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2013 Underwriting Year Accounts

Marketform Managing Agency Limited
Syndicate 2468

At 31 December 2015

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Directors and administration

Managing agent

Marketform Managing Agency Limited

Directors

J E Mumford	Non-executive Chairman
M R D Reith	Chief Executive Officer
P V Olsen	Non-executive
A J Walker	Non-executive

Syndicate secretary

A G C McKay

Managing agent's registered number

03584320

Managing agent's address

20 Gracechurch Street
London
EC3V 0BG

Active underwriter

Darren Lednor

Auditors

Ernst & Young LLP, London

Bankers

Barclays Bank plc
One Churchill Place
London
E14 5HP

Solicitors

Clyde & Co

Consulting actuaries

Towers Watson

Registered office

20 Gracechurch Street
London
EC3V 0BG

Managing agent's report

The directors of Marketform Managing Agency Limited ("the Managing Agent") present their report at 31 December 2015 for the 2013 closed year of account of Syndicate 2468 ("the Syndicate"). The Syndicate underwriting year accounts have been prepared under the 2008 Regulations and in accordance with the Syndicate Accounting Byelaw (No.8 of 2005) and applicable accounting standards in the United Kingdom. Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and Financial Reporting Standard 103 'Insurance Contracts' (FRS 103) have been applied to the extent that they are relevant for a proper understanding of the underwriting year accounts.

Review of the 2013 closed year of account

The principal activity of Syndicate 2468 is that of underwriting insurance and reinsurance risks and this is conducted through the Lloyd's market. The classes underwritten by the Syndicate are Medical Malpractice, General Liability, Professional Indemnity, Personal Accident, Directors and Officers, Specie, Bloodstock, Marine Liability, Hull, Cargo, War, Political Violence and Political Risk businesses.

Underwriting capacity for 2013 was £145 million. The gross premium income, after acquisition costs, underwritten against this was £133.6 million. The business written by the Syndicate is set out in note 2.

The result for this year of account is a loss of £41.3 million which represents a loss of 28.5% as a percentage of stamp capacity. The 2013 pure year of account loss (before expenses and investment return) was £0.7 million; there was an underwriting loss of £23.9 million (before expenses and investment return) attributable to the reinsurance to close of the 2008 to 2012 pure years of accounts. The Syndicate produced an investment return of £3.3 million.

Managing agent's report (continued)

Directors

The current directors of the managing agent are shown on page 2. Changes to directors since 1 January 2015 are as follows:

Name	Date of appointment
A G C McKay	1 April 2015
M R D Reith	3 December 2015

Name	Date of resignation
V Badal	5 February 2016
S Barr	29 October 2015
S P Lotter	3 December 2015
J G F O'Neill	12 February 2016
A S Ribaudó	5 February 2016

Disclosure of information to the auditors

In the case of each of the persons who are directors of the Managing Agent at the time the report is approved:

- So far as the director is aware, there is no relevant audit information, being information needed by the Syndicate auditor in connection with the auditors' report, of which the auditor is unaware; and
- Having made enquiries of fellow directors of the agency and the syndicate's auditor, each director has taken all the steps that he or she ought to have taken as director to become aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

Reappointment of auditors

Ernst & Young LLP have indicated their willingness to continue in office as the Syndicate's auditors.

On behalf of the Board



M R D Reith
Chief Executive Officer

22 March 2016

Statement of managing agent's responsibilities

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare syndicate underwriting year accounts at 31 December in respect of any underwriting year which is being closed by reinsurance to close which give a true and fair view of the result of the underwriting year at closure. Detailed requirements in respect of the underwriting year accounts are set out in the Lloyd's Syndicate Accounting Byelaw (No 8 of 2005).

In preparing the syndicate 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 closed year of 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 the 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 Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No 8 of 2005). 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.

