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SYNDICATE 2791

Report and Financial Statements
31 December 2017

MAP

Underwriting at Lloyd's

CONTENTS

CHAIRMAN'S REPORT

Once again it is a privilege to comment on another excellent result, although this may be the last significant profit for a little while. Even, or perhaps especially, in such difficult times Richard and the team's disciplined adherence to underwriting principles has proved its value for capital providers. The Syndicate has delivered strong results across the full range of market conditions, and the team should be commended for another excellent performance.

The very substantial incurred losses from the natural catastrophes in 2017 have provided an interesting test of insurers' and reinsurers' ability to manage such exposures. The most striking lesson that is emerging arises from the fact that some market participants, both in London and in Bermuda, have sustained gross losses that appear to be far out of line with the estimated return period of the aggregate total market insured loss. For Lloyd's, this means that there are serious questions of competence and even potentially of capital adequacy. As well as the chronic underperformance to which Richard has referred, dragging down the overall results of the market and threatening our shared ratings, we are now confronted with the likelihood that some businesses have insufficient understanding of the catastrophic exposures they have assumed to be confident that their capital can perform as intended.

It is probable therefore that in spite of all the advances in performance management and central oversight at Lloyd's, businesses may be inadvertently trading against the Central Fund, just as there were when I came into the market over 40 years ago, a truly dispiriting prospect. I have every confidence that the new Chairman and his executive will not allow such a situation to continue, as it is a more pressing threat to the viability of the market than some of the fashionable issues that occupy the attention of some market leaders.

D E S Shipley

Chairman

20 March 2018

SYNDICATE 2791

Underwriting Year Distribution Accounts
2015 Closed Year of Account
31 December 2017

DIRECTORS AND ADMINISTRATION

MANAGING AGENT

Managing Agent
Managing Agency Partners Limited (MAP)

Directors
K Allchorne (Non-executive)
C E Dandridge (Non-executive)
J D Denoon Duncan
A S Foote (Non-executive)
T P Froehlich (Non-executive appointed 27 July 2017)
A Kong
P Langridge
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

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
Schroders Investment Management Limited

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

MANAGING AGENT'S REPORT

The managing agent presents its report for the 2015 year of account of Syndicate 2791 as closed at 31 December 2017.

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. Separate annual accounts under UK GAAP on the calendar year results are available to all the syndicate's members (see pages 34 to 78).

UNDERWRITER'S REPORT

2015 Year of Account

Capacity £399.4 million

The 2015 year has closed with a profit of £47.2m distributable to members, equivalent to 11.8% of stamp capacity, compared with the forecast range of 6% to 11%. Absent a £12.1m back-year release the 2015 pure year result would be 9.4%.

Development of Closed Years (2014 and prior)

The total gross IBNR ('incurred but not reported') reserve, less future premiums, has dropped marginally from £144.3m to £137.3m at year end rates of exchange (£1 = US$1.35). £15.9m or 11.0% of this reserve was utilised in the calendar year, which is a little more than in recent years, but not unduly so. There has been no fundamental change in either our reserving strategy or our ultimate completion factors.

The long-tail casualty classes account for around 54% of the back-year release, and constitute around 48% of the total remaining IBNR reserve (last year 53%). Older years continue to settle 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 cat 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 £24.5m (£23.4m last year) with a further IBNR provision of £2.1m (£3.3m last year). For Superstorm Sandy our expected ultimate gross loss across all years of account is £82.0m (£81.3m last year), of which £67.4m had been incurred at year end (£63.9m 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 (23%) relates largely to Auto, which in more recent years has grown to be a larger proportion of the book. From 2012-16 we wrote a large Irish motor account, whose performance has failed to match our initial expectations, although we feel it is prudently reserved.

Pure Year 2015

Utilisation of capacity

The final utilisation was 37% at closing rates of exchange. The reinsurance spend was £35.6m or 23.9% of written premium net of acquisition costs, 15% of which was ceded via a US catastrophe quota share to Syndicate 6103.

Performance review

Capital providers will recall we reduced Stamp Capacity to £400m for 2015 in the midst of a rapidly softening market. Most of our underwriters came under considerable competitive pressure, and premium volume fell 14% compared with 2014. Nevertheless, the pure year had a relatively benign experience, and our ultimate loss ratios are similar to prior years where there has been an absence of significant catastrophe activity. We are holding a specific provision of some £3.2m against a likely arbitration involving a reinsured involved in the Canadian wildfires, and a very modest reserve in respect of some anticipated fall-back to the 2015 year from the 2017 hurricanes.

UNDERWRITER'S REPORT *continued*

2015 Year of Account *continued*

Analysis of premium written by syndicate classification

	Gross written £'000	Net written £'000
Property reinsurance	79,396	61,845
Direct and facultative property	22,197	16,493
Marine and offshore energy	10,256	10,199
Motor	36,599	27,013
Third party liability	9,186	9,185
Accident and health	7,215	7,203
Specialist lines	3,230	3,229
Terrorism and political risks	2,310	2,310
Total	170,389	137,477

Investment Return

The investment return generated over the last three years has contributed £11.7m to the 2015 closed year result. The calendar year returns net of expenses in each period were; 0.6% in 2015, 1.3% in 2016 and 3.3% in 2017.

In line with established policy, the 2015 Year of Account receives a proportion of the investment performance of the three calendar years as determined by a formula which measures assets held in each Year of Account and allocates the result accordingly.

The Effect of Exchange Rates on the 2015 Distribution Account

These accounts are reported over the three consecutive years from 2015, during which the GBP:USD exchange rate has moved from an average of 1.53 during 2015 to a closing rate of 1.35 at the end of 2017. This has resulted in an exchange gain versus the average rates of £0.9m over the three year period as further set out in note 13.

Reinsurance Debtors

Recoverable amounts from reinsurers amount to £32m 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 2017 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	0.6	19.0	12.2	31.8
Not rated	(0.1)	–	0.3	0.2
	0.5	19.0	12.5	32.0

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

UNDERWRITER'S REPORT *continued*

2016 Year of Account Forecast

We retreated pretty much down to our core book, which we defended as appropriate. Premium volume is similar to that in 2015, although the projected ultimate gross loss ratio is some 20 percentage points worse, in no small part reflecting the deterioration in terms and conditions over the period. Furthermore, in its final year our Irish motor account represents over 10% of net income, and is conservatively reserved to make a loss. There is also an impact of £3.7m from the 2017 hurricanes expected to fall back to the 2016 year.

Our forecast range for the 2016 year of account is a profit of 0% to 5% on Stamp Capacity after all expenses.

An estimate of the 2016 underwriting result as at 36 months is set out below:

	£'000
Stamp capacity	399,118
Gross premiums written	184,972
Net premiums written	143,574
Claims incurred – net of reinsurance	(77,207)
Net operating expenses	(48,634)
Investment return	4,878
Profit commission	(3,766)
Personal expenses	(3,676)
Non technical account foreign exchange	(104)
Estimate of profit for the year of account after personal expenses	15,065

Assumptions underlying the 2016 Estimated Result:

(i) There will be no material reinsurance failures.
(ii) Syndicate expenses, incurred in the calendar year 2018 to be charged to the 2016 year of account, will continue the pattern of previous years as refined by current budgets.
(iii) Exchange rates at 31 December 2018 will not be materially different from those at 31 December 2017.
(iv) Investment returns attributable to 2016 during 2018 = 1.46% 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.

2017 Overview

2017 represents the lowest volume in MAP's history, although without the Irish motor account forecast gross premium is likely to be in line with 2016. Capital providers will be well aware of the plethora of catastrophes that occurred in 2017. In market loss terms we would estimate the totality of major events to be around $100bn - compared to $30bn in 2004 and $64bn in 2005, when the underlying base pricing in other lines of business was much stronger. To our minds we have out-performed the market, (particularly in Harvey, the Caribbean and the Californian wildfires), but all other areas of our book were so thinly priced that it is almost certain the pure year will ultimately generate a loss.

Across all years of account we are projecting ultimate gross catastrophe losses of £61.0m, with a year-end incurred of £41.0m. Ultimate net losses are projected to be £42.8m, 92% of which is estimated to fall to the 2017 year of account. This represents over 40 percentage points of net loss ratio, albeit less than 10% on Stamp due to the historically low utilisation.

2018 Trading Conditions

Last year I wrote that "only the pain of loss activity will rebalance the risk-reward equation", and here we are following one of the most active catastrophe seasons in years. It has definitely been painful. The good news is that MAP has turned the corner, and many of our underwriters are seeing increasing opportunities to re-price business. Through January we are up nearly 20% in gross volume over the same time last year, at a slightly improved technical margin. The bad news is we are still a long way short of historic norms, and at this stage well shy of our anticipated writings as set out in our revised business plan last September. Capital is plentiful, and given the continuing background of low interest rates, and so relatively low risk margins, it is unlikely we shall see any 'capacity crunch' such as in 2002 or 2006. On the other

2018 Trading Conditions *continued*

hand, for existing players, 2017 is proving to be an extremely difficult year, with market combined loss ratios likely much worse than that posted in 2005. This first quarter reporting period will be critical: if enough carriers are forced to admit to significant catastrophic loss, at the same time that many will be experiencing negative cash-flow and poor investment returns, alongside continuing weak performance in most other non-cat lines, then logically behaviour has to change. We don't need a 'hard' (capacity-constrained) market to grow from our current low ebb, merely a dislocated one in which nimble businesses like MAP can regain lost ground simply through pricing business properly.

The macro risk to our strategy is that we are up against global businesses who not only have a lot of fire-power, they also seemingly have a much higher tolerance of under-performance. It is very difficult to compete with someone who is selling a dollar for 95 cents. To my mind there are too many Lloyd's businesses who have been allowed to get away with extremely poor underwriting performance over a long period of time, despite (or perhaps because of) being capitalised appropriately. There needs, I think, to be an explicit recognition that the Lloyd's franchise depends not just upon policy-holder security, but also on underwriting integrity. Indeed it is becoming evident that certain carriers have been guilty of massively over-trading their stated catastrophic risk appetite. Other than capital loads, which are rare and of little consequence at the global level, there are insufficient disincentives for systematic under-performance.

Perhaps related to this is also the continuing 'de-syndication' of Lloyd's, by which I mean the loss of the traditional lead-follow collective. Partly as an unintended consequence of regulators insisting on minimum standards, businesses have been encouraged to develop lead capabilities in all classes, which not only adds to the expense but then merely means that everyone then competes like crazy on the one thing left – price. More insidiously, well-intentioned drives to modernise transactional process are playing into the hands of brokers who are encouraged to bundle disparate risks into pre-packaged facilities, and transact the whole lot in one electronic placement. Using a time-honoured 'take it or leave it' tactic they can then marginalise the malcontents who would quite like to underwrite the risks individually (like ourselves) whilst extracting higher commissions from the willing. The end result is that Lloyd's traditional role as a global specialist market for non-standard bespoke business is being deeply compromised.

