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ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2014

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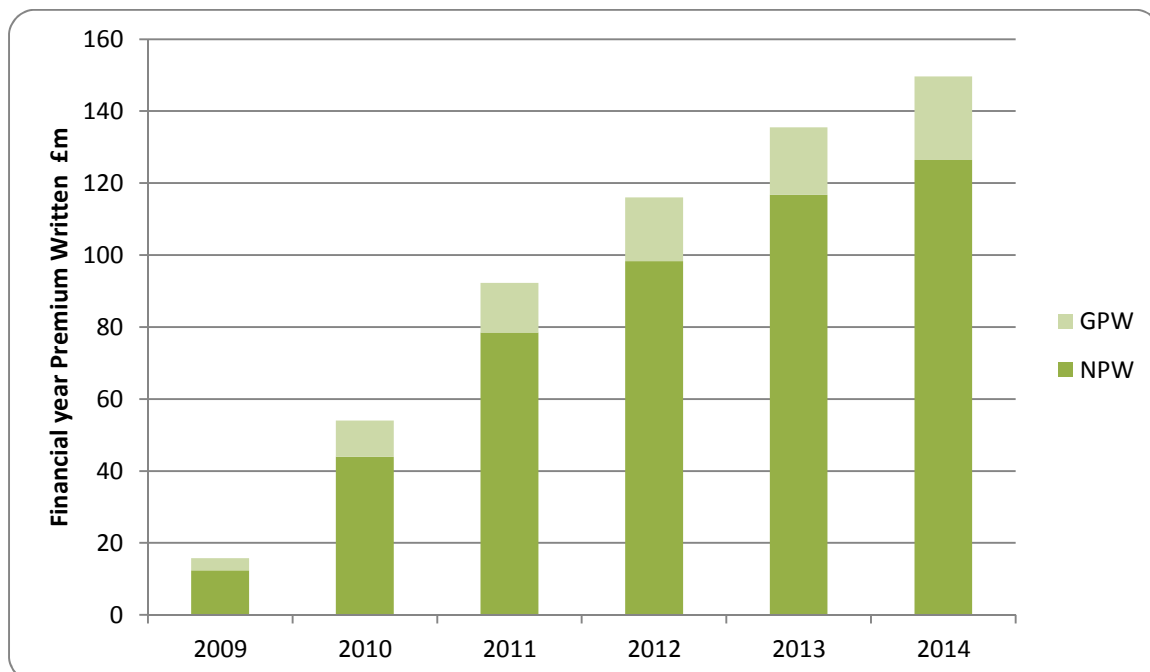
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HIGHLIGHTS

Financial year	2014	2013	2012	2011	2010	2009
Gross premium written (£m)	149.6	135.5	116.0	92.3	54.0	15.8
Net premium written (£m)	126.4	116.7	98.3	78.5	44.0	12.4
Net premium earned (£m)	114.9	110.0	89.3	63.6	27.7	3.7
Net claims ratio (%)	53.4	54.8	60.6	52.8	69.7	56.2
Acquisition exposure rates (%)	27.1	24.5	28.0	29.0	32.1	28.8
Net expense ratio (%)	13.3	14.1	14.8	16.2	27.8	87.1
Net combined ratio (%)	93.8	93.4	103.4	98.6	129.6	172.1
Cash and investments (£m)	92.4	64.0	55.4	25.2	18.6	4.3
Profit / (loss) for financial year (£m)	6.9	6.8	(1.8)	1.2	(8.2)	(2.7)

Net expense ratio and net combined ratio excludes profit / (loss) on exchange.

Pure underwriting year	2014 F'cast	2013 F'cast	2012 Actual	2011 Actual	2010 Actual	2009 Actual
Lloyd's stamp capacity (£m)	185.0	150.0	120.0	100.0	85.0	55.0
Stamp gross premium written (£m)	123.4	104.6	109.5	72.5	50.1	13.9
Profit/(loss) for underwriting year (£m)	2.7	5.5	10.9	(8.7)	(1.3)	(3.3)
Return on capacity (%)	1.4%	3.7%	9.1%	(8.7%)	(1.5%)	(6.0%)



ACTIVE UNDERWRITERS REPORT

We continue to specialise on short tail classes and restructured our business groupings for the 2014 year of account, into “Static Risks” (comprising Property, Crisis Management and Consortia) and “Non-Static Risks” (comprising Marine, Aviation, Personal Accident and Berkley). For 2015, Asset Protection will become a stand-alone class within the Non-Static division having previously been managed within the Berkley class. The syndicate continues to attract and conduct business in conjunction with affiliated members of the Group, W. R. Berkley Corporation (“WRBC”).

Lloyd’s stamp capacity for 2014 was £185m (£150m in 2013) and a capacity of £185m has been approved for the 2015 underwriting year.

Underwriting results

We are pleased to report an underwriting profit for 2014 of £6.9m and a combined ratio of 93.8% compared with a profit of £6.8m and a combined ratio of 93.4% in 2013. With further maturity of the syndicate, the increased scale better offsets the cost of our robust reinsurance protections and mainly fixed operating costs.

