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Marketform

SYNDICATE 2468

SYNDICATE UNDERWRITING YEAR ACCOUNTS

2007 RUN-OFF YEAR OF ACCOUNT

AS AT 31 DECEMBER 2014

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DIRECTORS AND ADMINISTRATION

MANAGING AGENT:

Marketform Managing Agency Limited

Directors

V Badal

S E H Barr

A C Durkin (resigned as director 11/09/14)

S P Lotter

J E Mumford (Non-Executive Chairman)

P V Olsen (Non-Executive)

J G F O'Neill

A S Ribaud

A J Walker (Non-Executive)

Company secretary

A C Durkin (resigned as Company secretary 31/07/14)

J M Taylor (appointed 31/07/14 resigned 17/10/14)

Acting Company Secretary A Walley (appointed 18/10/14)

Registered office

20 Gracechurch Street

London EC3V 0BG

Registered in England No 03584320

SYNDICATE:

Active underwriter

S P Lotter

Bankers

Barclays Bank PLC

Principal investment managers

Lloyds Treasury

Registered auditors

Ernst & Young LLP

Solicitors

Clyde & Co LLP

Consulting Actuaries

Towers Watson

SYNDICATE 2468

MANAGING AGENT'S REPORT

The managing agent presents its report at 31 December 2014 for the 2007 Run-off year of account.

This report is prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (No 8 of 2005)

Review of the 2007 run-off year of account

The balance on the technical account at 31 December 2014 is a deficit of £211.9m which represents an improvement in the year of £302k, due to improvements in the reserves.

During 2014 the syndicate received a cash call amount of £20.0m.

There has been continued incurred movement in 2014 on Italian Public Hospitals within the medical malpractice class. However, the uncertainty has reduced and now stabilised. The board has elected to keep the year open at 31 December 2014 for at least another 12 months because the book has not developed to a level necessary to close the year. The settlement of these claims continues to be managed actively and the number of open claims on this account has reduced from 1,488 at December 2013 to 964 at December 2014. The board will continue to monitor closely this year of account with a view to arranging a reinsurance to close at the earliest opportunity.

The business written by the Syndicate is set out in note 3.

Approved on behalf of the Board of Directors of Marketform Managing Agency Limited and signed on its behalf on 23rd March 2015.



A S Ribaud
Director

SYNDICATE 2468

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The Lloyd's Syndicate Accounting Byelaw (No 8 of 2005) requires the managing agent to prepare run-off underwriting year accounts at 31 December in respect of any syndicate year that is in run-off.

In preparing the run-off underwriting year accounts, the managing agent is required to:

- select suitable accounting policies which are applied consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable as between the Members of the syndicate affected. In particular, the amount charged by way of premium in respect of the reinsurance to close shall, where the reinsuring Members and reinsured Members are Members of the same syndicate for different years of account, be equitable as between them, having regard to the nature and amount of the liabilities reinsured;
- take into account all income and charges relating to a run-off account without regard to the date of receipt or payment;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in these underwriting year accounts.

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the syndicate and enable it to ensure that the syndicate underwriting year accounts comply with the Byelaw. It is also responsible for safeguarding the assets of the syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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INDEPENDENT AUDITOR'S REPORT

To the Members of Syndicate 2468 – 2007 run-off year of account

We have audited the syndicate underwriting year accounts for the 2007 run-off year of account of Syndicate 2468 for the eight years ended 31 December 2014, which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the related notes 1 to 17 and the Statement of Managing Agent's Responsibilities. The financial reporting framework that has been applied in their preparation is applicable law, the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) and applicable United Kingdom Accounting Standards.

This report is made solely to the syndicate's members, as a body, in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005). 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate's 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 the auditor

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 3, the managing agent is responsible for the preparation of the syndicate underwriting year accounts in accordance with the financial reporting framework described above. Our responsibility is to audit and express an opinion on the syndicate underwriting year accounts in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the syndicate underwriting year accounts

An audit involves obtaining evidence about the amounts and disclosures in the syndicate underwriting year accounts sufficient to give reasonable assurance that the syndicate underwriting year accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the syndicate's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the managing agent; and the overall presentation of the syndicate underwriting year accounts. In addition, we read all the financial and non-financial information in the Syndicate Underwriting Year Accounts to identify material inconsistencies with the audited syndicate underwriting year accounts 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.

