Important information about Syndicate Reports and Accounts

Access to this document is restricted to persons who have given the certification set forth below. If this document has been forwarded to you and you have not been asked to give the certification, please be aware that you are only permitted to access it if you are able to give the certification.

The syndicate reports and accounts set forth in this section of the Lloyd's website, which have been filed with Lloyd's in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005), are being provided for informational purposes only. The syndicate reports and accounts have not been prepared by Lloyd's, and Lloyd's has no responsibility for their accuracy or content. Access to the syndicate reports and accounts is not being provided for the purposes of soliciting membership in Lloyd's or membership on any syndicate of Lloyd's, and no offer to join Lloyd's or any syndicate is being made hereby. Members of Lloyd's are reminded that past performance of a syndicate in any syndicate year is not predictive of the related syndicate's performance in any subsequent syndicate year.

You acknowledge and agree to the foregoing as a condition of your accessing the syndicate reports and accounts. You also agree that you will not provide any person with a copy of any syndicate report and accounts without also providing them with a copy of this acknowledgment and agreement, by which they will also be bound.

SYNDICATE 2791

Report and Financial Statements
31 December 2016

MAP

Underwriting at Lloyd's

CONTENTS

CHAIRMAN'S REPORT

MAP has once again produced a creditable result in difficult market conditions, and thanks and congratulations are due to Richard and all the team. Both the premium volume and the loss ratios testify to the rigorous underwriting discipline that has been maintained throughout, at a time when many competitors appear to have lost sight of the fundamentals of their trade. Each year that passes without a major market loss sees a further reduction in rates and weakening of policy forms, leaving yet more remedial action required to return the market to a sound footing. Sadly there is no precedent for insurers re-establishing sound underwriting principles unless and until they have sustained severe financial damage, so until that happens MAP will continue its very defensive stance.

Clear heads will be needed to steer the Lloyd's market through the tough times ahead and we can only hope that the inevitable red ink will force a re-evaluation of management priorities and a renewed focus on the underwriting skill and discipline that should underpin any viable insurance business. As Richard says, the diminishing importance of Lloyd's as a platform to so many of its participants is a major source of concern to us, and it will be critical to the survival of the market that its leadership is able to persuade the majority of businesses that continued involvement is in their best interests.

Provided this happens MAP, with its seasoned underwriting and claims team, technical strength and low cost base, will be very well placed to take advantage of the market disruption that always follows major losses.

I would like to end by thanking Siobhan McAuley, our compliance director and Company Secretary, and Ian Springett, our claims manager, for their immense contributions to the success of the Syndicate. Siobhan was a driving force in the creation of the business from the planning stage onwards, and her wisdom and pragmatism have been invaluable; Ian calmly steered a steady path through the aftermath of 9/11 and the ensuing litigation and has created a skilled and effective team.

We wish them both a long, happy and healthy retirement.

D E S Shipley
Chairman
14 March 2017

SYNDICATE 2791

Underwriting Year Distribution Accounts
2014 Closed Year of Account
31 December 2016

DIRECTORS AND ADMINISTRATION

MANAGING AGENT

Managing Agent
Managing Agency Partners Limited (MAP)

Directors
K Allchorne (Non-executive appointed 9 September 2016)
C E Dandridge (Non-executive)
J D Denoon Duncan
A S Foote (Non-executive)
A Kong
P Langridge (appointed 9 September 2016)
B S McAuley (resigned 9 September 2016)
A J T Milligan (Non-executive)
D E S Shipley (Non-executive Chairman)
C J Smelt
R J Sumner
R K Trubshaw (Active Underwriter)

Company Secretary
P Langridge (appointed 9 September 2016)
B S McAuley (resigned 9 September 2016)

Managing Agent's Registered Office
Fitzwilliam House
10 St. Mary Axe
London
EC3A 8EN

Managing Agent's Registration
Registered in England; number: 03985640

SYNDICATE

Active Underwriter
R K Trubshaw

Principal Investment Managers
Schroder Investment Management Limited

Registered Auditors
Ernst & Young LLP, London
25 Churchill Place
Canary Wharf
London
E14 5EY
United Kingdom

MANAGING AGENT'S REPORT

The managing agent presents its report on the 2014 year of account of Syndicate 2791 as closed at 31 December 2016.

These financial statements have been prepared in compliance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("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. Separate annual accounts under UK GAAP on the calendar year results are available to all the syndicate's members (see pages 32 to 72).

UNDERWRITER'S REPORT

2014 Year of Account

Capacity £453.0 million

The 2014 year has closed with a profit of £62.0m after all members' personal expenses, equivalent to 13.7% of stamp capacity, compared with the forecast range of 7.5% to 12.5%. Absent a £17.1m back-year release the 2014 pure year result would be 10.7%.

Development of Closed Years (2013 and prior)

The total gross IBNR ('incurred but not reported') reserve, less future premiums, has dropped marginally from £159.5m to £154.7m at year end rates of exchange (£1 = US$1.24). Only £8.9m or 5.6% of this reserve was utilised in the calendar year, which is the next lowest after 2015. Nevertheless, as we maintain an increasingly defensive stance our ongoing book continues to shrink and becomes more vulnerable to volatility and severity. We have observed that this tendency is already leading to a lengthening tail, and it is notable that more recent years have not had as benign a run-off pattern as their predecessors. To our minds this reinforces the need for a considered and prudent approach to reserving. Despite the back year release, our completion factors therefore remain appropriately conservative.

The long-tail casualty classes account for around 47% of the back-year release, and constitute around 53% of the total remaining IBNR reserve (last year 55%). Older years seem to be settling down relatively smoothly, whereas more recent years have experienced a much greater degree of volatility, both positive and negative. Roughly 50% of the remaining short-tail reserve (constituting 29% of the overall total) relates to catastrophes, in particular the international catastrophe events of 2010/11 (defined as Chile, NZ, Japan and Thailand), plus Superstorm Sandy. As at year end, across all years of account, the syndicate had gross incurred losses from the international cat events of £25.5m (£25.2m last year) with a further provision of £3.6m (£9.1m last year). We are now only holding IBNR on Japan and Thailand, following a satisfactory settlement on our single largest NZ exposure. For Superstorm Sandy our expected ultimate gross loss across all years of account is £88.5m (£90.3m last year), of which £69.6m had been incurred at year end (£68.2m last year). We remain cautious in evaluating the potential development of flood losses, in particular those affecting large risk policies in Metropolitan New York, which are likely to take years to fully settle out. The balance of our total IBNR reserves (18%) relates largely to the Motor Account, which in more recent years has grown to be a larger proportion of the book as we see specific opportunities arising in dislocated markets around the world.

Pure Year 2014

Utilisation of capacity

The final utilisation was 41% at closing rates of exchange. The reinsurance spend was £44.2m or 23.9% of Lloyd's gross written premium, 27% of which was ceded via a US catastrophe quota share to Syndicate 6103.

Performance review

Capital providers will recall we reduced Stamp Capacity to £453m for 2014 in anticipation of a rapidly softening market. Despite this, the deterioration in terms and conditions was so extreme that we actually shed a further 23.5% of premium volume relative to 2013. Most of this drop was in the property reinsurance lines, which came under intense rating pressure, although, given the absence of any meaningful catastrophic activity plus the weakening in Sterling, the year has proved similarly profitable.

UNDERWRITER'S REPORT *continued*

2014 Year of Account *continued*

Analysis of premium written by syndicate classification

	Gross written £'000	Net written £'000
Property reinsurance	82,143	60,184
Direct and facultative property	25,673	19,539
Marine and offshore energy	18,426	18,290
Motor	32,603	25,874
Third party liability	11,181	11,224
Accident and health	7,276	7,295
Specialist lines	3,166	3,145
Terrorism and political risks	3,040	3,051
Total	183,508	148,602

The net written premium is seen to be greater than the gross written premium in some syndicate classifications due to multiple average rates of exchange being used over the three year period (although all are immaterial).

Investment Return

The investment return generated over the last three years has contributed £5.0m to the 2014 closed year result. The calendar year returns net of expenses in each period were; 2.6% in 2014, 0.6% in 2015 and 1.3% in 2016.

In line with established policy, the 2014 Year of Account receives a proportion of the investment performance of the three calendar years as determined by a formula which assesses the actual assets held in each Year of Account and allocates the result accordingly.

The Effect of Exchange Rates on the 2014 Distribution Account

As these accounts are reported over the three consecutive years from 2014, during which the GBP:USD exchange rate has moved from an average of 1.65 during 2014 to a closing rate of 1.24, this has resulted in a profit of £13.3m over the three year period as further set out in note 13.

Reinsurance Debtors

Recoverable amounts from reinsurers amount to £25.4m virtually all of which is current. There are no provisions for bad debts on the syndicate's reinsurance balances.

An analysis of the security rating for the debtors within our statement of financial position at 31 December 2016 is set out below:

Debt table by security rating

Standard & Poor's rating	On paid claims £m	On outstanding claims £m	On IBNR £m	Total £m
A	1.0	14.6	9.6	25.2
Not rated	(0.1)	0.1	0.2	0.2
	0.9	14.7	9.8	25.4

The negative paid claim figure in the not rated rating is a repayment due to one of our reinsurers caused by a reduction on a previously paid claim.

UNDERWRITER'S REPORT *continued*

2015 Year of Account Forecast

Once again we reduced Stamp capacity to £400m, which is where we were back in 2009. The competitive pressures that so severely affected the reinsurance book from 2013 now started to contaminate most other lines of business, as the market continued its headlong charge downwards. The percentage of premium utilised is likely to be similar to that in 2014. Although the incurred loss ratio to date has been relatively benign, there is a great deal of latent volatility inherent in such a low volume. Our forecast range for the 2015 year of account is a profit of 4.5% to 9.5% on Stamp Capacity after all expenses.

An estimate of the 2015 underwriting result as at 36 months is set out below:

	£'000
Stamp capacity	399,441
Gross premiums written	198,773
Net premiums written	161,165
Claims incurred – net of reinsurance	(66,474)
Net operating expenses	(49,442)
Investment return	5,070
Profit commission	(8,718)
Personal expenses	(3,795)
Non technical account foreign exchange	(2,928)
Estimate of profit for the year of account after personal expenses	34,878

Assumptions underlying the 2015 Estimated Result:

(i) There will be no material reinsurance failures.
(ii) Syndicate expenses, incurred in the calendar year 2017 to be charged to the 2015 year of account, will continue the pattern of previous years as refined by current budgets.
(iii) Exchange rates at 31 December 2017 will not be materially different from those at 31 December 2016.
(iv) Investment returns attributable to 2015 during 2017 = 1.5% for USD and 0.5% for all other currencies.
(v) Claims will be paid in line with our expected development patterns.
(vi) No material back year surplus or deficit arises from the RITC.

2016 Overview

We are now pretty much down to our core book, which we have been defending as appropriate. Premium volume is around 10% less than in 2015, and although the incurred loss ratio is worse than 2014 and 2015 at like time, as things currently stand the year should ultimately prove profitable.

2017 Trading Conditions

Rather like the cartoon character that runs off the cliff but only falls once it looks down, the market is excessively discounting risk and concentrating instead on marketing and distribution. In a desperate search for yield technical analysis is rationalised to a premium over expected loss, blindly following propriety models, which means that there is little or no margin for the unforeseen. This "delusional exactitude" seems particularly ironic given an inability to predict the future is the fundamental reason why the insurance product is bought in the first place. Only the pain of loss activity will rebalance the risk-reward equation, and there are early signs in certain areas that this is starting to occur.

Lloyd's receives a great deal of criticism in its response to the prevailing soft market. Much of this is I think unfair, particularly as regards high expense ratios: it is surely iniquitous to blame Lloyd's if you choose to give your underwriting pen away via a broker facility with excess commissions. Of more strategic concern to us is the fact that only a small minority of Lloyd's businesses like MAP are solely wedded to the market. For around 85% of participants Lloyd's is a flag of convenience which works as long as the capital cost is sufficiently attractive. To compete cheek by jowl under a mutual umbrella is one thing – but when the going gets tough (as it will) it will be interesting to see how many businesses take advantage of the optionality of other non-Lloyd's platforms. Lloyd's has my sympathy in trying to square the circle – how to maintain an attractive worldwide franchise, whilst at the same time policing it sufficiently rigorously to stop any regulatory arbitrage. All we ask is that Lloyd's remains a broad enough church to allow those of us who have no alternative platform the oxygen to compete, without being subjected to excessive regulation. We would stress that we are not mercenaries pressurised to take short-cuts in risk analysis in order to hit a quarterly earnings target, but are owner-operators whose market credibility and personal wealth is entrenched in the business; indeed for 2017 MAP staff now supplies approximately 10% of the syndicate's capital. We are certainly not going to gamble with that.

Seven Year Summary of Closed Years of Account

	Note	2008	2009	2010	2011	2012	2013	2014
Syndicate allocated capacity (£m)		400.6	403.7	504.5	504.5	506.8	510.5	453.0
Number of Underwriting Members		1,368	1,508	1,585	1,687	1,718	1,721	1,720
Aggregate net premiums (£m)		255.4	274.0	232.5	232.6	258.4	194.3	149.0
Results for illustrative share of £10,000		%	%	%	%	%	%	%
Utilisation of capacity at premium income monitoring rates of exchange		54.9	53.5	44.7	46.3	48.4	38.2	34.7
Gross premiums written (% of illustrative share)		74.6	83.0	54.2	54.8	61.8	47.8	40.5
Net premiums (% of illustrative share)		63.8	67.9	46.1	46.1	51.0	38.1	32.8
Profit (% of gross premiums)		20.9	38.7	32.7	24.5	18.9	27.9	27.6
Results for illustrative share of £10,000		£	£	£	£	£	£	£
Gross premiums	*1*	7,458	8,296	5,417	5,479	6,185	4,782	4,051
Net premiums		6,377	6,785	4,608	4,612	5,098	3,806	3,280
Reinsurance to close from an earlier year of account		6,748	6,792	5,046	4,545	4,304	4,771	5,153
Net claims		(3,745)	(1,844)	(1,659)	(1,946)	(2,070)	(1,436)	(1,529)
Reinsurance to close	*2*	(6,225)	(6,326)	(4,782)	(4,361)	(4,553)	(4,439)	(4,554)
Underwriting profit		**3,155**	**5,407**	**3,213**	**2,850**	**2,779**	**2,702**	**2,350**
Acquisition costs	*1*	(1,631)	(1,746)	(1,161)	(1,157)	(1,370)	(1,061)	(865)
Other syndicate operating expenses, excluding personal expenses		(136)	(141)	(113)	(130)	(170)	(140)	(201)
Reinsurers' commissions and profit participations		69	97	42	48	39	49	43
Exchange movement on foreign currency translation	*4*	7	29	(59)	(65)	14	79	293
Net investment income		544	466	398	242	252	107	112
Illustrative personal expenses:								
Managing agent's fee		(55)	(55)	(55)	(55)	(55)	(55)	(55)
Profit commission	*3*	(332)	(794)	(455)	(351)	(287)	(312)	(281)
Other personal expenses	*5*	(63)	(57)	(40)	(39)	(34)	(35)	(28)
Profit after illustrative personal expenses and illustrative profit commission		**1,558**	**3,206**	**1,770**	**1,343**	**1,168**	**1,334**	**1,368**

1. Gross premiums and syndicate operating expenses have been grossed up for brokerage costs.
2. Reinsurance to close is stated at relevant average rates applicable or when reserves were first set for each year of account.
3. Profit commission is reported on a pro forma basis before the application of the deficit clause brought forward.
4. From the 2014 year of account, foreign currency realised gains and losses are now included in exchange movement on foreign currency translation rather than within other syndicate operating expenses . Comparatives in this seven year summary have not been restated as immaterial and this change has nil impact on the profit after illustrative personal expenses and illustrative profit commission.
5. Other personal expenses include Lloyd's subscriptions and central fund contributions.

Individual capital assessment

For the 2014 Year of account the syndicate was required to produce an Individual Capital Assessment (ICA) under the Individual Capital Adequacy Standards (ICAS) regime which set the capital required to be held by the members of the syndicate. From 1 January 2016 the ICAS regime changed to Solvency II and the ICA altered to a Solvency Capital Requirement (SCR). For these underwriting year accounts the capital detailed is that which was required to be provided by the members of the 2014 Year of Account.

The capital set by each syndicate is required to reflect the risks contained within each business. Lloyd's reviews and through its Capital and Planning Group approves these assessments to ensure syndicate ICAs are appropriate and consistent across the market. Lloyd's requires an uplift to syndicate ICA's to provide a margin to meet its own financial strength, licence and ratings objectives. For the 2014 year of account the uplift is 35% of the member's ECR. An ICA including the margin is known as the Economic Capital Requirement (ECR) and Lloyd's allocates the ECR required down to each individual member.

The syndicate capital assessment for the 2014 Year of Account was established using our internal Solvency II model which has been run within the ICA regime as prescribed by Lloyd's. The internal model uses sophisticated mathematical models reflecting key risks within the syndicate. The risks are principally Insurance (catastrophes, pricing and reserving), Market (equity, liquidity, currency, interest rate and spread), Credit (brokers, investment and reinsurance) and Operational.

The following table sets out the syndicate's ECR which is unaudited:

2014 Approved Capital

Lloyd's economic capital requirement (ECR)

	Prospective year 2014 £m
2791	259.3

ECR capital is provided by the members of the syndicate from syndicate retained profits plus additional contributed assets held and managed by Lloyd's of London, known as Funds at Lloyd's or FAL.

Future developments & important events since the end of the financial year

The syndicate continues to transact in the classes of general insurance and reinsurance business that it has transacted in historically.