Importantly, whilst we recognise the 2014 calendar year as a relatively benign year for claims activity, our key leading indicator being metrics of pricing strength, risk adjusted rate change and paid loss ratio continue to suggest acceptable margins. 2014 was also the year that we re-built our Accident business following some adverse results with a return to a more traditional Personal Accident account. It was also our first full year of Aviation underwriting.

With effect from 1 January 2014, Scott Campbell and Louise Nevill were appointed joint Active Underwriters of Syndicate 1967, following the promotion of Alastair Blades to CEO.

Outlook

With the addition of the Aviation class, a refresh of our structure and a refocus towards underwriting, we are strongly positioned to carve out a strong and respected market position in difficult market conditions within Lloyd’s, supported by our leading claims team.

Our mission remains for “W. R. Berkley Syndicate 1967 to be one of the most profitable, prominent and respected lead businesses at Lloyd’s, writing in our chosen classes, with excellent levels of service and delivery, from an empowered and motivated team of insurance professionals.”

L. Nevill and S. Campbell

Joint Active Underwriters

16 March 2015

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The directors of the managing agent present their report in respect of W. R. Berkley Syndicate 1967 (“the syndicate”) for the year ended 31 December 2014.

This annual report is prepared using the annual basis of accounting as required by Statutory Instrument No. 1950 of 2008, the Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 (“the 2008 Regulations”).

Results

The result for the year ended 31 December 2014 is a profit of £6,883,430 (2013: £6,788,976).

Principal activities

The principal activity of the syndicate is the transaction of general insurance and reinsurance business in the Lloyd’s market, as in accordance with the risk appetite agreed by the Board of the managing agent.

The syndicate specialises in its chosen short tail classes of Property, Crisis Management (including Political Violence, Political Risks and Contingency), Marine, Personal Accident and Aviation. The syndicate also provides an international platform for member companies of WRBC.

Business review and key performance indicators

The table below sets out our key performance indicators. Growth in gross premium written continues as the syndicate matures. Premium growth following the establishment of the Aviation team is partially offset by reduction in Property and Accident. The claims ratio demonstrates an on-plan result, where both attritional and cat claims are within expectations. The expense ratio increased as a result of investment in new teams and Solvency II readiness. The profit and total recognised gains were impacted by significant movements in USD/GBP during 2014.

	2014	2013	2012
	£’000	£’000	£’000
Gross premium written	149,629	135,532	116,049
Profit / (loss) for the financial year	6,883	6,789	(1,763)
Total recognised gains/(losses) relating to the financial year	7,472	6,573	(3,213)
Claims ratio	53.4%	54.8%	60.6%
Expense ratio	40.4%	38.6%	42.8%
Combined ratio	93.8%	93.4%	103.4%

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The following table further details the gross premium written by class of business and highlights the growing diversification of the syndicate as it matures.

	2014	2013	2012
	£'000	£'000	£'000
Gross premium written			
Property	58,145	65,716	58,736
Crisis management	15,699	12,979	11,556
Consortia	3,943	3,802	2,293
Static Risks	77,787	82,497	72,585
Marine	29,703	25,156	21,314
Accident	20,214	22,183	19,369
Aviation	11,780	592	-
W. R. Berkley Business	10,145	5,104	2,781
Non-Static Risks	71,842	53,035	43,464
	149,629	135,532	116,049

The Active Underwriter's report, on page 4 also details the review of business for the year.

Told investment return after expenses and unrealised gains / losses was £611,276 (2013:165,607). This results in part from a 50% increase in invested assets.

Return is also monitored against industry 1 – 3 year benchmarks and the portfolios have averaged 1% above these.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT CONT.

Principal risks and uncertainties

The Board sets risk appetite annually as part of the syndicate's business planning and capital planning processes. The Board has established a Risk & Capital Committee (RCC) and a Risk Management function to oversee the continuous monitoring against risk appetite using a variety of measures, models and risk indicators. The principal risks and uncertainties facing the syndicate are as follows:

Insurance risk

Insurance risk includes the risk that policies underwritten by the syndicate are systemically written for too little premium (premium risk) or provide inappropriate cover, that the frequency or severity of insured events will be higher than modelled and anticipated (catastrophe & claims risk) or that estimates of claims subsequently prove to be insufficient (reserving risk). The Board manages insurance risk by agreeing its risk appetite annually through the business planning exercise which involves setting out target volumes of premium income, pricing, line sizes, aggregate exposures and retentions by class of business. The Board is provided with data from the syndicate's internal model to anticipate potential results at different return periods and uses a catastrophe modelling system to separately model potential losses from catastrophe-exposed business. Performance against business plan is measured and monitored monthly through the year using established metrics and management information. Reserve adequacy is monitored through quarterly review by the Reserve Committee. Reserves are also reviewed by an external actuary, who is responsible for provision of the SAO opinion.

Credit risk

The syndicate is exposed to a variety of types of credit risk, the most material of which is the risk of default by one or more of the syndicate's reinsurers. The Board's policy is in line with WRBC corporate policy; to purchase reinsurance only from top rated counterparties and this is overseen directly by the Board. The syndicate uses its capital model to estimate the likely impact of any default by its reinsurers and overall exposures to individual reinsurers are monitored quarterly through the year.

