

SYNDICATE 2243
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

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Syndicate 2243

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Syndicate 2243

Directors and administration

MANAGING AGENT

Starr Managing Agents Limited

Directors

N C T Pawson	(Non-executive Chairman)
S G Blakey	(Executive Vice Chairman)
D Stewart	(Director of Underwriting)
G J L Broughton	(Finance Director)
D French	(Non-executive)
R Shaak	(Non-executive)
J Mantz	(Non-executive)
J Owen	(Non-executive)

Company Secretary

A Missen

Managing Agent's Registered Office

3rd Floor
140 Leadenhall Street
London EC3V 4QT

Managing Agent's Registered Number

6265337

SYNDICATE

Active Underwriter

D Stewart

Bankers

Lloyds TSB Bank Plc
Citibank NA
Royal Bank of Canada

Statutory Auditor

Moore Stephens LLP, London

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Strategic report

The directors of Starr Managing Agents Limited ("SMAL") present their strategic report for the year ended 31 December 2014.

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").

Separate underwriting year accounts for the closed 2012 account have not been produced as the Syndicate member has agreed in writing that no underwriting year accounts shall be prepared in respect of the Syndicate.

Results

The result for the calendar year 2014 is a profit of £1.3m (2013: profit of £3.6m). Profits will be distributed and called respectively by reference to the results of individual underwriting years. The members' funds total £1.2m (2013: £2.2m) is additional to Funds at Lloyd's which are not shown on the Syndicate balance sheet.

This year's profit has been driven by strong performances in both the Construction and Casualty classes, where ultimate loss ratios have reduced following favourable claims experience over the year. Tech Onshore made a loss in 2014, mainly due to higher than expected loss activity in the first quarter in particular.

Post Balance Sheet events

Syndicate 2243 ("the Syndicate") entered into a reinsurance to close ("RITC") agreement into syndicate 2008 a syndicate managed by Shelbourne Syndicate Services Limited ("Shelbourne"). Effective 1 January 2015, syndicate 2008 assumed all assets and liabilities of the Syndicate.

Principal activity and review of the business

The principal activity of the Syndicate during the period was the transaction of general insurance and reinsurance business in the United Kingdom and Continental Europe.

The Syndicate underwrote general insurance and reinsurance in the United Kingdom and Continental Europe until 31 December 2012 where it ceased underwriting and entered into run-off. As at 31 December 2014 the 2012 year of account was reinsured to close into Syndicate 2008 with the transfer of all assets and liabilities at that date as mentioned in the post balance sheet events. As a consequence the Syndicate ceased as at this date.

The Syndicate's business was underwritten under a limited number of binding authority arrangements granted to Starr Underwriting Agents Limited ("SUAL") in London, an established and experienced Underwriting Agency and also to Torus Marketing Limited ("TIML"). SUAL is a Financial Conduct Authority ("FCA") regulated insurance intermediary and an approved Lloyd's Coverholder. TIML is a subsidiary of Torus Insurance Holdings Limited ("TIHL"), and affiliate of Torus Corporate Capital Limited ("TCCL") the capital provider to Syndicate 2243. Delegated authority was also given to a number of Starr offices in overseas territories to access local business not otherwise presented to Lloyd's. SUAL and SMAL share a single management team.

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Strategic report

TIML wrote Construction, Marine and Liability lines of business on behalf of Syndicate 2243 out of their London and European operations.

Torus Corporate Capital Limited

The Syndicate's capital and Funds at Lloyd's are provided by TCCL, previously known as First Reserve Corporate Member Limited and a subsidiary of TIHL. TCCL is ultimately owned by Enstar Group Limited ("Enstar") from 1 April 2014. Shelbourne is also a Subsidiary of Enstar.

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Strategic report

The Syndicate's key financial performance indicators during the year were as follows:

	2014	2013
	£'000	£'000
Profit for the year	1,330	3,648
Combined ratio	81.1%	88.3%

Principal Risks and Uncertainties

The SMAL Board sets risk appetite annually as part of the Syndicate's business planning and Individual Capital Assessment process. SMAL has established a risk management committee which meets monthly to review and update the risk register and to monitor performance against risk appetite using a series of key risk indicators. The principal risks and uncertainties facing the Syndicate are as follows:

Insurance risk

Insurance risk includes the risk that a policy will be written for too low a premium or provide inappropriate cover (underwriting risk), that the frequency or severity of insured events will be higher than expected (claims risk), or that estimates of claims subsequently prove to be insufficient (reserving risk). The SMAL Board manages insurance risk by agreeing its appetite for these risks annually through the business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business.