The Managing Agent is responsible for the maintenance and integrity of the corporate and financial information included on the business' website. Legislation in the United Kingdom governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

Independent auditors' report to the members of Syndicate 2468 – 2013 closed year of account

We have audited the syndicate underwriting year accounts for the 2013 year of account of syndicate 2468 ('the syndicate') for the three years ended 2015 which comprise the Income Statement, the Statement of Members' Balances, the Statement of Financial Position, the Statement of Cash Flows, the related notes 1 to 21 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and Financial Reporting Standard 103 'Insurance Contracts'.

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) and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate'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 5, the managing agent is responsible for the preparation of the syndicate underwriting year accounts, under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005), which give a true and fair view. 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 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:

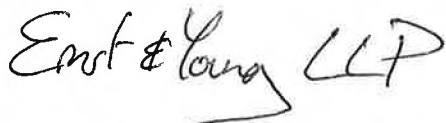
- ▶ give a true and fair view of the loss for the 2013 closed year of account;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and Financial Reporting Standard 103 'Insurance Contracts'; and
- ▶ have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and have been properly prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

Independent auditors' report to the members of Syndicate 2468 – 2013 closed year of account (continued)

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.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

Stuart Wilson (Senior statutory auditor)

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

London

22 March 2016

Income Statement

Technical account – General business

For the 2013 closed year of account for the three years ended 31 December 2015

	Notes	Cumulative balance to 31 December 2015 £000
Gross premiums written	2	176,960
Outward reinsurance premium		(32,117)
Earned premiums net of reinsurance		144,843
Reinsurance to close premium received, net of reinsurance	3	207,161
		352,004
Allocated investment return transferred from the non-technical account	10	3,287
Claims paid		
- Gross amount		(107,206)
- Reinsurers' share		30,604
Claims incurred, net of reinsurance		(76,602)
Reinsurance to close premium payable, net of reinsurance	4	(245,735)
Net operating expenses	5	(64,425)
Balance on technical account - general business	9	(31,471)

As a result of transition to FRS 102 and FRS 103 on 1 January 2015, foreign exchange losses are no longer shown in the technical account and are instead shown within the non-technical account. This change does not affect the members' balance.

Income Statement

Non-technical account – General business

For the 2013 closed year of account at 31 December 2015

	2015 £000
<i>Balance on technical account - general business</i>	(31,471)
Investment income	5,399
Unrealised gains on investments	670
Investment expenses and charges	(755)
Unrealised losses on investments	(2,027)
Allocated investment return transferred to the general business technical account	(3,287)
Exchange gains and losses	(9,821)
<i>Loss for the 2013 closed year of account</i>	<u>(41,292)</u>

As a result of transition to FRS 102 and FRS 103 on 1 January 2015, foreign exchange losses are no longer shown in the technical account and are instead shown within the non-technical account. This change does not affect the members' balance.

Other than the items reported in the income statement the Syndicate has no items of other comprehensive income in any of the periods for which the financial statements are presented. In accordance with FRS 102.3.19 the Syndicate only presents an income statement and does not present a statement of comprehensive income.

Statement of changes in members' balances
For the 2013 closed year of account at 31 December 2015

	<i>£000</i>
Loss for the 2013 closed year of account	<u>(41,292)</u>
Amounts due from members	<u>(41,292)</u>

There have been no cash calls or distributions to members relating to the 2013 closed year of account. The cumulative loss of £41,292k therefore represents the members' balance on the 2013 year of account as at 31 December 2015.

Statement of financial position
For the 2013 closed year of account at 31 December 2015

	<i>Notes</i>	<i>2015</i> <i>£000</i>
ASSETS		
<i>Investments</i>		
Financial investments	11	158,368
<i>Reinsurers' share of technical provisions</i>		
Provision for unearned premiums		1,331
Claims outstanding		42,797
		<u>44,128</u>
<i>Debtors</i>		
Debtors arising out of direct insurance operations		469
Debtors arising out of reinsurance operations		4,513
Other debtors		149
	12	<u>5,131</u>
<i>Cash and other assets</i>		
Cash at bank and in hand		5,966
Other assets	13	52,764
		<u>58,730</u>
<i>Prepayments and accrued income</i>		
Accrued interest		
Deferred acquisition costs		1,000
Other prepayments and accrued income		-
		<u>1,000</u>
Total assets		<u><u>267,357</u></u>