Seven Year Summary of Closed Years of Account

	Note	2009	2010	2011	2012	2013	2014	2015
Syndicate allocated capacity (£m)		403.7	504.5	504.5	506.8	510.5	453.0	399.4
Number of Underwriting Members		1,508	1,585	1,687	1,718	1,721	1,720	1,691
Aggregate net premiums (£m)		274.0	232.5	232.6	258.4	194.3	149.0	137.5
Results for illustrative share of £10,000		%	%	%	%	%	%	%
Utilisation of capacity at premium income monitoring rates of exchange		53.5	44.7	46.3	48.4	38.2	34.7	30.3
Gross premiums written (% of illustrative share)		83.0	54.2	54.8	61.8	47.8	40.5	42.7
Net premiums (% of illustrative share)		67.9	46.1	46.1	51.0	38.1	32.8	34.4
Profit (% of gross premiums)		38.7	32.7	24.5	18.9	27.9	27.6	27.7
Results for illustrative share of £10,000		£	£	£	£	£	£	£
Gross premiums	*1*	8,296	5,417	5,479	6,185	4,782	4,051	4,266
Net premiums		6,785	4,608	4,612	5,098	3,806	3,280	3,442
Reinsurance to close from an earlier year of account		6,792	5,046	4,545	4,304	4,771	5,153	6,220
Net claims		(1,844)	(1,659)	(1,946)	(2,070)	(1,436)	(1,529)	(1,579)
Reinsurance to close	*2*	(6,326)	(4,782)	(4,361)	(4,553)	(4,439)	(4,554)	(5,707)
Underwriting profit		**5,407**	**3,213**	**2,850**	**2,779**	**2,702**	**2,350**	**2,376**
Acquisition costs	*1*	(1,746)	(1,161)	(1,157)	(1,370)	(1,061)	(865)	(940)
Other syndicate operating expenses, excluding personal expenses		(141)	(113)	(130)	(170)	(140)	(201)	(200)
Reinsurers' commissions and profit participations		97	42	48	39	49	43	2
Exchange movement on foreign currency translation	*4*	29	(59)	(65)	14	79	293	22
Net investment income		466	398	242	252	107	112	292
Illustrative personal expenses:								
Managing agent's fee		(55)	(55)	(55)	(55)	(55)	(55)	(55)
Profit commission	*3*	(794)	(455)	(351)	(287)	(312)	(281)	(288)
Other personal expenses	*5*	(57)	(40)	(39)	(34)	(35)	(28)	(29)
Profit after illustrative personal expenses and illustrative profit commission		**3,206**	**1,770**	**1,343**	**1,168**	**1,334**	**1,368**	**1,180**

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

When the 2015 Year of Account commenced 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 2015 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 2015 Year of Account the uplift is 35% of the member's ICA. 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 2015 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:

2015 Approved Capital

Lloyd's economic capital requirement (ECR)

	Prospective year 2015 £m
2791	221.4

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.

European Union business

Since the UK voted to leave the European Union, Lloyd's has been working to provide the market with an effective solution that ensures customers can continue to access Lloyd's underwriting expertise for EEA risks.

The chosen route is to establish a Lloyd's Brussels subsidiary which will be a fully regulated insurance company, with a robust corporate structure, compliant with the regulator's requirements and capitalised according to Solvency II rules. This structure should provide the market with a solid platform on which to continue to trade with, and grow in, the Single Market. The subsidiary will be able to write risks from all 27 EU and 3 EEA countries via the existing distribution channels of brokers, coverholders and syndicates.

The Lloyd's Brussels subsidiary will:

- Maintain the subscription model and current market principles, retaining underwriting capabilities and the security of the Lloyd's market behind policies;
- Maintain the current distribution network. That means the business relationships with brokers and coverholders will remain the same;
- Minimise changes to our existing processes and systems;
- Support continued trading under the Lloyd's brand and benefit from Lloyd's robust financial ratings; and
- Provide the market with a solid solution for future growth in Europe

The Lloyd's Brussels subsidiary will be operationally ready from July 2018 and able to write business from 1st January 2019.

For the 2015 year 14% of the syndicate's gross written premium is conducted in Europe the majority of this business emanates from the syndicate's lower margin motor class of business.

Future Developments

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

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

20 March 2018

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

Opinion

We have audited the syndicate underwriting year accounts for the 2015 year of account of Syndicate 2791 ('the syndicate') for the three years ended 31 December 2017 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate underwriting year accounts:

- give a true and fair view of the profit for the 2015 closed year of account;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and have been properly prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the syndicate underwriting year accounts section of our report below. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate underwriting year accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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 and the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The managing agent's use of the going concern basis of accounting in the preparation of the syndicate underwriting accounts on the basis that the recorded assets and liabilities will be realised and discharged in the normal course of business is not appropriate; or
- the managing agent has not disclosed in the syndicate underwriting accounts any identified material uncertainties that may cast significant doubt on the ability of the syndicate to realise its assets and discharge its liabilities in the normal course of business.

Other information

The other information comprises the information included in the annual report, other than the syndicate underwriting year accounts and our auditor's report thereon. The managing agent is responsible for the other information.

Our opinion on the syndicate underwriting year accounts does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Other information *continued*

In connection with our audit of the syndicate underwriting year accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate underwriting year accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the syndicate underwriting year accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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 adequate accounting records; or
- the syndicate underwriting year accounts are not in agreement with the accounting records

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 12, the managing agent is responsible for the preparation of the syndicate underwriting year accounts in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and The Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate underwriting accounts, the managing agent is responsible for assessing the syndicate's ability to realise its assets and discharge its liabilities in the normal course of business, disclosing, as applicable, any matters that impact its ability to do so.

Auditor's responsibilities for the audit of the syndicate underwriting year accounts

Our objectives are to obtain reasonable assurance about whether the syndicate underwriting year accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these syndicate underwriting year accounts.

A further description of our responsibilities for the audit of financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Benjamin Gregory (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
20 March 2018

INCOME STATEMENT TECHNICAL ACCOUNT – GENERAL BUSINESS

2015 Closed Year of Account for the three years ended 31 December 2017

	Note	2015 £'000
Syndicate allocated capacity		399,441
Earned premiums, net of reinsurance		
Gross premiums written	4	170,389
Outward reinsurance premiums		(32,912)
Earned premiums, net of reinsurance		137,477
Reinsurance to close premiums received, net of reinsurance	5	248,448
Allocated investment return transferred from the non-technical account		11,665
Claims incurred, net of reinsurance		
Claims paid		
Gross amount		(70,648)
Reinsurers' share		7,567
		(63,081)
Reinsurance to close premium payable, net of reinsurance	6	(227,954)
Acquisition expenses		(37,515)
Reinsurers' commissions and profit participations		75
Administrative expenses	8	(22,824)
Net operating expenses		(60,264)
Balance on the technical account – general business	12	46,291

INCOME STATEMENT NON-TECHNICAL ACCOUNT

2015 Closed Year of Account for the three years ended 31 December 2017

	Note	2015 £'000
Balance on the technical account for general business		46,291
Investment return	*11*	11,665
Allocated investment return transferred to general business – technical account		(11,665)
Non-technical account foreign exchange	*13*	(530)
Profit for the 2015 Closed Year of Account excluding other comprehensive income		45,761

STATEMENT OF COMPREHENSIVE INCOME

2015 Closed Year of Account for the three years ended 31 December 2017

	Note	2015 £'000
Profit for the 2015 Closed Year of Account excluding other comprehensive income		45,761
Exchange differences on foreign currency translation	*13*	1,391
Profit for the 2015 Closed Year of Account including other comprehensive income being profit distributed to members		47,152

STATEMENT OF FINANCIAL POSITION

2015 Closed Year of Account as at 31 December 2017

	Note	2015 £'000
Assets		
Investments	*14*	264,579
Debtors	*15*	15,173
Reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account	*7*	31,465
Other assets		
Cash at bank and in hand		9,027
Prepayments and accrued income		
Accrued interest		781
Total assets		321,025
Liabilities		
Amounts due to members	*16*	47,152
Reinsurance to close premiums payable to close the account – gross amount	*7*	248,523
Other creditors	*17*	21,981
Accruals and deferred income		3,369
Total liabilities		321,025

The financial statements on pages 15 to 31 were approved by the Board of Managing Agency Partners Limited on 20 March 2018 and were signed on its behalf by:

R K Trubshaw
Active Underwriter

R J Sumner
Finance Director

20 March 2018

STATEMENT OF CASH FLOWS

2015 Closed Year of Account for the three years ended 31 December 2017

	Note	2015 £'000
Operating profit on ordinary activities		45,761
Movement in gross technical provisions		248,523
Movement in reinsurers' share of gross technical provisions		(31,465)
Movement in debtors		(15,954)
Movement in creditors		25,350
Investment return		(11,665)
Exchange differences on foreign currency translation		22,278
Net cash inflow from operating activities		282,828
Cash flows from investing activities		
Purchase of equity and debt instruments		(431,176)
Sale of equity and debt instruments		156,384
Investment income received		13,602
Movement in overseas deposits		(12,611)
Movement in cash equivalents		123
Net cash outflow from investing activities		(273,678)
Movement in cash and cash equivalents		9,150
Cash and cash equivalents at 1 January		–
Cash and cash equivalents at 31 December	*18*	9,150

NOTES TO THE ACCOUNTS

2015 Closed Year of Account for the three years ended 31 December 2017

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.

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 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 2015'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 2015 from 2014 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 2017. Any changes made to the opening reinsurance to close are accounted for at the average rates ruling during calendar year 2017.

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 2015 year of account which has been closed by reinsurance to close at 31 December 2017; consequently the statement of financial position represents the assets and liabilities of the 2015 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.

Reinsurance to close

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.

Syndicate 2791 cedes business under a quota-share treaty to Syndicate 6103 which is operated on a funds withheld basis by Syndicate 2791. 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. Syndicate 6103 is also managed by the managing agent, MAP.

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 2016 year of account at 31 December 2017.

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 reported (IBNR), at the reporting date. It can take a

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

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

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 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.

Estimates of future premiums

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates are judgemental. 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 whether 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 that direct claim administration costs will be as budgeted, inflation rates will be in line with historical rates and claim payment patterns will 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.

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

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.

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.

Premiums for contracts where the syndicate delegates underwriting authority to another party (e.g. binding authorities, lineslips or proportional treaties) use an estimate of the proportion of premiums incepted at the reference date as an estimate based on historical inception patterns, if no pattern exists business is assumed to incept evenly over the term of the delegated authority.

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 together with reinsurance recoveries less amounts provided for in respect of doubtful reinsurers. They 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 to which the recovery is credited.

3. Accounting Policies *continued*

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.

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.

3. Accounting Policies *continued*

Foreign currency translation continued

Where Canadian dollars or Euros are sold or bought relating to the profit or loss of the closed underwriting account after 36 months, 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.