The SMAL Board then monitors performance against the business plan throughout the year. SMAL monitors maximum probable losses from catastrophe-exposed business. Reserve adequacy is monitored in conjunction with the Syndicate actuary.

Credit risk

The key aspect of credit risk is the risk of default by one or more of the Syndicate's reinsurers. SMAL has a Security Committee that reviews and agrees the security of the proposed reinsurers. The Committee assesses the acceptability of reinsurers and sets maximum usage limits based on the reinsurer's security rating. Usage of any reinsurer that does not appear on the list of approved reinsurers, or usage of an approved reinsurer in excess of its applicable limit, requires prior authorisation from Exco and the corporate member is required to approve the variation from the business plan. Exco reviews and agrees the form and structure of the reinsurance programme to be purchased by each Syndicate and monitors progress on placement and exhaustion of cover.

Market risk

The key aspect of market risk is that the Syndicate incurs losses on foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated.

The majority of assets and liabilities are denominated in US Dollars, however SMAL monitors exposure to any other material currencies to determine if further action is required.

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. To mitigate this risk, the cash positions are monitored on a daily basis. In

Strategic report

addition, FRC has given a written undertaking to provide additional working capital as a loan facility if required.

Operational risk

This is the risk that errors caused by people, processes or systems lead to losses to the Syndicate, both from internal and external events. SMAL seeks to manage this risk through the use of detailed procedures manuals, peer reviews and appropriate training courses.

Regulatory risk

SMAL is required to comply with the requirements of the Prudential Regulation Authority, the 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. SMAL has a compliance team which monitors regulatory developments, assesses the impact on agency policy and carries out a compliance monitoring programme which is reported to the SMAL Board through the year.

Future developments

The original management agreement that was entered into between the Syndicate and SMAL ceased at the end of 2012 after TCCL issued notice of cancellation effective 1 January 2013. The reason for the cancellation was that Torus planned to renew all appropriate business into newly purchased Broadgate Syndicate 1301, then managed by Chaucer Syndicates Limited. As the need for the Syndicate had become obsolete, a decision was made to place the Syndicate in run-off, as of 1 January 2013. As of 31 December 2014, the Syndicate has ceased to exist and will RITC into syndicate 2008.

By order of the Board

.....
Adrian Missen – Company Secretary
17 March 2015

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Directors' report

Directors

The directors of SMAL, the managing agent during 2014, who served during the year ended 31 December 2014, were as follows:

N C T Pawson	
S G Blakey	
C E Hancock	(resigned 15 January 2015)
D Stewart	
A D'Arcy	(resigned 25 July 2014)
G J L Broughton	(appointed 28 July 2014)
D French	
J Owen	
R Shaak	
J Bryce	(resigned 31 July 2014)
J Mantz	(appointed 19 May 2014)

Disclosure of information to the auditors

Each of the persons who is a director of the managing agent at the date of approval of this report confirms that:

- So far as the director is aware there is no relevant audit information of which the Syndicate's auditors are unaware; and
- The director has taken all the steps that he ought to have taken as a director in order to make himself aware of relevant audit information and to establish that the Syndicate's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

By order of the Board

.....
Adrian Missen – Company Secretary
17 March 2015

Statement of managing agents' responsibilities

Starr Managing Agents Limited is responsible for preparing the Syndicate annual accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. 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 which 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 adequate accounting records that are sufficient to show and explain the Syndicate's transactions and 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 financial statements on pages 12 to 26 were approved by the Board of Starr Managing Agents Limited on 17 March 2015 and were signed on its behalf by

.....
Graham Broughton – Director
17 March 2015

Independent auditors' report to the members of Syndicate 2243

We have audited the annual financial statements of Syndicate 2243 for the year ended 31 December 2014 which are set out on pages 12 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Syndicate's members, as a body, in accordance with regulation 10 of 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.

Respective responsibilities of the managing agent and auditor

As explained more fully in the Statement of Managing Agent's Responsibilities on page 9, the managing agent is responsible for the preparation of Syndicate annual financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the Syndicate annual financial statements 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the Syndicate annual financial statements

An audit involves obtaining evidence about the amounts and disclosures in the annual financial statements sufficient to give reasonable assurance that the annual financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Syndicate's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the managing agent; and the overall presentation of the annual financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Syndicate annual financial statements

In our opinion the annual financial statements:

- Give a true and fair view of the state 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 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.