The risks to UK economic growth remain significant not least because of the UK's decision to leave the European Union ("EU") ("Brexit"). There is significant change and associated uncertainty ahead for the market; it is difficult to anticipate the terms of the UK's exit from the EU. Until that becomes clearer, the market will need to plan carefully for all possible scenarios to mitigate the impact of Brexit on Lloyd's businesses while looking for new ways to generate revenue in an ever challenging market.

EU membership and access to the single market has enabled underwriters at Lloyd's to underwrite insurance and reinsurance from all of the other 27 member states on a cross-border basis (and also locally in those countries where Lloyd's has representative offices). The underwriters operate under a "passport" system, which allows them to conduct business throughout the EU while being regulated and supervised by the Prudential Regulation Authority (PRA). For the 2014 year of account 10% of the syndicate's gross written premium is conducted under the "passport" regulation system, the majority of this business emanates from the syndicate's lower margin motor class of business.

It is expected that Lloyd's will publish its final Brexit plan in the first quarter of 2017. Lloyd's has a dedicated team putting forward the argument to the UK government on behalf of the marketplace for retaining EU passporting, and it is likely that this is to be achieved via a single insurance company.

Disclosure of Information to the Auditors

So far as each person who was a director of the managing agent at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with its report, of which the auditor is unaware. Having made enquiries of fellow directors of the agency and the syndicate's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the Board

R K Trubshaw

Active Underwriter

Managing Agency Partners Limited

14 March 2017

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

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

The managing agent must prepare the syndicate underwriting year accounts which give a true and fair view of the result of the closed year of account.

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 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 Lloyd's Regulations. 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.

INDEPENDENT AUDITORS' REPORT

to the Members of Syndicate 2791 – 2014 Closed Year of Account

We have audited the syndicate underwriting year accounts for the 2014 year of account of syndicate 2791 ('the syndicate') for the three years ended 31 December 2016 which comprise the Income Statement, Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the related notes 1 to 23 and the Statement of Managing Agent's Responsibilites. 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 FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 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 10, 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 Syndicate 2791 Underwriting Year Distribution 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 profit for the 2014 closed year of account;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 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).

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.

Benjamin Gregory (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
14 March 2017

INCOME STATEMENT TECHNICAL ACCOUNT – GENERAL BUSINESS

2014 Closed Year of Account for the three years ended 31 December 2016

	Note	2014 £'000
Syndicate allocated capacity		453,035
Earned premiums, net of reinsurance:		
Gross premiums written	*4*	183,508
Outward reinsurance premiums		(34,906)
Earned premiums, net of reinsurance		148,602
Reinsurance to close premiums received, net of reinsurance	*5*	233,446
Allocated investment return transferred from the non-technical account		5,044
Claims incurred, net of reinsurance		
Claims paid		
Gross amount		(78,344)
Reinsurers' share		9,047
		(69,297)
Reinsurance to close premium payable, net of reinsurance	*6*	(206,303)
Acquisition expenses		(39,176)
Reinsurers' commissions and profit participations		1,949
Administrative expenses	*8*	(25,570)
Net operating expenses		(62,797)
Balance on the technical account – general business	*12*	48,695

INCOME STATEMENT NON-TECHNICAL ACCOUNT

2014 Closed Year of Account for the three years ended 31 December 2016

	Note	2014 £'000
Balance on the technical account for general business		48,695
Investment income	*11*	16,067
Net unrealised gains and losses on investments		(3,709)
Investment expenses and charges	*11*	(7,314)
Allocated investment return transferred to general business – technical account		(5,044)
Non-technical account foreign exchange	*13*	1,899
Profit for the 2014 Closed Year of Account excluding other comprehensive income		50,594

STATEMENT OF COMPREHENSIVE INCOME

2014 Closed Year of Account for the three years ended 31 December 2016

	Note	2014 £'000
Profit for the 2014 Closed Year of Account excluding other comprehensive income		50,594
Exchange differences on foreign currency translation	*13*	11,371
Profit for the 2014 Closed Year of Account including other comprehensive income being profit distributed to members		61,965

STATEMENT OF FINANCIAL POSITION

2014 Closed Year of Account as at 31 December 2016

	Note	2014 £'000
Assets		
Investments	*14*	319,086
Debtors	*15*	18,234
Reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account	*7*	24,525
Other assets		
Cash at bank and in hand		9,779
Prepayments and accrued income		
Accrued interest		763
Total assets		372,387
Liabilities		
Amounts due to members	*16*	61,965
Reinsurance to close premiums payable to close the account – gross amount	*7*	272,872
Other creditors	*17*	34,580
Accruals and deferred income		2,970
Total liabilities		372,387

The financial statements on pages 12 to 29 were approved by the Board of Managing Agency Partners Limited on 14 March 2017 and were signed on its behalf by:

R K Trubshaw
Active Underwriter

R J Sumner
Finance Director

14 March 2017

STATEMENT OF CASH FLOWS

2014 Closed Year of Account for the three years ended 31 December 2016

	Note	2014 £'000
Net cash outflow from operating activities	*18*	(12,409)
Net cash inflow from investing activities	*18*	192,206
Net cash outflow from financing activities	*18*	(222,904)
		(43,107)
Cash flows were invested as follows:		
Movement in cash holdings	*19*	9,779
Movement in overseas deposits	*19*	(2,696)
Net portfolio investment	*21*	(50,190)
Net investment of cash flows		(43,107)

NOTES TO THE ACCOUNTS

2014 Closed Year of Account for the three years ended 31 December 2016

1. Basis of Preparation and Statement of Compliance

These financial statements 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 Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) requires the aggregation of movements in each of the three calendar years' for any Underwriting Year account. For 2014's Underwriting Year Distribution Account each calendar year result is aggregated using the relevant years' average rates of exchange for each item in the income statements. The reinsurance to close received by 2014 from 2013 is presented as both a premium and as part of the reinsurance to close payable at the same rates, which are the rates at 1 January 2016. Any changes made to the opening reinsurance to close are accounted for at the average rates ruling during calendar year 2016.

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 2014 year of account which has been closed by reinsurance to close at 31 December 2016; consequently the statement of financial position represents the assets and liabilities of the 2014 year of account and the income statements and statement of cash flows reflect the transactions for that year of account during the three year period until closure.

As each syndicate year of account is a separate annual venture, comparatives are not required to be disclosed.

A Reinsurance to Close (RITC) is a reinsurance which closes a year of account and transfers the responsibility for discharging all the liabilities that attach to that year of account (and any year of account closed into that year) plus the right to any income due to the closing year of account into an open year of account of the same or a different syndicate in return for a premium.

Effective at each year-end 31 December, the RITC process means that all assets and liabilities have been transferred to a reinsuring year of account. To this extent, the risks that the syndicate 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 include the associated risk disclosures required by section 34 of FRS 102 and section 4 of FRS 103. Full disclosures relating to these risks are provided in the main Annual Accounts of the Syndicate. In addition, certain other disclosure requirements under FRS 102 and FRS 103, such as the disclosure of a Statement of Changes in Members' Balances, have not been provided as we believe they are not required for a proper understanding of the underwriting year accounts.

The functional currency is US dollars but the financial statements are prepared in sterling which is the 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.

Syndicate 2791 cedes business under a quota-share treaty to Syndicate 6103 which operates on a funds withheld basis with Syndicate 2791. Syndicate 6103 is also managed by the managing agent, MAP. Syndicate 6103 holds no cash or investments. All Syndicate 6103's funds are held by Syndicate 2791 which makes payments of liabilities on Syndicate 6103's behalf. Debtors and creditors between the syndicates are grossed up in the syndicate statement of financial position and upon the closure of each year of account, normally after 36 months, the assets and liabilities of that closing year are netted off as part of the commutation settlement with Syndicate 6103.

2. Judgements and Key Sources of Estimation Uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year.

However, the nature of estimation means that actual outcomes could differ from those estimates.

It should however be noted that upon RITC the uncertainties are transferred to the accepting year of account of the syndicate, being the 2015 year of account at 31 December 2016.

The following are the Syndicate's key sources of estimation uncertainty:

Insurance contract technical provisions (reinsurance to close premium payable)

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported (IBNR), at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some types of policies, IBNR claims form the majority of the liability in the statement of financial position.

2. Judgements and Key Sources of Estimation Uncertainty *continued*

Insurance contract technical provisions (reinsurance to close premium payable) continued

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder, Bornheutter-Ferguson methods and individual reserving at contract level.

The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the statement of financial position date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims IBNR at the statement of financial position 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 pricing and other models of the business accepted and assessments of underwriting conditions. Where the amount of any material salvage and subrogation recoveries is separately identified it is reported as an asset.

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

The directors consider the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. In addition where losses are not settled until several years after the expiration of the policy in question, the estimates are considered to be more volatile and consequently are subjected to additional management judgemental prudence adjustments. The methods used, and the estimates made, are reviewed regularly.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

Estimates of future premiums

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates are judgemental and could result in misstatements of revenue recorded in the financial statements. The main assumption underlying these estimates is that past premium development can be used to project future premium development.

Estimates include an element of judgement with regard to the level of claims affected future premiums receivable by the syndicate. The methods used for assessing future premiums generally involve projecting from past experience, based on the development of claims and the related inwards premiums receivable against these claims. The directors consider the estimates of gross future premium are fairly stated on the basis of the information available currently to them. However, the ultimate receivable will vary as a result of subsequent information or events and this may result in significant adjustments.

The estimated premium income in respect of facility contracts, for example binding authorities and lineslips, includes an estimate of the underlying business attaching to each facility at the statement of financial position date.

Expense provisions – Unallocated loss adjustment provisions and legal provisions

Estimates of future expenses to be incurred in respect of settlement transaction costs and administrating or adjusting expenses in respect of claim provisions are made at each statement of financial position date. The main assumptions underlying these provisions are direct claim administration costs are as budgeted, inflation rates will be in line with historical rates and claim payment patterns reflect historical experience by line of business.

Expense provisions are also made in respect of legal disputes anticipated to be incurred in the normal course of business defending the syndicate position. These provisions are based on historical average costs or direct individual case estimates.

Changes in assumptions, quantum or complexity of future claims can affect the value of these provisions.

Fair value of financial assets and derivatives determined using valuation techniques

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques.

2. Judgements and Key Sources of Estimation Uncertainty *continued*

Fair value of financial assets and derivatives determined using valuation techniques *continued*

These valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on estimates. It incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk- return factors inherent in the financial instrument.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3. Accounting Policies

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.

Insurance contracts

An insurance contract (including inwards reinsurance contract) is defined as a contract containing significant insurance risk. Insurance risk is considered significant if, and only if, an insured event could cause the syndicate to pay significant additional benefits in any scenario. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire.

Premiums written

Premiums written comprise premiums on contracts incepted during the financial year of account as well as adjustments made in the year to premiums written in prior accounting periods. Estimates are made for pipeline premiums, representing amounts due to the syndicate not yet received at the statement of financial position date.

Premiums written are disclosed before the deduction of acquisition costs and taxes or duties levied on them and are treated as fully earned.

Acquisition costs

Acquisition costs, comprising commission and other direct or indirect costs related to the acquisition of insurance contracts are deferred to the extent that they are attributable to premiums unearned at the statement of financial position date. The value of commission paid to insurance intermediaries is determined based on the contractual amounts recorded in all contracts. Where, however, policies are issued and the insured agrees to pay a fee directly to the intermediary without reference to the insurer, the written premium comprises the premium payable to the insurer and accounting for broker acquisition costs is inappropriate.

Reinsurance premium ceded

Outwards reinsurance purchased consists of excess of loss contracts and proportional reinsurance contracts. Initial excess of loss premiums are accounted for in the year of inception. Premiums ceded to reinstate reinsurance cover or additional premiums payable on loss are recognised when they may be assessed with reasonable certainty. Proportional outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

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.

Reinsurance to close premium payable

The RITC premium is determined on the basis of estimated outstanding liabilities and related claims settlement costs (including claims IBNR), 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 and class basis, as appropriate, and is based on the estimated ultimate cost of all claims notified but not settled by the statement of financial position date, together with the provision for related claims handling costs. It also includes the estimated cost of claims IBNR at the statement of financial position date based on statistical methods.

3. Accounting Policies *continued*

Future unallocated loss adjustment expenses

An accrual for all future unallocated loss adjustment expenses ('ULAE') is made if applicable. The ULAE is comprised of those costs which are related to the settlement of earned claims but which are not directly attributable to individual claims. ULAE expenses are undiscounted and include the expenses of managing the run-off of the business on the basis the business is a going concern. Costs of administration of the reinsurance programme are included in the gross ULAE. Separate reserves are established for each year of account.

Legal provisions

The syndicate may be subject to legal disputes, in the normal course of business. Provisions for such events and their related costs are recognised where there is an expected present obligation relating to a past event or evidence exists of the requirement for a general provision that can be measured reliably and it is probable that an outflow of economic benefit will be required to settle an obligation.

The directors of the managing agent do not expect the outcome of these claims, either individually or in aggregate, to have a material effect upon the syndicate's operations or financial position. As allowed by FRS 102, further disclosure has not been given as it may seriously prejudice the outcome of any legal proceedings.

Insurance receivables and payables

Insurance receivables and payables are recognised when due and measured on initial recognition at the fair value of the consideration received. They are derecognised when the obligation is settled, cancelled or expired.

Bad debt

Bad debts are provided for only where specific information becomes available to suggest a debtor may be unable or unwilling to settle its debts to the syndicate. Specific information may be directly attributed to the debtor company or may be indirect information from a rating agency or other source. The provision is calculated on a case by case basis.

Foreign currency translation

Financial Reporting Standard 102 requires each entity to identify its functional currency and a presentational currency. The functional currency is identified as the currency of the primary economic environment in which the entity operates. The functional currency of this Syndicate is US dollars as the majority of the underwriting business, cash flows and expenses are in US dollars. We have chosen to maintain our presentational currency as Sterling as the Syndicate is based in the UK, complies with UK reporting standards and to enable simpler comparisons to other Lloyds's insurance syndicates.

The Syndicate records transactions in four settlement currencies being Sterling, US dollars, Canadian dollars and Euros and when reported these currencies are translated in the income statement at the average rates of exchange for each calendar year of the 36 month period respectively. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

As permitted by FRS 103, the Syndicate has continued with its existing accounting policy to treat non-monetary assets and liabilities arising from insurance contracts (which include items such as unearned premiums and deferred acquisition costs) the same as monetary assets and liabilities. Consequently all assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date or if appropriate at the forward contract rate.

Exchange differences from the functional currency (US dollars) arising from the retranslation of opening balances and between average and year-end rates to the presentational currency are included in the statement of comprehensive income.

All other exchange differences are included in the general business non-technical account.

Where Canadian dollars or Euros are sold or bought relating to the profit or loss of the closed underwriting account after 31 December, any exchange profit or loss arising is reflected in the underwriting account into which the liabilities of that year have been reinsured. Where US dollars relating to the profit or loss of a closed underwriting account are bought or sold by the syndicate on behalf of the members on that year, any exchange profit or loss accrues to those members.

3. Accounting Policies *continued*

***Foreign currency translation** continued*

The following rates of exchange to Sterling have been used in the preparation of these accounts:

	Year end rate	Average rates during		
	2016	**2016**	2015	2014
USD	**1.24**	**1.35**	1.53	1.65
CAD	**1.66**	**1.79**	1.95	1.82
EUR	**1.17**	**1.22**	1.38	1.24

Syndicate 6103 funds withheld basis

Syndicate 2791 has purchased a proportional reinsurance contract from Syndicate 6103 also managed by Managing Agency Partners Limited. This proportional reinsurance contract operates on a funds withheld basis; reinsurance premium less recoveries payable to Syndicate 6103 are withheld by Syndicate 2791. The withheld funds are invested alongside Syndicate 2791's other investments until Syndicate 6103 closes the relevant year of account, normally at 36 months.

At the closure, by Reinsurance to Close of Syndicate 6103 the net funds are released to the members of Syndicate 6103.

Syndicate 2791, has the right to request funds from the members of Syndicate 6103 if its net balance becomes a liability.

The contract between the syndicates provides that an investment return is payable by Syndicate 2791 on the average net balance owed to Syndicate 6103.The return mirrors that achieved by Syndicate 2791 on its own funds, principally, the credit for reinsurance trust fund in respect of US dollar balances.

Investment values

Financial investments are valued at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

Listed investments

Listed and other quoted investments are stated at current bid value at the statement of financial position date. For this purpose listed and quoted investments are stated at market value and deposits with credit institutions are stated at cost.

The cost of syndicate investments is the amount paid on the purchase date for those investments still held at the statement of financial position date.

Deposits

All deposits with credit institutions are stated at cost.

Unlisted investments

Some investments are not listed or in a market not regarded as active because:

- Quoted prices are not readily and regularly available; or
- Prices do not represent actual and regularly occurring market transactions on an arm's length basis.

In such circumstances the syndicate then seeks to establish fair value by using third party administrators with experience in valuing such assets using valuation techniques as described below:

- Using recent arm's length transactions between knowledgeable, willing parties (if available);
- Reference to the current fair value of other instruments that are substantially the same;
- Discounted cash flow analyses and option pricing models.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on estimates. It incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial investment.

The Syndicate participates in a number of hedge/credit funds and related financial instruments for which there are no available quoted market prices. The valuation of these hedge funds is based on fair value techniques (as described above). The fair value of the hedge/credit fund portfolio is calculated by reference to the underlying net asset values (NAVs) of each of the individual funds.