The Board monitors adherence to the Investment Policy and any credit risk associated with it. In line with the investment philosophy of WRBC, the syndicate has a low appetite for investment risk and invests in high quality investment instruments with sound credit ratings.

The syndicate is also exposed to intermediary counterparty risk, whereby such counterparties fail to pass on premiums or claims collected or paid on behalf of the syndicate. An approval system for new counterparties includes a credit reference and compliance check, with final approval, where required, at the Executive Management Committee (EMC). The EMC and Underwriting Committee (UC) also review aged debtors reports on a monthly basis.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT CONT.

Market risk

The syndicate is exposed to market risk within its investment portfolio. The syndicate is also exposed to foreign exchange movements which affect the matching of its assets and liabilities. To mitigate this risk the main assets are maintained in the core currencies in which the syndicate transacts business.

Liquidity risk

This is the risk that the syndicate fails to have sufficient liquid financial resources to meet its liabilities as they fall due. To mitigate this risk the EMC monitors cashflow regularly. Furthermore investments are of a short duration and the syndicate has a liquidity facility in place with WRBC in the event of a shock loss. As such the syndicate does not consider there to be a material liquidity risk.

Operational risk

This is the risk that errors caused by people, processes, systems, data and outsourcing and the risk that regulatory and compliance matters, result in loss to the syndicate. The syndicate records all operational risks and their associated controls within a risk register and these risks are assessed regularly by the Risk Management function. In addition the syndicate maintains documented processes and controls within business functions which ensure risks are appropriately managed. The syndicate has established and tested disaster recovery procedures and an overall Business Continuity Plan for all its operations.

Group Risk

This is the risk derived from being part of the wider WRBC Group in addition to being part of the Lloyd's market. WRBC Group provides asset management, systems support and maintenance and capital support amongst other items.

The syndicate derives significant benefits from being part of the WRBC Group and the Lloyd's Market. Group risk is managed at the executive level through building strong relationships, reputation and mutually aligned strategic, social, ethical and regulatory objectives.

Regulatory risk

This is the risk associated with the failure to comply with current and future requirements of the Financial Conduct Authority, the Prudential Regulation Authority, the Council of Lloyd's and various overseas authorities. The Assurance function of the Managing Agent ensures policies, controls and objectives are kept consistent with current and developing requirements.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT CONT.

Future developments

The syndicate will continue to transact the current classes of general (re)insurance business. If opportunities arise to write new classes of business that fall within the syndicate's appetite, these will be investigated at the appropriate time. The capacity for the 2015 year of account is £185m (2014 year of account £185m).

Given the short tail nature of the syndicate, the investment strategy focuses upon preservation of capital and liquidity. Accordingly, a low investment risk appetite prevails with a target duration on assets of two years or less.

Returns are measured against an industry 1-3 year benchmark, and returns for the 2014 calendar year were 1% above the benchmark. We will continue to monitor the portfolio in this manner. We also expect to maintain the investment strategy as is for the near future. The investments will continue to be managed by Berkley Dean & Company, Inc.

The Managing Agent is well progressed in preparations for Solvency II, and has delivered to all Lloyd's deadlines and requirements ahead of the market's IMAP submission.

The Financial Reporting Council has issued a new suite of accounting standards that replace UK GAAP from January 2015. As part of this change the syndicate will be adopting FRS 102 and is well advanced in its preparations. The impact of the change from old to new UK GAAP is not expected to result in any significant changes to the underlying accounting for its results or financial position, but it is recognised that the level and detail of disclosure will increase. The Managing Agent has also determined as a result of this change, that the syndicate functional currency will be the US dollar.

Directors serving in the year

The directors of the managing agent, who served during the year, were as follows:

Directors

Eugene Ballard

William Robert Berkley – Chairman**

William Robert Berkley Jr**

Alastair Blades

Robert Chase*

Edward Creasy*

*Independent non-executive directors

**Director of Ultimate Parent Company

*** Appointed 9 May 2015

Directors

Jacqui Hedges***

Ira Lederman

Andrew Mitchell***

Michael Smith*

Steven Taylor

Robert Vetch

REPORT OF THE DIRECTORS OF THE MANAGING AGENT CONT.

Disclosure of information to the auditor

The directors of the managing agent who held office at the date of approval of this managing agent's report confirm that, so far as they are each aware, there is no relevant audit information of which the syndicate's auditors are unaware and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the syndicate's auditors are aware of that information.

Auditor

Pursuant to Section 14 (2) of Schedule 1 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the Board

A. Blades

Director

16 March 2015

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The managing agent is responsible for preparing the syndicate annual report and 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 the syndicate annual accounts at 31 December each year in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice). 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:

- select suitable accounting policies and then apply them consistently, subject to changes arising on the adoption of new accounting standards in the year;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the annual accounts; and
- 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 that 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 the prevention and detection of fraud and other irregularities.