Statement of financial position (continued)
As at 31 December 2015

	<i>Notes</i>	<i>2015</i> <i>£000</i>
MEMBERS' BALANCE AND LIABILITIES		
Members' balances		(41,292)
<i>Technical provisions</i>		
Provision for unearned premiums		4,307
Claims outstanding		<u>287,427</u>
		291,734
<i>Creditors</i>		
Creditors arising out of direct insurance operations		112
Creditors arising out of reinsurance operations		4,521
Other creditors		<u>11,548</u>
	14	16,181
<i>Accruals and deferred income</i>		<u>734</u>
<i>Total liabilities</i>		<u>308,649</u>
<i>Total members' balances and liabilities</i>		<u>267,357</u>

The financial statements and the notes on pages 14 to 26 were approved by the board of directors on 22 March 2016 and were signed on its behalf by:



M R D Reith
Chief Executive Officer

Statement of cash flows

For the 2013 closed year of account at 31 December 2015

	Notes	2015 £000
<i>Loss for closed year of account</i>		(41,292)
<i>Operating activities</i>		
Reinsurance to close premium payable, net of reinsurance	4	245,735
Increase in debtors		(5,131)
Increase in creditors		16,181
Decrease in net derivative balance		578
Increase in accruals and deferred income		734
<i>Net cash inflow from operating activities</i>		<u>216,805</u>
<i>Investing activities</i>		
Changes in market value and exchange rates		<u>1,436</u>
<i>Net cash outflow from investing activities</i>		<u>1,436</u>
<i>Increase in cash and cash equivalents</i>	16	<u>218,241</u>
<i>Cash flows were invested as follows</i>		
Increase in cash holdings		5,966
Increase in overseas deposits		52,764
Net portfolio investments	17	<u>159,511</u>
<i>Net cash inflow</i>		<u>218,241</u>

The increase in cash holdings of £5,966k is the figure shown on the statement of financial position as cash at bank and in hand. The net cash inflow of £218,241k represents the cumulative inflow of cash and cash equivalents relating to the 2013 underwriting year, as at 31 December 2015.

Notes to the financial statements

For the 2013 closed year of account at 31 December 2015

1. Accounting Policies

1.1. Statement of compliance

The Syndicate underwriting year accounts have been prepared under the 2008 Regulations and in accordance with the Syndicate Accounting Byelaw (No.8 of 2005) and applicable accounting standards in the United Kingdom. Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and Financial Reporting Standard 103 'Insurance Contracts' (FRS 103) have been applied to the extent that they are relevant for a proper understanding of the underwriting year accounts.

The 2013 year of account has closed and all assets and liabilities have been transferred to a reinsuring year of account. The result for the year of account was declared in sterling so there is no exchange rate risk. To this extent, the risks that it is exposed to in respect of the reported financial position and financial performance are significantly less than those relating to the open years of account as disclosed in the Syndicate Annual Accounts. Accordingly, these underwriting year accounts do not have associated risk disclosures as required by section 34 of FRS 102 and by section 4 of FRS 103. Full disclosures relating to these risks are provided in the Syndicate Annual Accounts.

1.2. Basis of preparation

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 2013 year of account which has been closed by reinsurance to close at 31 December 2015; consequently the statement of financial position, represents the assets and liabilities of the 2013 year of account, and the income statement and statement of cash flows reflect the transactions for that year of account during the 36 month period until closure.

The financial statements for the period ended 31 December 2015 were approved for issue by the board of directors on 22 March 2016.

The financial statements are prepared in sterling which is the functional and presentational currency of the Syndicate and rounded to the nearest £'000.

As permitted by FRS 103 the Syndicate continues to apply the existing accounting policies that were applied prior to this standard for its insurance contracts.