3. Accounting Policies *continued*

Unlisted investments continued

Consideration is also given to adjusting such NAV valuations for any restriction applied to distributions, the existence of any illiquid share classes, and the timing of the latest available valuations. The cost of syndicate investments is deemed to be the aggregate of market value at the accepted RITC date of those investments still held at the current statement of financial position date, and purchases during the period.

Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment management expenses, charges and interest payable.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price.

Movements in unrealised gains and losses on investments represent the difference between their valuation at the statement of financial position date and their purchase price or, if they have been previously valued, their valuation at the last statement of financial position date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

As detailed above with regard to funds withheld on behalf of Syndicate 6103, investment income earned in the period is reduced by the amount payable to Syndicate 6103.

Purchases and sales of investments are recognised on the trade date, which is the date the syndicate commits to purchase or sell the assets. Funds receivable or payable after the trade date are recorded in debtors and creditors respectively until settled.

Allocation of investment return

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 are generated by insurance related assets.

Investment management expenses

Comprise contractual fees and profit commissions payable to external third party investment managers for managing the syndicate's investment funds. They are accrued in the period to which they relate.

Overseas deposits

Overseas deposits lodged as a condition of conducting underwriting business in certain countries in compliance with Lloyd's licences are stated at the market value, based on a bid price, ruling at the statement of financial position date.

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 managed 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.

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.

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 statement of financial position under the heading 'debtors'.

No provision has been made for any overseas tax payable by members on underwriting results.

Pension costs

MAP operates a defined contribution scheme. Pension contributions relating to syndicate staff are charged to the syndicate and included within net operating expenses.

Profit commission

Profit commission is charged by the managing agent at a rate of 20% of profit subject to the operation of a deficit clause. This is charged to the syndicate on an earned basis but does not become payable until after the year of account closes, normally at 36 months.

4. Segmental Analysis

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

	Gross written premiums (note 1) £'000	Gross claims incurred (note 2) £'000	Net operating expenses (note 4) £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
2014 pure year						
Direct insurance						
Accident and health	7,160	(3,968)	(2,967)	34	259	1,330
Fire and other damage to property	23,829	(5,911)	(9,095)	(4,101)	4,722	991
Marine, aviation and transport	14,597	(6,156)	(5,162)	(240)	3,039	3,961
Motor (other classes)	28,704	(24,935)	(8,953)	2,774	(2,410)	8,422
Third party liability	4,674	(1,844)	(2,433)	30	427	2,989
Miscellaneous	794	(732)	(239)	42	(135)	831
	79,758	(43,546)	(28,849)	(1,461)	5,902	18,524
2014 pure year						
Reinsurance	104,184	(26,178)	(32,446)	(20,726)	24,834	14,606
	183,942	(69,724)	(61,295)	(22,187)	30,736	33,130
RITC[5]	250,119	(235,274)	(1,502)	(428)	12,914	215,217
Total	434,061	(304,998)	(62,797)	(22,615)	43,650	248,347

Total commissions on direct gross premiums written amount to £20.3m.

1. Gross premiums earned are identical to gross premiums written.
2. Gross claims incurred comprise gross claims paid and gross reinsurance to close premium payable.
3. All premiums are concluded in the UK.
4. Net operating expenses include reinsurer's commissions and profit participations.
5. All 2013 and prior year movements are reflected in the RITC line.
6. The business class split reported is a statutory reporting requirement but the business is managed by its own business classes and hence an element of allocation is used.

The geographical analysis of gross premiums by destination is as follows:

	Direct £'000	Reinsurance £'000	Total £'000
UK	1,187	1,502	2,689
Other EU countries	18,173	1,475	19,648
US	42,374	80,278	122,652
Other	13,301	25,218	38,519
Total	75,035	108,473	183,508

5. Reinsurance to Close Premium Receivable

	Syndicate 2791 £'000	Syndicate 6103 £'000	Total £'000
Gross reinsurance to close premium receivable	250,455	98	250,553
Reinsurance recoveries anticipated	(17,107)	–	(17,107)
Reinsurance to close premium receivable, net of reinsurance	233,348	98	233,446

At 1 January 2016, Syndicate 2791 accepted a Reinsurance to Close Premium from Syndicate 6103 in respect of Syndicate 6103's 2013 Year of Account.

6. Movement in Underwriting Reserves

The following table reconciles the reinsurance to close in the income statement to the statement of financial position:

	Reserves at average rate £'000	Exchange to closing rate £'000	Closing RITC £'000
2013 and prior			
Opening balance	(233,348)	(38,965)	(272,313)
Change in year	47,421	3,859	51,280
2014 pure			
Change in three year period	(20,172)	(6,938)	(27,110)
Movement in unallocated loss and loss adjustment expenses	(204)	–	(204)
	(206,303)	(42,044)	(248,347)

The exchange difference arising from the retranslation of the opening reinsurance to close liabilities is exactly matched by the assets transferred in at 1 January 2016 in currency and therefore the effect to the income statement is nil.

7. Reinsurance to Close Premium Payable

	2013 and prior £'000	2014 pure £'000	2014 £'000
Gross outstanding claims	90,159	15,111	105,270
Reinsurance recoveries anticipated	(9,412)	(5,259)	(14,671)
Net outstanding claims	80,747	9,852	90,599
Provision for gross claims incurred but not reported	140,422	21,158	161,580
Reinsurance recoveries anticipated	(5,954)	(3,900)	(9,854)
Provision for net claims incurred but not reported	134,468	17,258	151,726
Unallocated loss and loss adjustment expenses	5,276	746	6,022
Net premium for reinsurance to close	220,491	27,856	248,347

A positive run-off of £17.1m on the 2013 and prior years' reserves (2012 and prior: £12.5m) was experienced in the year. This change to the previous closed year reserves was 6.9% of the relevant provisions brought forward.

The reinsurance to close is effected to the 2015 year of account of Syndicate 2791.

8. Administrative Expenses

	£'000
Personal expenses	3,749
Profit commission payable to managing agent	12,714
Other administrative expenses	9,969
Gross operating expenses	26,432
Expense recoveries from reinsurers	(862)
Net operating expenses	25,570

Administrative expenses include:

	£'000
Auditors' remuneration	
Fees for the audit of the syndicate	211
Other services pursuant to Regulations and Lloyd's Byelaws	70
Taxation compliance services	5
Actuarial consultancy services	378

Personal expenses comprise managing agent's fees, Lloyd's subscriptions and central fund contributions.

Lloyd's is a member of the Motor Insurers' Bureau of Ireland (MIBI) and is charged a membership levy based on the Irish motor liability premiums written by all Lloyd's syndicates. Lloyd's share is based upon its share of the total market. Lloyd's receive an invoice directly from MIBI which is then allocated proportionally to each relevant syndicate's share. Syndicate 2791 can recover 62.50% of these expenses under the terms of a reinsurance contract. These recoveries are disclosed as expense recoveries from reinsurers within net operating expenses.

9. Staff Numbers and Costs

All staff are employed by the managing agent. The following amounts were recharged to the syndicate in respect of salary costs:

	£'000
Wages and salaries	4,026
Social security costs	467
Other pension costs	575
	5,068

Included above are the employment costs of underwriters attributable to acquisition of business and those of claims staff treated within the technical account as Acquisition Costs and Loss Adjustment Expenses respectively.

The average number of employees employed by the managing agent but working for the syndicate during the three years was as follows:

Administration and finance	21
Underwriting	23
Claims	4
	48

10. Emoluments of the Directors of Managing Agency Partners Limited

The directors of Managing Agency Partners Limited received the following aggregate remuneration charged to the syndicate and included within net operating expenses:

	£'000
Emoluments	976

The 2014 year of account has been charged with active underwriter's remuneration as follows:

	£'000
Emoluments – R K Trubshaw	269

Profit related remuneration in respect of all directors and staff is wholly paid and borne by the managing agent.

11. Investment Return

	£'000
Investment income	
Income from investments	7,114
Gains on the realisation of investments	8,953
	16,067
Investment expenses and charges	
Losses on realisation of investments	(5,927)
Investment management expenses, including interest payable	(1,387)
	(7,314)

12. Balance on the Technical Account – General Business

	2013 and prior years of account £'000	2014 pure years of account £'000	Total 2014 £'000
Balance excluding investment return and operating expenses	4,226	102,222	106,448
Brokerage and commission on gross premium	96	(39,272)	(39,176)
Allocated investment income	(1)	5,045	5,044
Net operating expenses other than acquisition costs	(1,616)	(22,005)	(23,621)
	2,705	45,990	48,695

13. Exchange Differences Arising on Foreign Currency Translation

	£'000
On 2014 balances brought forward at 1 January 2016: from opening to closing rates	11,702
On transactions during 2016: from average to year end rates	1,568
	13,270
Represented by:	
Non-technical account foreign exchange	1,899
Exchange differences on foreign currency translation	11,371
	13,270

14. Financial Investments

	Market value £'000	Cost £'000
Investments:		
Shares and other variable yield securities and units in unit trusts	25,775	26,257
Debt securities and other fixed income securities	207,763	212,262
Participation in investment pools	11,292	12,603
Other loans	12,223	12,185
Deposits with credit institutions	2,161	2,161
Overseas deposits as investments	15,279	15,279
	274,493	280,747
Hedge Funds/Alternative Assets:		
Shares and other variable yield securities and units in unit trusts	17,018	9,309
Debt securities and other fixed income securities	–	–
Participation in investment pools	27,575	19,438
Other loans		
Deposits with credit institutions	–	–
Overseas deposits as investments	–	–
	44,593	28,747
Total Investments:		
Shares and other variable yield securities and units in unit trusts	42,793	35,566
Debt securities and other fixed income securities	207,763	212,262
Participation in investment pools	38,867	32,041
Other loans	12,223	12,185
Deposits with credit institutions	2,161	2,161
Overseas deposits as investments	15,279	15,279
	319,086	309,494

Within "Shares and other variable yield securities and units in unit trusts" and "Participation in investment pools" £42.8m are listed on a recognised exchange. These comprise 13.4% of the total market value of investments.

Other loans comprise of US Treasury bills.

15. Debtors

	£'000
Arising out of direct insurance operations	501
Arising out of reinsurance operations	12,481
Inter-syndicate loan	74
Members' agents' fees advances	2,388
Non-standard personal expenses due from members (overseas taxation)	1,180
Reinsurers' profit commission and overriding commission	1,297
Outstanding settlements on investments	12
Expense recoveries from reinsurers	301
	18,234

Debtors arising out of reinsurance operations of £12.5m include funds due in respect of Syndicate 6103 of £2.5m.

16. Amounts Due to Members

	£'000
Profit for the 2014 Closed Year of Account due to members at 31 December 2016	61,965

17. Other Creditors

	£'000
Arising out of direct insurance operations	
Policyholders	–
Intermediaries	3,136
Arising out of reinsurance operations	14,061
Profit commissions	15,491
Outstanding settlements on investments	1,892
	34,580

Creditors in respect of reinsurance operations of £14.1m include funds due to Syndicate 6103 of £12.1m.

18. Reconciliation of Operating Profit to Net Cash Outflow

	£'000
Operating profit on ordinary activities for the closed year of account	61,965
Decrease in debtors, excluding those received as consideration for RITC	17,607
Decrease in creditors, excluding those received as consideration for RITC	(91,981)
Net cash outflow from operating activities	(12,409)
Realised and unrealised investments losses including exchange movements	(56,141)
Net reinsurance to close payable	248,347
Net cash inflow from investing activities	192,206
Non-cash consideration for net RITC receivable	
Deposits	(16,192)
Portfolio investments	(299,639)
Debtors (Syndicate 2791)	(14,824)
Creditors (Syndicate 2791)	107,850
Debtors (Syndicate 6103)	(21,781)
Creditors (Syndicate 6103)	21,682
Net cash outflow from financing activities	(222,904)
Net cash outflow	(43,107)

19. Movement in Opening and Closing Portfolio Investments Net of Financing

	£'000
Net cash inflow	9,779
Cash flow – increase in overseas deposits	(2,696)
Cash flow – portfolio investments	(50,190)
Movement arising from cash flows	(43,107)
Received as non-cash RITC consideration	
Deposits and portfolio investments	315,831
Changes in market value and exchange rates	56,141
Total movement in portfolio investments	328,865
Portfolio at 1 January 2014	–
Portfolio at 31 December 2016	328,865

20. Movement in cash, portfolio investments and financing

	At 1 January 2014 £'000	Cash flow £'000	Received as consideration for net RITC receivable £'000	Changes to market value and currencies £'000	At 31 December 2016 £'000
Cash at bank and in hand	–	(1,361)	10,539	601	9,779
Overseas deposits	–	(2,696)	16,192	1,783	15,279
Portfolio investments:					
Shares and other variable yield securities and units in unit trusts	–	(9,174)	45,095	6,872	42,793
Debt securities and other fixed income securities	–	(54,925)	221,587	41,101	207,763
Participation in investment pools	–	2,123	30,765	5,979	38,867
Other loans	–	12,223	–	–	12,223
Deposits with credit institutions	–	(437)	2,192	406	2,161
Total portfolio	–	(50,190)	299,639	54,358	303,807
Total cash, portfolio investments and financing	–	(54,247)	326,370	56,742	328,865

21. Net Cash Inflow on Portfolio Investments

	£'000
Purchase of shares and other variable yield securities	(6,319)
Purchase of debt securities and other fixed income securities	(357,799)
Purchase of participation in investment pools	(13,844)
Movement in other loans	(12,223)
Movement of deposits with credit institutions	437
Sale of shares and other variable yield securities	15,493
Sale of debt securities and other fixed income securities	412,724
Sale of participation in investment pools	11,721
Net cash inflow on portfolio investments	50,190

22. Related Parties

The managing agent, MAP, is a wholly owned subsidiary of Managing Agency Partners Holdings Limited, the equity of which is 90.1% owned by MAP Equity Limited, a company that is entirely owned by the staff of the managing agency and syndicate.

MAP also manages Syndicate 6103. The underwriting business of Syndicate 6103 is derived solely under a reinsurance contract with Syndicate 2791. Under the terms of this contract, Syndicate 6103 is obliged to accept 20% of all business written by Syndicate 2791 under certain categories of its property catastrophe book. Syndicate 2791 retains the balance of these contracts net for its own account.

Syndicate 2791 receives a ceding commission of 5% and an overriding commission of 1% of gross written premiums ceded to Syndicate 6103 to cover personal expenses of Syndicate 6103 names borne by Syndicate 2791. A profit commission of 15% of profits, as defined in the contract, is payable to MAP. All funds are retained and invested by Syndicate 2791 on behalf of Syndicate 6103 and interest is payable (or charged on negative balances) to Syndicate 6103 at rates agreed.

The following transactions between the syndicates occurred for the 2014 year of account:

	£'000
Premiums ceded	(9,171)
Paid claims recovered	1,507
Ceding commission	445
Overriding commission	92
Investment income payable	(205)
Reinsurance to close premium	16

The balance owed by Syndicate 2791 to Syndicate 6103 at the end of the period is £8.2m and will be settled through the distribution process.

The directors' interests in the ordinary share capital of MAP Equity Limited, which has an issued share capital of 250,000 £1 shares, at the statement of financial position date were as follows:

	A Shares (voting)	B Shares (non-voting)
R K Trubshaw	33,000	–
A Kong	22,000	–
J D Denoon Duncan	–	8,333
P Langridge	–	–
C J Smelt	5,000	2,500
R J Sumner	–	10,000

Messrs. Shipley, Denoon Duncan, Kong, Trubshaw, Sumner, Smelt and Ms McAuley, or their related parties, participate on Syndicate 2791 via a dedicated, but unaligned to the managing agent, corporate member MAP Capital Limited.

MAP Capital Limited commenced underwriting on the 2001 year of account. For the 2014 year of account MAP Capital Limited provided £92.7m of capacity on Syndicate 2791 representing 20.5% of capacity. MAP has no direct interest in the share capital of MAP Capital Limited.

For the 2014 year of account these directors also participate on Syndicate 2791 via a dedicated, but unaligned to the managing agent, corporate member, Nomina No 208 LLP. For the 2014 year of account it has provided £12.8m of capacity representing 2.8% of capacity. MAP has no direct or indirect interest in Nomina No 208 LLP.

Managing agency fees amounting to £2.5m were paid to MAP for the 2014 year and profit commission of £15.5m (at closing rates) is also due to the managing agency in respect of the profit of the 2014 closed year. Expenses totalling £7.1m were recharged to this year of account.

The syndicate has an investment in Steadfast International Limited, an equity investment fund managed by Steadfast Capital Management Limited of which Mr Foote, a director of MAP, was the managing director until 31 December 2015. The syndicate's participation on this fund is at arm's length and the syndicate was charged fees and profit commissions amounting to US$0.2m during 2016 on normal commercial terms.

22. Related Parties *continued*

Separately, a fund (Steadfast Capital LP) under the management of Steadfast Capital Management Limited participates in the syndicate through a corporate vehicle – the syndicate does not invest in this fund.

There are no other transactions or arrangements requiring disclosure.

23. Contingent Liabilities

Letters of credit

The syndicate has provided letters of credit to certain insureds and reinsureds to cover losses that might arise on their contracts written in the ordinary course of business. These amount to US$2.9m; the letters of credit are fully collateralised with cash deposits held by Citibank, on the syndicate's account, of US$2.7m.