Opinion on syndicate underwriting year accounts

In our opinion the syndicate underwriting year accounts for the 2007 run-off year of account have been properly prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) requires us to report to you if, in our opinion:

- ▶ the managing agent in respect of the syndicate has not kept proper accounting records; or
- ▶ the syndicate underwriting year accounts are not in agreement with the accounting records.

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Emphasis of matter – quantification of insurance contract liabilities

In forming our opinion on the underwriting year accounts, which is not modified, we have considered the adequacy of the disclosures made by the managing agent in note 5 to the underwriting year accounts, relating to the uncertainty regarding the ultimate cost of a reinsurance to close to a successor year of the syndicate. The managing agent has decided not to close the 2007 run-off year of account. The ultimate estimate of the reinsurance to close is subject to significant uncertainty and may differ materially from the estimate that is currently provided in the underwriting year accounts.

Handwritten signature of Ernst & Young LLP in black ink.

Stuart Wilson (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

London

23 March 2015

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PROFIT AND LOSS ACCOUNT: TECHNICAL ACCOUNT – GENERAL BUSINESS

For the 2007 run-off year of account for the year ended 31 December 2014

	Notes	Calendar year		Cumulative balance to	
		£'000	£'000	31 December 2014	£'000
Syndicate allocated capacity					<u>100,000</u>
Earned premiums, net of reinsurance					
Gross premiums written	3		(3,926)		122,448
Outward reinsurance premiums			398		<u>(14,463)</u>
Earned premiums, net of reinsurance			<u>(3,528)</u>		107,985
Reinsurance to close premium received net of reinsurance	4		-		<u>198,087</u>
			<u>(3,528)</u>		<u>306,072</u>
The amount retained to meet all known and unknown outstanding liabilities, net of reinsurance, brought forward			187,888		-
Allocated investment return transferred from the non-technical account			1,074		23,416
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(24,353)		(406,061)	
Reinsurers' share		9,220		100,592	
		<u>(15,133)</u>		<u>(305,469)</u>	
The amount retained to meet all known and unknown outstanding liabilities, net of reinsurance, carried forward	5	<u>(144,445)</u>		<u>(144,445)</u>	
			<u>(159,578)</u>		<u>(449,914)</u>
Net operating expenses	6		<u>(25,554)</u>		<u>(91,510)</u>
Balance on the technical account – general business	8		<u>302</u>		<u><u>(211,936)</u></u>

The notes on pages 10 to 21 form an integral part of the accounts

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PROFIT AND LOSS ACCOUNT: NON-TECHNICAL ACCOUNT

The result for the year ended 31 December 2014 for the 2007 run-off account

	Notes	Calendar year £'000	Cumulative balance to 31 December 2014 £'000
Balance on the technical account for general business		302	(211,936)
Investment income	7	1,037	26,512
Unrealised gains on investments		367	9,338
Investment expenses and charges	7	(304)	(7,085)
Unrealised losses on investments		(26)	(5,349)
Allocated investment return transferred to general business technical account		(1,074)	(23,416)
Result for the year ended 31 December 2014 for the 2007 run-off account		302	(211,936)

The notes on pages 10 to 21 form an integral part of the accounts

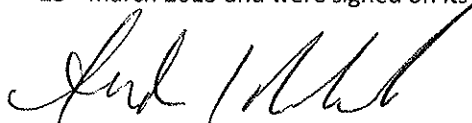
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BALANCE SHEET

For the 2007 run-off year of account at 31 December 2014

ASSETS	Notes	£'000	£'000
Investments	9		68,052
Debtors	10		22,348
Reinsurance recoveries anticipated on gross amounts retained to meet all known and unknown outstanding liabilities	5		32,889
Other assets			
Cash at bank and in hand		2,951	
Other	12	6,347	
			<u>9,298</u>
TOTAL ASSETS			<u><u>132,587</u></u>
LIABILITIES			
Amounts due from Members	11		(50,460)
Amounts retained to meet all known and unknown outstanding liabilities - gross amount	5		177,334
Creditors	13		5,564
Accruals and deferred income			149
TOTAL LIABILITIES			<u><u>132,587</u></u>

The Syndicate Annual Accounts were approved on behalf of the Board of Marketform Managing Agency Limited on 23rd March 2015 and were signed on its behalf by