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

Notes to the financial statements

For the 2013 closed year of account at 31 December 2015

1.3. Significant accounting policies

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.

Premiums written

Gross premiums written 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.

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.

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.

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 closed 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.

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.

Notes to the financial statements

For the 2013 closed year of account at 31 December 2015

1.3. Significant accounting policies (continued)

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.

Foreign currencies

The Syndicate's functional currency and presentational currency is Sterling. 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 recorded in the non-technical account.

Investments

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

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 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 purchase price.

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

Notes to the financial statements

For the 2013 closed year of account at 31 December 2015

1.3. Significant accounting policies (continued)

Operating expenses

Expenses are incurred by the Managing Agent in the administration of managed syndicates. These expenses are incurred jointly for the Managing Agent and the Syndicate and are apportioned according to the amount of work performed, resources used and the volume of business transacted. Syndicate expenses are allocated to the year of account for which they are incurred, regardless of when they are actually paid.

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.

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.

Notes to the financial statements

For the 2013 closed year of account at 31 December 2015

1.4 Judgements and key sources of estimation uncertainty

Management makes judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for cumulative revenues and expenses. Actual outcomes could differ from those estimates. Key sources of estimation uncertainty are:

Insurance contract technical provisions

Estimates are made for both the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty.

Actuarial projection techniques are used to calculate the ultimate cost of outstanding claims. The main assumption underlying these techniques is that past claims development experience can be used to project future claim development and hence ultimate claims cost. The provision for claims outstanding 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. Provision also includes the estimated cost of claims incurred but not reported (IBNR) at the balance sheet date based on statistical methods.

Estimates of future premiums

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. The main assumption underlying these estimates is that past premium development can be used to project future premium development.

Notes to the financial statements

For the 2013 closed year of account at 31 December 2015

2. Segmental analysis

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

	<i>Gross premiums written £000</i>	<i>Gross claims incurred £000</i>	<i>Gross operating expenses £000</i>	<i>Reinsurance balance £000</i>	<i>Total £000</i>
Accident & Health	16,577	(15,085)	(5,711)	(1,530)	(5,749)
Motor	12	(14)	-	(2)	(4)
Marine, aviation and transport	15,535	(8,503)	(6,173)	(2,711)	(1,852)
Fire and other damage to property	18,113	(11,619)	(6,542)	(644)	(692)
Third party liability	93,993	(59,282)	(34,714)	(6,992)	(6,995)
Credit and suretyship	15,444	(10,092)	(4,963)	(2,674)	(2,285)
Reinsurance acceptances	17,286	(6,704)	(6,324)	(2,110)	2,148
	<u>176,960</u>	<u>(111,299)</u>	<u>(64,427)</u>	<u>(16,663)</u>	<u>(15,429)</u>
RITC brought forward	207,161	(284,928)	-	58,437	(19,330)
<i>Total</i>	<u>384,121</u>	<u>(396,227)</u>	<u>(64,427)</u>	<u>41,774</u>	<u>(34,759)</u>

Gross premiums written are treated as fully earned. Gross claims incurred comprise gross claims paid and gross reinsurance to close premium payable. Gross operating expenses are the same as net operating expenses shown in the income statements, as no commissions in respect of outward reinsurance were received and set off in arriving at the net operating expenses. The reinsurance balance comprises reinsurance premiums ceded less reinsurance recoveries on claims paid and reinsurance recoveries anticipated on the reinsurance to close payable. All premiums written are in respect of contracts concluded in the UK.