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SYNDICATE 2791

Annual Report and Accounts
31 December 2016

DIRECTORS AND ADMINISTRATION

MANAGING AGENT

Managing Agent
Managing Agency Partners Limited (MAP)

Directors
K Allchorne (Non-executive appointed 9 September 2016)
C E Dandridge (Non-executive)
J D Denoon Duncan
A S Foote (Non-executive)
A Kong
P Langridge (appointed 9 September 2016)
B S McAuley (resigned 9 September 2016)
A J T Milligan (Non-executive)
D E S Shipley (Non-executive Chairman)
C J Smelt
R J Sumner
R K Trubshaw (Active Underwriter)

Company Secretary
P Langridge (appointed 9 September 2016)
B S McAuley (resigned 9 September 2016)

Managing Agent's Registered Office
Fitzwilliam House
10 St. Mary Axe
London
EC3A 8EN

Managing Agent's Registration
Registered in England; number: 03985640

SYNDICATE

Active Underwriter
R K Trubshaw

Principal Investment Managers
Schroder Investment Management Limited

Registered Auditors
Ernst & Young LLP, London
25 Churchill Place
Canary Wharf
London
E14 5EY
United Kingdom

The directors of the managing agent present their report for the year ended 31 December 2016. The principal activity of the syndicate is that of writing insurance and reinsurance business.

This annual report is prepared using the annual basis of accounting as required by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ('the 2008 Regulations'), FRS 102 and FRS 103, being applicable UK GAAP accounting standards, and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

Separate underwriting year accounts for the closed 2014 year of account are attached to these accounts in the section headed Underwriting Year Distribution Accounts (pages 3 to 29).

UNDERWRITER'S REPORT

A Review of the Calendar Year Result

These financial statements are prepared focusing on the calendar year results under UK Generally Accepted Accounting Practices (GAAP) for insurance companies.

The 2016 calendar year produced an annually accounted profit of £51.7m (2015: £48.6m) on gross earned premiums of £172.1m (2015: £157.9m) gross of acquisition and reinsurance costs. Note that this is flattered somewhat by rate of exchange: 2016 utilises an average US$ rate of 1.35 versus $1.53 for 2015. The net combined ratio was 76.8% (2015: 68.9%).

Movement on underwriting years of account during the 2016 calendar year

	2013 and prior periods £'000	2014 £'000	2014 and prior periods £'000	2015 £'000	2016 £'000	**Total £'000**	2015 £'000
Gross written premium	(204)	1,606	1,402	33,953	136,142	**171,497**	149,107
Net premium earned	(265)	11,534	11,269	49,017	77,645	**137,931**	129,595
Net claims incurred	16,244	(5,460)	10,784	(21,259)	(35,110)	**(45,585)**	(36,239)
Acquisition costs	96	(4,131)	(4,035)	(15,930)	(19,177)	**(39,142)**	(33,352)
	16,075	1,943	18,018	11,828	23,358	**53,204**	60,004
Operating expenses	(1,667)	(4,608)	(6,275)	(3,786)	(11,090)	**(21,151)**	(19,408)
Investment income	–	4,099	4,099	905	183	**5,187**	2,530
Non-technical account foreign currency adjustment	266	1,646	1,912	(531)	(294)	**1,087**	(701)
Annual accounted profit	14,674	3,080	17,754	8,416	12,157	**38,327**	42,425
Currency translation differences	1,301	6,944	8,245	4,061	1,079	**13,385**	6,219
Total Comprehensive Income	15,975	10,024	25,999	12,477	13,236	**51,712**	48,644
As previously reported	–	35,966	35,966	17,866	–	**53,832**	73,300
Cumulative pure year result	15,975	45,990	61,965	30,343	13,236	**105,544**	121,944
Net annual accounting ratios:							
Claims ratio						**33%**	28%
Expense ratio						**44%**	41%
Combined ratio						**77%**	69%

Written premium in the calendar year by syndicate classification

	2016 Gross written £'000	2016 Net written £'000	2015 Gross written £'000	2015 Net written £'000
Property reinsurance	**76,955**	**59,067**	73,105	58,211
Direct and facultative property	**19,678**	**14,996**	19,303	14,209
Marine and offshore energy	**7,213**	**6,613**	7,580	7,521
Motor	**47,885**	**35,626**	32,142	24,472
Third party liability	**9,507**	**9,507**	6,130	6,130
Accident and health	**6,184**	**6,176**	5,910	5,905
Specialist lines	**1,810**	**1,810**	2,418	2,373
Terrorism and political risks	**2,265**	**2,265**	2,519	2,519
Total	**171,497**	**136,060**	149,107	121,340

2016 Overview

We are now pretty much down to our core book, which we have been defending as appropriate. Despite this it is pleasing to note that the percentage profit earned has held steady at around 30.0%, which shows we continue to maintain our pricing integrity at the expense of top line volume.

2017 Trading Conditions

Rather like the cartoon character that runs off the cliff but only falls once it looks down, the market is excessively discounting risk and concentrating instead on marketing and distribution. In a desperate search for yield technical analysis is rationalised to a premium over expected loss, which means that there is little or no margin for the unforeseen. This "delusional exactitude" seems particularly ironic given an inability to predict the future is the fundamental reason why the insurance product is bought in the first place. Only the pain of loss activity will rebalance the risk-reward equation, and there are early signs in certain areas that this is starting to occur.

Lloyd's receives a great deal of criticism in its response to the prevailing soft market. Much of this is I think unfair, particularly as regards high expense ratios: it is surely iniquitous to blame Lloyd's if you choose to give your underwriting pen away via a broker facility with excess commissions. Of more strategic concern to us is the fact that only a small minority of Lloyd's businesses like MAP are solely wedded to the market. For around 85% of participants Lloyd's is a flag of convenience which works as long as the capital cost is sufficiently attractive. To compete cheek by jowl under a mutual umbrella is one thing – but when the going gets tough (as it will) it will be interesting to see how many businesses take advantage of the optionality of other non-Lloyd's platforms. Lloyd's has my sympathy in trying to square the circle – how to maintain an attractive worldwide franchise, whilst at the same time policing it sufficiently rigorously to stop any regulatory arbitrage. All we ask is that Lloyd's remains a broad enough church to allow those of us who have no alternative platform the oxygen to compete, without being subjected to excessive regulation. We would stress that we are not mercenaries pressurised to take short-cuts in risk analysis in order to hit a quarterly earnings target, but are owner-operators whose market credibility and personal wealth is entrenched in the business; indeed for 2017 MAP staff now supplies approximately 10% of the syndicate's capital. We are certainly not going to gamble with that.

FINANCIAL REPORT

Investment return

The investment return for 2016 was 1.6% (£6.6m); (2015: 0.9%, £3.9m). Net of investment expenses the return was 1.3% (£5.2m); (2015: 0.6%, £2.5m). Further details are in note 12.

2016 illustrates how difficult investment returns are to generate especially in the core element of our investment portfolio. The core portfolio is held principally to pay claims; comprising cash, liquidity funds, US treasuries plus corporate bonds with duration of less than 10 years. We match the duration range of this part of our portfolio to the claims it is there to fund. Matching durations may mute returns but capital efficiency is maximised and therefore the Funds at Lloyd's members provide are lower.

The year had started very well, our investment return for the first nine months of 2016 was much better than anticipated. However, the outcome of the US presidential election had the effect of pushing up yields in our fixed income portfolio, this generated mark to market losses, as investor's abandoned low yielding US treasuries moving to the riskier end of the

US stock market on the premise the new president would be able to spur economic growth. The final quarter volatility reinforces the fact we know we can't predict the reaction of the investment market to certain economic or non-economic events, or even what these events might be, but we can construct a portfolio which will be available to pay claims and provide a modest income. The return provided by the risk assets (equities/long short equity and credit funds) is an example of the balance we seek in our portfolio. The long short equity fund made a loss in the year but the risk assets overall provided a contribution of 1.6% gross. Our long only equity fund which provides some balance against the US treasury yields rising generated a positive 3.2% return. This fund mainly holds lower volatility global consumer staples equity shares listed in the UK and Europe hence its performance was lower than the S&P 500 index which as noted was up significantly due to the risk on market move in the final quarter. Our credit funds (up 9.9% in the year) also benefited from the reduction in credit spread again due to the perception the new regime in the United States will be positive for businesses.

The most significant investment action we took during 2016 was at mid-year to split the core portfolio between two managers, one managing only US treasuries and one with a mixed treasury/corporate bond mandate. Whilst US treasuries are lower yielding than corporate bonds we feel they offer better security in the current uncertain times. We also sold out of our very small holding in US Agency securities during the year.

Our investment assets in the year have fallen as the syndicate underwriting reduces in the face of insufficient pricing. The reduction in financial investments of just 3.1% to £429.0m from £443.0m is masking a larger fall due to the strength of the United States Dollar at the reporting date. At consistent rates of exchange investment assets have reduced by 18% mainly due to the settlement of the 2013 Year of Account result which was paid during 2016.

The table below sets out the returns by asset class in our portfolio:

	2016		2015	
Asset class	**Return %**	**Closing assets as a proportion of portfolio %**	Return %	Closing assets as a proportion of portfolio %
Cash/cash liquidity funds	**0.5**	**17.3**	0.4	12.5
Equities Long	**3.2**	**4.8**	9.4	5.9
Equities Long Short	**(3.4)**	**4.1**	1.5	3.8
US treasury bonds	**0.9**	**39.3**	(0.1)	32.0
US agency bonds	**(2.8)**	**0.0**	2.7	1.7
US corporate debt	**2.7**	**25.9**	0.8	36.2
Credit bond funds	**9.9**	**3.8**	(4.0)	3.4
Overseas regulatory trust funds	**3.5**	**4.8**	0.4	4.5
Return	**1.6**		0.9	
Return after charges	**1.3**		0.6	

The key characteristics for each class are described below:

Cash and cash liquidity funds

These comprise either cash at bank or on short term deposit, spread across five different major banks. Our liquidity funds are all A rated or higher.

Equities

These comprise two different funds, one of which has the ability to sell equities short to manage exposure during falling markets. The other is a long only manager who seeks to invest in companies they believe are capable of sustaining high returns on capital without requiring financial leverage.

Credit funds

We invest in two separate open ended funds each managed by an external specialist investment manager.

US treasury bonds

These comprise US Treasury bills and notes managed by two large US external investment managers. These assets have duration of around 5.82 years (2015: 5.3 years). US treasuries are split by 88% to short duration mandates and 12% to a longer specialist duration manager.

US agency bonds

These bonds were all sold in the year but in 2015 comprised direct investment in the 100% US Government-backed National Mortgage Association (Ginnie Mae) or Federal Deposit Insurance Corporation (FDIC).

US corporate debt

These are managed by a single manager and comprise senior and subordinate bonds issued by industrial and financial companies, mainly US based. The average duration of these bonds is 1.8 years (2015: 2.0 years).

Overseas regulated trust funds

Separately regulated trust funds set up to satisfy local regulatory requirements. Each of these funds is managed conservatively by Lloyd's.

Valuation risk

Investments are marked to market at bid prices at each period end with all changes taken through the underwriting account. Prices are supplied by external custodians for all investments. The custodians obtain prices from independent sources, with each custodian having an audit of their pricing and control systems. In accordance with the custodian systems, prices are supplied by at least two pricing vendor sources. The pricing sources use market prices, or where it is more appropriate in illiquid markets, pricing models. We reconcile the custodians overall prices to our bond managers records to check for reasonableness. Additional sample checks are made using Bloomberg or exchange market prices. We also conduct a review of the proportion of assets that each manager deems to have a restricted market for valuation purposes. These reviews revealed no significant pricing issues.

Rating and the future

The credit rating of our assets is set out below:

31 December 2016	Rating						
	AAA	AA	A	BBB	<BBB	Not Rated	Total
Shares and other variable yield securities and unit trusts	21,020	–	16,902	–	–	21,447	**59,369**
Debt securities	6,543	182,151	69,688	15,386	–	–	**273,768**
Participation in investment pools	3,042	20,737	–	–	–	34,751	**58,530**
Loans with credit institutions	–	16,106	–	–	–	–	**16,106**
Deposits with credit institutions	–	–	2,162	–	–	–	**2,162**
Overseas deposits as investments	47	12,726	70	100	–	6,129	**19,072**
Reinsurer' share of claims outstanding	–	–	39,739	–	–	299	**40,038**
Cash at bank and in hand	–	–	15,380	–	–	–	**15,380**
Accrued interest	32	485	404	85	–	–	**1,006**
Total credit risk	**30,684**	**232,205**	**144,345**	**15,571**	**–**	**62,626**	**485,431**

31 December 2015	Rating						
	AAA	AA	A	BBB	<BBB	Not Rated	Total
Shares and other variable yield securities and unit trusts	5,833	–	25,943	–	–	26,853	58,629
Debt securities	14,343	179,327	88,620	35,241	–	–	317,531
Participation in investment pools	2,549	–	–	–	–	43,582	46,131
Loans with credit institutions	–	–	–	–	–	–	–
Deposits with credit institutions	–	–	2,192	–	–	–	2,192
Overseas deposits as investments	1	16,449	74	1,908	1	35	18,468
Reinsurer' share of claims outstanding	–	–	28,080	–	–	255	28,335
Cash at bank and in hand	–	–	11,566	–	–	–	11,566
Accrued Interest	80	531	633	222	–	–	1,466
Total credit risk	22,806	196,307	157,108	37,371	1	70,725	484,318

The syndicate does not undertake securities lending or exchange rate management. Lloyd's are custodians of our overseas deposits over which we have no direct investment control.

Currency Translation Differences

Around 80% of the syndicate's assets are held in US dollars but as results are published in Sterling changes in the £:USD exchange rate can significantly alter the reported Sterling result. However, capital providers receive distributions in both currencies and are therefore unaffected by the accounting exchange gain booked.

The accounting exchange gain for the year is £13.4m (2015: £6.2m). This principally reflects the strengthening of the US Dollar against Sterling from the opening rate of 1.47 to the current year end rate of 1.24 and is further detailed in note 13. We do not seek to hedge exchange exposure.

Reinsurance Balances

There are no provisions for bad debts on the syndicates' reinsurance balances.

An analysis of the security rating for the reinsurance balances on our statement of financial position at 31 December is set out below:

Debt table by security rating

	On paid claims	On outstanding claims	On IBNR	**2016 Total**	2015 Total
Standard & Poor's rating	£m	£m	£m	**£m**	£m
A	2.9	22.0	17.7	**42.6**	31.0
Not rated	(0.1)	0.1	0.2	**0.2**	0.2
	2.8	22.1	17.9	**42.8**	31.2

Of the total reinsurance debtors rated A in the table above, the amounts owed by Syndicate 6103 are £4.4m.

The negative paid claim figure in the not rated rating is a repayment due to one of our reinsurers caused by a reduction on a previously paid claim.

Our reinsurance security committee has authorised the use of a number of the insurance companies set up after the 2005 hurricanes. These companies have either no, or a low, Standard and Poor's security rating. As a result they are only accepted on to the syndicate's reinsurance programme if they offer acceptable alternative direct security (Letters of Credit or syndicate specific trust accounts).

Solvency Capital Requirement

The Syndicate is required to produce a Solvency Capital Assessment (SCR) which sets the capital required to be held by the members of the syndicate for the prospective underwriting year. Lloyd's syndicate SCR's are combined to provide the basis of the Lloyd's internal model which the Prudential Regulation Authority approved in December 2016.

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 on which it participating 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 Requirement (ECR). 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 2017 is 35% (2016: 35%) of the member's SCR 'to ultimate'.

The syndicate current capital assessment has been established using our internal Solvency II model which has been run within the capital regime as prescribed by Lloyd's. The internal model uses sophisticated mathematical models reflecting key risks within the syndicate. The risks are principally Insurance (catastrophes, pricing and reserving), Market (equity, liquidity, currency, interest rate and spread), Credit (brokers, investment and reinsurance) and Operational.

The following table sets out the syndicate's ECR which is unaudited:

	2017 £m	2016 £m
2791	239.9	222.5

ECR capital is provided by the members of the syndicate from syndicate own funds (retained profits) set under Solvency II regulations plus additional contributed assets held and managed by Lloyd's of London, known as Funds at Lloyd's or FAL.

Future developments & important events since the end of the financial year

The syndicate continues to transact in the classes of general insurance and reinsurance business that it has transacted in historically.

The risks to UK economic growth remain significant not least because of the UK's decision to leave the European Union ("EU") ("Brexit"). There is significant change and associated uncertainty ahead for the market; it is difficult to anticipate the terms of the UK's exit from the EU. Until that becomes clearer, the market will need to plan carefully for all possible scenarios to mitigate the impact of Brexit on Lloyd's businesses while looking for new ways to generate revenue in an ever challenging market.

EU membership and access to the single market has enabled underwriters at Lloyd's to underwrite insurance and reinsurance from all of the other 27 member states on a cross-border basis (and also locally in those countries where Lloyd's has representative offices). The underwriters operate under a "passport" system, which allows them to conduct business throughout the EU while being regulated and supervised by the Prudential Regulation Authority (PRA). For the 2016 year 16% (2015: 12%) of the syndicate's gross written premium is conducted under the "passport" regulation system the majority of this business emanates from the syndicate's lower margin motor class of business.

It is expected that Lloyd's will publish its final Brexit plan in the first quarter of 2017. Lloyd's has a dedicated team putting forward the argument to the UK government on behalf of the marketplace for retaining EU passporting, and it is likely that this is to be achieved via a single insurance company.

Research and development

The type of insurance risk the syndicate writes are often bespoke to an insured and in the ordinary course of business we develop and research new policies, wording or coverages to meet our insureds needs.

RISK MANAGEMENT

We have established a risk management framework whose primary objective is to protect the syndicate from events which negatively impact current and future returns.