A S Ribaudó

Director

The notes on pages 10 to 21 form an integral part of the accounts

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CASH FLOW STATEMENT

For the 2007 run-off year of account for the year ended 31 December 2014

Reconciliation of Operating Loss to Net Cash Inflow from Operating Activities	Notes	£'000
Loss for the run-off year of account		(211,936)
Realised and unrealised investment gains including foreign exchange	14	39
Net amount retained to meet all known and unknown liabilities		144,445
(Increase) in debtors		(22,348)
Increase in creditors		5,564
Increase in accruals and deferred income		149
Net cash inflow from operating activities		(84,087)
Cash Flow Statement		
Net cash inflow from operating activities		(84,087)
Transfer to Members in respect of underwriting participations		(3,524)
Financing		
Cash call		165,000
	14	77,389
Cash flows were invested as follows:		
Increase in cash holdings		2,951
Increase in overseas deposits		6,347
Net portfolio investment	16	68,091
Net investment of cash flows	14	77,389

The notes on pages 10 to 21 form an integral part of the accounts

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NOTES TO THE ACCOUNTS

For the 2007 run-off year of account at 31 December 2014

1. Basis of preparation

These underwriting year accounts have been prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and applicable Accounting Standards in the United Kingdom and comply with the Statement of Recommended Practice on Accounting for Insurance Business issued in December 2005 (as amended in December 2006) by The Association of British Insurers.

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These accounts relate to the 2007 run-off year of account. Consequently the balance sheet represents the assets and liabilities of the 2007 run-off year of account and the profit and loss account and cash flow statement reflect the transactions for that year of account during the eight year period from inception to the reference date.

As each syndicate year of account is a separate annual venture, there are no comparative figures.

2. Accounting policies

a) Underwriting transactions

The underwriting accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of the three year period, outstanding liabilities can normally be determined with sufficient accuracy to permit the year of account to be closed by payment of a reinsurance to close premium to the successor year of account. Where it is not deemed to be possible to determine the outstanding liabilities with sufficient accuracy, the year of account will not be closed by way of reinsurance to close.

i) Premiums written

Gross premiums are allocated to years of account on the basis of the inception date of the policy. Premiums in respect of insurance contracts underwritten under a binding authority, line slip or consortium arrangement are allocated to the year of account corresponding to the calendar year of inception of the arrangement. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them.

Premiums written are treated as fully earned.

ii) Reinsurance premium ceded

Initial reinsurance premiums paid to purchase policies which give excess of loss protection are charged to the year of account in which the protection commences. Premiums for other reinsurances are charged to the same year of account as the risks being protected.

iii) Claims paid and related recoveries

Gross claims paid include internal and external claims settlement expenses and, together with reinsurance recoveries less amounts provided for in respect of doubtful reinsurers, are attributed to the same year of account as the original premium for the underlying policy. Reinstatement premiums payable in the event of a claim being made are charged to the same year of account as that to which the recovery is credited.

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NOTES TO THE ACCOUNTS

For the 2007 run-off year of account at 31 December 2014

2. Accounting policies (cont.)

iv) Amount retained to meet all known and unknown outstanding liabilities

The net amount retained to meet all known and unknown outstanding liabilities is determined on the basis of estimated outstanding liabilities and related claims settlement costs (including claims incurred but not reported), net of estimated collectible reinsurance recoveries, relating to the run-off year of account and all previous years of account reinsured therein.

The estimate of 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, together with the provision for related claims handling costs. It also includes the estimated cost of claims incurred but not reported ('IBNR') at the balance sheet date based on statistical methods.

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 amount of salvage and subrogation recoveries is separately identified.

The reinsurers' share 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 estimates 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 estimates of gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, it is implicit in the estimation procedure that the ultimate liabilities will be at variance from the amount retained so determined.

b) Foreign currencies

Transactions, other than reinsurance to close and amounts retained to meet all known and unknown liabilities, in US dollars, Canadian dollars, Australian dollars and Euro are translated at the average rates of exchange for the period. Reinsurance to close premiums receivable, and underwriting transactions denominated in other foreign currencies, are included at the rate of exchange ruling at the transaction date. The amounts retained to meet all known and unknown liabilities are included at the rate ruling on the date the amounts are first reflected in the accounts.

All monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date or if appropriate at the forward contract rate.

Exchange differences are included in the technical account.

