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Syndicate 4000

Annual Report and Accounts 2014

**Year ended
31 December 2014**

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Underwriter's Report

Background

The Syndicate commenced trading during the final quarter of 2004. Pembroke Managing Agency Ltd ("PMA") was established in 2007 to take over the management of the Syndicate from Chaucer Syndicates Ltd and to enable the capital base to be diversified. During 2008, the agency group was acquired by Ironshore Inc. In the transaction Chaucer Holdings PLC elected to retain the management and capital provision for the 2008 and prior underwriting years of account. PMA manages the 2009 and subsequent years of account. Capital is provided by Pembroke's parent company, Ironshore Insurance Limited, and capital quota share reinsurance provided by two major reinsurers. In 2012 and 2013 Pembroke Syndicate 4000 also underwrote on behalf of a Special Purpose Syndicate 6110, backed by Members of Lloyd's via Hampden Agencies Limited. For the 2014 year of account the business of the Special Purpose Syndicate 6110 renewed into Syndicate 2014, which is also managed by PMA.

Ironshore is a Bermudian based insurer with \$1.8bn (2013: \$1.6bn) of capital. It provides broker-sourced specialty commercial property and casualty coverages for varying risks on a global basis through its platforms in Bermuda, Canada, Ireland, the U.S, Australia, Singapore and this Syndicate. The Ironshore group of companies is rated A- (Excellent) by A.M. Best with a Financial Size Category of Class XIII.

Since Ironshore invested in PMA, the Syndicate has attracted new teams to diversify the business.

Results

The Syndicate reports total recognised gains on an annual basis of £1.0m (2013: profit of £16.7m), on gross written premium of £249.9m (2013:£273.4m). The reduction in gross written premium is due to the transfer of Syndicate 6110 renewals to the new standalone Syndicate 2014. The result for 2014 has been materially impacted by three market-wide Aviation War losses; MH370, MH17 and Tripoli Airport siege. The Aviation War losses have been somewhat mitigated by the underwriting performance of longer tail lines.

Stamp capacity

Stamp capacity for the 2014 year of account was £252m (2013:£250m). The Syndicate's longer term ambitions are to consolidate existing books of business and to expand into classes where we see well balanced underwriting opportunities. Under the current economic environment we continue to adopt an underwriting strategy centred on capital preservation coupled with cautious expansion.

The Business of the Syndicate

The Syndicate continues to be a leading provider of specialist lines business, through its operating divisions: Financial Institutions, Professional Lines, High Value Cargo, General Cargo, War and Terrorism, Political Risks, Property, Marine Reinsurance, Select Specialist Lines and Personal Accident.

The portfolio is built around business which has a high technical barrier to entry and the underwriting selection process is supported by robust rating models to determine rate adequacy and movement.

Underwriter's Report (continued)

Lines of business and products

During the 2014 financial year gross written premium by line of business were as follows:

	2014	2013
	£000	£000
Professional Lines	77,671	64,256
Personal Accident	33,625	37,811
War and Terrorism	27,710	31,098
Financial Institutions	25,471	27,792
Marine Re	21,266	23,826
High Value Cargo	15,820	12,789
General Cargo	13,319	12,931
Political Risks	13,212	14,273
Property	9,316	6,710
Millennium Consortium	4,891	7,695
Onshore Energy	4,271	-
Select Specialist Lines	2,873	10,590
Property Reinsurance	407	23,658
	249,852	273,429

Professional Lines

The portfolio is extremely diverse and is intentionally designed to minimise economic correlation with the Financial Institutions Division. To that end, professions that are involved in the valuation or sale of 'asset class' products are avoided. The business is built upon Professional Indemnity, Directors' & Officers' liability, Medical Malpractice and Mergers and Acquisition products.

Personal Accident

This class comprises a mixture of Personal Accident binding authorities, direct and facultative placements, medical expense cover and an excess of loss reinsurance account.

War & Terrorism

Typical policies provide protection against damage to commercial and residential property due to war, terrorism, strikes and riots. There is also cover relating to business interruption arising from the stated perils. Additionally some aviation and marine war contracts have been written. Business is written on a worldwide basis.