The geographical analysis of premiums is as follows:

	<i>£000</i>
United Kingdom	239,921
Other EU countries	23,591
Australia	27,726
North America	29,768
Other territories	63,115
	<u>384,121</u>

Notes to the financial statements

For the 2013 closed year of account at 31 December 2015

3. Reinsurance to close premium receivable

<i>At 31 December 2015</i>	<i>£000</i>
Gross notified outstanding claims	147,847
Reinsurance recoveries anticipated	(40,542)
Net notified outstanding claims	<u>107,305</u>
Provision for gross claims incurred but not reported	113,952
Reinsurance recoveries anticipated	(14,096)
Provision for net claims incurred but not reported	<u>99,856</u>
Reinsurance premium to close receivable, net of reinsurance	<u>207,161</u>

4. Reinsurance to close premium payable

<i>At 31 December 2015</i>	<i>£000</i>
Gross notified outstanding claims	163,747
Reinsurance recoveries anticipated	(29,512)
Net notified outstanding claims	<u>134,235</u>
Provision for gross claims incurred but not reported	125,275
Reinsurance recoveries anticipated	(13,775)
Provision for net claims incurred but not reported	<u>111,500</u>
Reinsurance premium to close payable, net of reinsurance	<u>245,735</u>

The reinsurance to close is effected to the 2014 year of account of Syndicate 2468.

Notes to the financial statements

For the 2013 closed year of account at 31 December 2015

5. Net operating expenses

	<i>Cumulative to 31 December 2015 £000</i>
Administrative expenses	
- Audit of Syndicate accounts and Lloyd's returns	144
- Taxation compliance services	4
- Other administrative expenses	17,346
Total administrative expenses	17,494
Members' standard personal expenses	2,458
Acquisition costs	44,473
<i>Net operating expenses</i>	<u>64,425</u>

6. Auditors' remuneration

	<i>Cumulative to 31 December 2015 £000</i>
Audit of the Syndicate annual accounts	144
Tax compliance services	4
	<u>148</u>

7. Staff costs

All staff are employed by the Managing Agent. The following amounts were recharged to the 2013 year of account:

	<i>Cumulative to 31 December 2015 £000</i>
Wages and salaries	8,784
Social security costs	1,447
Other pension costs	727
	<u>10,958</u>

The average number of employees employed by the Managing Agent, working for the Syndicate during the three years was:

	<i>Three years number</i>
Administration and Finance	69
Underwriting	49
Claims	21
	<u>139</u>

Notes to the financial statements

For the 2013 closed year of account at 31 December 2015

8. Directors' emoluments

The directors of the Managing Agent received the following aggregate remuneration charged to the Syndicate and included within net operating expenses.

	<i>Cumulative to 31 December 2015 £000</i>
Aggregate remuneration in respect of qualifying services	<u>2,104</u>

The active underwriter received the following remuneration charged as a Syndicate expense:

	<i>Cumulative to 31 December 2015 £000</i>
Aggregate remuneration in respect of qualifying services	<u>327</u>

9. Analysis of underwriting result:

	<i>2008 to 2012 pure years of account £000</i>	<i>2013 pure year of account £000</i>	<i>Total 2013 year of account £000</i>
Technical account balance before allocated investment return and net operating expenses	(14,555)	44,221	29,666
Brokerage and commissions on gross premiums	(954)	(43,518)	(44,472)
	<u>(15,509)</u>	<u>703</u>	<u>(14,806)</u>
Allocated investment return transferred from the non-technical account	395	2,892	3,287
Net operating expenses other than acquisition costs	635	(20,587)	(19,952)
	<u>(14,479)</u>	<u>(16,992)</u>	<u>(31,471)</u>
<i>Balanced on technical account – general business</i>			

10. Investment return

	<i>Cumulative balance to 31 December 2015 £000</i>
Income from investments	4,479
Realised gains and losses from investments	324
Unrealised gains and losses from investments	(1,357)
Investment management charges	<u>(159)</u>
	<u>3,287</u>

Notes to the financial statements

For the 2013 closed year of account at 31 December 2015

11. Investments

Investment risk appetite is established by the board via the Investment Committee. The majority of Syndicate investments are managed by Lloyd's Treasury. The remaining investment portfolio is managed by a number of external fund managers, who are appointed by the Investment Committee. All decisions taken in respect of these investments are made in conjunction with external investment advisors.