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NOTES TO THE ACCOUNTS

For the 2007 run-off year of account at 31 December 2014

2. Accounting policies (cont.)

c) Investments

Investments are stated at current value at the balance sheet date. For this purpose listed investments and overseas deposits are stated at bid market value. All investments are considered portfolio investments.

d) 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. The returns on the Overseas Deposits are allocated to the year of account as notified by Lloyd's. The returns on other assets arising in a calendar year are apportioned to years of account open during the calendar year in proportion to the average funds available for investment on each year of account.

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

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

e) Operating expenses

Where expenses are incurred by or on behalf of the managing agent on the administration of managed syndicates, these expenses are apportioned using varying methods depending on the type of expense. Expenses which are incurred jointly for the agency company and managed syndicates are apportioned between the agency company and the syndicates on bases depending on the amount of work performed, resources used and the volume of business transacted. Syndicate operating expenses are allocated to the year of account for which they are incurred.

f) 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 technical account under the heading 'net operating expenses'. No provision has been made for any other overseas tax payable by Members on underwriting results.

g) Pension costs

Marketform Management Services Limited, on behalf of the managing agent, makes contributions to employees' individual pension plans. Pension contributions relating to syndicate staff are charged to the syndicate and included within net operating expenses.

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NOTES TO THE ACCOUNTS

For the 2007 run-off year of account at 31 December 2014

3. Segmental analysis

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

	Gross premiums written (note i) £'000	Gross claims incurred (note ii) £'000	Gross operating expenses (note iii) £'000	Reinsurance balance (note iv) £'000	Total £'000
Cumulative to 31 December 2014					
Direct Insurance:					
Third Party Liability	113,265	(137,272)	(73,238)	23,542	(73,703)
Accident & Health	5,524	(2,280)	(1,074)	253	2,423
Reinsurance Acceptances:	3,659	(4,010)	(8,518)	(97)	(8,966)
	<u>122,448</u>	<u>(143,562)</u>	<u>(82,830)</u>	<u>23,698</u>	<u>(80,246)</u>
RITC received	198,087	(439,833)	(8,680)	95,320	(155,106)
	<u>320,535</u>	<u>(583,395)</u>	<u>(91,510)</u>	<u>119,018</u>	<u>(235,352)</u>

- (i) Gross premiums earned are identical to gross premiums written.
- (ii) Gross claims incurred comprise gross claims paid and gross amounts retained to meet all known and unknown liabilities.
- (iii) Gross operating expenses are the same as net operating expenses shown in the profit and loss account, as no commissions in respect of outward reinsurance were received and set off in arriving at the net operating expenses.
- (iv) The reinsurance balance comprises reinsurance premiums ceded less reinsurance recoveries on claims paid and reinsurance recoveries anticipated on the amount retained to meet all known and unknown liabilities.

All premiums written are in respect of contracts concluded in the UK.

The geographical analysis of premiums is as follows:

	£'000
UK	223,826
Other EU Countries	33,551
Other	63,158
	<u>320,535</u>

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NOTES TO THE ACCOUNTS

For the 2007 run-off year of account at 31 December 2014

4. Reinsurance to close premium receivable

	£'000	£'000
Gross notified outstanding claims	190,566	
Reinsurance recoveries anticipated	(54,516)	
Net notified outstanding claims		136,050
Provision for gross claims incurred but not reported	96,320	
Reinsurance recoveries anticipated	(34,283)	
Provision for net claims incurred but not reported		62,037
Reinsurance premium to close the 2006 year of account		198,087

5. Amount retained to meet all known and unknown liabilities at 31 December 2014

	£'000	£'000
Gross notified outstanding claims	136,485	
Reinsurance recoveries anticipated	(28,482)	
Net notified outstanding claims		108,003
Provision for gross claims incurred but not reported	40,849	
Reinsurance recoveries anticipated	(4,407)	
Provision for net claims incurred but not reported		36,442
Amount retained to meet all known and unknown liabilities		144,445

There has been continued incurred movement in 2014 on Italian Public Hospitals within the medical malpractice class. The ultimate amounts of these claims (both gross and net of reinsurance) are subject to uncertainty, illustrated by the range of possible ultimates projected by both our internal actuary and our external actuarial advisors. However, the uncertainty has reduced and now stabilised. Given the historical uncertainty, and a change of capital providers between the 2007 and 2008 years of account, the board considered it appropriate to leave the 2007 year of account open at 31 December 2009. The board has elected to keep the year open at 31 December 2014 for at least another 12 months because the book has not developed to a level necessary to close the year. The settlement of these claims continues to be managed actively and the number of open claims on this account has reduced from 1,488 at December 2013 to 964 at December 2014. Net claims provisions for Italian Public Hospitals on the 2007 & prior years of account amount to £104.6 million as at 31 December 2014 (2007 & prior years at 31 December 2013 £127million).