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Independent auditor's report to the members of Syndicate 2243 (continued)

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 Agents' Report, which comprises the strategic report and the directors' report, for the financial year for which the annual financial statements are prepared is consistent with the annual financial statements.

Matters on which we are required to report by exception

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

- The managing agent in respect of the Syndicate has not kept adequate accounting records; or
- The Syndicate financial statements are not in agreement with the accounting records; or
- Certain disclosures of emoluments of managing agents specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Simon Gallagher, *Senior Statutory Auditor*
For and on behalf of Moore Stephens LLP, Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB
17 March 2015

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Profit and loss account: Technical account – General business for the year ended 31 December 2014

	Notes	£000	2014 £000	2013 £000
Earned premiums, net of reinsurance				
Gross premiums	3		3,855	8,674
Outward reinsurance premiums			(2,619)	(5,009)
Net premiums written			<u>1,236</u>	<u>3,665</u>
Change in the provision for unearned premiums:				
Gross amount			6,577	30,887
Reinsurers' share			(2,025)	(5,163)
Change in the net provision for unearned premiums			<u>4,552</u>	<u>25,724</u>
Earned premiums, net of reinsurance			5,788	29,389
Allocated investment return transferred				
From the non-technical account			235	217
Claims incurred net of reinsurance				
Claims paid				
Gross amount		(37,506)	(24,805)	
Reinsurers share		9,737	2,146	
Net claims paid		<u>(27,769)</u>	<u>(22,659)</u>	
Change in the provision for claims				
Gross amount		34,078	(1,045)	
Reinsurers' share		(8,427)	7,837	
Change in the net provision for claims		<u>25,651</u>	<u>6,792</u>	
Claims incurred, net of reinsurance			(2,118)	(15,867)
Net operating expenses	5		<u>(2,575)</u>	<u>(10,091)</u>
Balance on the technical account for general business				
			<u>1,330</u>	<u>3,648</u>

All operations are classed as discontinuing as the Syndicate has ceased.

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Profit and loss account: Non-technical account for the year ended 31 December 2014

	Notes	2014 £000	2013 £000
Balance on the technical account for general business		1,330	3,648
Investment return	8	235	217
Allocated investment return transferred to general business technical account		<u>(235)</u>	<u>(217)</u>
Profit for the financial year		<u>1,330</u>	<u>3,648</u>

Statement of total recognised gains and losses for the year ended 31 December 2014

	Notes	2014 £000	2013 £000
Profit for the financial year	13	1,330	3,648
Currency translation differences		<u>382</u>	<u>(726)</u>
Total recognised gains for the year		<u>1,712</u>	<u>2,922</u>

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Balance Sheet – Assets at 31 December 2014

	Notes	£000	2014 £000	£000	2013 £000
Investments					
Financial investments	9		25,102		41,315
Reinsurers' share of technical provisions					
Provision for unearned premiums		3,573		5,457	
Claims outstanding	4	<u>12,264</u>		<u>20,291</u>	
			15,837		25,748
Debtors					
Debtors arising out of direct insurance operations	10	20,753		43,679	
Debtors arising out of reinsurance operations		4,655		3,061	
Other debtors		<u>1,328</u>		<u>1,133</u>	
			26,736		47,873
Other assets					
Cash at bank and in hand		2,266		3,321	
Overseas deposits	11	<u>4,452</u>		<u>4,346</u>	
			6,718		7,667
Prepayments and accrued income					
Deferred acquisition costs		1,753		2,429	
Other prepayments		<u>-</u>		<u>227</u>	
			<u>1,753</u>		<u>2,656</u>
Total assets			<u><u>76,146</u></u>		<u><u>125,259</u></u>

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Balance Sheet – Liabilities at 31 December 2014

	Note	£000	2014 £000	£000	2013 £000
Capital and reserves					
Members' balances	12,17		1,198		2,181
Technical Provisions					
Provision for unearned premiums		11,448		17,572	
Claims outstanding	4	<u>54,292</u>		<u>86,725</u>	
			65,740		104,297
Creditors					
Creditors arising out of reinsurance operation		6,282		12,672	
Creditors arising out of direct insurance operations		2,046		4,523	
Other creditors		<u>4</u>		<u>-</u>	
			8,332		17,195
Accruals and deferred income			<u>876</u>		<u>1,586</u>
Total liabilities			<u><u>76,146</u></u>		<u><u>125,259</u></u>