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

	Year end rate	Average rates during		
	2017	**2017**	2016	2015
USD	**1.35**	**1.29**	1.35	1.53
CAD	**1.70**	**1.67**	1.79	1.95
EUR	**1.13**	**1.14**	1.22	1.38

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.

3. Accounting Policies *continued*

Unlisted investments continued

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 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.

3. Accounting Policies *continued*

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
2015 year of account						
Direct insurance						
Accident and health	7,125	(4,323)	(3,161)	(10)	(369)	3,855
Fire and other damage to property	21,880	(6,400)	(8,817)	(3,976)	2,687	11,452
Marine, aviation and transport	8,939	(1,072)	(3,633)	(34)	4,200	12,869
Motor (other classes)	31,440	(25,688)	(9,740)	2,316	(1,672)	12,285
Third party liability	4,470	(570)	(2,282)	(39)	1,579	19,849
Miscellaneous	862	(648)	(285)	(2)	(73)	9,075
	74,716	(38,701)	(27,918)	(1,745)	6,352	69,385
Reinsurance	95,673	(17,566)	(32,346)	(17,487)	28,274	147,673
Total	170,389	(56,267)	(60,264)	(19,232)	34,626	217,058

Total commissions on direct gross premiums written amount to £29.4m.

1. Gross premiums earned are identical to gross premiums written.
2. Gross claims incurred comprise gross claims paid and movement in gross technical provisions.
3. All premiums are concluded in the UK.
4. Net operating expenses include reinsurer's commissions and profit participations.
5. All 2014 and prior year movements are reflected in the above figures.
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	1,229	1,298	2,527
Other EU countries	22,159	1,339	23,498
US	35,342	82,216	117,558
Other	10,087	16,719	26,806
Total	68,817	101,572	170,389

5. Reinsurance to Close Premium Receivable

	Syndicate 2791 £'000	Syndicate 6103 £'000	Total £'000
Gross reinsurance to close premium receivable	272,870	102	272,972
Reinsurance recoveries anticipated	(24,524)	–	(24,524)
Reinsurance to close premium receivable, net of reinsurance	248,346	102	248,448

At 1 January 2017, Syndicate 2791 accepted a Reinsurance to Close Premium from Syndicate 6103 in respect of Syndicate 6103's 2014 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
2014 and prior			
Opening balance	(248,346)	16,594	(231,752)
Movement in paid, outstanding and IBNR in year	43,588	(1,448)	42,140
Change in three year period (2015 pure)	(23,493)	(4,250)	(27,743)
Movement in unallocated loss and loss adjustment expenses	297	–	297
	(227,954)	10,896	(217,058)

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 2017 in currency and therefore the effect to the income statement is nil.

7. Reinsurance to Close Premium Payable

	2014 and prior £'000	2015 pure £'000	2015 £'000
Gross outstanding claims	81,669	16,512	98,181
Reinsurance recoveries anticipated	(12,144)	(6,921)	(19,065)
Net outstanding claims	69,525	9,591	79,116
Provision for gross claims incurred but not reported	121,939	22,678	144,617
Reinsurance recoveries anticipated	(7,874)	(4,526)	(12,400)
Provision for net claims incurred but not reported	114,065	18,152	132,217
Unallocated loss and loss adjustment expenses	4,934	791	5,725
Net premium for reinsurance to close	188,524	28,534	217,058

A positive run-off of £12.1m on the 2014 and prior years' reserves (2013 and prior: £17.1m) was experienced in the year. This change to the previous closed year reserves was 4.9% of the relevant provisions brought forward.

The reinsurance to close is effected to the 2016 year of account of Syndicate 2791.

8. Administrative Expenses

	£'000
Personal expenses	3,356
Profit commission payable to managing agent	11,508
Other administrative expenses	8,583
Gross operating expenses	
Expense recoveries from reinsurers	(623)
Net operating expenses	22,824

Administrative expenses include:	2791 £'000	6103 £'000	Total £'000
Auditors' remuneration			
Fees for the audit of the syndicate	228	25	253
Audit-related assurance	84	23	107
Other services pursuant to Regulations and Lloyd's Byelaws	159	26	185
Taxation compliance services	4	1	5
Other non-audit services	116	17	133
	591	92	683

Audit related assurance includes reporting required by law and regulation, reviews of interim financial information and reporting on regulatory returns. Other non-audit services represent actuarial valuation services. Other services pursuant to Regulations and Lloyd's Byelaws represent fees for the provision of the Syndicate Acturial Opinions (SAO) to Lloyd's and HMRC.

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	4,164
Social security costs	477
Other pension costs	526
	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 three years was as follows:

Administration and finance	19
Underwriting	24
Claims	4
	47

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	1,016

The 2015 year of account has been charged with active underwriter's remuneration as follows:

	£'000
Emoluments – R K Trubshaw	276

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	5,726
Gains on the realisation of investments	15,562
Losses on realisation of investments	(3,357)
	17,931
Net unrealised gains and losses	(4,519)
Investment expenses and charges	
Investment management expenses, including interest payable	(1,635)
Investment return payable to Syndicate 6103	(112)
	(1,747)
Total Investment Return	11,665

12. Balance on the Technical Account – General Business

	2014 and prior years of account £'000	2015 pure years of account £'000	Total 2015 £'000
Balance excluding investment return and operating expenses	13,454	81,436	94,890
Brokerage and commission on gross premium	22	(37,537)	(37,515)
Allocated investment income	–	11,665	11,665
Net operating expenses other than acquisition costs	(1,548)	(21,201)	(22,749)
	11,928	34,363	46,291

13. Exchange Differences Arising on Foreign Currency Translation

	£'000
On 2015 balances brought forward at 1 January 2017: from opening to closing rates	1,208
On transactions during 2017: from average to year end rates	(347)
	861
Represented by:	
Non-technical account foreign exchange	(530)
Exchange differences on foreign currency translation	1,391
	861

14. Financial Investments

	Market value £'000	Cost £'000
Investments:		
Shares and other variable yield securities and units in unit trusts	36,640	36,363
Debt securities and other fixed income securities	175,323	177,172
Participation in investment pools	15,936	10,243
Deposits with credit institutions	1,770	1,770
Overseas deposits as investments	12,611	12,796
	242,280	238,344
Hedge Funds/Alternative Assets:		
Shares and other variable yield securities and units in unit trusts	–	–
Debt securities and other fixed income securities	–	–
Participation in investment pools	22,299	20,289
Deposits with credit institutions	–	–
Overseas deposits as investments	–	–
	22,299	20,289
Total Investments:		
Shares and other variable yield securities and units in unit trusts	36,640	36,363
Debt securities and other fixed income securities	175,323	177,172
Participation in investment pools	38,235	30,532
Deposits with credit institutions	1,770	1,770
Overseas deposits as investments	12,611	12,796
	264,579	258,633

Within "Shares and other variable yield securities and units in unit trusts" and "Participation in investment pools" £27.4m are listed on a recognised exchange. These comprise 10.4% of the total market value of investments.

15. Debtors

	£'000
Arising out of direct insurance operations	402
Arising out of reinsurance operations	11,882
Inter-syndicate loan	20
Members' agents' fees advances	2,111
Non-standard personal expenses due from members (overseas taxation)	404
Reinsurers' profit commission and overriding commission	228
Outstanding settlements on investments	13
Expense recoveries from reinsurers	113
	15,173

Debtors arising out of reinsurance operations of £11.8m include funds due in respect of Syndicate 6103 of £0.8m.

16. Amounts Due to Members

	£'000
Profit for the 2015 Closed Year of Account due to members at 31 December 2017	47,152

17. Other Creditors

	£'000
Arising out of direct insurance operations	
Policyholders	–
Intermediaries	2,584
Arising out of reinsurance operations	7,104
Profit commissions	11,789
Reinsurance profit commission payable	502
Outstanding settlements on investments	2
	21,981

Creditors in respect of reinsurance operations of £7.1m include funds due to Syndicate 6103 of £5.3m.

18. Cash and Cash Equivalents

	2015 £'000
Cash at bank and in hand	9,027
Short term deposits with financial institutions	123
	9,150

19. 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 10% 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 2015 year of account:

	£'000
Premiums ceded	(4,681)
Paid claims recovered	480
Ceding commission	225
Overriding commission	47
Investment income payable	(112)
Reinsurance to close premium	(47)

The balance owed by Syndicate 2791 to Syndicate 6103 at the end of the period is £3.8m and will be settled through the Lloyd's distribution process.

19. Related Parties *continued*

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	–	2,500
C J Smelt	5,000	2,500
R J Sumner	–	10,000

Messrs. Shipley, Denoon Duncan, Kong, Trubshaw, Sumner and Smelt, 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 2015 year of account MAP Capital Limited provided £81.7m of capacity on Syndicate 2791 representing 20.4% of capacity. MAP has no direct interest in the share capital of MAP Capital Limited.

For the 2015 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 2015 year of account it has provided £11.3m of capacity representing 2.8% of capacity. MAP has no direct or indirect interest in Nomina No 208 LLP.

Managing agency fees amounting to £2.2m were paid to MAP for the 2015 year and profit commission of £11.8m (at closing rates) is also due to the managing agency in respect of the profit of the 2015 closed year. Expenses totalling £7.7m 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$0.7m during 2017 on normal commercial terms.

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.

20. 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$2.4m; the letters of credit are fully collateralised with cash deposits held by Citibank, on the syndicate's account, of US$2.4m.

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SYNDICATE 2791

Annual Report and Accounts
31 December 2017

DIRECTORS AND ADMINISTRATION

MANAGING AGENT

Managing Agent
Managing Agency Partners Limited (MAP)

Directors
K Allchorne (Non-executive)
C E Dandridge (Non-executive)
J D Denoon Duncan
A S Foote (Non-executive)
T P Froehlich (Non-executive appointed 27 July 2017)
A Kong
P Langridge
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

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

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

SYNDICATE

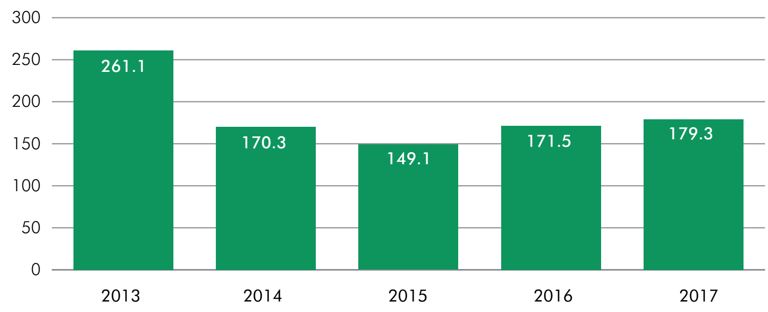
Active Underwriter
R K Trubshaw

Principal Investment Managers
Schroders Investment Management Limited

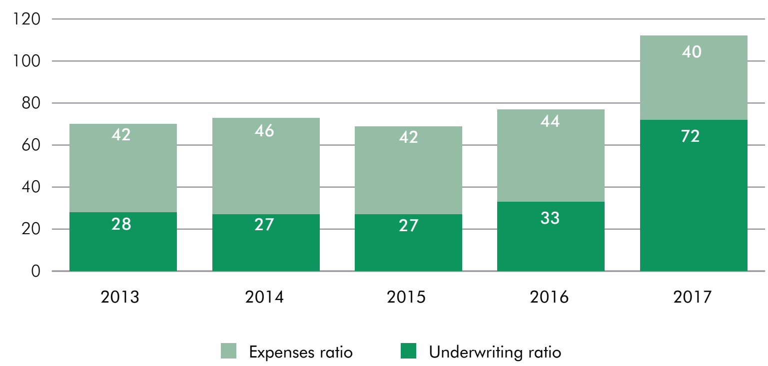
Registered Auditors
Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