The Managing Agent is responsible for the maintenance and integrity of the corporate and financial information included on the website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF W. R. BERKLEY SYNDICATE 1967

We have audited the syndicate 1967 annual accounts for the year ended 31 December 2014, as set out on pages 14 to 33. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the member of the syndicate, 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 member those matters we are required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate's member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Managing Agent and the auditor

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 11, the managing agent is responsible for the preparation of syndicate annual accounts which give a true and fair view. Our responsibility is to audit, and express an opinion on, the syndicate annual accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the syndicate annual accounts

A description of the scope of an audit of accounts is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on Syndicate annual accounts in our opinion the annual accounts:

- give a true and fair view of the syndicate's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with UK 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.

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

In our opinion the information given in the managing agent's report for the financial year in which the annual accounts are prepared is consistent with the annual accounts.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF W. R. BERKLEY SYNDICATE 1967 CONT.**Matters on which we are required to report by exception**

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

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

Mark Taylor (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

London

16 March 2015

PROFIT AND LOSS ACCOUNT: TECHNICAL ACCOUNT - GENERAL BUSINESS

	<i>Notes</i>	2014		2013	
		£'000	£'000	£'000	£'000
Earned premiums, net of reinsurance					
Gross premiums written	3	149,629		135,532	
Outwards reinsurance premium		(23,216)		(18,860)	
Net premiums written			126,413		116,672
Change in the provision for unearned premiums					
Gross amount	16	(13,493)		(6,427)	
Reinsurers' share	16	1,995		(264)	
Change in the net provision for unearned premiums			(11,498)		(6,691)
Earned premiums, net of reinsurance			114,915		109,981
Allocated investment return transferred from the non-technical account			611		165
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(53,228)		(55,391)	
Reinsurers' share		2,677		1,826	
Net claims paid			(50,551)		(53,565)
Change in the provision for claims					
Gross amount	16	(14,129)		(6,876)	
Reinsurers' share	16	3,303		162	
Change in the net provision for claims			(10,826)		(6,714)
Claims incurred, net of reinsurance	4		(61,377)		(60,279)
Net operating expenses	5		(47,266)		(43,078)
Total technical charges			(108,643)		(103,357)
Balance on the technical account – general business			6,883		6,789

All the amounts above are in respect of continuing operations.

The notes on pages 19 to 33 form part of these financial statements.

PROFIT AND LOSS ACCOUNT: NON TECHNICAL ACCOUNT

	<i>Note</i>	2014 £'000	2013 £'000
Balance on the technical account – general business		6,883	6,789
Investment Income	9	1,205	771
Unrealised gains on investments	9	411	437
Investment expenses and charges	9	(216)	(339)
Unrealised losses on investments	9	(789)	(704)
Allocated investment return transferred to technical account - general business		(611)	(165)
Profit for the financial year	14	6,883	6,789

All the amounts above are in respect of continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<i>Note</i>	2014 £'000	2013 £'000
Profit for the financial year		6,883	6,789
Currency translation differences	14	589	(216)
Total recognised gains and losses relating to the financial year		7,472	6,573

The notes on pages 19 to 33 form part of these financial statements.

BALANCE SHEET

Assets	Notes	2014		2013	
		£'000	£'000	£'000	£'000
Investments					
Financial investments	11		83,722		55,041
Reinsurers' share of technical provisions					
Provision for unearned premiums	16	7,434		2,832	
Claims outstanding	16	5,570		1,817	
			13,004		4,649
Debtors					
Debtors arising out of direct insurance operations	12		47,808	33,993	
Debtors arising out of reinsurance operations	13		1,791	992	
Other debtors			483	426	
			50,082		35,411
Other assets					
Cash at bank and in hand		957		565	
Overseas deposits	14	7,757		8,351	
			8,714		8,916
Prepayments and accrued income					
Deferred acquisition costs		15,454		12,173	
Other prepayments and accrued income		1,232		-	
			16,686		12,173
Total assets			172,208		116,190

The notes on pages 19 to 33 form part of these financial statements.

BALANCE SHEET CONT.

Liabilities	Notes	2014		2013	
		£'000	£'000	£'000	£'000
Capital and reserves					
Member's balances	15		14,860		(1,277)
Technical provisions					
Provision for unearned premiums	17	73,321		56,085	
Claims outstanding	17	77,771		59,820	
			151,092		115,905
Creditors					
Creditors arising out of direct insurance operations	18	919		613	
Creditors arising out of reinsurance operations		4,937		766	
Other creditors		180		27	
			6,036		1,406
Accruals and deferred income			220		156
Total liabilities			172,208		116,190

The syndicate annual accounts on pages 14 to 33 were approved on 16 March 2015 and were signed on behalf of the Board of W. R. Berkley Syndicate Management Limited by:

A. Blades
Director

R. S. Vetch
Director

The notes on pages 19 to 33 form part of these financial statements.

CASH FLOW STATEMENT

	<i>Notes</i>	2014 £'000	2013 £'000
Cash flow:			
Net cash inflow from operating activities	19	16,583	9,893
Cash calls made	15	8,665	1,341
		25,248	11,234
Cash flows were invested as follows:			
Increase/(decrease) in cash holdings	20	409	(3,376)
(Decrease) / increase in deposits	20	(495)	2,776
Increase in portfolio investments	20	25,334	11,834
Net investment of cash flows	20	25,248	11,234

The notes on pages 19 to 33 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

These financial statements have been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, and applicable Accounting Standards in the United Kingdom and comply with the Statement of Recommended Practice on Accounting for Insurance Business issued in December 2005 (as amended in December 2006) by the Association of British Insurers.