The financial statements on pages 12 to 26 were approved by the Board of Starr Managing Agents Limited on 17 March 2015 and were signed on its behalf by

.....
Graham Broughton – Director
17 March 2015

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Statement of cash flows for the year ended 31 December 2014

	Notes	2014 £000	2013 £000
Net cash (outflow) from operating activities	13	(14,927)	(23,985)
Financing:			
Cash (paid) /received from Corporate Name		(4,561)	8,554
	14	<u>(19,488)</u>	<u>(15,431)</u>
Cash flows were invested as follows:			
(Decrease) in cash holdings	14	(955)	(12,811)
Increase in overseas deposits	14	132	715
(Decrease) in portfolio investments	15	(18,665)	(3,335)
Net investment of cash flows		<u>(19,488)</u>	<u>(15,431)</u>

Notes to the financial statements for the year ended 31 December 2014

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 (amended in 2006) by the Association of British Insurers. The result for the year is determined on the annual basis of accounting in accordance with UK GAAP.

Going Concern

From 1 January 2013 Syndicate 2243 ("the Syndicate") ceased writing new business and operated in a state of run off. Following a successful reinsurance to close ("RITC") of the final year of account, effective 31 December 2014, the Syndicate's assets and liabilities were transferred to Shelbourne Syndicate 2008 ("Shelbourne"). From that date the Syndicate ceased. As such the Syndicate is not considered to be a going concern and therefore these financial statements have been prepared on a break basis. No adjustment is necessary to the carrying value of the Syndicate's assets and liabilities to reflect this change in basis.

2. Accounting policies

Premiums written

Premiums written comprise premiums on contracts inception during the financial year as well as adjustments made in the year to premiums written in prior accounting periods. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due to the Syndicate not yet notified.

Unearned premiums

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a combination of time apportionment and risk profile of the policy.

Reinsurance premium ceded

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

Claims provisions and related recoveries

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 basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date. The provision also includes the estimated cost of claims incurred but not reported ('IBNR') at the balance sheet date based on statistical methods and reflecting the RITC premium agreed between Shelbourne and Starr.

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

Notes to the financial statements (continued) for the year ended 31 December 2014

2. Accounting policies (continued)

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 year and the current security rating of the reinsurance companies involved. A number of statistical methods are used to assist in making these estimates.

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

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

Acquisition costs

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

Foreign currencies

Transactions in US Dollars, Canadian Dollars and Euros are translated at 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. Realised exchange differences are included in the technical account within net operating expenses.

US Dollars, Canadian Dollars and Euros are treated as "branches" under SSAP 20 and the exchange differences arising on the retranslation of opening balances in foreign currency amounts and the retranslation of the result from average rates of exchange to closing rates of exchange are taken to reserves and disclosed in the statement of total recognised gains and losses.

Notes to the financial statements (continued) for the year ended 31 December 2014

2. Accounting policies (continued)

Investments

Investments are stated at current value at the balance sheet date. For this purpose listed investments are stated at market value and deposits with credit institutions and overseas deposits are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date.

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

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

Taxation

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

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year are included in the balance sheet under the heading 'other debtors'.

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

Pension costs

Starr Underwriting Agents Limited ("SUAL") employs all UK based staff and operates a defined contribution scheme. Pension contributions relating to Syndicate staff are charged to the Syndicate and included within net operating expenses. There are no direct transactions between the Syndicate and the pension schemes.

Profit commission

Profit commission is not charged by the Managing Agent.

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Notes to the financial statements (continued) for the year ended 31 December 2014

3. Segmental analysis

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

For the year:	Gross written premiums £000	Gross premiums earned £000	Gross claims incurred £000	Net operating expenses £000	Reinsurance balance £000	Total £000
2014						
Direct insurance:						
Marine, aviation and Transport	(4)	883	(30)	(533)	(579)	(259)
Fire and other damage to property	743	2,608	(886)	(293)	(942)	488
Third Party Liability	180	181	(74)	(83)	0	24
	<u>923</u>	<u>2,789</u>	<u>(960)</u>	<u>(375)</u>	<u>(942)</u>	<u>512</u>
	919	3,672	(990)	(908)	(1,521)	253
Reinsurance	<u>2,936</u>	<u>6,761</u>	<u>(2,439)</u>	<u>(1,667)</u>	<u>(1,813)</u>	<u>842</u>
	<u>3,855</u>	<u>10,433</u>	<u>(3,429)</u>	<u>(2,575)</u>	<u>(3,334)</u>	<u>1,095</u>
For the year:						
2013						
Direct insurance:						
Marine, aviation and Transport	1,302	11,410	(5,340)	(3,905)	(1,329)	836
Fire and other damage to property	819	5,721	(2,898)	(1,007)	(1,226)	590
	<u>2,121</u>	<u>17,131</u>	<u>(8,238)</u>	<u>(4,912)</u>	<u>(2,555)</u>	<u>1,426</u>
Reinsurance	<u>6,553</u>	<u>22,431</u>	<u>(17,612)</u>	<u>(5,179)</u>	<u>2,365</u>	<u>2,005</u>
	<u>8,674</u>	<u>39,562</u>	<u>(25,850)</u>	<u>(10,091)</u>	<u>(190)</u>	<u>3,431</u>