KEY FINANCIAL DATA

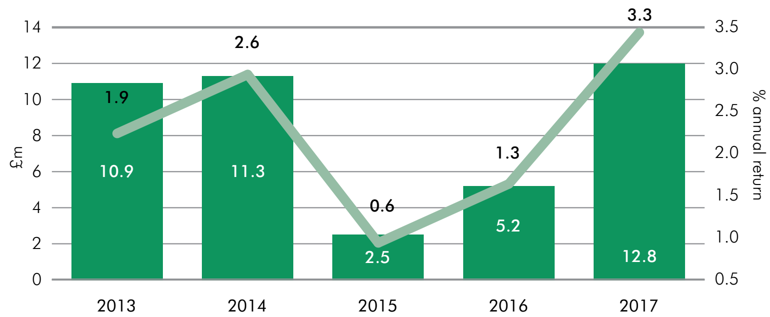
Gross premiums written 2013 to 2017 (£m)



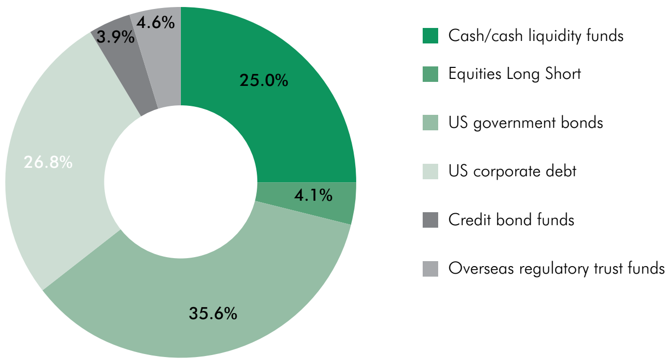
Combined ratio 2013 to 2017 (%)



Net Investment return 2013 to 2017



Total investment asset composition 2017



The directors of the managing agent present their report for the year ended 31 December 2017. 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 2015 year of account are attached to these accounts in the section headed Underwriting Year Distribution Accounts (pages 4 to 31).

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 2017 calendar year produced an annually accounted loss of £6.7m (2016: £51.7m profit) on gross earned premiums of £179.1m (2016: £172.1m) gross of acquisition and reinsurance costs. The net combined ratio was 111.7% (2016: 76.8%).

Movement on underwriting years of account during the 2017 calendar year

	2014 and prior periods £'000	2015 £'000	2015 and prior periods £'000	2016 £'000	2017 £'000	**Total £'000**	2016 £'000
Gross written premium	(1,258)	(419)	(1,677)	47,650	133,375	**179,348**	171,497
Net premium earned	(1,399)	10,307	8,908	55,544	76,540	**140,992**	137,931
Net claims incurred	14,853	(4,540)	10,313	(36,784)	(74,346)	**(100,817)**	(45,585)
Acquisition costs	22	(3,231)	(3,209)	(18,660)	(18,206)	**(40,075)**	(39,142)
	13,476	2,536	16,012	100	(16,012)	**100**	53,204
Operating expenses	(1,547)	(4,991)	(6,538)	(2,620)	(7,374)	**(16,532)**	(21,151)
Investment income	–	10,633	10,633	1,959	196	**12,788**	5,187
Non-technical account foreign currency adjustment	193	(124)	69	81	231	**381**	1,087
Annual accounted (loss)/profit	12,122	8,054	20,176	(480)	(22,959)	**(3,263)**	38,327
Currency translation differences	(539)	(2,828)	(3,367)	(1,057)	1,018	**(3,406)**	13,385
Total Comprehensive Income	11,583	5,226	16,809	(1,537)	(21,941)	**(6,669)**	51,712
As previously reported	–	30,343	30,343	13,236	–	**43,579**	53,832
Cumulative pure year result	11,583	35,569	47,152	11,699	(21,941)	**36,910**	105,544
Net annual accounting ratios:							
Claims ratio						**72%**	33%
Expense ratio						**40%**	44%
Combined ratio						**112%**	77%

2017	Gross Written Premium £'000	Net Written Premium £'000	Net Earned Premium £'000	Underwriting (Loss)/Profit £'000
Property Direct	24,919	20,990	19,674	962
Reinsurance property	79,305	60,456	60,445	(17,131)
Marine	5,599	5,249	5,367	(1,592)
Motor and specialist	52,660	39,980	40,066	(4,047)
Liability	8,054	8,059	7,751	6,359
Accident and health	8,811	8,803	7,689	(983)
Total	179,348	143,537	140,992	(16,432)

2016	Gross Written Premium £'000	Net Written Premium £'000	Net Earned Premium £'000	Underwriting (Loss)/Profit £'000
Property Direct	21,944	17,261	17,767	2,218
Reinsurance property	76,954	59,055	59,304	22,901
Marine	7,213	6,613	8,364	3,576
Motor and specialist	49,695	37,443	35,850	(2,514)
Liability	9,505	9,512	9,688	6,013
Accident and health	6,186	6,176	6,958	(141)
Total	171,497	136,060	137,931	32,053

2017 Overview

Capital providers will be well aware of the plethora of catastrophes that occurred in 2017. In market loss terms we would estimate the totality of major events to be around $100bn compared to $30bn in 2004 and $64bn in 2005, when the underlying base pricing in other lines of business was much stronger. To our minds we have out-performed the market, (particularly in Harvey, the Caribbean and the Californian wildfires), but all other areas of our book were so thinly priced that the calendar year generated a loss.

Across all years of account we are projecting ultimate gross catastrophe losses of £61.0m, with a year-end incurred of £41.0m. Ultimate net losses are projected to be £42.8m, which represents over 30 percentage points on net earned premium, thus wiping out the expected profit for the year.

2018 Trading Conditions

Last year I wrote that "only the pain of loss activity will rebalance the risk-reward equation", and here we are following one of the most active catastrophe seasons in years. It has definitely been painful. The good news is that MAP has turned the corner, and many of our underwriters are seeing increasing opportunities to re-price business. Through January we are up nearly 20% in gross volume over the same time last year, at a slightly improved technical margin. The bad news is we are still a long way short of historic norms, and at this stage well shy of our anticipated writings as set out in our revised business plan last September. Capital is plentiful, and given the continuing background of low interest rates, and so relatively low risk margins, it is unlikely we shall see any 'capacity crunch' such as in 2002 or 2006. On the other hand, for existing players, 2017 is proving to be an extremely difficult year, with market combined loss ratios likely much worse than that posted in 2005. This first quarter reporting period will be critical: if enough carriers are forced to admit to significant catastrophic loss, at the same time that many will be experiencing negative cash-flow and poor investment returns, alongside continuing weak performance in most other non-cat lines, then logically behaviour has to change. We don't need a 'hard' (capacity-constrained) market to grow from our current low ebb, merely a dislocated one in which nimble businesses like MAP can regain lost ground simply through pricing business properly.

The macro risk to our strategy is that we are up against global businesses who not only have a lot of fire-power, they also seemingly have a much higher tolerance of under-performance. It is very difficult to compete with someone who is selling a dollar for 95 cents. To my mind there are too many Lloyd's businesses who have been allowed to get away with extremely poor underwriting performance over a long period of time, despite (or perhaps because of) being capitalised appropriately. There needs, I think, to be an explicit recognition that the Lloyd's franchise depends not just upon policy-holder security, but also on underwriting integrity. Indeed it is becoming evident that certain carriers have been guilty of massively over-trading their stated catastrophic risk appetite. Other than capital loads, which are rare and of little consequence at the global level, there are insufficient disincentives for systematic under-performance.

Perhaps related to this is also the continuing 'de-syndication' of Lloyd's, by which I mean the loss of the traditional lead-follow collective. Partly as an unintended consequence of regulators insisting on minimum standards, businesses have been encouraged to develop lead capabilities in all classes, which not only adds to the expense but then merely means that everyone then competes like crazy on the one thing left – price. More insidiously, well-intentioned drives to modernise transactional process are playing into the hands of brokers who are encouraged to bundle disparate risks into pre-packaged facilities, and transact the whole lot in one electronic placement. Using a time-honoured 'take it or leave it' tactic they can then marginalise the malcontents who would quite like to underwrite the risks individually (like ourselves) whilst extracting higher commissions from the willing. The end result is that Lloyd's traditional role as a global specialist market for non-standard bespoke business is being deeply compromised.

FINANCIAL REPORT

Investment return

The investment return for 2017 was 3.8% (£14.7m); (2016: 1.6%, £6.6m). Net of investment expenses the return was 3.3% (£12.8m); (2016: 1.3%, £5.2m).

The annual syndicate investment return exceeded our expectations as 2017 was a strong year for risk assets (equities, credit funds and 20 year US treasuries). Seemingly, investment markets continued to benefit from the global growth momentum, as expanding investment, employment and trade supported growth across the globe. The downside to the rising values for assets is they are now priced near to the upper end of historic values which leaves little room for further increases and could result in downward repricing in the event of slightly poorer economic data.

Our basic fixed income portfolio also performed well in 2017. Despite flattening yield curves at the short end, our manager's duration and curve positioning helped to mitigate the rising yields. The spread to corporate bonds also fell in the year as the risk of defaults was seemingly discounted away by bond markets and our allocation to corporate bonds benefited overall return.

Despite the apparent strong economy (we mainly invest in the US rather than the UK) headwinds for fixed income were building last year and the first month of 2018 has seen treasury yields rise across the curve. These rising yields will result in lower capital values and realised/unrealised losses. More generally, we expect less central bank accommodation and potentially higher inflation will challenge all investment classes in 2018. As we progress through next year, we expect markets to be characterised by increasing volatility as central banks allow market forces to dictate valuations.

The overall value of our investment portfolio reduced in 2017 due to the 2014 Year of Account profit pay-out and because of insufficient prices our underwriting continues to be cut back. In the face of these forces we have opted to retrench our investments towards our basic fixed income portfolio. In the final quarter of 2017 we sold all our long equities and issued a 50% redemption to our remaining credit fund. The upside of these actions is reduced volatility but at the cost of potentially reduced returns, although we are hopeful this could be mitigated by increased business on the 2018 year.

