 19 for details of the syndicate's FAL requirement.

(b) Lloyd's Capital Setting Process

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.

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicate(s) on which it participates but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate SCR 'to ultimate'. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. 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 was 35% of the member's SCR 'to ultimate'.

(c) Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (Funds at Lloyd's), held within and managed within a Syndicate (Funds in Syndicate) or as the member's share of the members' balances on each Syndicate on which it participates.

Resources available to meet members' and Lloyd's capital requirements are separately identified in the Statement of Changes in Member's Balances.

4 SEGMENTAL ANALYSIS

In the opinion of the directors, the Company operates in a single business segment, being that of long-term insurance business .

2016	**Gross Premiums Written**	**Gross Premiums Earned**	**Gross Claims Incurred**	**Gross Operating Expenses**	**Reinsurance Balance**	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Total	**19,381**	**18,079**	**(5,677)**	**(5,325)**	**(5,920)**	**1,157**

2015	*Gross Premiums Written*	*Gross Premiums Earned*	*Gross Claims Incurred*	*Gross Operating Expenses*	*Reinsurance Balance*	*Total*
	£000's	*£000's*	*£000's*	*£000's*	*£000's*	*£000's*
Total	*27,188*	*20,518*	*(16,415)*	*(7,049)*	*2,321*	*(625)*

The reinsurance balance is in relation to an intra-group surplus reinsurance treaty with Catlin Insurance Company Ltd.

The gross premiums written can be further analysed as follows:

	2016	*2015*
	£000's	*£000's*
Individual premiums	**649**	*162*
Premiums under group contracts	**18,732**	*27,026*
Gross premiums written	**19,381**	*27,188*
Single premiums	**19,381**	*27,188*
Gross premiums written	**19,381**	*27,188*

All business written is considered to be single premium business and renewable on an annual basis.

The Lloyd's insurance market has been treated as one geographical segment. All business is signed and concluded in the UK. The geographical analysis of gross premiums written by risk location is as follows:

	2016	*2015*
	£000's	*£000's*
United Kingdom	**6,967**	*9,774*
Other EU countries	**2,124**	*2,980*
US	**826**	*1,158*
Latin America	**7,904**	*11,087*
Other Worldwide	**1,560**	*2,189*
	19,381	*27,188*

5 MOVEMENT IN PRIOR YEAR'S PROVISION FOR CLAIMS OUTSTANDING

A favourable run off deviation (prior accident year release) of £1.5m (2015: £2.4m favourable deviation) was experienced during the year.

6 NET OPERATING EXPENSES

	2016	*2015*
	£000's	*£000's*
Acquisition costs	2,515	*5,497*
Change in deferred acquisition costs	316	*(645)*
	2,831	*4,852*
Administration expenses	2,494	*2,197*
Reinsurers' commissions and profit participations	(1,169)	*(1,687)*
	4,156	*5,362*

Included within acquisition costs are amounts relating to commissions on direct insurance business of £1,182k (2015: £2,991k).

Administrative expenses include:

	2016	*2015*
	£000's	*£000's*
Auditors' remuneration		
Audit services: Fees payable to the Company's auditors for the audit of the statutory financial statements	**7**	*7*
Other services		
Fees payable to the syndicate's auditors and its associates for other services: Other services pursuant to legislation, including the audit of the regulatory return	—	—

7 EMPLOYEES & DIRECTORS

The Company has no direct employees. The employees that provide services to the Company are employed by other XL Catlin Group companies and are recharged to the Company. The expense recharge includes the cost of these employees, but it is not possible to ascertain separately the element of the expense recharge that relates directly to staff costs or staff numbers.

Directors' emoluments for the year are as follows:

	2016 £000's	*2015 £000's*
Aggregate emoluments and other benefits	13	*18*
Pension contributions	—	*1*
	13	*19*

Emoluments of the highest paid director are:

	2016 £000's	*2015 £000's*
Aggregate emoluments and other benefits	7	*13*
Pension contributions	—	—
	7	*13*

Emoluments of the active underwriter are:

	2016 £000's	*2015 £000's*
Aggregate emoluments and other benefits	8	*6*
Pension contributions	—	—
	8	*6*

Directors' emoluments are the share of the total emoluments charged to the Company for services provided to the Company. Directors' emoluments are paid by other group companies and recharged by way of a management fee based on a best estimate of the time spent on the Company's activities.