2. Accounting policies

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the syndicate's annual accounts.

Basis of accounting

The financial statements have been prepared on an annual basis of accounting whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

Premium written

Gross premium written comprises premiums on contracts incepted during the year. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Premiums include estimates for pipeline premiums, representing amounts due to the syndicate but not yet received or notified.

Outwards reinsurance premiums are accounted for in the same period as the gross premiums of the business being reinsured.

Unearned Premium

The earned portion of premiums is recognised as income. Premiums are earned from the date of attachment of risk and over the indemnity period on a pattern of the risk underwritten that reflects the underlying exposure.

The provision for unearned premiums comprises the proportion of premiums written which is estimated to be earned in the following or subsequent financial period. It is computed separately for each insurance contract using a daily pro rata method or an adjusted pattern to reflect the incidence of the risk during the period covered by the contract.

Acquisition costs

Acquisition costs include direct costs such as brokerage and commission and indirect costs such as administrative expenses connected with the processing of proposals and the issuing of policies. Costs incurred in acquiring general insurance contracts are deferred, whereby the deferred acquisition cost asset represents the proportion of acquisition cost which corresponds to the proportion of gross premiums written that is unearned at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS CONT.

Claims provisions and related recoveries

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 periods.

The provision for claims outstanding is an aggregate of estimates made on an individual case basis and the estimated ultimate cost of these case reserves not settled as at the balance sheet date, together with a provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported (IBNR) at the balance sheet date. This is calculated through statistical methods. These methods generally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting.

For the most recent periods, where a high degree of volatility arises from projections, estimates may be based in part on output from rating models and assessments of underwriting conditions.

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

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

The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the annual accounts for the period in which the adjustments are made. The methods used and the estimates made, are reviewed regularly.

Unexpired risks provision

A provision for unexpired risks is made where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

The provision for unexpired risks is calculated by reference to classes of business which are managed together, after taking into account relevant investment return.

NOTES TO THE FINANCIAL STATEMENTS CONT.

Foreign currencies

Income and expenditure resulting from transactions denominated in US dollars, Canadian dollars, Australian dollars and Euros are translated 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. The syndicate translates assets and liabilities denominated in foreign currencies at the rate of exchange at the balance sheet date.

Exchange adjustments arising from translating the opening balance sheet and net income for the year in US dollars, Canadian dollars, Australian dollars and Euros to closing rates of exchange are dealt with in reserves and included in the Statement of total recognised gains and losses. All other foreign exchange differences are taken to the technical account.

Investments

Investments are stated at current value at the balance sheet date. For this purpose listed investments are stated at market value (bid value) and deposits with credit institutions and overseas deposits are stated at cost.

Investment return

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

Realised gains and losses on investments are calculated as the difference between sale proceeds and their valuation at the previous balance sheet date or purchase price, if acquired during the year. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and the valuation at the previous balance sheet date or the purchase price, if acquired during the year.

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.

Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic-rate income tax from trading income. In addition, all UK basic-rate income tax deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings.

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

Pension costs

W. R. Berkley Syndicate Limited operates a defined contribution scheme. No pension contributions, relating to syndicate staff, were paid directly by the syndicate.

Profit commission

A profit commission is not charged by the managing agent.

NOTES TO THE FINANCIAL STATEMENTS CONT.
3. Segmental analysis

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

2014	Gross Premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance Balance £'000	Total £'000
Direct insurance						
Accident and Health	14,124	14,250	(6,413)	(6,749)	(628)	460
Fire and other damage to property	43,293	43,470	(13,218)	(13,002)	(9,476)	7,774
Energy – Marine	422	323	(235)	(128)	(70)	(110)
Energy – Non Marine	3,437	3,945	(1,908)	(794)	(978)	265
Third Party Liability	3,906	2,961	(143)	(1,104)	(291)	1,423
Pecuniary loss	9,859	7,396	(3,810)	(2,960)	(614)	12
Transport	4,368	4,074	(2,206)	(1,617)	(383)	(132)
Marine	16,394	14,888	(7,442)	(5,230)	(728)	1,488
Aviation	9,120	5,572	(10,770)	(2,479)	3,133	(4,544)
	104,923	96,879	(46,145)	(34,063)	(10,035)	6,636
Reinsurance Business	44,706	39,257	(21,212)	(13,203)	(5,206)	(364)
Total	149,629	136,136	(67,357)	(47,266)	(15,241)	6,272