Principal Risks and Uncertainties

Insurance risk

Insurance risk includes the risks that a policy will be written for too low a premium or provide inappropriate cover, that the frequency or severity of insured events will be higher than expected, or that estimates of claims subsequently prove to be insufficient. Underwriting strategy is agreed by the Board and set out in the Syndicate Business Plan which is submitted to Lloyd's each year. Processes are in place to identify, quantify and manage aggregate exposures and technical prices within each of our underwriting classes. Reinsurance is purchased, where appropriate to our risk appetite and reduces the retained financial impact of catastrophic loss. Reserves set are subject to stress testing and independent review.

Credit risk

Credit risk is the risk of default or the inability of one or more of the syndicate's reinsurers or brokers to settle their debts as they fall due.

Reinsurance is only placed with security that meets the criteria agreed by the Board. Use is made of independent rating agencies. Business is only accepted through accredited Lloyd's brokers who are reviewed by the Agency's Security Committee and business accepted via binding authority is subject to a process of rolling review. Aggregate exposure to any counterparty is monitored regularly and a robust system of credit control is in place, itself subject to the internal Security Committee. Exposure to investment counterparties is monitored by a specialist investment reporting company and reviewed by the Investment Committee. This Committee includes a non-executive director with expertise in US fund management. Investment guidelines are set and monitored in view of the syndicate's liability exposures and their durations.

Liquidity risk

This is the risk that the syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash. Liquidity management forms an important part of the financial management practices of the syndicate. Cash flow projections and budgetary controls are maintained and reported upon to the Board.

Market risk

Market risk is the potential adverse financial impact of changes in value of financial instruments caused by fluctuations in foreign currency, interest rates or equity prices. The potential impact of market risk elements is reported to the Board and the potential financial impact of changes in market value is monitored through the capital setting process. This risk is managed by spreading the investments of equities over a number of investment managers who each specialise in a market sector or type of investment evaluation.

Foreign currency exchange risk

We operate from the United Kingdom but over 90% of our premiums and claims are settled in currencies other than Sterling. Our reported financial results are denominated in Sterling and are therefore affected by the exchange rate against Sterling of our main currency assets (US dollars, Euros and Canadian dollars). The syndicate settles its surplus assets in both Sterling and US dollars as each underwriting year closes or earlier if a solvency transfer is approved. We do not therefore seek to hedge the US dollars exposure. Other currencies are tracked against Sterling to ensure the amount of exposure is monitored and if needed appropriate action taken.

Interest rate risk

Interest rate risk is the potential adverse financial impact of changes in value of assets and liabilities caused by rising and falling market interest rates. For example debt and fixed income securities are exposed to actual fluctuations or changes in market perception of current or future interest rates. Exposure to interest rate risk is monitored through the use of Value-at-Risk analysis, scenario testing, stress testing and duration reviews. Interest rate risk is managed by matching of assets and liabilities to within five years.

Operational risk

Operational risk is the potential adverse financial and reputational impact of inadequate or failed internal processes, people and systems or from external events. An internal risk assessment process has been developed to assess the potential impact and probability of certain events and a system of internal controls has been implemented to mitigate the risks. These controls have been monitored by Senior Management and the Board whilst their ongoing effectiveness is validated through both the ongoing risk assessment and internal audit process.

Regulatory risk

The agency is required to comply with the requirements of the Prudential Regulation Authority (PRA), Financial Conduct Authority (FCA) and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The agency has a director of risk and assurance who monitors regulatory developments and assesses the impact on agency policy. They are supported by an assistant who carries out a compliance monitoring programme.

CORPORATE GOVERNANCE

Directors and Directors' Interests

The Directors of the managing agent who served during the year ended 31 December 2016 together with their participations on the syndicate were as follows:

	2016 year of account £'000	2015 year of account £'000
K Allchorne (Non-executive) (appointed 9 September 2016)	**–**	–
C E Dandridge (Non-executive)	**–**	–
J D Denoon Duncan (1) (2)	**609**	609
A S Foote (3) (Non-executive)	**–**	–
A Kong (1) (2)	**1,910**	1,910
P Langridge (appointed 9 September 2016)	**–**	–
B S McAuley (1) (2) (resigned 9 September 2016)	**854**	854
A J T Milligan (Non-executive)	**–**	–
D E S Shipley (Chairman) (1)	**4,514**	4,514
C Smelt (1) (2)	**1,553**	1,553
R J Sumner (1)	**855**	855
R K Trubshaw (Active Underwriter) (1)	**5,630**	5,630

(1) Participate via MAP Capital Limited and Nomina 208 LLP, unaligned corporate members.

(2) Include participations of related parties.

(3) A S Foote, a non-executive director of MAP, is a managing director of Steadfast Advisors until 31 December 2015, the management company for Steadfast Capital LP, which participates on the syndicate through MAP Capital Limited.

The total capacity of the 2016 year of account of the syndicate was £399.1m.

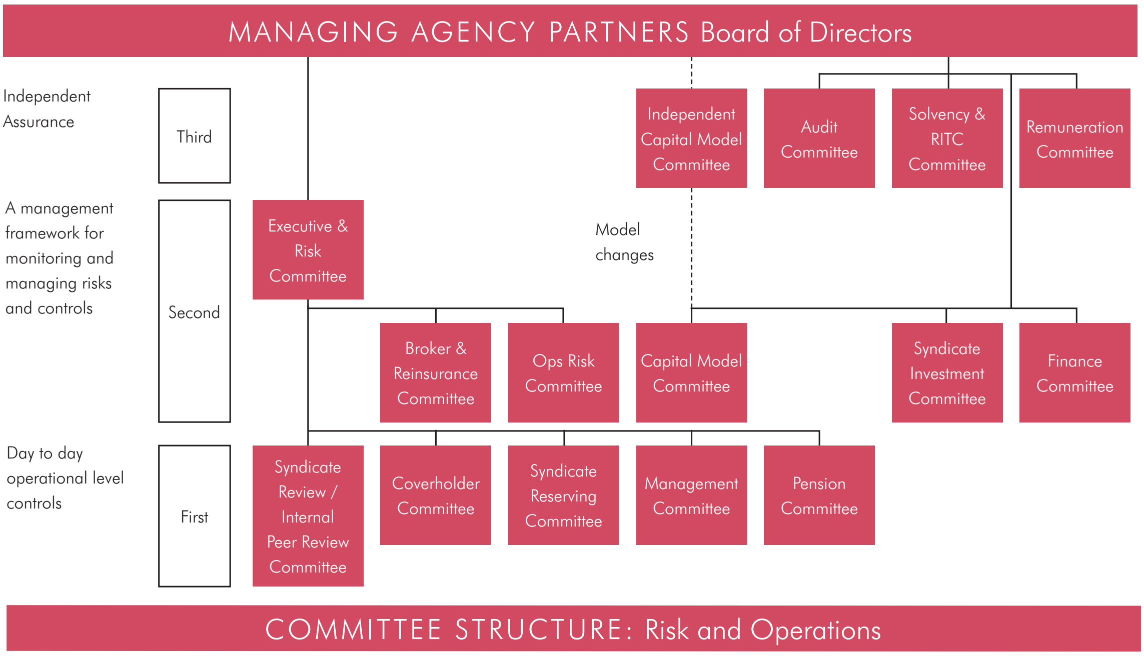
Governance Framework

The directors recognise the critical importance of having efficient and effective risk management systems in place. The Managing Agent has established a risk management function for the Syndicate with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers.

A risk management framework which sets out the risk profiles for the Syndicate, risk management, control and business conduct standards for the Syndicate's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Syndicate.

The board of directors approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the identification of risk and its interpretation to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the Syndicate goals, and specify reporting requirements. Significant emphasis is placed on assessment and documentation of risks and controls, including the articulation of 'risk appetite'.

MAP operates a three lines of defence approach to the overall governance of its operations. The first line of defence is the day to day operational level controls; the second line of defence being a framework for monitoring and managing risks and controls; and the third being independent challenge through oversight committees independent of the Executive or assurance review through the Internal Audit Function. This is depicted in the following Committee Structure diagram:



Reappointment of Auditors

Ernst & Young LLP are deemed to be reappointed as the syndicate's auditors.

Disclosure of Information to the Auditors

So far as each person who was a director of the managing agent at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with its report, of which the auditor is unaware. Having made enquiries of fellow directors of the agency and the syndicate's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Annual General Meeting

As permitted under the Syndicate Meetings (Amendment No.1) Byelaw (No.18 of 2000) MAP does not propose holding a Syndicate Annual General Meeting of the members of the Syndicate. Members may object to this proposal or the intention to reappoint the auditors within 21 days of the issue of these accounts. Any such objection should be addressed to P Langridge, Compliance Director at the registered office of Managing Agency Partners Limited.

By order of the Board

R K Trubshaw
Active Underwriter

P Langridge
Secretary

Managing Agency Partners Limited
London
14 March 2017

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The managing agent is responsible for preparing the syndicate annual accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare syndicate annual accounts at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The annual accounts are required by law to give a true and fair view of the state of affairs of the syndicate as at that date and of its profit or loss for that year.

In preparing the syndicate annual accounts, the managing agent is required to:

1. select suitable accounting policies which are applied consistently;
2. make judgements and estimates that are reasonable and prudent;
3. state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the annual accounts; and
4. prepare the annual accounts on the basis that the syndicate will continue to write future business unless it is inappropriate to presume that the syndicate will do so.

The managing agent is responsible for keeping 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 annual accounts comply with the 2008 Regulations. It is also responsible for safeguarding the assets of the syndicate and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

The 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 2791

We have audited the syndicate annual accounts of syndicate 2791 ('the syndicate') for the year ended 31 December 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Members' Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts',

This report is made solely to the syndicate's members, as a body, in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an 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 42, the managing agent is responsible for the preparation of syndicate annual accounts which give a true and fair view. Our responsibility is to audit and express an opinion on the syndicate annual accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the syndicate annual accounts

An audit involves obtaining evidence about the amounts and disclosures in the syndicate annual accounts sufficient to give reasonable assurance that the syndicate annual 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 annual accounts. In addition, we read all the financial and non-financial information in the Syndicate 2791 Annual Report and Accounts to identify material inconsistencies with the audited syndicate annual 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 annual accounts

In our opinion the syndicate annual accounts:

- give a true and fair view of the syndicate's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 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.

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

In our opinion the information given in the Managing Agent's Report for the financial year in which the syndicate annual accounts are prepared is consistent with the syndicate annual accounts.

Matters on which we are required to report by exception

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

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Benjamin Gregory (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
14 March 2017

INCOME STATEMENT TECHNICAL ACCOUNT – GENERAL BUSINESS

for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Earned premiums, net of reinsurance			
Gross premiums written	4	**171,497**	149,107
Outward reinsurance premiums		**(35,437)**	(27,767)
Net premiums written		**136,060**	121,340
Change in the provision for unearned premiums:			
Gross amount		**636**	8,810
Reinsurers' share		**1,235**	(555)
Change in the net provision for unearned premiums		**1,871**	8,255
Earned premiums, net of reinsurance		**137,931**	129,595
Allocated investment return transferred from the non-technical account		**5,187**	2,530
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	4	**(83,186)**	(81,978)
Reinsurers' share		**8,761**	13,104
Net claims paid		**(74,425)**	(68,874)
Change in the provision for claims			
Gross amount	4	**22,106**	35,669
Reinsurers' share		**6,734**	(3,034)
Change in the net provision for claims		**28,840**	32,635
Claims incurred, net of reinsurance		**(45,585)**	(36,239)
Acquisition expenses		**(39,558)**	(31,988)
Change in deferred acquisition expenses	7	**416**	(1,364)
Reinsurers' commissions and profit participations		**1,620**	1,392
Administrative expenses	8	**(22,771)**	(20,800)
Net operating expenses	4	**(60,293)**	(52,760)
Balance on the technical account for general business		**37,240**	43,126

All operations are continuing.

INCOME STATEMENT NON-TECHNICAL ACCOUNT

for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Balance on the general business technical account		**37,240**	43,126
Investment income	11	**15,574**	16,338
Net unrealised gains and losses on investments		**(2,383)**	(9,182)
Investment expenses and charges	11	**(8,004)**	(4,626)
Allocated investment return transferred to general business technical account		**(5,187)**	(2,530)
Non-technical account foreign exchange		**1,087**	(701)
Profit for the financial year		**38,327**	42,425

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Profit for the financial year		**38,327**	42,425
Exchange differences on foreign currency translation	13	**13,385**	6,219
Total comprehensive income for the year		**51,712**	48,644

STATEMENT OF CHANGES IN MEMBERS' BALANCES

for the year ended 31 December 2016

	2016 £'000	2015 £'000
Members' balances brought forward at 1 January 2016	**121,944**	132,493
Profit for the financial year	**38,327**	42,425
Exchange rate difference – transfer from the Statement of Comprehensive Income	**13,385**	6,219
Members' agents fees 2013 (2012) year of account	**(2,718)**	(2,691)
Payments of profit to members' personal reserve funds for the 2013 (2012) year of account	**(65,394)**	(56,502)
Members' balances carried forward at 31 December 2016	**105,544**	121,944

STATEMENT OF FINANCIAL POSITION ASSETS

as at 31 December 2016

	Note	2016 £'000	2015 £'000
Investments			
Financial investments	*14*	**429,007**	442,951
Reinsurers' share of technical provisions			
Provision for unearned premiums	*5*	**13,368**	10,292
Claims outstanding	*6*	**40,038**	28,335
		53,406	38,627
Debtors			
Debtors arising out of direct insurance operations	*15*	**16,322**	10,549
Debtors arising out of reinsurance operations	*15*	**44,169**	39,364
Other debtors	*16*	**13,399**	13,138
		73,890	63,051
Other assets			
Cash at bank and in hand		**15,380**	11,566
Prepayments and accrued income			
Accrued interest		**1,006**	1,466
Deferred acquisition costs	*7*	**14,894**	12,489
Other prepayments and accrued income		**953**	1,388
		16,853	15,343
Total assets		**588,536**	571,538

STATEMENT OF FINANCIAL POSITION LIABILITIES

as at 31 December 2016

	Note	2016 £'000	2015 £'000
Capital and reserves			
Members' balances		**105,544**	121,944
Technical provisions			
Provision for unearned premiums	*5*	**56,329**	48,540
Claims outstanding	*6*	**350,266**	321,033
		406,595	369,573
Creditors			
Creditors arising out of direct insurance operations	*17*	**4,458**	440
Creditors arising out of reinsurance operations	*17*	**36,827**	46,361
Other creditors	*18*	**28,914**	30,513
		70,199	77,314
Accruals and deferred income		**6,198**	2,707
Total liabilities		**588,536**	571,538

The financial statements on pages 44 to 72 were approved by the Board of Managing Agency Partners Limited on 14 March 2017 and were signed on its behalf by:

R K Trubshaw
Active Underwriter

R J Sumner
Finance Director

14 March 2017

STATEMENT OF CASH FLOWS

for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Operating profit on ordinary activities		**38,327**	42,425
Movement in gross technical provisions		**37,020**	(28,281)
Movement in reinsurers' share of gross technical provisions		**(14,779)**	2,225
Movement in debtors		**(12,349)**	26,879
Movement in creditors		**(3,624)**	(20,708)
Investment return		**(5,187)**	(2,530)
Members' agents' fee advances		**(2,718)**	(2,691)
Exchange differences on foreign currency translation		**13,385**	6,219
Net cash inflow from operating activities		**50,075**	23,538
Cash flows from investing activities			
Purchase of equity and debt instruments		**(408,361)**	(524,176)
Sale of equity and debt instruments		**501,369**	575,326
Investment income received		**9,020**	14,138
Changes to Market value		**(85,403)**	(31,940)
Movement in Overseas deposits		**1,511**	809
Net cash inflow from investing activities		**18,136**	34,157
Cash flows from financing activities			
Payments of profit to members' personal reserve funds		**(65,394)**	(56,502)
Net Cash (outflow) from financing activities		**(65,394)**	(56,502)
Increase in cash and cash equivalents		**2,817**	1,193
Cash and cash equivalents at 1 January		**11,566**	10,411
Exchange differences on opening cash		**997**	(38)
Cash and cash equivalents at 31 December	*19*	**15,380**	11,566

NOTES TO THE ACCOUNTS

for the year ended 31 December 2016

1. Basis of Preparation and Statement of Compliance

These financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and FRS 102 and FRS 103, being applicable UK GAAP accounting standards, and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

The functional currency is US dollars but the financial statements are prepared in sterling which is the 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.

The result for the year is determined on the annual basis of accounting in accordance with UK GAAP.

Syndicate 2791 cedes business under a quota-share treaty to Syndicate 6103 which operates on a funds withheld basis with Syndicate 2791. Syndicate 6103 is also managed by the managing agent, MAP. Syndicate 6103 holds no cash or investments. All the syndicate's funds are held by Syndicate 2791 which makes payments of liabilities on Syndicate 6103's behalf. Debtors and creditors between the syndicates are grossed up in the syndicate statement of financial position and upon the closure of each year of account, normally after 36 months, the assets and liabilities of that closing year are netted off as part of the commutation settlement with Syndicate 6103.

2. Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year.

However, the nature of estimation means that actual outcomes could differ from those estimates.

The following are the Syndicate's key sources of estimation uncertainty:

Insurance contract technical provisions

For insurance contracts, estimates have to be made both for 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 and for some types of policies, IBNR claims form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder, Bornheutter-Ferguson methods and individual reserving at contract level.

The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the statement of financial position date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported (IBNR) at the statement of financial position 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 pricing and other models of the business accepted and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

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

The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. In addition where contracts are yet to expire or where losses are not settled until several years after the expiration of the policy in question, the estimates are considered to be more volatile and consequently are subjected to additional management judgemental prudence adjustments. The methods used, and the estimates made, are reviewed regularly.