The net assets of the Syndicate are managed as a whole and are not allocated to separate business segments.

All premiums were written in the UK.

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Notes to the financial statements (continued) for the year ended 31 December 2014

3. Segmental analysis (continued)

The analysis of gross written premiums by geographical areas in which the risks are situated is as follows:

	2014 £000	2013 £000
UK	125	148
Other EU countries	365	1,051
US	628	1,013
Other	2,737	6,462
Total	<u>3,855</u>	<u>8,674</u>

4. Technical Provisions

The run-off improvement for Syndicate 2243 relating to prior year's business was £3.3m. This was mainly attributable to the Construction class which improved by £2.6m following better than expected claims experience in 2014.

5. Net operating expenses

	2014 £000	2013 £000
Commission	(278)	(966)
Acquisition costs	1,050	2,388
Change in DAC - Commission	304	2,416
- Acquisition costs	449	3,394
Administrative expenses	1,392	2,125
(Gain)/Loss on exchange	(384)	62
Reinsurance commissions	42	672
	<u>2,575</u>	<u>10,091</u>

Administrative expenses include:

	2014 £000	2013 £000
Auditor's remuneration		
– Audit of the financial statements for the current year end	52	58
– Audit of financial statements for the prior year end	41	66
– Audit-related assurance services	46	45
	<u>139</u>	<u>169</u>

Members' personal expenses are included within administrative expenses. Administrative expenses are stated net of claims handling expenses allocated to claims paid.

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Notes to the financial statements (continued) for the year ended 31 December 2014

6. Staff numbers and costs

No staff are employed directly by Starr Managing Agents Limited ("SMAL"), therefore no staff costs have been disclosed for 2014 or 2013.

7. Emoluments of the directors of Starr Managing Agents Limited

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

	2014	2013
	£000	£000
Emoluments	-	-

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

	2014	2013
	£000	£000
Emoluments	-	-

8. Investment return

	2014	2013
	£000	£000
Income from investments	235	217

9. Financial investments

	Market Value		Cost	
	2014	2013	2014	2013
	£000	£000	£000	£000
Share and other variable yield and units in unit trusts securities	4,890	4,911	4,890	4,911
Debt and other fixed income securities	<u>20,212</u>	<u>36,404</u>	<u>20,281</u>	<u>36,744</u>
	<u>25,102</u>	<u>41,315</u>	<u>25,171</u>	<u>41,655</u>

Debt and other fixed income securities are all listed on recognised stock exchanges and are stated at fair value.

Syndicate 2243

Notes to the financial statements (continued) for the year ended 31 December 2014

10. Debtors arising out of direct insurance operations

	2014	2013
	£000	£000
Due from intermediaries	20,753	43,679

11. Overseas deposits

	2014	2013
	£000	£000
Overseas deposits	4,452	4,346

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries.

12. Reconciliation of members' balances

	2014	2013
	£000	£000
Members' balances brought forward at 1 January	2,181	(9,898)
Cash received for payment of closed year losses	2,410	8,553
Distribution of 2011 year of account result to member	(4,561)	-
Profit for the year	1,330	3,648
Currency translation differences	(15)	604
Exchange difference on uncollected loss	(147)	(726)
Members' balances carried forward at 31 December	1,198	2,181

Members participate on Syndicates by reference to years of account and their ultimate result; assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a particular year.

Syndicate 2243

Notes to the financial statements (continued) for the year ended 31 December 2014

13. Reconciliation of operating profit to net cash inflow from operating activities

	2014	2013
	£000	£000
Profit on ordinary activities	1,330	3,648
Changes in market value and exchange rates	(2,326)	1,202
(Decrease) in net technical provisions	(28,645)	(32,704)
Decrease in debtors	22,753	26,120
(Decrease) in creditors	(10,286)	(22,129)
Other movements	2,395	604
Foreign exchange movement on members' balances	(148)	(726)
Net cash (outflow) from operating activities	<u>(14,927)</u>	<u>(23,985)</u>

Movements above include the impact of foreign currency retranslations.