2013	Gross Premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance Balance £'000	Total £'000
Direct insurance						
Accident and Health	17,017	15,853	(10,575)	(6,766)	(3,438)	(4,926)
Fire and other damage to property	44,176	42,249	(17,691)	(12,958)	(5,775)	5,825
Energy – Marine	213	157	(8)	(74)	(50)	25
Energy – Non Marine	4,812	4,864	(3,795)	(847)	(276)	(54)
Third Party Liability	1,263	1,169	(135)	(312)	(59)	663
Pecuniary loss	6,667	5,651	(4,070)	(2,645)	(1,381)	(2,445)
Transport	3,038	2,757	(1,169)	(1,291)	(18)	279
Marine	13,828	13,010	(5,676)	(6,526)	(907)	(99)
Aviation	2,779	2,573	(931)	(899)	(359)	384
	93,793	88,283	(44,050)	(32,318)	(12,263)	(348)
Reinsurance Business	41,739	40,822	(18,217)	(10,760)	(4,873)	6,972
Total	135,532	129,105	(62,267)	(43,078)	(17,136)	6,624

The segmental note above is presented by regulatory class of business. The table in the Directors' Report, on page 6, uses the managed class of business analysis.

NOTES TO THE FINANCIAL STATEMENTS CONT.

3. Segmental analysis cont.

Commissions on direct insurance gross premiums earned during 2014 were £22,377,820 (2012: £20,508,803). Reinsurance balances includes reinsurance commissions receivable.

Gross operating expenses are the same as net operating expenses shown in the profit and loss account, as no commissions in respect of outward reinsurance were received and set off in arriving at the net operating expenses for the year. All premiums were concluded in the UK.

4. Claims

	2014	2013
	£'000	£'000
Claims incurred – current accident year	65,377	56,430
Claims incurred – development of prior accident years	(4,000)	3,849
Claims incurred, net of reinsurance	61,377	60,279

The syndicate has loss reserves for various events and for losses that are incurred but not reported (IBNR). Losses continue to develop both positively and negatively on these open balances. Whilst the syndicate has a reasonable degree of confidence as to the ultimate adequacy of its recourse for all events, volatility exists around the final settlement value.

5. Net operating expenses

	2014	2013
	£'000	£'000
Brokerage & Commissions	30,899	26,052
Other acquisition costs	2,925	2,392
Change in deferred acquisition costs	(2,701)	(1,463)
Reinsurers' commissions	-	17
Acquisition costs	31,123	26,998
Loss on foreign exchange	819	604
Administrative expenses	15,324	15,476
Net operating expenses	47,266	43,078

NOTES TO THE FINANCIAL STATEMENTS CONT.

5. Net operating expenses cont

Administrative expenses include:

	2014	2013
	£'s	£'s
Auditor's remuneration		
Fees payable to the syndicate's auditor for the audit of these financial statements	132,617	120,925
Fees payable to the syndicate's auditor for other services pursuant to legislation	46,144	48,925
	178,761	169,850

6. Remuneration of directors of W. R. Berkley Syndicate Management Limited

The executive directors of WRBSML receive remuneration from an affiliated service company, W. R. Berkley Syndicate Limited (WRBSL). An allocation of the total remuneration is chargeable to the syndicate under the Managing Agents' Agreement.

The independent non-executive directors are remunerated by way of fees paid by WRBSML. No fees are levied to the syndicate for the services of the shareholder non-executive directors, where the majority of their time and effort is in respect of corporate matters for WRBC.

	2014	2013
	£'s	£'s
Executive directors total remuneration	1,565,800	1,853,403
Independent non-executive directors fees	135,000	95,000
	1,700,800	1,948,403

The highest paid director received a total remuneration of £797,675 (2013: £917,251).

7. Remuneration of Active Underwriter(s)

The Active Underwriters received the following aggregate remuneration from WRBSL and charged to the syndicate by way of the Secondment and Services Agreement.

	2014	2013
	£'s	£'s
Total remuneration	842,141	624,419

The value above represents the combined total remuneration of the joint Active Underwriters. The 2013 comparative is for the former Active Underwriter.

NOTES TO THE FINANCIAL STATEMENTS CONT.

8. Staff numbers and costs

All staff are employed by an affiliated service company, WRBSL and are recharged to the syndicate by way of the Secondment and Services Agreement and managing Agents Agreement. WRBSL made a total charge (including staff costs amongst other expenses) to WRBSML of £16.1m (2013: £15.0m) in accordance with the Secondment and Services Agreement. WRBSML made a total charge to the syndicate of £16.3m (2013:£15.4m) in accordance with the Managing Agents Agreement.

The average number of persons employed by WRBSL and working for the syndicate during the year is as follows:

	2014	2013
Underwriting	33	24
Claims	3	2
Administration and finance	37	29
	73	55

9. Investment return

	2014 £'000	2013 £'000
Interest income	1,205	733
Realised gains on investments	-	38
Total investment income	1,205	771
Realised losses on investments	(139)	(153)
Investment management expenses and charges	(77)	(186)
Total investment expenses and charges	(216)	(339)
Unrealised gains on investments	411	437
Unrealised losses on investments	(789)	(704)
Investment return	611	165

NOTES TO THE FINANCIAL STATEMENTS CONT.
10. Calendar year investment yield

The average amount of syndicate funds available for investment during 2014 and the investment return and yield for that calendar year were as follows:

	2014	2013
	£'000	£'000
Average fund	77,694	58,677
Investment return	611	165
Calendar year investment yield	0.79%	0.28%
Average funds available for investment by fund		
Sterling	1,977	1,926
Euro	1,858	1,704
United States Dollars	60,135	44,237
Canadian Dollars	5,245	4,198
Australian Dollars	8,479	6,612
Analysis of calendar year investment yield by fund		
Sterling	0.44%	-0.29%
Euro	-	-0.31%
United States Dollars	0.40%	0.00%
Canadian Dollars	1.48%	0.69%
Australian Dollars	1.43%	2.25%

“Average fund” is the average of bank balances, overseas deposits and investments held at the end of each month during the calendar year. For this purpose, investments are revalued at month-end market prices, which include accrued income where appropriate. The investment yield is the total investment return, including investment management expenses and charges and unrealised gains and losses, divided by the average investment funds.

NOTES TO THE FINANCIAL STATEMENTS CONT.

11. Financial investments

	2014		2013	
	Market value £'000	Cost £'000	Market value £'000	Cost £'000
Shares and other variable yield securities	11,356	11,356	14,792	14,792
Debt securities and other fixed income securities	72,366	72,759	39,352	39,908
Loans with credit institutions	-	-	897	897
	83,722	84,115	55,041	55,597

All "Shares and other variable yield securities" are listed, except for the Lloyd's Canadian Trust Funds short term blended investment accounts of £699,269 (2013: £2,549,658).

12. Debtors arising out of direct insurance operations

	2014 £'000	2013 £'000
Due within one year	47,751	33,912
Due after one year	57	81
	47,808	33,993

13. Debtors arising out of reinsurance operations

	2014 £'000	2013 £'000
Due within one year	1,775	976
Due after one year	16	16
	1,791	992

14. Overseas deposits

Overseas deposits comprise funds which are lodged as a condition of conducting underwriting business in certain countries or states within countries.

NOTES TO THE FINANCIAL STATEMENTS CONT.
15. Reconciliation of members' balances

	2014	2013
	£'000	£'000
Members' balances brought forward	(1,277)	(9,191)
Profit for the financial year	6,883	6,789
Other recognised gains and losses relating to the financial year	589	(216)
Cash call	8,665	1,341
Members' balances carried forward at 31 December	14,860	(1,277)

Members participate on the syndicate by reference to years of account and their ultimate results. Assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a particular year.

16. Year of account development

Year of account	2010	2011	2012	2013	2014	Three funded adjs. £'000	Profit to member at 36 months £000
	£'000	£'000	£'000	£'000	£'000		
2009	(2,339)	1,629					
2010	(5,831)	3,251	1,443			(203)	(1,340)
2011		(3,722)	(241)	(4,957)		225	(8,665)
2012			(2,965)	13,539	1,200	(890)	10,884
2013				(1,793)	7,478		
2014					(1,795)		
Calendar year result	(8,170)	1,158	(1,763)	6,789	6,883		

NOTES TO THE FINANCIAL STATEMENTS CONT.

17. Technical provisions

	2014			2013		
	Gross provisions £'000	Reinsurance assets £'000	Net £'000	Gross provisions £'000	Reinsurance assets £'000	Net £'000
Claims outstanding						
As at 1 January	59,820	(1,817)	58,003	55,250	(1,767)	53,483
Change in claims outstanding	14,129	(3,303)	10,826	6,876	(162)	6,714
Effect of movements in exchange rates	3,822	(450)	3,373	(2,306)	112	(2,194)
As at 31 December	77,771	(5,570)	72,202	59,820	(1,817)	58,003
Claims notified	50,283	(3,940)	46,343	40,514	(1,355)	39,159
Claims incurred but not reported	26,360	(1,630)	24,731	18,718	(462)	18,256
ULAE	1,128	-	1,128	588	-	588
As at 31 December	77,771	(5,570)	72,202	59,820	(1,817)	58,000
Unearned premiums						
As at 1 January	56,085	(2,832)	53,253	52,405	(3,475)	48,930
Change in unearned premiums	13,493	(1,995)	11,497	6,427	264	6,691
Effect of movements in exchange rates	3,743	(2,607)	1,137	(2,747)	379	(2,368)
As at 31 December	73,321	(7,434)	65,887	56,085	(2,832)	53,253

NOTES TO THE FINANCIAL STATEMENTS CONT.
18. Creditors arising out of direct insurance operations

	2014	2013
	£'000	£'000
Due within one year	911	603
Due after one year	8	10
	919	613

19. Reconciliation of net profit to net cash flow from operating activities

	2014	2013
	£'000	£'000
Operating profit for the year	6,883	6,789
Realised (gains) / losses on cash and investments, including foreign exchange	(3,231)	2,640
(Increase) in debtors	(19,184)	(7,924)
Increase in net technical provisions	26,832	8,842
Increase / (Decrease) in creditors	4,694	(238)
Foreign exchange movements on balances due from member	589	(216)
Net cash flow from operating activities	16,583	9,893

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

	2014	20143
	£'000	£'000
Net cash inflow for the year		
Increase / (Decrease) / in cash at bank and in hand	409	(3,376)
(Decrease) / increase in overseas deposits	(495)	2,776
Increase in portfolio investments	25,334	11,834
Movement arising from cash flows	25,248	11,234
Changes in market value and exchange rates	3,231	(2,640)
Total movement in portfolio investments	28,479	8,594
Portfolio at 1 January	63,957	55,363
Portfolio at 31 December	92,436	63,957

NOTES TO THE FINANCIAL STATEMENTS CONT.
20. Movement in opening and closing portfolio investments net of financing cont.