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NOTES TO THE ACCOUNTS

For the 2007 run-off year of account at 31 December 2014

6. Net operating expenses

	Calendar year £'000	Cumulative to 31 December 2014 £'000
Acquisition costs	(1,207)	34,730
Administrative expenses	1,737	16,875
Profit on exchange	25,024	39,905
	<u>25,554</u>	<u>91,510</u>
Administrative expenses include:		
Fees payable to the Syndicates Auditors for:		
- The audit of the Syndicate Accounts and Lloyd's returns	56	293
- Taxation compliance services	4	19
	<u>60</u>	<u>312</u>
Members' standard personal expenses	-	2,250

Within the audit fee above £67,000 was paid to previous auditors of the syndicate.

7. Investment return

	Calendar year £'000	Cumulative to 31 December 2014 £'000
Investment income		
Income from investments	778	20,305
Gains on the realisation of investments	259	6,207
	<u>1,037</u>	<u>26,512</u>
Investment expenses		
Investment management expenses, including interest	(209)	(1,630)
Losses on the realisation of investments	(95)	(5,455)
	<u>(304)</u>	<u>(7,085)</u>

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NOTES TO THE ACCOUNTS

For the 2007 run-off year of account at 31 December 2014

8. Balance on technical account

	Calendar year £'000	Cumulative to 31December 2014 £'000
Balance excluding investment return and operating expenses but including acquisition costs:		
Profit/(Loss) attributable to business allocated to the 2007 pure year of account	2,988	(46,783)
Loss attributable to business reinsured into the 2007 year of account	14,341	(140,461)
	<u>17,329</u>	<u>(187,244)</u>
Allocated investment return transferred from the non-technical account	1,074	23,416
Net operating expenses excluding acquisition costs	(18,101)	(48,108)
	<u>302</u>	<u>(211,936)</u>

9. Investments

	Market value 2014 £'000	Cost 2014 £'000
Shares and other variable yield securities	54,661	54,686
Debt securities and other fixed income securities		
Government securities	7,076	7,064
Guaranteed government debt	1,924	1,931
Corporate bonds	4,278	4,294
Mortgage backed instruments	-	-
Provincial and municipal debt	113	116
Asset-backed securities	-	-
	<u>13,391</u>	<u>13,405</u>
	<u>68,052</u>	<u>68,091</u>

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NOTES TO THE ACCOUNTS

For the 2007 run-off year of account at 31 December 2014

10. Debtors – due within one year

	£'000
Arising out of direct insurance operations	
Due from intermediaries	10
Arising out of reinsurance operations	
Due from intermediaries	2,071
Other Debtors	20,267
	<hr/>
	22,348
	<hr/> <hr/>

Other debtors include inter year loans and amounts in respect of foreign exchange transactions.

There are no debtors due after five years.

11. Amounts due from Members

	£'000
Loss for the 2007 run-off year of account	211,936
Cash calls made	(165,000)
Interim transfers to Members' personal reserve funds	3,524
	<hr/>
Amounts due from Members at 31 December 2014	50,460
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12. Other assets – other

These comprise overseas deposits which are lodged as a condition of conducting underwriting business in certain countries.

13. Creditors – due within one year

	£'000
Arising out of direct insurance operations	
Due to intermediaries	8
Arising out of reinsurance operations	72
Other Creditors	5,484
	<hr/>
	5,564
	<hr/> <hr/>

Other creditors include accruals for underwriting profit commissions.