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

	2014	2013
	£000	£000
Net cash (outflow) for the year	(955)	(12,811)
Cash flow		
Increase in overseas deposits	132	715
(Decrease) in portfolio investments	(18,665)	(3,335)
Movement arising from cash flows	<u>(19,488)</u>	<u>(15,431)</u>
Changes in market value and exchange rates	2,326	(1,202)
Total movement in portfolio investments	<u>(17,162)</u>	<u>(16,663)</u>
Portfolio at 1 January	48,982	65,615
Portfolio at 31 December	<u>31,820</u>	<u>48,982</u>

Syndicate 2243

Notes to the financial statements (continued) for the year ended 31 December 2014

Movement in cash, portfolio investments and financing

	At 1 January 2014 £000	Cash flow 2014 £000	Changes to Market Value and currencies £000	At 31 December 2014 £000
Cash at bank and in hand	3,321	(955)	(100)	2,266
Overseas deposits	4,346	132	(26)	4,452
Portfolio investments:				
Share and other variable yield securities and units in unit trusts	4,911	(208)	187	4,890
Debt and other fixed income securities	36,404	(18,457)	2,265	20,212
Total cash, portfolio investments and financing	<u>48,982</u>	<u>(19,488)</u>	<u>2,326</u>	<u>31,820</u>

15. Net cash outflow on portfolio investments

	2014 £000	2013 £000
Purchase of shares and other variable yield securities	(18,511)	(11,582)
Sale of shares and other variable yield securities	18,719	27,853
Purchase of debt and other fixed income securities	(7,113)	(22,251)
Sale of debt and other fixed income securities	25,570	9,315
Net cash outflow on portfolio investments	<u>18,665</u>	<u>3,335</u>

16. Related parties

Starr Managing Agents Limited

The Syndicate is managed by SMAL. The ultimate holding and controlling company of SMAL is Starr International Company, Inc. (Switzerland). Run off costs of £641,026 were charged to the Syndicate during 2014 (2013: £1,508,462). This amount represents recharges of expenses including staff costs for SMAL staff working on Syndicate business. The costs charged by SMAL are on a cost basis. The amount owed by the Syndicate to SMAL at year end was £nil (2013: £nil).

As at 31 December 2014 the Syndicate had outstanding amounts due to Syndicate 1919 of £2,458 (2013: due from Syndicate 1919 £117,055).

Notes to the financial statements (continued) for the year ended 31 December 2014

Starr Underwriting Agents Limited

SUAL underwrites on behalf of the Syndicate. During 2014, SUAL credited commission of £47,815 (2013 credited commission: £170,828) to the Syndicate. SUAL's ultimate holding and controlling company is Starr International Company, Inc. (Switzerland). The amount owed to the Syndicate by SUAL at year end was £364,800.

Certain companies within Starr Companies have been authorised as Lloyd's Coverholders and granted binding authorities to produce business on behalf of the Syndicate for which they receive commission, and in some cases, a profit commission. All contracts are prepared using standard market wordings and are on a commercial arm's length basis. Certain directors of SMAL and SUAL hold directorships in certain of these companies. These are disclosed to the Boards on the conflicts registers.

With effect from 1 January 2011 SUAL are acting as coverholder to the UK branch of Starr Insurance and Reinsurance (Bermuda) Limited ("SIRL"), a Bermuda-domiciled insurance company. SIRL's ultimate holding and controlling company is Starr International Company, Inc. (Switzerland). SUAL is remunerated on a commission basis. SMAL has considered this and sees no material risk to the Syndicate. A protocol has been signed between all 3 parties (Starr Insurance and Reinsurance Limited a member of Starr companies, SUAL and SMAL) defining the allocation of risks to the two carriers.

The Syndicate participates in a construction consortium managed by SUAL for which SUAL receives a consortium management fee in addition to the standard binding authority commission.

17. 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.

18. Post Balance Sheet events

On 27 February 2015, the Syndicate entered into an RITC agreement with Syndicate 2008, a syndicate managed by Shelbourne Syndicate Services Limited. Effective 1 January 2015, syndicate 2008 assumed all assets and liabilities of the Syndicate.