8 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2016 £000's	2015 £000's
Analysis of tax charge/(credit) in the year		
Current tax charge/(credit) :		
UK corporation tax on profit/(loss) for the year at 20% (2015: 20.25%)	(3)	(115)
Total current tax charge(/credit) for the year	(3)	(115)
Deferred tax charge/(Credit)		
Origination and reversal of timing differences	260	(20)
Adjustment in respect of prior periods	(39)	-
Total deferred tax (note 16)	221	(20)
Tax on profit/(loss) on ordinary activities	218	(135)

Factors affecting the tax charge for the year:
The tax assessed for the year is lower (2015: higher) than the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below:

	2016 £000's	2015 £000's
Profit/(Loss) on ordinary activities before taxation	1,294	(593)
Profit/(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 : 20.25%)	258	(120)
Adjustment in respect of prior periods	(39)	-
Charge in tax rates	(1)	(15)
Tax charge/(credit) for the year	218	(135)

Tax Rate Changes
Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020.

9 RECONCILIATION OF INSURANCE BALANCES

2016	**Provision for unearned premium**	**Claims Outstanding**
	£000's	**£000's**
Gross Technical Provisions		
As at December 31, 2015	**10,683**	**13,792**
Movement in the provision	**1,302**	**(380)**
Foreign exchange movements	**2,333**	**4,151**
As at 31 December 2016	**14,318**	**17,563**
Reinsurers' share of technical provisions		
As at December 31, 2015	**3,715**	**7,455**
Movement in the provision	**810**	**(2608)**
Foreign exchange movements	**1,101**	**1,981**
As at 31 December 2016	**5,626**	**6,828**
Net technical provisions		
As at December 31, 2015	**6,968**	**6,337**
As at 31 December 2016	**8,692**	**10,735**

2015	*Provision for unearned premium*	*Claims Outstanding*
	£000's	*£000's*
Gross Technical Provisions		
As at December 31, 2014	*4,155*	*1,176*
Movement in the provision	*6,670*	*12,313*
Foreign exchange movements	*(142)*	*303*
As at 31 December 2015	*10,683*	*13,792*
Reinsurers' share of technical provisions		
As at December 31, 2014	*167*	*22*
Movement in the provision	*3,672*	*7,246*
Foreign exchange movements	*(124)*	*187*
As at 31 December 2015	*3,715*	*7,455*
Net technical provisions		
As at December 31, 2014	*3,988*	*1,154*
As at 31 December 2015	*6,968*	*6,337*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

10 CLAIMS DEVELOPMENT TRIANGLES

To illustrate the robustness of our reserves, the loss development tables below provide information about historical claims development. 2013 and prior reserves are incorporated through the reinsurance to close.

Catlin (One) Limited Gross claims development as at 31 December 2016

Pure underwriting year	2013 & Prior £000's	2014 £000's	2015 £000's	2016 £000's	Total £000's
Estimate of gross claims incurred					
After 12 months		1,628	15,459	9,168	
After 24 months		5,461	14,159		
After 36 months		4,876			
Estimated total losses		4,876	14,159	9,168	
Less cumulative gross claims paid		4960	5,511	401	
Gross reserves	**232**	**(84)**	**8,648**	**8,767**	**17,563**

Catlin (One) Limited Net claims development as at 31 December 2016

Pure underwriting year	2013 & Prior £000's	2014 £000's	2015 £000's	2016 £000's	Total £000's
Estimate of net claims incurred					
After 12 months		1,605	6,426	6,693	
After 24 months		5,419	9,792		
After 36 months		4,890			
Estimated total losses		4,890	9,792	6,693	
Less cumulative gross claims paid		4,960	5,511	401	
Net reserves	**232**	**(70)**	**4,281**	**6,292**	**10,735**