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

Asset class	2017 Return %	2017 Closing assets as a proportion of portfolio %	2016 Return %	2016 Closing assets as a proportion of portfolio %
Cash/cash liquidity funds	**0.5**	**25.0**	0.5	17.3
Equities Long	**20.1**	**–**	3.2	4.8
Equities Long Short	**21.3**	**4.1**	(3.4)	4.1
US Government bonds	**2.7**	**35.6**	0.9	39.3
US agency bonds	**–**	**–**	(2.8)	0.0
US corporate debt	**2.3**	**26.8**	2.7	25.9
Credit bond funds	**8.0**	**3.9**	9.9	3.8
Overseas regulatory trust funds	**0.5**	**4.6**	3.5	4.8
Return	**3.8**		1.6	
Return after charges	**3.3**		1.3	

The key characteristics for each class are described below:

Cash and cash liquidity funds

These comprise either cash at bank, money market sweep accounts or in liquidity funds with a duration of less than one year. The cash is spread across five different major banks.

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. This was sold in its entirety during the period.

Credit funds

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

US Government bonds

These comprise mainly US Treasury notes, bills and Treasury Inflation Protected Securities (TIPS). US Treasury and bills and notes are managed by two large US external investment managers. These assets have a duration of around 6.7 years (2016: 5.8 years).

US agency bonds

These bonds were all sold during 2016 and comprised of 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 2.6 years (2016: 1.8 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 custodian's overall prices to our bond manager's 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 2017	Rating						
	AAA	AA	A	BBB	<BBB	Not Rated	Total
Shares and other variable yield securities and unit trusts	11,991	12,054	322	24,639	–	–	**49,006**
Debt securities	5,054	135,590	60,071	5,825	–	4,323	**210,863**
Participation in investment pools	2,816	14,411	3,914	–	–	26,924	**48,065**
Loans with credit institutions	–	–	–	–	–	–	**–**
Deposits with credit institutions	–	–	1,770	–	–	–	**1,770**
Overseas deposits as investments	–	11,000	–	–	14	4,354	**15,368**
Reinsurer' share of claims outstanding	–	–	60,680	–	–	1,245	**61,925**
Cash at bank and in hand	–	–	12,465	–	–	–	**12,465**
Accrued interest	45	434	394	51	–	16	**940**
Total credit risk	**19,906**	**173,489**	**139,616**	**30,515**	**14**	**36,862**	**400,402**

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

Of the £61.9m (2016: £40.0m) reinsurers share of claims outstanding, £3.6m (2016: £Nil) is backed by undrawn trust fund assets.

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 loss for the year is £3.4m (2016 profit: £13.4m). This principally reflects the weakening of the US Dollar against sterling from the opening rate of 1.24 to the current year end rate of 1.35 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	**2017 Total**	2016 Total
Standard & Poor's rating	£m	£m	£m	**£m**	£m
A	6.1	27.2	33.5	**66.8**	42.6
Not rated	(0.1)	–	1.2	**1.1**	0.2
	6.0	27.2	34.7	**67.9**	42.8

Of the total reinsurance debtors rated A in the table above, the amounts owed by Syndicate 6103 are £5.6m.

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 Managing Agency is required to provide a solvency capital assessment (SCR) to Lloyd's 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 is derived from the syndicate's loss distribution, which is calculated internally. It is the loss at the 99.5% confidence level, 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 is 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 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 2018 is 35% (2017: 35%) of the member 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:

	2018 £m	2017 £m
2791	247.6	239.9

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.

European Union Business

Since the UK voted to leave the European Union, Lloyd's has been working to provide the market with an effective solution that ensures customers can continue to access Lloyd's underwriting expertise for EEA risks.

The chosen route is to establish a Lloyd's Brussels subsidiary which will be a fully regulated insurance company, with a robust corporate structure, compliant with the regulator's requirements and capitalised according to Solvency II rules. This structure should provide the market with a solid platform on which to continue to trade with, and grow in, the Single Market. The subsidiary will be able to write risks from all 27 EU and 3 EEA countries via the existing distribution channels of brokers, Coverholders and syndicates.

The Lloyd's Brussels subsidiary will:

- Maintain the subscription model and current market principles, retaining underwriting capabilities and the security of the Lloyd's market behind policies;
- Maintain the current distribution network. That means the business relationships with brokers and coverholders will remain the same;
- Minimise changes to our existing processes and systems;
- Support continued trading under the Lloyd's brand and benefit from Lloyd's robust financial ratings; and
- Provide the market with a solid solution for future growth in Europe.

The Lloyd's Brussels subsidiary will be operationally ready from July 2018 and able to write business from 1st January 2019.

For the 2017 year 15% (2016: 17%) of the syndicate's gross written premium is conducted in Europe the majority of this business emanates from the syndicate's lower margin motor class of business, which the syndicate ceased to underwrite mid-2017.

Future Developments

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

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 insured's 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 where possible collateral in the form of trust funds is requested before reinsurance is placed with some reinsurers. 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 use of an economic scenario generator in the capital setting process. This risk is managed by spreading the investments 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 or 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 Managing Agent and the Syndicate are 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 Managing Agent has a director of risk and assurance who monitors regulatory developments and assesses the impact on agency policy 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 2017 together with their participations on the syndicate were as follows:

	2017 year of account £'000	2016 year of account £'000
K Allchorne (Non-executive) (appointed 9 September 2016)	–	–
C E Dandridge (Non-executive)	–	–
J D Denoon Duncan [(1) (2)]	**859**	609
A S Foote [(3)] (Non-executive)	–	–
T P Froehlich (Non-executive appointed 27 July 2017)	–	–
A Kong [(1) (2)]	**2,485**	1,910
P Langridge (appointed 9 September 2016)	–	–
A J T Milligan (Non-executive)	–	–
D E S Shipley (Chairman) [(1)]	**6,139**	4,514
C Smelt [(1) (2)]	**2,353**	1,553
R J Sumner [(1)]	**1,355**	855
R K Trubshaw (Active Underwriter) [(1)]	**9,880**	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, was 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 2017 year of account of the syndicate was £396.8m.

Governance Framework

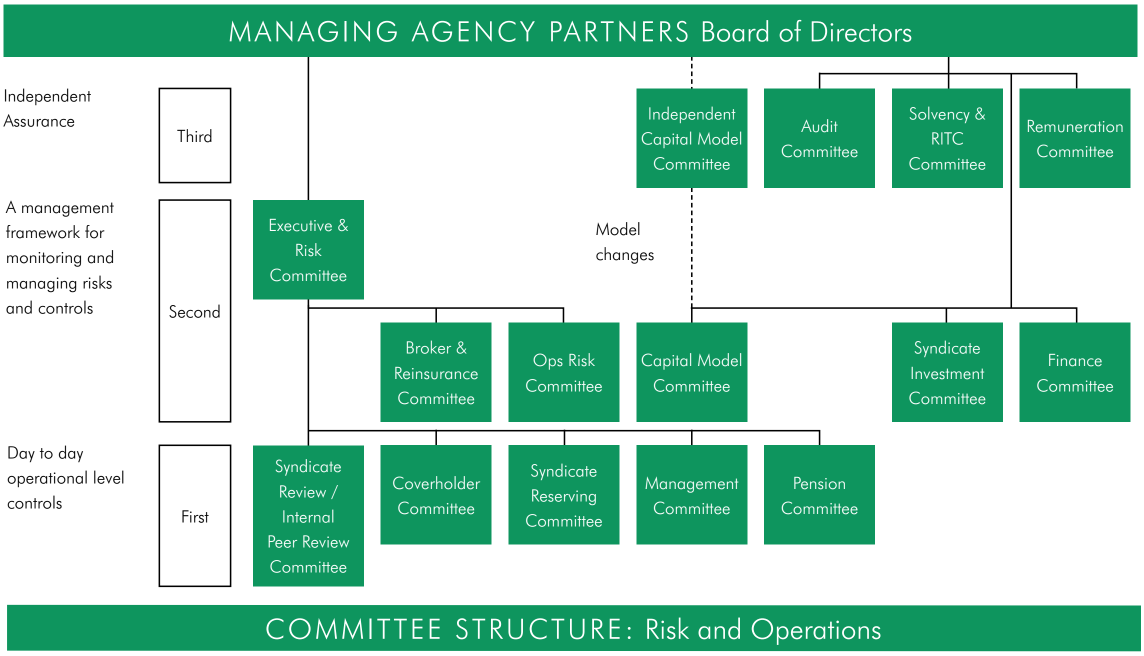
MAP maintains a clear organisational and governance framework with the role and responsibility of the Board, sub-committees, directors and senior staff clearly defined and documented.

An established risk management framework operates in respect of the identification, assessment, management and monitoring of all core areas of risk to which the business is exposed in its day-to-day activities (insurance risk, market risk, reserving risk, credit risk, liquidity risk and operational risk) with defined and articulated risk appetites in all areas.

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 challenge through both:

- Oversight committees each comprising a majority of non-executive directors; and
- Independent assurance review through the Internal Audit Function.

This is depicted in the following Committee Structure diagram:



Reappointment of Auditors

Ernst & Young LLP will not be reappointed as auditors. The audit committee undertook a tender process in respect of external audit services during 2017 and it was concluded that Deloitte LLP will be appointed as auditors for future audits. Members may object to the intention to appoint Deloitte LLP as auditors within 21 days of the issue of these accounts. Any such objection should be addressed to P Langridge, Risk & Assurance Director at the registered office of Managing Agency Partners Limited.

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 within 21 days of the issue of these accounts. Any such objection should be addressed to P Langridge, Risk & Assurance 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
20 March 2018

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

Opinion

We have audited the syndicate annual accounts of syndicate 2791 ('the syndicate') for the year ended 31 December 2017 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, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

- give a true and fair view of the syndicate's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the syndicate annual accounts section of our report below. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate and the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the managing agent's use of the going concern basis of accounting in the preparation of the syndicate annual accounts is not appropriate; or
- the managing agent has not disclosed in the syndicate annual accounts any identified material uncertainties that may cast significant doubt about the syndicate's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the syndicate annual accounts are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the syndicate annual accounts and our auditor's report thereon. The managing agent is responsible for the other information.

Our opinion on the syndicate annual accounts does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the syndicate annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the syndicate annual accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of the audit

- 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, and
- the managing agent's report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we have not identified material misstatements in the managing agent's report.

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;
- we have not received all the information and explanations we require for our audit; or
- certain disclosures of the managing agents' emoluments specified by law are not made.

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 46, the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate annual accounts, the managing agent is responsible for assessing the syndicate's ability to continue in operation, disclosing as applicable, matters related to its ability to continue in operation and using the going concern basis of accounting unless the managing agent either intends to cease to operate the syndicate, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the syndicate annual accounts

Our objectives are to obtain reasonable assurance about whether the syndicate annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these syndicate annual accounts.