There are no creditors due after five years

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NOTES TO THE ACCOUNTS

For the 2007 run-off year of account at 31 December 2014

14. Movement in opening and closing portfolio investments net of financing

	Cumulative to 31 December 2014 £'000
Net cash inflow from the seven years	2,951
Cash flow - overseas deposits	6,347
- portfolio investments	68,091
	<hr/>
Movement arising from cash flows	77,389
Changes in market value and exchange rates	(39)
	<hr/>
Total movement in portfolio investments	77,350
Portfolio at 1 January 2007	-
	<hr/>
Portfolio at 31 December 2014	77,350
	<hr/> <hr/>

15. Movement in cash, portfolio investments and financing

	At 1 January 2007 £'000	Cash flow £'000	Changes to Market value and currencies £'000	At 31 December 2014 £'000
Cash at bank and in hand	-	2,951	-	2,951
Overseas deposits	-	6,347	-	6,347
Portfolio investments:				
Shares and other variable yield securities	-	54,686	(25)	54,661
Debt securities and other fixed income securities	-	13,405	(14)	13,391
	<hr/>	<hr/>	<hr/>	<hr/>
Total cash, portfolio investments and financing	-	77,389	(39)	77,350
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

16. Net cash inflow on portfolio investments

	£'000
Purchase of shares and other variable yield securities	217,660
Purchase of debt securities and other fixed income securities	1,340,983
Sale of shares and other variable yield securities	(162,974)
Sale of debt securities and other fixed income securities	(1,327,578)
	<hr/>
Net cash inflow on portfolio investments	68,091
	<hr/> <hr/>

SYNDICATE 2468

NOTES TO THE ACCOUNTS

For the 2007 run-off year of account at 31 December 2014

17. Related parties

The immediate parent undertaking of Marketform Managing Agency (MMA) is Marketform Holdings Limited ("MHL"). S P Lotter (appointed 28 August 2014), J G F O'Neill and A S Ribaldo are directors of MHL. A C Durkin resigned as a director of MHL on 28 August 2014.

At 31 December 2014 the ultimate UK parent undertaking of MMA was Marketform Group Limited ("MGL") which owns 100% of the issued share capital of MHL. As at 31 December 2014, S P Lotter, J G F O'Neill and A S Ribaldo were directors of MGL (S G Turner resigned as a director of MGL on 15 January 2014).

American Financial Group Inc (AFG), a company incorporated in Ohio, USA is the ultimate parent undertaking of MGL. Group accounts for MGL, and accounts for MHL, are available from the Company Secretary of MMA, 5th Floor, 20 Gracechurch Street, London, EC3V 0BG.

At 31 December 2014, GAI Holding Bermuda Ltd (GAIHB), which is a wholly owned subsidiary of AFG, owned 100% of the shares in MGL. On 9 June 2014, GAIHB made a cash capital contribution of £10 million to MGL. No directors of MMA have interests in the ordinary share capital of MGL.

GAIHB is the parent company of GAI Indemnity Ltd (GAIL), the capital provider of £42,050,000 for 2012 and 2013 years of account and £50,750,000 for the 2014 year of account of the Syndicate. The ultimate parent undertaking of both GAIHB and GAIL is AFG.

Great American Insurance Co., (GAIC) a wholly owned subsidiary of AFG participates as a reinsurer of the Syndicate. The premiums paid to that reinsurer in 2014 amounted to £3,732,061 (2013: £2,720,661). These represent approximately 11.94% (2013: 9.45%) of the outward reinsurance spend of the Syndicate. The Syndicate also has four inwards reinsurance agreements with GAIC which amounted to premiums of £92,671 in the calendar year 2014.

MHL owns 100% of the ordinary issued share capital of Marketform Limited (ML), a service company through which the Syndicate receives a substantial percentage of its premium income.

J G F O'Neill, A S Ribaldo and A Wakeley are directors of ML. Anne Durkin resigned as a director of ML on 11 September 2014. Prior to January 2011, the Syndicate as leader, along with other syndicates, provided a facility in respect of Medical Malpractice business, known as the Marketform Consortium (but not registered as a consortium), to ML. From 1 January 2011 ML became a Lloyd's Service Company. The percentage of total gross written premium income introduced to the Syndicate via the Service Company in 2014 amounted to 7.8% (2013: 8.0%). The Syndicate has a participation in the Marketform Consortium of 100% on the primary layer on the 2013-2015 years of account, 100% on the primary layer and 51% on the excess layer for the 2012 year of account and 89% on the primary layer and 37.5% on the excess layer for the 2007 year of account.

ML is also a provider of Professional Indemnity, General Liability, Personal Accident, Directors and Officers and Bloodstock business to the Syndicate and the percentage of total gross written premium income from this source in 2014 amounted to 0.3% (2013: 0.4%). The commission that ML received in 2014 from business introduced to the Syndicate (including the Marketform Consortium) amounted to £223,352 (2013: £1,254,000).