Analysis of movement in cash and portfolio investments

	At 1 January 2014 £'000	Cash Flow £'000	Changes in market value and exchange rates £'000	At 31 December 2014 £'000
Deposits:				
Cash at bank and in hand	565	409	(17)	957
Overseas deposits	8,351	(495)	(99)	7,757
Portfolio investments:				
Shares and other variable yield securities and units in unit trusts	14,793	(3,871)	434	11,356
Debt and other fixed income securities	39,352	30,152	2,862	72,366
Loans with credit institutions	896	(947)	51	-
Total portfolio investments	55,041	25,334	3,347	83,722
Total portfolio investments and deposits	63,957	25,248	3,231	92,436

21. Net cash inflow on portfolio investments

	2014 £'000	2013 £'000
(Sale)/Purchase of shares and other variable yield securities	(3,871)	2,412
Purchase of debt securities and other fixed income securities	29,205	9,422
Net cash inflow on portfolio investments	25,334	11,834

NOTES TO THE FINANCIAL STATEMENTS CONT.

22. Related parties

The syndicate is managed by the managing agent under the terms of a standard Lloyd's Managing Agent's Agreement as amended. A managing agent's fee equal to 8.8% (2013:10.25%) of the stamp capacity of the current underwriting year is charged in the current calendar year and payable to WRBSML.

Under the terms of the Secondment and Services Agreement an affiliated company, WRBSL, provides staff and facilities for the operation of the syndicate and WRBSML. A fee of 8.7% (2013:10%) of the stamp capacity of the current underwriting year, being £16,095,000 (2013: £15,000,000), is charged in the current calendar year and payable to WRBSML.

Investments are managed by an affiliated company, Berkley Dean & Company, Inc., under the Investment Management Agreement. Fees are charged based on the basis of a percentage of assets under management and are settled by WRBSL on behalf of the syndicate.

The provision of computer and data processing services are provided to the syndicate and WRBSML by an affiliated company, Berkley Technology Services LLC, under the provision of an outsourcing contract and Master Services Agreement. Fees are charged on a time and materials basis and settled by WRBSL on behalf of the syndicate.

Certain centralised services are provided by an affiliated company, WRBC Services, Limited, under the Services Agreement. Fees are chargeable on a time and materials basis and settled by WRBSL on behalf of the syndicate.

All the above charges are considered to have been made on an "arm's length" basis as set out in the contractual terms and are in the course of normal market conditions.

The syndicate writes certain international business, classified as "Berkley" business, written on a coverholder basis or on a referral basis with certain affiliated companies within WRBC. The total amount of gross premium written in the year was £10,145,178 (2013: £5,104,000).

23. 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. FAL is 100% provided by WRBC Corporate Member Limited, an indirect wholly owned subsidiary of the WRBC.

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

NOTES TO THE FINANCIAL STATEMENTS CONT.

24. Derivatives

The syndicate has not purchased or sold any derivatives or any forward foreign currency contracts to hedge currency exposure.

25. Off balance sheet events

The syndicate has not been party to any arrangement, which is not reflected in its balance sheet, where material risks and benefits arise for the syndicate.

26. Post balance sheet events

The amount that is proposed to be paid by the Syndicate to the member, as distribution of the 2012 year of account profit in quarter 2 2015 is £10,884,261.

27. Foreign Exchange Rates

The following currency exchange rates have been used for principal foreign currency transactions.

	2014 Year end rate	2014 Average rate	2013 Year end rate	2013 Average rate
Euro	1.29	1.24	1.20	1.18
US Dollar	1.56	1.65	1.66	1.56
Canadian Dollar	1.81	1.82	1.76	1.61
Australian Dollar	1.91	1.83	1.85	1.62

MANAGING AGENT'S CORPORATE INFORMATION

Directors and administration

Managing Agent

W. R. Berkley Syndicate Management Limited

Directors

Eugene Ballard

Jacqui Hedges

William Berkley – Chairman**

Ira Lederman

William Robert Berkley Jr**

Andrew Mitchell

Alastair Blades

Michael Smith*

Robert Chase*

Steven Taylor

Edward Creasy*

Robert Vetch

* *Independent non-Executive Director*

** *Directors of ultimate parent company W. R. Berkley Corporation*

Company Secretary

Clyde & Co Secretaries Limited

Bankers

Citibank NA

RBC Dexia

Managing Agent's registered office

4th floor, 34 Lime Street
London, EC3M 7AT

Investment manager

Berkley Dean & Company, Inc.

Managing Agent's registered number

07712472

Registered auditor

KPMG LLP

Active underwriters

Louise Nevill
Scott Campbell

Reporting actuary

Ernst & Young LLP