A further description of our responsibilities for the audit of financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Benjamin Gregory (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
20 March 2018

INCOME STATEMENT TECHNICAL ACCOUNT – GENERAL BUSINESS

for the year ended 31 December 2017

	Note	**2017 £'000**	2016 £'000
Earned premiums, net of reinsurance			
Gross premiums written	4	**179,348**	171,497
Outward reinsurance premiums		**(35,811)**	(35,437)
Net premiums written		**143,537**	136,060
Change in the provision for unearned premiums:			
Gross amount		**(261)**	636
Reinsurers' share		**(2,284)**	1,235
Change in the net provision for unearned premiums		**(2,545)**	1,871
Earned premiums, net of reinsurance		**140,992**	137,931
Allocated investment return transferred from the non-technical account		**12,788**	5,187
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	4	**(115,079)**	(83,186)
Reinsurers' share		**12,265**	8,761
Net claims paid		**(102,814)**	(74,425)
Change in the provision for claims			
Gross amount	4	**(20,571)**	22,106
Reinsurers' share		**22,568**	6,734
Change in the net provision for claims		**1,997**	28,840
Claims incurred, net of reinsurance		**(100,817)**	(45,585)
Acquisition expenses		**(40,646)**	(39,558)
Change in deferred acquisition expenses	7	**571**	416
Reinsurers' commissions and profit participations		**(293)**	1,620
Administrative expenses	8	**(16,239)**	(22,771)
Net operating expenses	4	**(56,607)**	(60,293)
Balance on the technical account for general business		**(3,644)**	37,240

All operations are continuing.

INCOME STATEMENT NON-TECHNICAL ACCOUNT

for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Balance on the general business technical account		**(3,644)**	37,240
Investment return	*11*	**12,788**	5,187
Allocated investment return transferred to general business technical account		**(12,788)**	(5,187)
Non-technical account foreign exchange		**381**	1,087
(Loss)/Profit for the financial year		**(3,263)**	38,327

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
(Loss)/Profit for the financial year		**(3,263)**	38,327
Exchange differences on foreign currency translation	*13*	**(3,406)**	13,385
Total comprehensive income for the year		**(6,669)**	51,712

STATEMENT OF CHANGES IN MEMBERS' BALANCES

for the year ended 31 December 2017

	2017 £'000	2016 £'000
Members' balances brought forward at 1 January 2017	**105,544**	121,944
(Loss)/Profit for the financial year	**(3,263)**	38,327
Exchange rate difference – transfer from the Statement of Comprehensive Income	**(3,406)**	13,385
Members' agents fees 2014 (2013) year of account	**(2,388)**	(2,718)
Payments of profit to members' personal reserve funds for the 2014 (2013) year of account	**(59,577)**	(65,394)
Members' balances carried forward at 31 December 2017	**36,910**	105,544

STATEMENT OF FINANCIAL POSITION ASSETS

as at 31 December 2017

	Note	2017 £'000	2016 £'000
Investments			
Financial investments	*14*	**325,072**	429,007
Reinsurers' share of technical provisions			
Provision for unearned premiums	*5*	**10,682**	13,368
Claims outstanding	*6*	**61,925**	40,038
		72,607	53,406
Debtors			
Debtors arising out of direct insurance operations	*15*	**13,028**	16,322
Debtors arising out of reinsurance operations	*15*	**41,534**	44,169
Other debtors	*16*	**9,121**	13,399
		63,683	73,890
Other assets			
Cash at bank and in hand		**12,465**	15,380
Prepayments and accrued income			
Accrued interest		**940**	1,006
Deferred acquisition costs	*7*	**14,628**	14,894
Other prepayments and accrued income		**1,700**	953
		17,268	16,853
Total assets		**491,095**	588,536

STATEMENT OF FINANCIAL POSITION LIABILITIES

as at 31 December 2017

	Note	2017 £'000	2016 £'000
Capital and reserves			
Members' balances		**36,910**	105,544
Technical provisions			
Provision for unearned premiums	*5*	**53,457**	56,329
Claims outstanding	*6*	**350,548**	350,266
		404,005	406,595
Creditors			
Creditors arising out of direct insurance operations	*17*	**4,029**	4,458
Creditors arising out of reinsurance operations	*17*	**25,448**	36,827
Other creditors	*18*	**15,263**	28,914
		44,740	70,199
Accruals and deferred income		**5,440**	6,198
Total liabilities		**491,095**	588,536

The financial statements on pages 49 to 78 were approved by the Board of Managing Agency Partners Limited on 20 March 2018 and were signed on its behalf by:

R K Trubshaw
Active Underwriter

R J Sumner
Finance Director

20 March 2018

STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Operating (loss)/profit on ordinary activities		(3,263)	38,327
Movement in gross technical provisions		(2,590)	37,020
Movement in reinsurers' share of gross technical provisions		(19,201)	(14,779)
Movement in debtors		9,792	(12,349)
Movement in creditors		(26,217)	(3,624)
Investment return		(12,788)	(5,187)
Members' agents' fee advances		(2,388)	(2,718)
Exchange differences on foreign currency translation		15,552	(72,018)
Net cash (outflow) from operating activities		(41,103)	(35,328)
Cash flows from investing activities			
Purchase of equity and debt instruments		(260,750)	(408,361)
Sale of equity and debt instruments		336,818	501,369
Investment income received		19,201	9,020
Movement in overseas deposits		2,853	1,511
Movement in cash equivalents		151	–
Net cash inflow from investing activities		98,273	103,539
Cash flows from financing activities			
Payments of profit to members' personal reserve funds		(59,577)	(65,394)
Net Cash (outflow) from financing activities		(59,577)	(65,394)
Movement in cash and equivalents		(2,407)	2,817
Cash and cash equivalents at 1 January		15,380	11,566
Exchange differences on opening cash		(357)	997
Cash and cash equivalents at 31 December	*19*	12,616	15,380

NOTES TO THE ACCOUNTS

for the year ended 31 December 2017

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 require 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 future 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. 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 whether the estimates of gross future premium are fairly stated on the basis of the information available currently to them. However, the ultimate premium receivable can 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 judgemental management adjustments.

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 that direct claim administration costs will be as budgeted, inflation rates will be in line with historical rates and claim payment patterns will 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 contracts) 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. 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.

Premiums for contracts where the syndicate delegates underwriting authority to another party (e.g. binding authorities, lineslips or proportional treaties) use an estimate of the proportion of premiums incepted at the reference date as an estimate based on historical inception patterns, if no pattern exists business is assumed to incept evenly over the term of the delegated authority.

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.

Minor loss funds are simply treated as claims paid. Where material, loss fund cash flows are reflected as debtors within prepayments and accrued income. Related claims paid are subsequently booked within the income statement with equivalent rolling cash top-ups maintaining the quantum of the loss fund. As claims paid develop and outstanding liabilities reduce, the level of the loss funds held in the balance sheet is reduced and funds returned to the syndicate.

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.

3. Accounting Policies *continued*

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.

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.

3. Accounting Policies *continued*

Foreign currency translation continued

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

	2017		2016	
	Year end	**Average**	Year end	Average
USD	**1.35**	**1.29**	1.24	1.35
CAD	**1.70**	**1.67**	1.66	1.79
EUR	**1.13**	**1.14**	1.17	1.22

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.

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 investment 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

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:

2017 **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	8,651	7,519	(5,197)	(3,511)	(6)	**(1,195)**	**(1,244)**	**11,576**
Motor (third party liability)	247	239	(151)	(77)	(5)	**6**	**362**	**8,632**
Motor (other classes)	43,404	45,660	(39,080)	(13,723)	3,120	**(4,023)**	**1,621**	**39,711**
Marine, aviation and transport	6,845	7,052	(5,035)	(2,440)	(269)	**(692)**	**(1,194)**	**20,044**
Fire and other damage to property	22,856	21,270	(13,165)	(8,651)	(874)	**(1,420)**	**3,663**	**28,073**
Third party liability	4,026	3,773	(411)	(2,013)	(31)	**1,318**	**2,158**	**25,835**
Miscellaneous	987	898	(1,170)	(279)	–	**(551)**	**(594)**	**2,705**
	87,016	86,411	(64,209)	(30,694)	1,935	**(6,557)**	**4,772**	**136,576**
Reinsurance accepted	92,332	92,676	(71,441)	(25,913)	(5,197)	**(9,875)**	**7,865**	**194,822**
Total	179,348	179,087	135,650	(56,607)	(3,262)	**(16,432)**	**12,637**	**331,398**

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

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.

	2017 £'000	2016 £'000
Total commissions on gross direct premiums earned	**21,601**	20,605

4. Segmental Analysis *continued*

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

	Direct	Reinsurance	2017 £'000
UK	**1,547**	**957**	**2,504**
Other EU countries	**24,302**	**2,389**	**26,691**
US	**51,976**	**75,306**	**127,282**
Other	**9,191**	**13,680**	**22,871**
Total	**87,016**	**92,332**	**179,348**

	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

5. Provision for Unearned Premiums

	Gross £'000	Reinsurers' share £'000	Net £'000
At 1 January 2017	**56,329**	**(13,368)**	**42,961**
Premiums written in year	**179,348**	**(35,811)**	**143,537**
Premiums earned in year	**(179,087)**	**38,095**	**(140,992)**
Foreign exchange	**(3,133)**	**402**	**(2,731)**
At 31 December 2017	**53,457**	**(10,682)**	**42,775**
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

Provision for unearned premiums include £0.4m (2016: £0.4m) in respect of Syndicate 6103.

6. Claims Outstanding

	Gross £'000	Reinsurers' share £'000	Net £'000
At 1 January 2017	350,266	(40,038)	310,228
Claims incurred in current underwriting year	135,650	(34,833)	100,817
Claims paid during year	(115,079)	12,265	(102,814)
Foreign exchange	(20,289)	681	(19,608)
At 31 December 2017	**350,548**	**(61,925)**	**288,623**
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**

Claims outstanding includes £1.9m (2016: £0.7m) in respect of Syndicate 6103.

7. Deferred acquisition costs

	2017 £'000	2016 £'000
At 1 January 2017	**14,894**	12,489
Change in deferred acquisition costs	**571**	416
Foreign exchange	**(837)**	1,989
At 31 December 2017	**14,628**	14,894

8. Administrative Expenses

	2017 £'000	2016 £'000
Personal expenses	**3,439**	3,364
Profit commission payable to managing agent	**4,754**	9,811
Other administrative expenses	**8,133**	11,166
Gross operating expenses	**16,326**	24,341
Expense recoveries from reinsurers	**(87)**	(1,570)
Net operating expenses	**16,239**	22,771

2017 Administrative expenses include:	**2791 £'000**	**6103 £'000**	**Total £'000**
Auditors' remuneration			
Fees for the audit of the syndicate	**229**	**32**	**261**
Audit-related assurance	**104**	**27**	**131**
Other services pursuant to Regulations and Lloyd's Byelaws	**86**	**15**	**101**
Taxation compliance services	**5**	**1**	**6**
Other non-audit services	**117**	**17**	**134**
	541	**92**	**633**

2016 Administrative expenses include:	2791 £'000	6103 £'000	Total £'000
Auditors' remuneration			
Fees for the audit of the syndicate	169	22	191
Audit-related assurance	78	22	100
Other services pursuant to Regulations and Lloyd's Byelaws	177	29	206
Taxation compliance services	5	1	6
Other non-audit services	105	15	120
	534	89	623

Audit related assurance includes reporting required by law and regulation, reviews of interim financial information and reporting on regulatory returns. Other non-audit services represent actuarial valuation services. Other services pursuant to Regulations and Lloyd's Byelaws represent fees for the provision of the Syndicate Acturial Opinions (SAO) to Lloyd's and HMRC.