10 CLAIMS DEVELOPMENT TRIANGLES (continued)

Catlin (One) Limited Gross claims development as at 31 December 2015

Pure underwriting year	2013 & Prior £000's	2014 £000's	2015 £000's	Total £000's
Estimate of gross claims incurred				
After 12 months		1,531	12,920	
After 24 months		5,327	—	
Estimated total losses		5,327	12,920	
Less cumulative gross claims paid		3783	672	
Gross reserves		**1,544**	**12,248**	**13,792**

Catlin (One) Limited Net claims development as at 31 December 2015

Pure underwriting year	2013 & Prior £000's	2014 £000's	2015 £000's	Total £000's
Estimate of net claims incurred				
After 12 months		1,508	5,506	
After 24 months		5,286	—	
Estimated total losses		5,286	5,506	
Less cumulative gross claims paid		3,783	672	
Net reserves		**1,503**	**4,834**	**6,337**

11 DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2016 £000's	2015 £000's
Due from intermediaries within one year	23,121	7,739

12 DEBTORS ARISING OUT OF REINSURANCE OPERATIONS

	2016 £000's	2015 £000's
Deposits with ceding undertakings	8,770	10,663

13 OTHER DEBTORS

	2016 £000's	2015 £000's
Amounts owed from group undertakings	—	468
Corporation tax recoverable	4	115
Other debtors	5	1
	9	584

14 DEFERRED ACQUISITION COSTS

	2016 £000's	2015 £000's
Opening balance	2,184	962
Change in gross deferred acquisition costs	(316)	645
Currency translation difference	537	577
Closing balance	2,405	2,184

15 CREDITORS:
Amounts falling due within one year

	2016 £000's	2015 £000's
Creditors arising out of reinsurance operations	18,054	8,840
Amounts owed to group undertakings	4,739	2,402
Other creditors	4,553	2
	27,346	11,244

Amounts owed to group undertakings were unsecured, interest free, have no fixed date of prepayment and are repayable on demand.

16 PROVISION FOR OTHER RISKS AND CHARGES:
Deferred Tax liabilities

	2016 £000's	2015 £000's
Deferred tax liability relating to:		
Untaxed profits on Syndicate results	453	232
Deferred tax liability at 31 December	453	232
Balance as at 1 January	232	252
Deferred tax charge/(credit) in profit or loss account for the financial year	221	(20)
Balance as at 31 December	453	232

The net deferred tax liability expected to reverse in 2017 is £526k.

17 CALLED UP SHARE CAPITAL

	2016 £000's	2015 £000's
Ordinary shares		
Allotted, called-up and fully paid		
3,200,000 (2015: 3,200,000) Ordinary shares of £0.01 each	320	320

18 LONG TERM BUSINESS PROVISION

The following methodology has been used in valuing the long term business provision:

i) A development pattern based on historic reported claims has been used to determine the incurred but not reported claim provision. Reinsurance recoveries are separately recognised.
ii) An explicit provision to cover future expenses of £ 2.1m (2015: £ 0.2m) has been set. This has been calculated by analysing the costs that are likely to be incurred in running off the current book of business.

19 FUNDS AT LLOYD'S

Every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). As at 31 December 2016, the value of assets supporting FAL for the 2017 year of account is £25.3m (2016 year of account at 31 December 2015: £19.5m). These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities.

The level of FAL that Lloyd's requires a member to maintain is determined based on PRA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the managing agent, no amount has been shown in these annual accounts by way of such capital resources. However, the managing agent is able to make a call on the member's FAL to meet liquidity requirements or to settle losses.

20 ULTIMATE PARENT UNDERTAKING

The Company is a wholly owned subsidiary of Catlin Holdings Limited, a company registered in England and Wales.

Catlin Insurance Company Ltd., a company registered in Bermuda, is the parent undertaking of the smallest group to consolidate the financial statements of Catlin (One) Limited. Copies of the Catlin Insurance Company Ltd. consolidated financial statements can be obtained from The Secretary, Catlin Insurance Company Ltd., O'Hara House, One Bermudiana Road, Hamilton, Bermuda HM08.

The ultimate parent undertaking and controlling party is XL Group Ltd., a company registered in Bermuda, which is the parent undertaking of the largest group to consolidate the financial statements of Catlin (One) Limited. Copies of the XL Group Ltd. consolidated financial statements can be obtained from 20 Gracechurch Street, London, EC3V 0BG.