Financial Institutions

Business was written across a broad range of financial institutions. In response to the economic environment we continued to reduce the Syndicate's exposure to US and Eurozone domiciled accounts. We also actively sought institutional facing business rather than retail exposure. The three main product lines transacted were Crime, Professional Indemnity and Directors' & Officers' liability insurance.

Marine Re

The entire class is comprised of a single binding authority issued to Ironshore Underwriting Services Inc. (an Ironshore group company). It underwrites a selection of North American and Caribbean quota share treaty reinsurances. Marine Hull, Liability & Cargo policies are all contained within this class pertaining to a wide range of vessels engaged in both business and leisure activities.

High Value Cargo

This portfolio contains a wide variety of business which includes items such as classic cars, fine art collections and private jewellery, along with general specie including, diamond mine theft risk and jewellers block. There are also some more unusual risks covered such as motorsport on-track damage and off-track storage transit paddock risk. A small amount of cash in transit business is also written. Typically this book is written with lead positions.

Underwriter's Report (continued)

Lines of business and products (continued)

Cargo

This is a more traditional cargo book and covers more standard risks including retail and wholesale stock in stores, warehouses and at distribution centres. Additionally there is a small amount of retail exposure. A significant proportion of premium written in this class is written through binders.

Political Risks

The book is composed of confiscation, contract frustration and trade credit risks. Business is written on a worldwide basis. The term of contracts varies widely, from 60 days up to 5 years.

Property

The Property book has International exposures, with both primary and excess layer business being written. The underwriting strategy of the book is to minimise catastrophe exposure. Risks written include construction sites, factories (particularly electronic and food manufacturers) and public buildings.

Millennium Consortium

This participation is in support of the Millennium Syndicate, a specialist team which covers engineering and construction risks.

Onshore Energy

The types of risk written include oil and gas exploration and production including fixed platforms, onshore processing and transmission, cost of well control, hull and machinery insurance for drilling contractors with mobile drilling rigs. The is an international book with a natural bias towards mature oil and gas provinces.

Select Specialist Lines

The book represents a small part of the overall Syndicate's income. All business demonstrates strict profit criteria over a period of time. The main areas of business are kidnap and ransom, environmental and casualty, but additional income is sourced from nuclear physical damages and liability exposure and protection and indemnity reinsurance.

Property Reinsurance

The Property Reinsurance account was new to the Syndicate for the 2012 year of account and 90% of the income was ceded to Special Purpose syndicate 6110. For the 2014 year of account, new and renewed business was underwritten by the standalone Syndicate 2014. Risks were assumed via quota share, catastrophe excess of loss and per risk excess of loss treaties. All of the exposures are in North America.

Outward reinsurance arrangements

Reinsurance allows the Syndicate to manage capital exposure to both frequency and severity. This includes the management of any systemic issues impacting a particular area of the account, as well as catastrophic losses across all business areas.

Business is written on the basis of generating a gross profit, regardless of the supporting reinsurance arrangements. Business planning and modelling assumptions are based on the expectation that reinsurers will make a profit. The core reinsurance providers to the Syndicate remain constant.

2008 and Prior Years of Account

The agency does not manage the 2008 and prior years of account and these will be reported on in a separate set of report and accounts issued by Chaucer Syndicates Limited.

Underwriter's Report (continued)

Future Prospects

The Syndicate has a track record of sustained and disciplined premium growth and profitability. Forecast growth for 2015 will be achieved through careful risk selection and organic growth of existing lines of business combined with the recruitment of high calibre underwriting teams of good repute and outstanding producer relationships. Capacity for the 2015 underwriting year is £270m.



Tim Glover
Director
Active Underwriter
17 March 2015

Managing Agent's Report

The Directors of the Managing Agent present their report 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").

The Managing Agent

From 1 January 2009, Pembroke Managing Agency Limited ("PMA") has managed the 2009 and subsequent years of account of the Syndicate, with Chaucer Syndicates Limited maintaining management of the 2008 and prior years of account. PMA is a subsidiary of Ironshore Inc., a company incorporated in the Cayman Islands.

This report relates to the 2009 to 2014 years of account only.

Principal activities

The principal activity of the Syndicate is to underwrite insurance and reinsurance business in the United Kingdom. This report covers the business of Syndicate 4000.

Review of the business and future developments

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

	2014	2013
	£000	£000
Gross written premium	249,852	273,429
Total recognised gains and losses	992	16,726
Combined ratio	103.0%	89.9%

The Underwriter's Report provides a review of the business of the Syndicate for the financial year and outlines future developments.