Due to a change in actuarial terms of engagement there has been a reanalysis between the line items above as the syndicate actuaries are also employed by Ernst & Young LLP.

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 Costs and Numbers

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

	2017 £'000	2016 £'000
Wages and salaries	**4,406**	4,424
Social security costs	**518**	514
Other pension costs	**378**	409
	5,302	5,347

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.

9. Staff Numbers and Costs *continued*

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

	2017	2016
Administration and finance	**19**	22
Underwriting	**24**	23
Claims	**4**	5
	47	50

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:

	2017 £'000	2016 £'000
Emoluments	**1,041**	1,098

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

	2017 £'000	2016 £'000
Emoluments – R K Trubshaw	**290**	284

11. Investment Return

	2017 £'000	2016 £'000
Investment income		
Income from investments	**5,137**	7,060
Gains on the realisation of investments	**16,560**	8,514
Losses on the realisation of investments	**(2,496)**	(6,559)
	19,201	9,015
Net unrealised gains and losses on investments	**(4,491)**	(2,383)
Investment expenses and charges		
Investment management expenses, including interest payable	**(1,765)**	(1,336)
Investment return payable to Syndicate 6103	**(157)**	(109)
	(1,922)	(1,445)
Total Investment Return	**12,788**	5,187

The syndicate is now disclosing losses on the realisation of investments within investment income rather than investment expenses and changes. There is no change to the total investment return.

12. Calendar Year Investment Yield

Average syndicate funds available for investment:

	2017 £'000	2016 £'000
Sterling	**24,627**	21,179
US dollars	**406,237**	604,003
Canadian dollars	**27,714**	26,941
Euros	**32,494**	24,131
Combined sterling average syndicate funds available for investment	**384,638**	503,419
Investment return – gross of investment expenses and return payable to Syndicate 6103	**14,710**	6,632
Analysis of calendar year investment yield by currency, before investment expenses:		
Sterling	**0.3%**	0.5%
US dollars	**4.6%**	1.4%
Canadian dollars	**0.7%**	0.6%
Euros	**0.3%**	0.5%
Combined	**3.8%**	1.3%

13. Exchange Differences on Foreign Currency Translation

Exchange differences on foreign currency translation arise as follows:

	2017 £'000	2016 £'000
On balances brought forward	**(3,117)**	10,532
On transactions during 2017: from average to year end rates	**93**	3,940
Non technical account foreign exchange	**(382)**	(1,087)
	(3,406)	13,385

14. Financial Investments

	Market value		Cost	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Investments:				
Shares and other variable yield securities and units in unit trusts	**49,006**	37,922	**48,636**	37,612
Debt securities and other fixed income securities	**210,863**	273,768	**213,087**	279,696
Participation in investment pools	**21,142**	23,779	**21,120**	23,753
Other loans	**–**	16,106	**–**	16,056
Deposits with credit institutions	**1,770**	2,162	**1,770**	2,162
Overseas deposits as investments	**15,368**	19,072	**15,593**	19,072
	298,149	372,809	**300,206**	378,351
Hedge Funds/Alternative Assets:				
Shares and other variable yield securities and units in unit trusts	**–**	21,447	**–**	11,731
Debt securities and other fixed income securities	**–**	–	**–**	–
Participation in investment pools	**26,923**	34,751	**17,262**	24,497
Other loans	**–**	–	**–**	–
Deposits with credit institutions	**–**	–	**–**	–
Overseas deposits as investments	**–**	–	**–**	–
	26,923	56,198	**17,262**	36,228
Total Investments:				
Shares and other variable yield securities and units in unit trusts	**49,006**	59,369	**48,636**	49,343
Debt securities and other fixed income securities	**210,863**	273,768	**213,087**	279,696
Participation in investment pools	**48,065**	58,530	**38,382**	48,250
Other loans	**–**	16,106	**–**	16,056
Deposits with credit institutions	**1,770**	2,162	**1,770**	2,162
Overseas deposits as investments	**15,368**	19,072	**15,593**	19,072
	325,072	429,007	**317,468**	414,579

Within "Shares and other variable yield securities and units in unit trusts" and "Participation in investment pools" £36.7m (2016: £59.4m) are listed on a recognised exchange. These comprise 11.3% (2016: 13.8%) of the total market value of investments.

Other loans comprise of US Treasury bills.

14. Financial Investments *continued*

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

2017	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Shares and other variable yield securities and units in unit trusts	–	49,006	–	49,006
Debt securities and other fixed income securities	–	210,863	–	210,863
Participation in investment pools	–	18,326	29,739	48,065
Loans and deposits with credit institutions	1,770	–	–	1,770
Overseas deposits	–	4,353	11,015	15,368
Total	**1,770**	**282,548**	**40,754**	**325,072**

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

15. Debtors Arising Out of Insurance Operations

	2017 £'000	2016 £'000
Arising out of direct insurance		
Due from intermediaries – within one year	**13,028**	16,309
Due from intermediaries – after one year	**–**	13
	13,028	16,322
Arising out of reinsurance operations		
Due from intermediaries – within one year	**37,189**	42,471
Due from intermediaries – after one year	**4,345**	1,698
	41,534	44,169

Debtors arising out of reinsurance operations of £41.5m (2016: £44.2m) include funds due in respect of Syndicate 6103 of £5.6m (2016: £4.4m).

16. Other Debtors

	2017 £'000	2016 £'000
Due within one year		
Outstanding settlements on investments	**72**	102
Inter-syndicate loan	**20**	74
Reinsurers' profit commissions and overrider receivable	**263**	1,689
Non-standard personal expenses due from members (overseas taxation)	**404**	1,180
Members' agents fees funded	**2,111**	2,388
Expense recoveries from reinsurers	**870**	1,292
Sundry debtors	**22**	26
	3,762	6,751
Due after one year		
Inter-syndicate loan	**238**	396
Reinsurers' profit commissions and overrider receivable	**952**	1,443
Non-standard personal expenses due from members (overseas taxation)	**3,683**	4,259
Members' agents fees funded	**486**	550
	5,359	6,648
	9,121	13,399

17. Creditors Arising Out of Insurance Operations

	2017 £'000	2016 £'000
Arising out of direct insurance operations		
Intermediaries – due within one year	**4,029**	4,451
– due after one year	**–**	7
	4,029	4,458
Arising out of reinsurance operations		
Reinsurance accepted – due within one year	**3,619**	6,090
– due after one year	**–**	72
Reinsurance ceded – due within one year	**12,089**	19,642
– due after one year	**9,740**	11,023
	25,448	36,827

Creditors in respect of reinsurance operations of £25.5m (2016: £36.8m) include withheld funds due to Syndicate 6103 of £15.0m (2016: £23.2m).

18. Other Creditors

	2017 £'000	2016 £'000
Managing agents profit commissions	**14,712**	26,386
Reinsurers' profit commission payable	**502**	–
Outstanding settlements on investments	**2**	2,493
Sundry Creditors	**47**	35
	15,263	28,914

Of the managing agents profit commissions above, £2.9m (2016: £10.9m) fall due after one year.

19. Cash and Cash Equivalents

	2017 £'000	2016 £'000
Cash at bank and in hand	**12,465**	15,380
Short term deposits with financial institutions	**151**	–
	12,616	15,380

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 10% (2016: between 20% 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:

	2017 £'000	2016 £'000
Premiums Receivable	**(5,098)**	(4,871)
Paid claims	**3,790**	1,088
Ceding commission	**255**	240
Overriding commission	**46**	37
Net interest received	**(157)**	(109)
Reinsurance to close premium – 2014 (2013) year of account	**(47)**	16
Balance owed by Syndicate 2791 to Syndicate 6103 at the end of the period:		
due within one year	**3,833**	8,193
due after one year	**2,163**	6,812

Profit commission in respect of Syndicate 6103 at the end of the period of £1.2m (2016: £2.7m) 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 2017 (2016: £2.2m) and profit commission of £4.8m (2016: £9.8m) is also due to the managing agent in respect of the results for this calendar year. Expenses totalling £9.1m (2016: £8.8m) have been recharged during the year.

The key management compensation charged to the syndicate is disclosed in note 10.

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	–	2,500
C J Smelt	5,000	2,500
R J Sumner	–	10,000

20. Related Parties *continued*

Messrs. Shipley, Denoon Duncan, Kong, Trubshaw, Sumner and Smelt, 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 2017 year of account MAP Capital Limited provided £68.7m of capacity on Syndicate 2791 (2016: £77.2m) representing 17.3% of capacity (2016: 19.3%). MAP has no direct or indirect interest in the share capital of MAP Capital Limited.

For the 2017 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 2017 year of account it has provided £11.3m (2016: £11.3m) of capacity representing 2.9% (2016: 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$2.4m; the letters of credit are fully collateralised with cash deposits held by Citibank, on the syndicate's account, of US$2.4m.

23. Events After the Reporting Period

In accordance with the reinsurance contract with Syndicate 6103, the 2015 Year of Account of that syndicate will be commuted. An RITC will be effected with this syndicate and the reserves carried for the 2015 Year of Account (amounting to £0.04m) transferred to this syndicate during 2018.

24. Reinsurance to Close Premium Received from Syndicate 6103

At 1 January 2017, Syndicate 2791 accepted a Reinsurance to Close Premium from Syndicate 6103 in respect of Syndicate 6103's 2014 Year of Account. In addition, the reinsurance contact between Syndicate 2791 and Syndicate 6103 for the 2014 Year of Account has been commuted with Syndicate 2791 being paid in full for the liabilities assumed as at 1 January 2017.

25. Items not Disclosed in the Statement of Financial Position

The syndicate has the right to drawdown on collateral provided by certain reinsurers to the value of £3.6m (2016: £Nil). As those rights have not been exercised this contingent asset has not been recorded in the Statement of Financial Position. The syndicate has not been party to any other 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.

26. Risk Management *continued*

Insurance risk continued

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.

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 2018.