2. Judgements and key sources of estimation uncertainty *continued*

Insurance contract technical provisions continued

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

Estimates of future premiums

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates are judgemental and could result in misstatements of revenue recorded in the financial statements. The main assumption underlying these estimates is that past premium development can be used to project future premium development.

Estimates include an element of judgement with regard to the level of claims affected future premiums receivable by the syndicate. The methods used for assessing future premiums generally involve projecting from past experience, based on the development of claims and the related inwards premiums receivable against these claims. The directors consider the estimates of gross future premium are fairly stated on the basis of the information available currently to them. However, the ultimate receivable will vary as a result of subsequent information or events and this may result in significant adjustments.

In addition the most recent underwriting year estimates are considered to be more volatile and consequently are subjected to additional management judgemental prudence adjustments.

The estimated premium income in respect of facility contracts, for example binding authorities and lineslips, includes an estimate of the underlying business attaching to each facility at the statement of financial position date.

Expense provisions – Unallocated loss adjustment provisions and legal provisions

Estimates of future expenses to be incurred in respect of settlement transaction costs and administrating or adjusting expenses in respect of claim provisions are made at each statement of financial position date. The main assumptions underlying these provisions are direct claim administration costs are as budgeted, inflation rates will be in line with historical rates and claim payment patterns reflect historical experience by line of business.

Expense provisions are also made in respect of legal disputes anticipated to be incurred in the normal course of business defending the syndicate position. These provisions are based on historical average costs or direct individual case estimates.

Changes in assumptions, quantum or complexity of future claims can affect the value of these provisions.

Fair value of financial assets and derivatives determined using valuation techniques

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques.

These valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on estimates. It incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk- return factors inherent in the financial instrument.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Further details are given in Note 14.

3. Accounting Policies

Insurance contracts

An insurance contract (including inwards reinsurance contract) is defined as a contract containing significant insurance risk. Insurance risk is considered significant if, and only if, an insured event could cause the syndicate to pay significant additional benefits in any scenario. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire.

Premiums written

Premiums written comprise premiums on contracts incepted during the financial year as well as adjustments made in the year to premiums written in prior accounting periods. Estimates are made for pipeline premiums, representing amounts due to the syndicate not yet received at the statement of financial position. Differences between such estimates and actual amounts will be recorded in the period in which the actual amounts are determined.

Premiums are disclosed before the deduction of acquisition costs and taxes or duties levied on them.

3. Accounting Policies *continued*

Unearned gross premiums

Written premiums are recognised evenly over the term of the contract for those contracts where the incidence of risk does not vary over the term. Contracts where the incidence of risk differs over the term are earned based on the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the statement of financial position date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

Acquisition costs and deferred acquisition costs

Acquisition costs, comprising commission and other direct or indirect costs related to the acquisition of insurance contracts are deferred to the extent that they are attributable to premiums unearned at the statement of financial position date. The value of commission paid to insurance intermediaries is determined based on the contractual amounts recorded in all contracts. Where, however, policies are issued and the insured agrees to pay a fee directly to the intermediary without reference to the insurer, the written premium comprises the premium payable to the insurer and accounting for broker acquisition costs is inappropriate.

Reinsurance premium ceded

Outwards reinsurance purchased consists of excess of loss contracts and proportional reinsurance contracts. Initial excess of loss premiums are accounted for in the year of inception. Premiums ceded to reinstate reinsurance cover or additional premiums payable on loss are recognised when they may be assessed with reasonable certainty. Proportional outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

Reinsurers commissions and profit participations

Overriders and fees due from reinsurers are accrued in accordance with the contractual terms of each arrangement and earned over the policy contract period.

Profit commission receivable from reinsurers is accounted for in the period the related profit is recognised.

Unearned reinsurance premium

Reinsurance premiums paid to purchase excess of loss reinsurance contracts are earned evenly over the period at risk. Proportional reinsurance premiums are earned in the same accounting period as the inwards business being reinsured.

Claims provisions and related recoveries

Claims paid comprise claims and claim handling expenses paid during the period.

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years. The provision for claims outstanding is assessed on an individual case and class basis, as appropriate, and is based on the estimated ultimate cost of all claims notified but not settled by the statement of financial position date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported ('IBNR') at the statement of financial position date based on statistical methods. Separate reserves are established for each year of account.

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

Future unallocated loss adjustment expenses

An accrual for all future unallocated loss adjustment expenses ('ULAE') is made. The ULAE is comprised of those costs which are related to the settlement of earned claims but which are not directly attributable to individual claims. ULAE expenses are undiscounted and include the expenses of managing the run-off of the business on the basis the business is a going concern. Costs of administration of the reinsurance programme are included in the gross ULAE. Separate reserves are established for each year of account.

Legal provisions

The syndicate may be subject to legal disputes, in the normal course of business. Provisions for such events and their related costs are recognised where there is an expected present obligation relating to a past event or evidence exists of the requirement for a general provision that can be measured reliably and it is probable that an outflow of economic benefit will be required to settle an obligation.

The directors of the managing agent do not expect the outcome of these claims, either individually or in aggregate, to have a material effect upon the syndicate's operations or financial position. As allowed by FRS 102, further disclosure has not been given as it may seriously prejudice the outcome of any legal proceedings.

3. Accounting Policies *continued*

Insurance receivables and payables

Insurance receivables and payables are recognised when due and measured on initial recognition at the fair value of the consideration received. They are derecognised when the obligation is settled, cancelled or expired.

Bad debt

Bad debts are provided for only where specific information becomes available to suggest a debtor may be unable or unwilling to settle its debts to the syndicate. Specific information may be directly attributed to the debtor company or may be indirect information from a rating agency or other source. The provision is calculated on a case by case basis.

Unexpired risks provision

A provision for unexpired risks may be made, if necessary, where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date exceed unearned premiums and premiums receivable, after the deduction of any deferred acquisition costs.

The assessment of whether an unexpired risk provision is required and if so its quantum is based on information available at the statement of financial position date which may include evidence of relevant previous claims experience on similar contracts. The assessment is not required to take into account any new claims events occurring after the statement of financial position date as these are non-adjusting events.

The provision for unexpired risks is calculated by reference to all classes of business, which are all managed together on a year of account basis, after taking into account relevant future investment return. The provision for unexpired risks is included in technical provisions in the statement of financial position.

Foreign currency translation

Financial Reporting Standard 102 requires each entity to identify its functional currency and a presentational currency. The functional currency is identified as the currency of the primary economic environment in which the entity operates. The functional currency of this Syndicate is US dollars as the majority of the underwriting business, cash flows and expenses are in US dollars. We have chosen to maintain our presentational currency as Sterling as the Syndicate is based in the UK, complies with UK reporting standards and to enable simpler comparisons to other Lloyds's insurance syndicates.

The Syndicate records transactions in four settlement currencies being Sterling, US dollars, Canadian dollars and Euros and when reported these currencies are translated in the income statement at the average rates of exchange for the period. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

As permitted by FRS 103, the Syndicate has continued with its existing accounting policy to treat non-monetary assets and liabilities arising from insurance contracts (which include items such as unearned premiums and deferred acquisition costs) the same as monetary assets and liabilities. Consequently all assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date or if appropriate at the forward contract rate.

Exchange differences from the functional currency (US dollars) arising from the retranslation of opening balances and between average and year-end rates to the presentational currency are included in the statement of comprehensive income.

All other exchange differences are included in the general business non-technical account.

Change in foreign currency accounting policy

In previous reporting periods exchange differences arising from realised foreign currency gains and losses have been reported within operating expenses within the technical account but are now included In the non-technical account. Comparatives have not been restated as this change is immaterial (see note 8) and this change has nil impact on the total comprehensive income for the year.

3. Accounting Policies *continued*

Foreign currency translation continued

The following rates of exchange have been used in the preparation of these accounts.

	2016		2015	
	Year end	**Average**	Year end	Average
USD	**1.24**	**1.35**	1.47	1.53
CAD	**1.66**	**1.79**	2.05	1.95
EUR	**1.17**	**1.22**	1.36	1.38

Financial investments

As permitted by FRS 102, the Syndicate has elected to apply the recognition and measurement provisions of IAS 39 – Financial Instruments (as adopted for use in the EU) to account for all of its financial instruments.

Financial instruments recognition and derecognition

Financial instruments are recognised in the statement of financial position at such time as the syndicate becomes a party to the contractual provisions of the financial instrument. Purchases and sales of financial assets are recognised on the trade date, which is the date the syndicate commits to purchase or sell the asset. A financial asset is derecognised when the contractual rights to receive cash flows from the financial assets expire, or where the financial assets have been transferred, together with substantially all the risks and rewards of ownership. Financial liabilities are derecognised if the group's obligations specified in the contract expire, are discharged or cancelled.

Derivative financial instruments

The syndicate does not have any derivative financial instruments. As the syndicate has no derivatives it has not designated any derivatives as fair value hedges, cash flow hedges or net investment hedges.

Investment values

Financial investments are valued at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

Listed investments

Listed and other quoted investments are stated at current bid value at the statement of financial position date. For this purpose listed and quoted investments are stated at market value and deposits with credit institutions are stated at cost.

The cost of syndicate investments is the amount paid on the purchase date for those investments still held at the statement of financial position date.

Deposits

All deposits with credit institutions are stated at cost.

Unlisted investments

Some investments are not listed, or in a market not regarded as active because:

- quoted prices are not readily and regularly available; or
- prices do not represent actual and regularly occurring market transactions on an arm's length basis.

In such circumstances the syndicate then seeks to establish fair value by using third party administrators with experience in valuing such assets using valuation techniques as described below:

- Using recent arm's length transactions between knowledgeable, willing parties (if available);
- Reference to the current fair value of other instruments that are substantially the same;
- Discounted cash flow analyses and option pricing models.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on estimates. It incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial investment.

The Syndicate participates in a number of hedge/credit funds and related financial instruments for which there are no available quoted market prices. The valuation of these hedge funds is based on fair value techniques (as described above). The fair value of the hedge/credit fund portfolio is calculated by reference to the underlying net asset values (NAVs) of each of the individual funds. Consideration is also given to adjusting such NAV valuations for any restriction applied to distributions, the existence of side pocket provisions, and the timing of the latest available valuations.

NOTES TO THE ACCOUNTS

continued

3. Accounting Policies *continued*

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Fair value of financial assets

The Syndicate uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets that we can assess at the valuation date.

Level 2: other techniques used for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques are used which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For assets held in funds with limited look through to individual underlying assets the syndicate has adopted the following rules for the fair value hierarchy:

Rules for Funds	Fair value level adopted
1. If the underlying assets security is 100% short term bonds or cash.	Level 1
2. If the security is a fund which is subscribed/redeemed on a daily basis.	Level 2
3. If the security is a non-publically tradable fund which has fair value statement available and 95%+ of the fund is determined by the administrator to be Level 1.	Level 2
4. If security is a fund which has a lock up period of 3 months or more.	Level 3
5. If the security is a non-publically tradable fund which has a fair value statement available and less than 95% of the fund is determined by the administrator to be Level 1.	Level 3

The Syndicate has elected to early-apply the March 2016 amendments to FRS 102, Fair Value Hierarchy disclosures. As a result, the fair value hierarchy disclosures shown in note 14 are now prepared on a basis consistent with the measurement of the financial instruments.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts; and
- There is an intention to settle on a net basis, to realise the assets and settle the liabilities.

Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment management expenses, charges and interest payable.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price.

Movements in unrealised gains and losses on investments represent the difference between their valuation at the statement of financial position date and their purchase price or, if they have been previously valued, their valuation at the last statement of financial position date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

As detailed above with regard to funds withheld on behalf of Syndicate 6103, investment income earned in the period is reduced by the amount payable to Syndicate 6103.

Purchases and sales of investments are recognised on the trade date, which is the date the syndicate commits to purchase or sell the assets. Funds receivable or payable after the trade date are recorded in debtors and creditors respectively until settled.

Allocation of investment return

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.

3. **Accounting Policies** *continued*

Investment management expenses

These comprise contractual fees and profit commissions payable to external third party investment managers for managing the syndicate's investment funds. They are accrued in the period to which they relate.

Overseas deposits

Overseas deposits lodged as a condition of conducting underwriting business in certain countries in compliance with Lloyd's licences are stated at the market value, based on a bid price, ruling at the statement of financial position date.

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.

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.

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 statement of financial position under the heading 'other debtors'.

No provision has been made for any overseas tax payable by members on underwriting results.

Pension costs

MAP operates a defined contribution scheme. Pension contributions relating to syndicate staff are charged to the syndicate and included within net operating expenses.

Profit commission

Profit commission is charged by the managing agent at a rate of 20.0% for each of the underwriting years of account, subject to the operation of a deficit clause. This is charged to the syndicate as incurred on an earned basis but does not become payable until after the appropriate year of account closes, normally at 36 months.

4. Segmental Analysis

An analysis of the technical account before investment return is set out below:

2016 **Direct insurance**	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Net operating expense £'000	Reinsurance balance £'000	**Net technical result £'000**	**Net technical result of prior accident year £'000**	**Net technical provisions £'000**
Accident and health	6,056	6,850	(3,977)	(3,037)	28	**(136)**	**(64)**	**9,440**
Motor (third party liability)	145	195	(214)	(53)	39	**(33)**	**(440)**	**9,153**
Motor (other classes)	40,758	37,182	(34,018)	(11,924)	6,081	**(2,679)**	**657**	**31,665**
Marine, aviation and transport	6,655	7,707	1,519	(3,878)	(464)	**4,884**	**5,868**	**21,295**
Fire and other damage to property	19,426	20,119	(5,842)	(8,016)	(3,858)	**2,403**	**2,507**	**26,065**
Third party liability	5,169	5,136	(252)	(2,622)	88	**2,350**	**2,564**	**29,432**
Miscellaneous	(6)	259	(322)	(72)	11	**(124)**	**170**	**2,492**
	78,203	77,448	(43,106)	(29,602)	1,925	**6,665**	**11,262**	**129,542**
Reinsurance accepted	93,294	94,685	(17,974)	(30,691)	(20,632)	**25,388**	**15,444**	**223,647**
Total	**171,497**	**172,133**	**(61,080)**	**(60,293)**	**(18,707)**	**32,053**	**26,706**	**353,189**

2015 Direct insurance	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Net operating expense £'000	Reinsurance balance £'000	Net technical result £'000	Net technical result of prior accident year £'000	Net technical provisions £'000
Accident and health	5,595	6,326	(5,290)	(2,293)	(6)	(1,263)	(1,523)	8,010
Motor (third party liability)	152	44	58	(33)	(5)	64	(87)	3,300
Motor (other classes)	27,086	23,876	(22,285)	(5,639)	1,821	(2,227)	986	23,702
Marine, aviation and transport	6,599	10,036	(3,505)	(3,488)	(69)	2,974	1,002	25,156
Fire and other damage to property	18,558	20,211	(4,025)	(7,285)	(4,127)	4,774	2,392	23,240
Third party liability	4,180	4,235	1,891	(2,419)	(74)	3,633	4,595	26,857
Miscellaneous	839	735	(460)	(288)	3	(10)	(62)	2,297
	63,009	65,463	(33,616)	(21,445)	(2,457)	7,945	7,303	112,562
Reinsurance accepted	86,098	92,454	(12,693)	(31,315)	(15,795)	32,651	10,458	218,384
Total	149,107	157,917	(46,309)	(52,760)	(18,252)	40,596	17,761	330,946

All premiums were concluded in the UK.

The business class split reported is a statutory reporting requirement but the business is managed by its own business classes and hence an element of allocation is used.

Net operating expenses include reinsurers' commissions and profit participations.

	2016 £'000	2015 £'000
Total commissions on gross direct premiums earned	**20,605**	16,522

4. Segmental Analysis *continued*

The geographical analysis of premiums, by destination is as follows:

	Direct	Reinsurance	2016 £'000
UK	**986**	**1,404**	**2,390**
Other EU countries	**28,020**	**960**	**28,980**
US	**42,070**	**75,319**	**117,389**
Other	**7,127**	**15,611**	**22,738**
Total	**78,203**	**93,294**	**171,497**

	Direct	Reinsurance	2015 £'000
UK	826	974	1,800
Other EU countries	18,453	1,034	19,487
US	35,352	69,387	104,739
Other	8,378	14,703	23,081
Total	63,009	86,098	149,107

5. Provision for Unearned Premiums

	Gross £'000	Reinsurers' share £'000	Net £'000
At 1 January 2016	**48,540**	**(10,292)**	**38,248**
Premiums written in year	**171,497**	**(35,437)**	**136,060**
Premiums earned in year	**(172,133)**	**34,202**	**(137,931)**
Foreign exchange	**8,425**	**(1,841)**	**6,584**
At 31 December 2016	**56,329**	**(13,368)**	**42,961**
At 1 January 2015	55,585	(10,538)	45,047
Premiums written in year	149,107	(27,767)	121,340
Premiums earned in year	(157,917)	28,322	(129,595)
Foreign exchange	1,765	(309)	1,456
At 31 December 2015	48,540	(10,292)	38,248

Provision for unearned premiums include £0.4m (2015: £0.3m) in respect of Syndicate 6103.

6. Claims Outstanding

	Gross £'000	Reinsurers' share £'000	Net £'000
At 1 January 2016	321,033	(28,335)	292,698
Claims incurred in current underwriting year	61,080	(15,495)	45,585
Claims paid during year	(83,186)	8,761	(74,425)
Foreign exchange	51,339	(4,969)	46,370
At 31 December 2016	**350,266**	**(40,038)**	**310,228**
At 1 January 2015	342,270	(30,314)	311,956
Claims incurred in current underwriting year	46,309	(10,070)	36,239
Claims paid during year	(81,978)	13,104	(68,874)
Foreign exchange	14,432	(1,055)	13,377
At 31 December 2015	**321,033**	**(28,335)**	**292,698**

The movement in the net provision for claims includes a release of £26.7m in respect of claims outstanding at the previous year end as disclosed by segment in note 4 (2015: £17.8m).