	<i>Market value at 31 December 2015 £000</i>	<i>Purchase price £000</i>
Shares and other variable yield securities	75,231	75,348
Debt and other fixed income securities	83,715	84,163
	<u>158,946</u>	<u>159,511</u>
Derivatives	(578)	-
	<u>158,368</u>	<u>159,511</u>

12. Debtors arising out of direct insurance operations

	<i>£000</i>
<i>Due within year</i>	
Arising out of direct insurance operations, due from intermediaries	444
Arising out of reinsurance operations, due from intermediaries	4,513
Other Debtors	149
	<u>5,106</u>
<i>Due after one year</i>	
Arising out of direct insurance operations, due from intermediaries	25
	<u>5,131</u>

13. Other assets

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

14. Creditors

	<i>£000</i>
<i>Due within one year</i>	
Arising out of direct insurance operations, due to intermediaries	110
Arising out of reinsurance operations	4,521
Other Creditors	11,548
	<u>16,179</u>
<i>Due after one year</i>	
Arising out of direct insurance operations, due to intermediaries	2
	<u>16,181</u>

Notes to the financial statements

For the 2013 closed year of account at 31 December 2015

15. Movement in opening and closing portfolio investments, net of financing

	<i>Cumulative to 31 December 2015 £000</i>
Net cash inflow from the three years	5,966
Cash flow from overseas deposits	52,764
Cash flow from portfolio investments	159,511
Movement arising from cash flows	218,241
Changes in market value and exchange rates	(565)
Portfolio at 31 December 2015	217,676

16. Movement in cash, portfolio investments and financing

	<i>Cash flow £000</i>	<i>Changes to market value and currency £000</i>	<i>At 31 December 2015 £000</i>
Shares and other variable yield securities	75,348	(117)	75,231
Debt and other fixed income securities	84,163	(448)	83,715
	159,511	(565)	158,946
Cash at bank and in hand	5,966	-	5,966
Overseas deposits	52,764	-	52,764
	218,241	(565)	217,676

17. Net cash flow on portfolio investments

	<i>Cumulative to 31 December 2015 £000</i>
Purchase of shares and other variable yield securities	199,821
Purchase of debt securities and other fixed income securities	243,300
Sale of shares and other variable yield securities	(124,473)
Sale of debt securities and other fixed income securities	(159,137)
Net cash inflow on portfolio investments	159,511

Notes to the financial statements

For the 2013 closed year of account at 31 December 2015

18. Related Parties

The Managing Agent's immediate parent company is Marketform Holdings Limited. The Managing Agent's ultimate UK holding company is Marketform Group Limited. Both the immediate and ultimate UK parent company are registered in England and Wales at 20 Gracechurch Street, London, EC3V 0BG, United Kingdom. The ultimate parent company is American Financial Group Inc, a company incorporated in Ohio, USA. Copies of their Financial Statements may be obtained from 301 E 4th Street, Cincinnati, Ohio.

Managing agency fees of £1,088k were charged to the Syndicate by the Managing Agent. These fees are calculated as 0.75% of the Syndicate's approved stamp capacity of the 2013 underwriting year. The approved stamp capacity of the 2013 underwriting year was £145 million.

SCOR Underwriting Limited is a corporate underwriting member for the 2013 year of account. SCOR Group P&C France participates as a reinsurer of the Syndicate. The cumulative premiums paid to that reinsurer amount to £148k, representing 0.47% of the outward reinsurance spend of the Syndicate.

Great American Insurance Co. (GAIC) is a wholly owned subsidiary of American Financial Group (AFG) and participates as a reinsurer of the Syndicate. The cumulative premiums paid to GAIC for the 2013 underwriting year amount to £3,464k, representing 11% of the outward reinsurance spend of the Syndicate.

Key management personnel are working for the Syndicate are employed by the Managing Agent. The cost of such personnel has been allocated to the 2013 underwriting year in proportion to the time spent on Syndicate activities pertaining to the underwriting year. These costs are presented in note 8.

There are no other transactions or arrangements to disclose.

19. Transition to FRS 102 and FRS 103

The Syndicate transitioned from previously extant UK GAAP to FRS 102 and FRS 103 as at 1 January 2014. There has been no impact on the members' balance as a result of this transition.