RDS	Market Loss (insured) £m	Estimated Gross Claims (excl Reinst) £m	Estimated Net Claims (incl Reinst) £m
North East USA Hurricane	74,140	177	49
Carolinas Hurricane	38,676	84	43
Pinellas specific (West Coast Florida Windstorm)	121,095	172	42
Gulf of Mexico Windstorm	102,493	116	24
Los Angeles Earthquake	66,391	103	30

26. Risk Management *continued*

***Insurance risk** continued*

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

31 December 2017	Gross Technical Provisions £'000	Reinsurance Technical Provisions £'000	Net Technical Provisions £'000
Accident and health	**11,578**	**2**	**11,576**
Motor (third party liability)	**19,622**	**10,990**	**8,632**
Motor (other classes)	**70,739**	**31,028**	**39,711**
Marine, aviation and transport	**20,165**	**121**	**20,044**
Fire and other damage to property	**32,988**	**4,915**	**28,073**
Third party liability	**26,059**	**224**	**25,835**
Miscellaneous	**2,705**	**-**	**2,705**
Reinsurance acceptances	**220,149**	**25,327**	**194,822**
	404,005	**72,607**	**331,398**

31 December 2016	Gross Technical Provisions £'000	Reinsurance Technical Provisions £'000	Net Technical Provisions £'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

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 2017	Gross Technical Provisions £'000	Reinsurance Technical Provisions £'000	Net Technical Provisions £'000
UK	**13,788**	**19**	**13,769**
EU	**76,212**	**41,908**	**34,304**
USA	**285,377**	**29,970**	**255,407**
Canada	**11,881**	**195**	**11,686**
Australia/Japan/Other	**16,747**	**515**	**16,232**
	404,005	**72,607**	**331,398**

26. Risk Management *continued*

Insurance risk continued

31 December 2016	Gross Technical Provisions £'000	Reinsurance Technical Provisions £'000	Net Technical Provisions £'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

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

	2017 £'000	2016 £'000
Gross outstanding claims	**350,548**	350,266
Net outstanding claims	**288,623**	310,228
Impact of 10% increase in gross outstanding claims	**4,582**	34,202
Impact of 10% increase in net outstanding claims	**3,367**	30,198
Impact of 10% increase in long-tail casualty (gross and net) outstanding claims	**11,098**	13,536
Impact of 10% increase in gross 2017 CAT losses	**5,185**	N/A
Impact of 10% increase in net 2017 CAT losses	**1,508**	N/A

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.

The Syndicate has material exposure to the Hurricanes Harvey, Irma and Maria in the 2017 year of account. This increases the uncertainty of the Syndicate's total reserves, but does not increase that uncertainty in an adverse direction significantly beyond the normal range of uncertainty for insurance liabilities at this stage of development. For the avoidance of doubt, the syndicate has no material exposure to these hurricanes on the 2015 year of account and whilst there is material exposure in the 2016 year of account, this exposure does not lead to a material increase in the uncertainty of the Syndicate's total reserves in an adverse direction.

The Syndicate has material exposure to Irish Motor bodily injury claims in the 2015 and 2016 years of account. However, this exposure does not lead to a material increase in the uncertainty of the Syndicate's total reserves in an adverse direction. For the avoidance of doubt, the syndicate has no material exposure to these claims in the 2017 year of account.

26. Risk Management *continued*

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 seven years to ten years over the period 2017-2020.

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 2014 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.

Claim triangles

Gross insurance contract outstanding claims provision as at 31 December 2017

	2010 and prior £'000	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	**Total £'000**
Estimate of Gross Ultimate Claims									
12 months		187,133	200,560	112,400	89,337	84,191	86,204	116,433	
24 months		133,639	179,583	95,050	80,408	77,651	102,641	–	
36 months		145,162	178,247	93,246	82,048	76,199	–	–	
48 months		156,557	183,421	90,679	80,273	–	–	–	
60 months		150,910	180,609	88,334	–	–	–	–	
72 months		148,777	176,914	–	–	–	–	–	
84 months		146,694	–	–	–	–	–	–	
Total Ultimate losses		**146,694**	**176,914**	**88,334**	**80,273**	**76,199**	**102,641**	**116,433**	
Less cumulative paid claims		(121,804)	(136,688)	(69,650)	(52,698)	(37,009)	(38,873)	(38,834)	
Less unearned portion of ultimate losses		–	–	–	–	–	(10,811)	(31,141)	
Add ULAE provision at 31 December		793	920	470	691	791	1,342	1,268	
Gross claims liabilities	**94,293**	**25,683**	**41,146**	**19,154**	**28,266**	**39,981**	**54,299**	**47,726**	**350,548**

26. Risk Management *continued*

Claims triangles continued

Net insurance contract outstanding claims provision as at 31 December 2017

	2010 and prior £'000	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	**Total £'000**
Estimate of Net Ultimate Claims									
12 months		174,952	187,077	100,367	77,228	73,743	69,981	99,337	
24 months		127,068	168,610	83,141	66,170	62,070	76,077	-	
36 months		137,840	165,779	80,533	67,068	61,162	-	-	
48 months		147,441	169,264	77,591	67,167	-	-	-	
60 months		144,026	166,190	75,411	-	-	-	-	
72 months		142,490	162,498	-	-	-	-	-	
84 months		140,218	-	-	-	-	-	-	
Total Ultimate losses		**140,218**	**162,498**	**75,411**	**67,167**	**61,162**	**76,077**	**99,337**	
Less cumulative paid claims		(115,607)	(127,969)	(60,274)	(47,233)	(33,419)	(34,925)	(35,630)	
Less unearned portion of ultimate losses		-	-	-	-	-	(6,484)	(29,422)	
Add ULAE provision at 31 December		793	920	470	691	791	1,342	1,268	
Net claims liabilities	**91,441**	**25,404**	**35,449**	**15,607**	**20,625**	**28,534**	**36,010**	**35,553**	**288,623**

In 2017, there has been an overall net surplus in ultimate claims of £2.9m (2016: £20.1m) due to lower than expected incurred movements across most classes of business. This was primarily due to a reduction in the assessment of medical malpractice claims on the 2014 and prior accounts following improvements in State Volunteer and NECC contracts during 2017. The 2016 year of account deterioration during 2017 is due to fall back exposure to the hurricanes Harvey, Irma and Maria.

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.

2017	**GBP £'000**	**USD £'000**	**EUR £'000**	**CAD £'000**	**AUD £'000**	**JPY £'000**	**Other £'000**	**Total £'000**
Financial investments	12,054	266,826	24,638	16,766	467	–	4,321	**325,072**
Reinsurers' share of technical provisions	19	29,970	41,908	195	62	134	319	**72,607**
Insurance and reinsurance receivables	3,043	44,330	3,321	1,167	176	301	2,224	**54,562**
Cash and cash equivalents	5,373	372	6,720	–	–	–	–	**12,465**
Other assets	7,869	13,559	3,093	1,190	59	45	574	**26,389**
Total assets	28,358	355,057	79,680	19,318	764	480	7,438	**491,095**
Technical provisions	(13,788)	(285,377)	(76,212)	(11,881)	(915)	(2,992)	(12,840)	**(404,005)**
Insurance and reinsurance payables	(1,192)	(23,352)	(2,993)	(147)	(63)	(75)	(1,655)	**(29,477)**
Other creditors	(2,740)	(16,507)	(1,513)	57	–	–	–	**(20,703)**
Total liabilities	**(17,720)**	**(325,236)**	**(80,718)**	**(11,971)**	**(978)**	**(3,067)**	**(14,495)**	**(454,185)**
Members' balances by currency	**10,638**	**29,821**	**(1,038)**	**7,347**	**(214)**	**(2,587)**	**(7,057)**	**36,910**

The largest currency within other financial investments are Swiss Francs £3.9m.

If sterling was to weaken by 10% and 20% the impact on the above converted sterling profit would be an increase of £2.9m and £6.6m respectively.

The positive creditor in Canadian Dollars arises from reinsurer's profit commission where the overall converted sterling amount is payable as a creditor.

27. Risk Management of Currency Risk *continued*

2016	GBP £'000	USD £'000	EUR £'000	CAD £'000	AUD £'000	JPY £'000	Other £'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

The largest currency within other financial investments are Swiss Francs £4.0m and Hong Kong Dollar £2.0m.

If sterling had weakened by 10% and 20% the impact on the above comparative total converted sterling profit would have been an increase of £10.8m and £24.3m respectively.

28. Other Risk Management Matters

Interest rate risk	**2017 £'000**	2016 £'000
Impact of 50 basis point increase in interest rates on result	**(5,224)**	(6,300)
Impact of 50 basis point decrease in interest rates on result	**5,160**	6,300

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.

28. Other Risk Management Matters *continued*

Equity price risk	2017 £'000	2016 £'000
Impact on result of 5% increase in Stock Market Prices	–	1,072

There is zero equity price risk in 2017 as the syndicate sold its holding in long only equity fund during the calendar year.

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 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.

2017	No stated maturity £'000	Up to a year £'000	1-3 years £'000	3-5 years £'000	>5 years £'000	Total £'000
Financial investments	–	137,512	72,198	67,802	47,560	325,072
Reinsurer's share of technical provisions – provision for unearned premiums	10,682	–	–	–	–	10,682
Reinsurer's share of technical provisions – claims outstanding	–	17,018	18,431	11,612	14,864	61,925
Debtors	–	53,980	9,703	–	–	63,683
Cash at bank and in hand	–	12,465	–	–	–	12,465
Accrued interest	–	37	321	292	290	940
Deferred Acquisition costs	14,628	–	–	–	–	14,628
Other prepayments and accrued income	1,700	–	–	–	–	1,700
Total assets	27,010	221,012	100,653	79,706	62,714	491,095
Members' balances	–	47,152	(10,242)	–	–	36,910
Technical provisions – provision for unearned premiums	53,457	–	–	–	–	53,457
Technical provisions – claims outstanding	–	79,591	100,978	63,970	106,009	350,548
Creditors	–	32,075	12,665	–	–	44,740
Accruals and deferred income	–	5,440	–	–	–	5,440
Total liabilities	53,457	164,258	103,401	63,970	106,009	491,095

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	–	61,965	43,579	–	–	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	201,235	176,595	66,987	87,390	588,536

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

2017	**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	**49,006**	–	–	**49,006**
Debt securities	**210,863**	–	–	**210,863**
Participation in investment pools	**48,065**	–	–	**48,065**
Loans with credit institutions	–	–	–	–
Deposits with credit institutions	**1,770**	–	–	**1,770**
Overseas deposits as investments	**15,368**	–	–	**15,368**
Reinsurers' share of unearned premiums	**10,682**	–	–	**10,682**
Reinsurers' share of claims outstanding	**61,925**	–	–	**61,925**
Debtors arising out of direct insurance operations	**9,265**	**3,763**	–	**13,028**
Debtors arising out of reinsurance operations	**39,421**	**2,113**	–	**41,534**
Other debtors	**9,121**	–	–	**9,121**
Cash at bank and in hand	**12,465**	–	–	**12,465**
Prepayments and accrued income	**17,268**	–	–	**17,268**
Total credit risk	**485,219**	**5,876**	–	**491,095**

Of the debtors past the due date £nil (2016: £0.8m) are greater than a year, the balance are all less than one year.

Of the £61.9m (2016: £40.0m) reinsurer's share of claims outstanding, £3.6m (2016: £Nil) is backed by undrawn trust fund assets.

29. Credit Risk *continued*

Credit risk – Aging and Impairment continued

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	772	–	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

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.

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