Claims outstanding includes £0.7m (2015: £1.0m) in respect of Syndicate 6103.

7. Deferred acquisition costs

	2016 £'000	2015 £'000
At 1 January 2016	**12,489**	13,451
Change in deferred acquisition costs	**417**	(1,364)
Foreign exchange	**1,988**	402
At December 2016	**14,894**	12,489

8. Administrative Expenses

	2016 £'000	2015 £'000
Personal expenses	**3,364**	3,297
Profit commission payable to managing agent	**9,811**	10,694
Other administrative expenses	**11,166**	7,216
Loss/(profit) on exchange (see Note 3 – Change in foreign currency accounting policy)	**–**	(228)
Gross operating expenses	**24,341**	20,979
Expense recoveries from reinsurers	**(1,570)**	(179)
Net operating expenses	**22,771**	20,800

Administrative expenses include:	2016 £'000	2015 £'000
Auditors' remuneration		
Fees for audit of Syndicate 2791 and 6103	**209**	209
Other services pursuant to Regulations and Lloyd's Byelaws	**82**	41
Taxation compliance services	**6**	5
Actuarial consultancy services	**326**	393

Personal expenses comprise managing agent's fees, Lloyd's subscriptions and central fund contributions.

Lloyd's is a member of the Motor Insurers' Bureau of Ireland (MIBI) and is charged a membership levy based on the Irish motor liability premiums written by all Lloyd's syndicates. Lloyd's share is based upon its share of the total market. Lloyd's receive an invoice directly from MIBI which is then allocated proportionally to each relevant syndicate's share. Syndicate 2791 can recover 62.50% of these expenses under the terms of a reinsurance contract. These recoveries are disclosed as expense recoveries from reinsurers within net operating expenses.

9. Staff Numbers and Costs

All staff are employed by the managing agent. The following amounts were recharged to the syndicate in respect of salary costs:

	2016 £'000	2015 £'000
Wages and salaries	**4,424**	4,164
Social security costs	**514**	477
Other pension costs	**409**	526
	5,347	5,167

Included above are the employment costs of underwriters attributable to acquisition of business and those of claims staff treated within the technical account as Acquisition Costs and Loss Adjustment Expenses respectively.

The average number of employees employed by the managing agent but working for the syndicate during the year was as follows:

9. Staff Numbers and Costs *continued*

	2016	2015
Administration and finance	**22**	20
Underwriting	**23**	23
Claims	**5**	4
	50	47

Profit related remuneration in respect of all directors and staff is wholly paid and borne by the managing agent.

10. Emoluments of the Directors of Managing Agency Partners Ltd

The directors of MAP received the following aggregate remuneration charged to the syndicate and included within net operating expenses:

	2016 £'000	2015 £'000
Emoluments	**1,098**	1,016

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

	2016 £'000	2015 £'000
Emoluments – R K Trubshaw	**284**	276

11. Investment Return

	2016 £'000	2015 £'000
Investment income		
Income from investments	**7,060**	7,995
Gains on the realisation of investments	**8,514**	8,343
	15,574	16,338
Investment expenses and charges		
Investment management expenses, including interest payable	**(1,336)**	(1,187)
Losses on the realisation of investments	**(6,559)**	(3,214)
Investment return payable to Syndicate 6103	**(109)**	(225)
	(8,004)	(4,626)

12. Calendar Year Investment Yield

Average syndicate funds available for investment:

	2016 £'000	2015 £'000
Sterling	**21,179**	18,534
US dollars	**604,003**	693,889
Canadian dollars	**26,941**	21,029
Euros	**24,131**	19,755
Combined Sterling average syndicate funds available for investment	**503,419**	497,156
Investment return – gross of investment expenses and return payable to Syndicate 6103	**6,632**	3,942

Analysis of calendar year investment yield by currency, before investment expenses:		
Sterling	**0.5%**	0.5%
US dollars	**1.4%**	0.8%
Canadian dollars	**0.6%**	0.7%
Euros	**0.5%**	0.3%
Combined	**1.3%**	0.8%

13. Exchange Differences on Foreign Currency Translation

Exchange differences on foreign currency translation arise as follows:

	2016 £'000	2015 £'000
On balances brought forward	**10,532**	4,016
On transactions during 2016: from average to year end rates	**3,940**	1,502
Non technical account foreign exchange	**(1,087)**	701
	13,385	6,219

14. Financial Investments

	Market value		Cost	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Investments:				
Shares and other variable yield securities and units in unit trusts	**37,922**	31,776	**37,612**	31,598
Debt securities and other fixed income securities	**273,768**	317,531	**279,696**	324,857
Participation in investment pools	**23,779**	13,515	**23,753**	13,524
Other loans	**16,106**	–	**16,056**	–
Deposits with credit institutions	**2,162**	2,192	**2,162**	2,192
Overseas deposits as investments	**19,072**	18,468	**19,072**	18,468
	372,809	383,482	**378,351**	390,639
Hedge Funds/Alternative Assets:				
Shares and other variable yield securities and units in unit trusts	**21,447**	26,853	**11,731**	13,594
Debt securities and other fixed income securities	**–**	–	**–**	–
Participation in investment pools	**34,751**	32,616	**24,497**	23,656
Other loans	**–**	–	**–**	–
Deposits with credit institutions	**–**	–	**–**	–
Overseas deposits as investments	**–**	–	**–**	–
	56,198	59,469	**36,228**	37,250
Total Investments:				
Shares and other variable yield securities and units in unit trusts	**59,369**	58,629	**49,343**	45,192
Debt securities and other fixed income securities	**273,768**	317,531	**279,696**	324,857
Participation in investment pools	**58,530**	46,131	**48,250**	37,180
Other loans	**16,106**	–	**16,056**	–
Deposits with credit institutions	**2,162**	2,192	**2,162**	2,192
Overseas deposits as investments	**19,072**	18,468	**19,072**	18,468
	429,007	442,951	**414,579**	427,889

Within "Shares and other variable yield securities and units in unit trusts" and "Participation in investment pools" £59.4m (2015: £58.6m) are listed on a recognised exchange. These comprise 13.8% (2015: 13.2%) of the total market value of investments.

Other loans comprise of US Treasury bills.

14. Financial Investments *continued*

The syndicate has re-evaluated the level applied to its debt securities and concluded all debt securities held, including US Treasury bonds, are Level 2 given that the valuations reported are derived from an evaluated price and not a directly quoted price for identical assets. This approach matches that currently taken by the majority of the valuation industry.

The following table shows financial investments recorded at fair value analysed between the three levels in the fair value hierarchy.

2016	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Shares and other variable yield securities and units in unit trusts	–	59,369	–	59,369
Debt securities and other fixed income securities	–	273,768	–	273,768
Participation in investment pools	–	20,737	37,793	58,530
Loans and deposits with credit institutions	2,162	16,106	–	18,268
Overseas deposits	–	6,202	12,870	19,072
Total	**2,162**	**376,182**	**50,663**	**429,007**

2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Shares and other variable yield securities and units in unit trusts	–	58,629	–	58,629
Debt securities and other fixed income securities	309,658	7,873	–	317,531
Participation in investment pools	–	10,966	35,165	46,131
Loans and deposits with credit institutions	2,192	–	–	2,192
Overseas deposits	–	6,573	11,895	18,468
Total	311,850	84,041	47,060	442,951

15. Debtors Arising Out of Insurance Operations

	2016 £'000	2015 £'000
Arising out of direct insurance		
Due from intermediaries – within one year	**16,309**	10,546
Due from intermediaries – after one year	**13**	3
	16,322	10,549
Arising out of reinsurance operations		
Due from intermediaries – within one year	**42,471**	37,435
Due from intermediaries – after one year	**1,698**	1,929
	44,169	39,364

Debtors arising out of reinsurance operations of £44.2m (2015: £39.4m) include funds due in respect of Syndicate 6103 of £4.4m (2015: £5.1m).

16. Other Debtors

	2016 £'000	2015 £'000
Due within one year		
Outstanding settlements on investments	**102**	462
Inter-syndicate loan	**74**	669
Reinsurers' profit commissions and overrider receivable	**1,689**	1,138
Non-standard personal expenses due from members (overseas taxation)	**1,180**	705
Members' agents fees funded	**2,388**	2,718
Expense recoveries from reinsurers	**1,292**	36
Other	**26**	30
	6,751	5,758
Due after one year		
Inter-syndicate loan	**396**	486
Reinsurers' profit commissions and overrider receivable	**1,443**	1,635
Non-standard personal expenses due from members (overseas taxation)	**4,259**	4,504
Members' agents fees funded	**550**	755
	6,648	7,380
	13,399	13,138

17. Creditors Arising Out of Insurance Operations

	2016 £'000	2015 £'000
Arising out of direct insurance operations		
Intermediaries – due within one year	**4,451**	440
– due after one year	**7**	–
	4,458	440
Arising out of reinsurance operations		
Reinsurance accepted – due within one year	**6,090**	3,761
– due after one year	**72**	107
Reinsurance ceded – due within one year	**19,642**	27,432
– due after one year	**11,023**	15,061
	36,827	46,361

Creditors in respect of reinsurance operations of £36.8m (2015: £46.4m) include withheld funds due to Syndicate 6103 of £23.2m (2015: £36.5m).

18. Other Creditors

	2016 £'000	2015 £'000
Profit commissions	**26,386**	30,486
Outstanding settlements on investments	**2,493**	–
Other	**35**	27
	28,914	30,513

Of the profit commissions above, £10.9m (2015: £13.5m) fall due after one year.

19. Cash and Cash Equivalents

	2016 £'000	2015 £'000
Cash at bank and in hand	**15,380**	11,566

20. Related Parties

The managing agent, MAP, is a wholly owned subsidiary of Managing Agency Partners Holdings Limited, the equity of which is 90.1% owned by MAP Equity Limited, a company that is entirely owned by the staff of the managing agent and syndicate.

MAP also manages Syndicate 6103. The underwriting business of Syndicate 6103 is derived solely under a reinsurance contract with Syndicate 2791. Under the terms of this contract, Syndicate 6103 is obliged to accept between 20% and 10% (2015: 30% and 10%) of all business written by Syndicate 2791 under certain categories of its property catastrophe book depending on the year of account. Syndicate 2791 retains the balance of these contracts net for its own account.

Syndicate 2791 receives a ceding commission of 5% and an overriding commission of 1% of gross written premiums ceded to Syndicate 6103 to cover personal expenses of Syndicate 6103 names borne by Syndicate 2791. A profit commission of 15% of profits, as defined in the contract, is payable to MAP. All funds are retained and invested by Syndicate 2791 on behalf of Syndicate 6103 and interest is payable (or charged on negative balances) to Syndicate 6103 at rates agreed.

During the year, the following transactions between the syndicates occurred:

	2016 £'000	2015 £'000
Premiums Receivable	**(4,871)**	(4,723)
Paid claims	**1,088**	708
Ceding commission	**240**	228
Overriding commission	**37**	13
Net interest received	**(109)**	(225)
Reinsurance to close premium – 2013 (2012) year of account	**16**	193
Balance owed by Syndicate 2791 to Syndicate 6103 at the end of the period:		
due within one year	**8,193**	15,708
due after one year	**6,812**	9,616

Profit commission in respect of Syndicate 6103 at the end of the period of £2.7m (2015: £4.5m) will be settled by Syndicate 2791 as each year of account is commuted.

Managing agency fees amounting to £2.2m were paid to MAP during 2016 (2015: £2.2m) and profit commission of £9.8m (2015: £10.7m) is also due to the managing agent in respect of the results for this calendar year. Expenses totalling £8.8m (2015: £8.0m) have been recharged during the year.

The directors' interests in the ordinary share capital of MAP Equity Limited, which has an issued share capital of 250,000 £1 shares, during the year, were as follows:

	A Shares (voting)	B Shares (non-voting)
R K Trubshaw	33,000	–
A Kong	22,000	–
J D Denoon Duncan	–	8,333
P Langridge (appointed 9 September 2016)	–	–
B S McAuley (resigned 9 September 2016)	–	13,500
C J Smelt	5,000	2,500
R J Sumner	–	10,000

Messrs. Shipley, Denoon Duncan, Kong, Trubshaw, Sumner, Smelt and Ms McAuley, or their related parties, participate on Syndicate 2791 via a dedicated, but unaligned to the managing agent, corporate member MAP Capital Limited. MAP Capital Limited commenced underwriting on the 2001 year of account. For the 2016 year of account MAP Capital Limited provided £77.2m of capacity on Syndicate 2791 (2015: £81.7m) representing 19.3% of capacity (2015: 20.4%). MAP has no direct or indirect interest in the share capital of MAP Capital Limited.

20. Related Parties *continued*

For the 2016 year of account, these directors also participate on Syndicate 2791 via a dedicated, but unaligned to the managing agent, corporate member, Nomina No 208 LLP. For the 2016 year of account it has provided £11.3m (2015: £11.3m) of capacity representing 2.8% (2015: 2.8%) of capacity. MAP has no direct or indirect interest in Nomina No 208 LLP.

Separately, a fund (Steadfast Capital LP) under the management of Steadfast Capital Management Limited participates in the syndicate through a corporate vehicle – the syndicate does not invest in this fund.

There are no other transactions or arrangements requiring disclosure.

21. 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). 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.

22. Contingent Liabilities

Letters of credit

The syndicate has provided letters of credit to certain insureds and reinsureds to cover losses that might arise on their contracts written in the ordinary course of business. These amount to US$2.9m; the letters of credit are fully collateralised with cash deposits held by Citibank, on the syndicate's account, of US$2.7m.

23. Events After the Reporting Period

In accordance with the reinsurance contract with Syndicate 6103, the 2014 Year of Account of that syndicate will be commuted. An RITC will be effected with this syndicate and the reserves carried for the 2014 Year of Account (amounting to £0.1m) transferred to this syndicate during 2017.

The Justice Secretary reduced the Ogden rate on 27 February from 2.5% to -0.75%. As this rate applies to UK business only Syndicate 2791 has no exposure to this rate change as it does not write susceptible UK business.

24. Reinsurance to Close Premium Received from Syndicate 6103

At 1 January 2016, Syndicate 2791 accepted a Reinsurance to Close Premium from Syndicate 6103 in respect of Syndicate 6103's 2013 Year of Account. In addition, the reinsurance contact between Syndicate 2791 and Syndicate 6103 for the 2013 Year of Account has been commuted with Syndicate 2791 being paid in full for the liabilities assumed as at 1 January 2016.

25. Items not Disclosed in the Statement of Financial Position

The syndicate has not been party to any arrangement which is not reflected in its statement of financial position.

26. Risk Management

Insurance risk

The principal risk the Syndicate faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Syndicate is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Syndicate purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The Syndicate has proportional reinsurance from two main sources, firstly a surplus treaty on direct property and per risk reinsurance and from Special Purpose Arrangement 6103 (SPA 6103) on its Catastrophe reinsurance book susceptible to United States losses. Both types of proportional reinsurance are taken out to reduce the overall exposure to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Syndicate's net exposure to only catastrophe losses.

26. Risk Management *continued*

Insurance risk continued

Retention limits for the excess-of-loss reinsurance vary by line of business, loss type and territory. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Syndicate has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Syndicate's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations substantially dependent upon any single reinsurance contract.

The Syndicate principally issues the following types of general insurance contracts: accident and health, motor, third-party liability, marine and property both direct and reinsurance. Risks usually cover twelve months duration.

The most significant insurance risks arise from natural disasters, claim inflation on longer term liabilities and the potential for under-pricing of insurance risk. Insurance risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Syndicate. The Syndicate further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities. The Syndicate uses its own proprietary pricing models which set a technical price for each risk based on a required profitability margin. These models are actively back tested against underwriting performance by line of business and at individual risk level to ensure compliance with the Syndicate's pricing strategy.

The Syndicate has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g. hurricanes, earthquakes and flood damage). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Syndicate's risk appetite as decided by management.

The overall aim is to limit the downside risk to a 10% ultimate loss on Stamp capacity following any one of the Lloyd's prescribed Realistic Disaster Scenarios (RDS). The downside risk takes into account the net RDS loss, a reinsurance failure rate, a reinsurance margin over time (i.e. reinsurers will expect pay-back on gross losses) less anticipated profit on non-catastrophe exposed business – known as inside profit.

The Board monitors and reviews the inside profit calculation which alters due to market conditions and other factors. The Syndicate uses its own proprietary risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from an unmodelled event are greater than those arising from a modelled event.

As a further guide to the level of catastrophe exposure written by the Syndicate, the following table shows hypothetical claims arising for various realistic disaster scenarios based on the Syndicate's risk exposures at 1 January 2017.