Presentation changes resulting from transition to FRS 102 and FRS 103 have been explained within the accounts where necessary. The most significant presentational change has been that foreign exchange gains and losses previously shown within the technical account are now included within the non-technical account, this has no net impact on the result or on the members' balance.

Notes to the financial statements

For the 2013 closed year of account at 31 December 2015

20. Funds at Lloyd's

Every Member of Lloyd's is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). 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 by Lloyd's 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 financial statements by way of such capital resources. However, the Managing Agent is able to make a call on the Members' FAL to meet liquidity requirements or to settle losses suffered by the Syndicate. In the event that a Members FAL is exhausted the application can be made for any shortfall to be met from the Lloyd's Central Fund.

21. Off-balance sheet items

The Syndicate has not been party to an arrangement, which is not reflected in its statement of financial position, where material risks and benefits arise for the Syndicate.

Seven year summary

Year of Account		2007	2008	2009	2010	2011	2012	2013
		run-off after 9 years						
Syndicate allocated capacity (£'000)		100,000	100,000	120,000	145,000	145,000	145,000	145,000
Number of participating Members		5	4	4	4	4	4	4
Aggregate net premiums (£'000)	1	70,919	78,191	85,351	98,318	96,906	99,791	100,371
Results for an illustrative share of £10,000	2							
Gross premiums	1	8,484	9,497	9,290	8,842	8,677	8,695	9,137
Net premiums	1	7,092	7,819	7,113	6,781	6,683	6,882	6,922
Premiums for reinsurance to close earlier year of account		17,105	-	6,726	8,826	11,004	12,056	14,287
Net claims		(31,091)	(1,624)	(3,117)	(3,549)	(4,505)	(3,946)	(5,283)
Premiums for reinsurance to close the year of account		-	(8,072)	(10,665)	(11,004)	(12,056)	(14,287)	(16,947)
Amounts retained to meet all known and unknown outstanding liabilities		(10,485)	-	-	-	-	-	-
Underwriting result		(17,379)	(1,877)	57	1,054	1,126	705	(1,021)
Profit/(loss) on exchange		(3,178)	217	(121)	(198)	(364)	(288)	(677)
Syndicate operating expenses		(1,596)	(839)	(898)	(1,003)	(1,188)	(1,156)	(1,206)
Balance on technical account		(22,153)	(2,499)	(962)	(147)	(426)	(739)	(2,904)
Investment return	3	2,298	408	325	611	434	447	227
(Loss)/Profit before illustrative personal expenses	4	(19,855)	(2,091)	(637)	464	8	(292)	(2,677)
<i>Corporate Member illustrative personal expenses</i>								
Managing agent's fee		(75)	(75)	(75)	(75)	(75)	(75)	(75)
Lloyd's Central Fund contribution		(100)	(44)	(45)	(46)	(46)	(23)	(46)
Lloyd's subscription		(50)	(44)	(45)	(46)	(46)	(45)	(46)
Profit commission		-	-	-	-	-	-	-
Total illustrative personal expenses		(225)	(163)	(165)	(167)	(167)	(143)	(167)
(Loss)/Profit after illustrative personal expenses		(20,080)	(2,254)	(802)	297	(159)	(435)	(2,844)
Total of syndicate operating expenses, managing agent's fee and profit commission		(1,671)	(914)	(973)	(1,078)	(1,263)	(1,231)	(1,281)
Capacity utilised %		88	95	93	88	87	87	91
Gross premium/allocated capacity								
Net capacity utilised %		71	78	71	68	67	69	69
Net premiums/allocated capacity								
Balance on technical account %		(222)	(25)	(8)	(1)	(4)	(7)	(29)
Balance on technical account / allocated capacity								

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 2004 years include whole account quota share syndicate 3579.
6. The results for the 2012 year of account and prior are on the basis of the accounting policies prevailing at the time and have not been restated to reflect the current accounting policies.