Lavenham Underwriting Limited (LUL), a fellow subsidiary undertaking of MMA's immediate parent undertaking MHL, has provided capacity to the underwriting years whose transactions are reflected in these accounts as follows:

2007: £15,500,000 (15.5% of allocated capacity)

2012: £22,475,000 (15.5% of allocated capacity)

2013: £29,000,000 (20.0% of allocated capacity)

2014: £35,000,000 (20.0% of allocated capacity)

SYNDICATE 2468

NOTES TO THE ACCOUNTS

For the 2007 run-off year of account at 31 December 2014

17. Related Parties (cont.)

At 31 December 2014 LUL's Funds at Lloyd's to support its underwriting comprised a letter of credit provided by Barclays Bank PLC of £42,858,446, which is guaranteed by AFG, and cash of £5,274,016.

By an agreement dated 28 January 2011 between GAIC, Lavenham Underwriting Limited and MMA, GAIC agreed with effect from 1 January 2011 to reinsure Lavenham in respect of certain losses in excess of a retention arising in relation to Italian Public Hospitals business for their participation on Syndicate 2468 for the 2008 and prior years of account. The maximum aggregate limit of liability of GAIC under the agreement amounts to €8,719,000. At 31 December 2014 a recovery of €6,758,915 has been accrued by LUL, which is the aggregate limit in converted GBP. The premium paid by Lavenham to GAIC was £177,000.

SCOR Underwriting Limited is a corporate underwriting member for the 2002 to 2014 years of account. SCOR Group P&C France (a SCOR Group company) has a 7.5% line on the political risk/trade credit reinsurance. The premiums paid to that reinsurer in 2014 amounted to £124,288 (2013: £130,366). This represents approximately 0.40% (2013: 0.45%) of the outwards reinsurance spend of the Syndicate.

Sampford Underwriting Limited (SUL), a fellow subsidiary undertaking of MMA's immediate parent undertaking MHL, has provided capacity to the underwriting years whose transactions are reflected in these accounts as follows:

2007: £16,500,000 (16.5% of allocated capacity)

2012: £23,925,000 (16.5% of allocated capacity)

2013: £30,450,000 (21.0% of allocated capacity)

2014: £36,750,000 (21.0% of allocated capacity)

At 31 December 2014 SUL's Funds at Lloyd's to support its underwriting comprised a letter of credit provided by Barclays Bank PLC of £45,270,529 which is guaranteed by AFG and cash of £5,401,355.

By an agreement dated 28 January 2011 between GAIC, SUL and MMA, GAIC agreed with effect from 1 January 2011 to reinsure SUL in respect of certain losses in excess of a retention arising in relation to Italian Public Hospitals business for their participation on Syndicate 2468 for the 2008 and prior years of account. The maximum aggregate limit of liability of GAIC under the agreement amounts to €9,281,000. At 31 December 2014 a recovery of £7,194,574 has been accrued by SUL, which is the aggregate limit in converted GBP. The premium paid by Sampford to GAIC was £188,000.

In June 2014, a loan of £5,000,000 from GAIC to MGL was repaid by MGL to GAIC. Ebury Underwriting Limited (EUL) was a corporate underwriting member for the 2003 to 2007 years of account. S G Turner is a director of EUL and he owns 50% of the issued share capital. The Funds at Lloyd's were supplied by Everest Reinsurance (Bermuda) Limited who participated as a reinsurer of the Syndicate.

Hermanus Underwriting Limited (HUL) was a corporate underwriting member for the 2004 to 2007 years of account. S G Turner is a director of HUL and he owns 50% of the issued share capital. The Funds at Lloyd's were supplied by XL Re Limited who participated as a reinsurer of the Syndicate.

SYNDICATE 2468

NOTES TO THE ACCOUNTS

For the 2007 run-off year of account at 31 December 2014

17. Related Parties (cont.)

The Syndicate participates in a policy providing medical malpractice protection to first-aiders employed by MMSL. The transaction was negotiated on an arm's length basis.

The standard agency terms for MMA for the 2007, 2012, 2013 and 2014 years of account are:

Agency fee	0.75% of capacity
Profit commission	15.00% of the calculated profit

Managing agency fees of £1,312,500 (2013: £1,087,000) were paid by the Syndicate to MMA. In addition, expenses incurred on behalf of the Syndicate totalling £21.8m (2013: £20.3m) were recharged to the Syndicate by the managing agent. Where expenses are incurred jointly for the agency and the Syndicate such expenses are allocated on bases that the directors consider fairly reflect the nature and usage of the expenses concerned.