RDS	Market Loss (insured) £m	Estimated Gross Claims (excl Reinst) £m	Estimated Net Claims (incl Reinst) £m
North East USA Hurricane	89,230	211	79
Carolinas Hurricane	46,626	93	54
Pinellas specific (West Coast Florida Windstorm)	128,656	199	56
Gulf of Mexico Windstorm	115,902	161	40
Los Angeles Earthquake	90,077	112	38

26. Risk Management *continued*

Insurance risk continued

The table below sets out the concentration of outstanding liabilities by line of business:

31 December 2016	**Gross Liabilities £'000**	**Reinsurance of Liabilities £'000**	**Net Liabilities £'000**
Accident and health	**9,442**	**2**	**9,440**
Motor (third party liability)	**20,985**	**11,832**	**9,153**
Motor (other classes)	**50,608**	**18,943**	**31,665**
Marine, aviation and transport	**21,484**	**189**	**21,295**
Fire and other damage to property	**29,926**	**3,861**	**26,065**
Third party liability	**29,689**	**257**	**29,432**
Miscellaneous	**2,492**	**–**	**2,492**
Reinsurance acceptances	**241,969**	**18,322**	**223,647**
	406,595	**53,406**	**353,189**

31 December 2015	Gross Liabilities £'000	Reinsurance of Liabilities £'000	Net Liabilities £'000
Accident and health	8,014	4	8,010
Motor (third party liability)	5,347	2,047	3,300
Motor (other classes)	34,963	11,261	23,702
Marine, aviation and transport	25,347	191	25,156
Fire and other damage to property	27,313	4,073	23,240
Third party liability	27,050	193	26,857
Miscellaneous	2,303	6	2,297
Reinsurance acceptances	239,236	20,852	218,384
	369,573	38,627	330,946

The geographical concentration of the outstanding liabilities is noted below. The disclosure is based on the currency of the regions in which the business is written. The analysis would not be materially different if based on the countries in which the risk or counterparties were situated.

31 December 2016	**Gross Liabilities £'000**	**Reinsurance of Liabilities £'000**	**Net Liabilities £'000**
UK	**13,532**	**52**	**13,480**
EU	**58,806**	**30,770**	**28,036**
USA	**300,397**	**21,695**	**278,702**
Canada	**14,090**	**259**	**13,831**
Australia/Japan/Other	**19,770**	**630**	**19,140**
	406,595	**53,406**	**353,189**

31 December 2015	Gross Liabilities £'000	Reinsurance of Liabilities £'000	Net Liabilities £'000
UK	16,056	387	15,669
EU	31,979	13,400	18,579
USA	298,602	24,348	274,254
Canada	8,004	227	7,777
Australia/Japan/Other	14,932	265	14,667
	369,573	38,627	330,946

26. Risk Management *continued*

Key assumptions

The principal assumption underlying the liability estimates is that the future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of individual and average claim costs, claim handling costs, claim inflation factors for each line of business and underwriting year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one off occurrences; changes in market factors such as public attitude to claiming; economic conditions; as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation could affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities

The claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit and members' balances.

The underlying sensitivity analysis is performed by underwriting year and separately for large losses, those impacting or likely to impact our excess of loss reinsurance programme and those claims not covered by excess of loss reinsurance. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

Claim sensitivity

	2016	2015
	£'000	£'000
Gross outstanding claims	**350,266**	321,033
Net outstanding claims	**310,228**	292,698
Impact of 10% increase in gross outstanding claims	**34,202**	31,303
Impact of 10% increase in net outstanding claims	**30,198**	28,470
Impact of 10% increase in long-tail casualty (gross and net) outstanding claims	**13,536**	12,376

Long-tail casualty liabilities are both direct and reinsurance liabilities for the following lines of business: Directors and officers, errors and omissions, medical malpractice and other casualty.

The impact on both profit and members' balances is the figures shown above less profit commission of 20%.

The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

Claims development table

The following tables show the estimates of ultimate claims, including both claims notified and IBNR for each successive underwriting year at each reporting date, together with cumulative payments to date. The ultimate claims estimates and cumulative payments are translated to sterling at the rate of exchange that applied to the Statement of Financial Position at the end the current underwriting year. Each prior year is restated at the current exchange rates to provide a consistent view of changes to ultimate claims reserves.

The ultimate claims are adjusted for the unearned proportion of claims, any unallocated future expense claims costs and cumulative payments to date to provide the reconciliation to the Syndicate's gross and net statement of financial position reserves.

The Syndicate took advantage of the transitional rules of FRS 103 that permit only five years of information to be disclosed upon adoption in 2015. The claims development information disclosed is being increased from six years to ten years over the period 2016-2020.

In setting claims provisions the Syndicate gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an underwriting year is greatest when the underwriting year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained may decrease. However, due to the uncertainty inherent in the estimation process, the actual overall claim provision may not always be in surplus.

The Syndicate has accepted additional liabilities by way of reinsurance to close from Syndicate 6103 at each 36 months and 1 day for the underwriting years 2007 to 2013 inclusive. These liabilities are shown in the claims triangles below as if they had always been the liabilities of 2791 from the commencement of any underwriting year which has accepted reinsurance from Syndicate 6103.

26. Risk Management *continued*

Claim triangles

Gross insurance contract outstanding claims provision as at 31 December 2016

	2010 and prior £'000	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	**Total £'000**
Estimate of Gross Ultimate Claims								
12 months		202,024	216,633	120,684	95,577	89,703	91,013	
24 months		143,618	194,489	101,713	84,833	80,928	–	
36 months		156,187	192,844	99,542	86,252	–	–	
48 months		168,694	198,381	96,408	–	–	–	
60 months		162,513	195,315	–	–	–	–	
72 months		160,340	–	–	–	–	–	
Total Ultimate losses		**160,340**	**195,315**	**96,408**	**86,252**	**80,928**	**91,013**	
Less cumulative paid claims		(127,679)	(138,612)	(70,899)	(49,984)	(26,579)	(13,135)	
Less unearned portion of ultimate losses		–	–	–	–	(7,663)	(49,396)	
Add ULAE provision at 31 December		856	1,286	684	746	1,176	1,052	
Gross claims liabilities	**118,157**	**33,517**	**57,989**	**26,193**	**37,014**	**47,862**	**29,534**	**350,266**

Net insurance contract outstanding claims provision as at 31 December 2016

	2010 and prior £'000	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	**Total £'000**
Estimate of Net Ultimate Claims								
12 months		188,841	202,210	104,190	82,899	79,057	74,765	
24 months		136,620	182,668	87,338	70,549	65,586	–	
36 months		148,357	179,481	84,511	71,389	–	–	
48 months		158,900	183,168	81,231	–	–	–	
60 months		155,141	179,830	–	–	–	–	
72 months		153,618	–	–	–	–	–	
Total Ultimate losses		**153,618**	**179,830**	**81,231**	**71,389**	**65,586**	**74,765**	
Less cumulative paid claims		(121,387)	(130,029)	(60,247)	(44,280)	(24,595)	(12,227)	
Less unearned portion of ultimate losses		–	–	–	–	(5,913)	(37,961)	
Add ULAE provision at 31 December		856	1,286	684	746	1,176	1,052	
Net claims liabilities	**114,648**	**33,087**	**51,087**	**21,668**	**27,855**	**36,254**	**25,629**	**310,228**

In 2016, there has been an overall surplus in ultimate claims of £20.1m (2015: £27.1m) due primarily to a reduction in the assessment of medical malpractice claims on the 2013 and prior accounts following lower than expected incurred claims movements during 2016 and a release of catastrophe loads on 2015 year of account as policies come off risk.

27. Risk Management of Currency Risk

The tables below set out the underlying currency exposure to the syndicate although it should be noted that profits are only paid out in sterling and US dollars.

2016	GBP £'000	USD £'000	EUR £'000	CAD £'000	AUD £'000	JPY £'000	OTH £'000	Total £'000
Financial investments	8,978	377,912	16,902	18,535	460	–	6,220	**429,007**
Reinsurers' share of technical provisions	52	21,695	30,770	259	13	190	427	**53,406**
Insurance and reinsurance receivables	1,952	50,284	5,000	1,636	110	415	1,094	**60,491**
Cash and cash equivalents	6,282	3,054	6,044	–	–	–	–	**15,380**
Other assets	8,752	16,488	3,376	1,138	27	97	374	**30,252**
Total assets	**26,016**	**469,433**	**62,092**	**21,568**	**610**	**702**	**8,115**	**588,536**
Technical provisions	(13,532)	(300,397)	(58,806)	(14,090)	(606)	(5,836)	(13,328)	**(406,595)**
Insurance and reinsurance payables	(1,568)	(33,339)	(4,325)	(365)	(26)	(81)	(1,581)	**(41,285)**
Other creditors	(2,705)	(30,190)	(2,217)	–	–	–	–	**(35,112)**
Total liabilities	**(17,805)**	**(363,926)**	**(65,348)**	**(14,455)**	**(632)**	**(5,917)**	**(14,909)**	**(482,992)**
Members' balances by currency	**8,211**	**105,507**	**(3,256)**	**7,113**	**(22)**	**(5,215)**	**(6,794)**	**105,544**

If sterling was to weaken by 10% and 20% the impact on the above converted sterling profit would be an increase of £10.8m and £24.3m respectively.

2015	GBP £'000	USD £'000	EUR £'000	CAD £'000	AUD £'000	JPY £'000	OTH £'000	Total £'000
Financial investments	5,792	407,643	11,019	11,116	854	–	6,527	442,951
Reinsurers' share of technical provisions	387	24,348	13,400	227	192	303	(230)	38,627
Insurance and reinsurance receivables	1,553	44,882	2,979	1,110	67	315	(993)	49,913
Cash and cash equivalents	5,525	676	5,365	–	–	–	–	11,566
Other assets	10,126	15,663	1,573	913	31	43	132	28,481
Total assets	23,383	493,212	34,336	13,366	1,144	661	5,436	571,538
Technical provisions	(16,056)	(298,602)	(31,979)	(8,004)	(975)	(5,519)	(8,438)	(369,573)
Insurance and reinsurance payables	163	(44,923)	(1,946)	(88)	(17)	(11)	21	(46,801)
Other creditors	(2,358)	(30,470)	(392)	–	–	–	–	(33,220)
Total liabilities	(18,251)	(373,995)	(34,317)	(8,092)	(992)	(5,530)	(8,417)	(449,594)
Members' balances by currency	5,132	199,217	19	5,274	152	(4,869)	(2,981)	121,944

If sterling was to weaken by 10% and 20% the impact on the above converted sterling profit would be an increase of £13.0m and £29.2m respectively.

The syndicate has negative net assets in EUR, AUD, JPY & OTHER. These liabilities will be settled out of the profit distribution on closure of the relevant year of account.

28. Other Risk Management Matters

Interest rate risk	2016 £'000	2015 £'000
Impact of 50 basis point increase in interest rates on result	(6,300)	(5,701)

The interest rate sensitivity analysis is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit and members' balances of the effects of changes in interest rates on:

— Fixed rate financial assets; and

— Variable rate financial assets.

The first of these measures the impact on profit or loss for the year (for items recorded at fair value, through the profit or loss) and on members' balances (for available for sale investments) that would arise in a reasonably possible change in interest rates at the reporting date on financial instruments at the period end. The second of these measures the change in interest income or expense over the period of the year attributable to a reasonably possible change in interest rates, based on floating rate assets and liabilities held at the reporting date.

The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, the variables were altered on an individual basis.

It should be noted that movements in these variables are non-linear.

The method used for deriving sensitivity information and significant variables did not change from the previous period.

The Syndicate has no significant concentration of interest rate risk.

Insurance liabilities are not discounted and therefore not exposed to interest rate risk.

The impact of the above interest rate sensitivity is within our investment parameter guidelines and management tolerance.

Equity price risk	2016 £'000	2015 £'000
Impact on result of 5% increase in Stock Market Prices	1,072	1,343

The market rate sensitivity analysis is performed for reasonably possible movements in market equity prices with all other variables held constant, showing the impact on profit and members' balances of the effects of changes in equity prices. The Syndicate holds a limited portfolio of equities which are subject to price risk as shown in the table. This exposure benefits members through the enhanced longer term returns on equities compared with debt securities.

The exposure to equities is managed carefully to ensure that the syndicate's internal capital requirements are met at all times, as well as those mandated by the syndicate's external regulators.

The impact of the above market equity price sensitivity is within our investment parameter guidelines and management tolerance.

Maturity profiles

The maturity analysis presented in the table below shows the estimated contractual maturities for all syndicate assets and liabilities.

Those items with no stated maturity are in respect of accounting timing entries for prepayments, unearned gross and ceded premium plus related deferred acquisition costs. These four items by their nature generate no future cash flow.

The maturity of other assets is based on the earliest date on which the gross undiscounted assets are expected to be received assuming conditions are consistent with those at the reporting date. The estimated timing of premium debtor balances uses contracted settlement due dates.

The maturity of other liabilities is based on undiscounted contractual obligations, including interest payable. The estimated timing of claim payments uses estimated cash flows from the Syndicate's reserving analysis. Repayments which are subject to notice are treated as if notice were to be given immediately. Members' balances are analysed based on the syndicate closing each year of account 36 months from inception.

It should be noted that although the above table illustrates contractual durations of financial investments, the majority of these assets can be redeemed whenever necessary to meet settlement of liabilities as they fall due.

28. Other Risk Management Matters *continued*

Maturity profiles continued

2016	No stated maturity £'000	Up to a year £'000	1-3 years £'000	3-5 years £'000	>5 years £'000	Total £'000
Financial investments	–	186,012	106,989	95,325	40,681	429,007
Reinsurer's share of technical provisions – provision for unearned premiums	13,368	–	–	–	–	13,368
Reinsurer's share of technical provisions – claims outstanding	–	11,671	12,765	7,735	7,867	40,038
Debtors	–	65,530	8,360	–	–	73,890
Cash at bank and in hand	–	15,380	–	–	–	15,380
Accrued interest	–	129	402	255	220	1,006
Deferred Acquisition costs	14,894	–	–	–	–	14,894
Other prepayments and accrued income	953	–	–	–	–	953
Total assets	29,215	278,722	128,516	103,315	48,768	588,536
Members' balances	–	50,594	54,950	–	–	105,544
Technical provisions – provision for unearned premiums	56,329	–	–	–	–	56,329
Technical provisions – claims outstanding	–	84,872	111,017	66,987	87,390	350,266
Creditors	–	48,200	21,999	–	–	70,199
Accruals and deferred income	–	6,198	–	–	–	6,198
Total liabilities	56,329	189,864	187,966	66,987	87,390	588,536

2015	No stated maturity £'000	Up to a year £'000	1-3 years £'000	3-5 years £'000	>5 years £'000	Total £'000
Financial investments	–	166,345	153,062	98,974	24,570	442,951
Reinsurer's share of technical provisions – provision for unearned premiums	10,292	–	–	–	–	10,292
Reinsurer's share of technical provisions – claims outstanding	–	9,025	9,320	5,344	4,646	28,335
Debtors	–	53,739	9,312	–	–	63,051
Cash at bank and in hand	–	11,566	–	–	–	11,566
Accrued Interest	–	110	761	412	183	1,466
Deferred Acquisition costs	12,489	–	–	–	–	12,489
Other prepayments and accrued income	1,388	–	–	–	–	1,388
Total assets	24,169	240,785	172,455	104,730	29,399	571,538
Members' balances	–	68,112	53,832	–	–	121,944
Technical provisions – provision for unearned premiums	48,540	–	–	–	–	48,540
Technical provisions – claims outstanding	–	77,899	102,586	61,384	79,164	321,033
Creditors	–	48,689	28,625	–	–	77,314
Accruals and deferred income	–	2,707	–	–	–	2,707
Total liabilities	48,540	197,407	185,043	61,384	79,164	571,538

29. Credit risk

The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position:

Credit risk – Aging and Impairment

2016	**Neither past due nor impaired £'000**	**Past due £'000**	**Impaired £'000**	**Total £'000**
Other Financial investments:				
Shares and other variable yield securities				
and unit trusts	**59,369**	**–**	**–**	**59,369**
Debt securities	**273,768**	**–**	**–**	**273,768**
Participation in investment pools	**58,530**	**–**	**–**	**58,530**
Loans with credit institutions	**16,106**	**–**	**–**	**16,106**
Deposits with credit institutions	**2,162**	**–**	**–**	**2,162**
Overseas deposits as investments	**19,072**	**–**	**–**	**19,072**
Reinsurers' share of unearned premiums	**13,368**	**–**	**–**	**13,368**
Reinsurers' share of claims outstanding	**40,038**	**–**	**–**	**40,038**
Debtors arising out of direct insurance operations	**12,424**	**3,898**	**–**	**16,322**
Debtors arising out of reinsurance operations	**38,483**	**5,686**	**–**	**44,169**
Other debtors	**12,627**	**722**	**–**	**13,399**
Cash at bank and in hand	**15,380**	**–**	**–**	**15,380**
Prepayments and accrued income	**16,853**	**–**	**–**	**16,853**
Total credit risk	**578,180**	**10,356**	**–**	**588,536**

Of the debtors past the due date £0.8m are greater than a year, the balance are all less than one year.

2015	Neither past due nor impaired £'000	Past due £'000	Impaired £'000	Total £'000
Other Financial investments:				
Shares and other variable yield securities				
and unit trusts	58,629	–	–	58,629
Debt securities	317,531	–	–	317,531
Participation in investment pools	46,131	–	–	46,131
Loans with credit institutions	–	–	–	–
Deposits with credit institutions	2,192	–	–	2,192
Overseas deposits as investments	18,468	–	–	18,468
Reinsurers' share of unearned premiums	10,292	–	–	10,292
Reinsurers' share of claims outstanding	28,335	–	–	28,335
Debtors arising out of direct insurance operations	6,470	4,079	–	10,549
Debtors arising out of reinsurance operations	33,647	5,717	–	39,364
Other debtors	12,487	651	–	13,138
Cash at bank and in hand	11,566	–	–	11,566
Prepayments and accrued income	15,343	–	–	15,343
Total credit risk	561,091	10,447	–	571,538

The Syndicate has debtors that are past due but not impaired at the reporting date. The Syndicate does not consider these debtors to be impaired on the basis of the stage of collection of amounts owed to the Syndicate.

MAP

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