There is no profit commission payable to the managing agent in respect of the result on the 2007 run-off year (2013: *£Nil in respect of the 2007 run-off year*) or on the result of the 2012 year of account (2013: *£Nil in respect of the 2011 year of account*). No profit commission has been accrued in these accounts in respect of the 2012 year of account (2013: *£Nil in respect of the 2011 year of account*) and no profit commission has been accrued in respect of the 2013 year of account (2013: *£Nil in respect of the 2012 year of account*). No profit commission has been accrued in respect of the 2014 year of account (2013: *£Nil in respect of the 2013 year of account*). Lloyd's permits interim distributions of profit commission with a final payment on closure of the year of account: the 2013 year of account will normally close at 31 December 2015 and the 2014 year of account at 31 December 2016.

SYNDICATE 2468

SEVEN YEAR SUMMARY OF RESULTS

Year of Account	Notes	2001	2002	2003	2004	2005	2006	2007 run-off After 8 years
Syndicate allocated capacity (£'000)		20,000	53,800	91,000	99,400	100,000	100,000	100,000
Number of participating Members		1	3	5	5	5	5	5
Aggregate net premiums (£'000)	1	13,048	32,355	60,577	61,428	58,558	77,822	73,256
Results for an illustrative share of £10,000								
	2							
Gross premiums	1	12,875	10,565	8,035	7,535	7,125	9,246	8,772
Net premiums	1	6,524	6,014	6,657	6,180	5,856	7,782	7,326
Premiums for reinsurance to close earlier year of account		6,692	4,749	4,881	7,261	10,578	15,899	18,941
Net claims		(3,425)	(1,730)	(2,171)	(1,645)	(2,158)	(4,008)	(30,547)
Premiums for reinsurance to close the year of account		(12,821)	(8,111)	(8,128)	(10,076)	(13,570)	(20,840)	-
Amounts retained to meet all known and unknown outstanding liabilities		-	-	-	-	-	-	(14,444)
Underwriting result		(3,030)	922	1,239	1,720	706	(1,167)	(18,724)
Profit/(loss) on exchange		591	186	122	(211)	345	(134)	(3,122)
Syndicate operating expenses	1	(1,099)	(693)	(542)	(503)	(528)	(574)	(1,463)
Balance on technical account		(3,538)	415	819	1,006	523	(1,875)	(23,310)
Investment return	3	682	642	478	433	725	1,015	2,342
(Loss)/Profit before illustrative Personal expenses		(2,856)	1,057	1,297	1,439	1,248	(860)	(20,968)
Corporate Member								
Illustrative personal expenses								
Managing agent's fee		(75)	(75)	(75)	(75)	(75)	(75)	(75)
Lloyd's Central Fund contribution		(75)	(100)	(100)	(125)	(50)	(100)	(100)
Lloyd's subscription		(25)	(25)	(18)	(50)	(50)	(50)	(50)
Profit commission		-	(129)	(166)	(178)	(161)	-	-
Total illustrative personal expenses		(175)	(329)	(359)	(428)	(336)	(225)	(225)
(Loss)/Profit after illustrative Personal expenses	4	(3,031)	728	938	1,011	912	(1,085)	(21,193)
Total of syndicate operating expenses, managing agent's fee and profit commission		1,174	897	783	756	764	649	1,538
Capacity utilised %								
Gross premium/allocated capacity		129	106	80	75	71	92	88
Net capacity utilised %								
Net premiums/allocated capacity		65	60	67	62	59	78	73
Balance on technical account %								
Balance on technical account/allocated capacity		(35)	4	8	10	5	(19)	(233)

Notes:

1. The summary has been prepared from the audited accounts of the syndicate. However brokerage and commissions have been excluded from both gross and net premiums and syndicate operating expenses from the 2003 year of account onwards so as to make the figures comparable to earlier years.
2. The illustrative share represents a gross premium limit.
3. Investment expenses for all years of account have been deducted from investment return and are not included in syndicate operating expenses.
4. The result after illustrative personal expenses (managing agent's remuneration and standard Lloyd's charges) takes no account of any UK or overseas taxation liabilities, which are the personal responsibility of the Member.
5. The 2002 and 2003 years include whole account quota share syndicate 3579.