The results for the year are set out in the Profit and Loss Account and commented on in the Underwriter's Report.

Syndicate 4000 has closed the 2012 and prior underwriting years of account at a profit of £27.7m. The 2013 and 2014 years of account are currently expected to close at a profit.

Syndicate capacity for the 2015 year of account has increased to £270m (2014: £252m).

Principal risks and uncertainties

The Board sets risk appetite annually as part of the Syndicate's business planning and capacity setting process. PMA has established a Risk Committee which meets at least quarterly to review and update the risk register and to monitor performance against risk appetite using a series of key risk indicators. An Own Risk and Solvency Assessment ("ORSA") is completed on a quarterly basis and is used to monitor changes in the risk profile of PMA and to ensure that PMA meets its current and future capital requirements. The principal risks and uncertainties facing the Syndicate are as follows.

Managing Agent's Report (continued)

Underwriting risk

The Syndicate separately defines underwriting risk appetite in respect of market losses and syndicate-specific losses, with appetite for the former being greater.

Underwriting risk appetite is expressed at the highest level, as a maximum event-specific net underwriting loss as a percentage of Syndicate capacity for a specific year of account. Detailed stochastic modelling of underwriting risk, both gross and net of reinsurance, using dynamic financial analysis techniques supports this approach.

PMA's Board approves the risk appetite limit, after consultation with capital providers considering the relativity between 'willing to lose' and potential forecast profitability for each year of account. The risk appetite will therefore reflect the view of forecast profitability, utilising the Syndicate's latest business plan assumptions.

PMA manages underwriting risk through monthly reporting utilising centrally prepared detailed underwriting management information packs. Underwriters report to the Underwriting Committee, which in turn, reports to the PMA Board. This control process ensures that several layers of review occur for underwriting risks, with the focus being on the main components of risk, notably pricing, loss ratio selection, reserving, variations in experience, cycle management, reinsurance protection and catastrophe modelling.

Underwriting authorities, underwriting peer reviews of all risks, independent review procedures, and the audit and review of delegated arrangements, all contribute to the strength of the underwriting control environment.

Underwriting exposure is controlled via risk policy coding systems, setting of maximum lines, setting of jurisdiction limits, strict underwriter authority limits, realistic disaster scenario modelling, reinsurance programme design, policy limitations and exclusions, imposed deductibles and standard policy wording and coverage clauses.

PMA records and monitors individual risk exposures on a regular basis to ensure they remain within the policies and guidelines set.

PMA manages claims related risks by way of reinsurance and by a similar monitoring process to underwriting. There are strict claims handling authority limits and standard claims reports such as non-moving claims. Only approved third party adjusters and surveyors are used.

PMA undertakes an extensive annual underwriting planning process in order to determine targets for premiums written and profitability for the coming year. Factors taken into account in determining the targets include the risk appetite agreed by the capital provider, anticipated policy pricing, terms and conditions, expected claims frequency and cost and reinsurance cost and efficacy.

Credit Risk

An Ironshore Group Security Committee reviews all reinsurer counterparties with whom PMA wishes to conduct business and sets credit limits for the recoveries due from each reinsurer. The review includes an analysis of the financial strength of the reinsurer, its payment performance record and standing in the market. Thereafter, management of reinsurer credit risk follows active and regular review, with the assistance of outside expertise, of the credit rating and financial exposure to all approved reinsurers.

PMA predominantly purchases reinsurance from reinsurers rated strong or better by Standard & Poor's (or equivalent). Maximum exposures per reinsurer are set in response to a reinsurer's rating and net assets.

Broker credit risk limits are also determined depending on the grading of the relevant broker and exposures monitored against limits on a monthly basis.

Managing Agent's Report (continued)

Reserving Risk

PMA's reserving policy seeks to ensure appropriate allowance for reserving risk and consistency in reserving from year to year.

Booked reserves represent the level of reserves booked at the Syndicate level. They are prepared on an underwriting year basis, and equal the actuarial best estimate reserves.

Booked reserves provide the basis for the Syndicate results and forecasts.

Actuarial best estimate reserves, which are prepared on an underwriting year basis are intended to be true best estimates, i.e. estimates of expected value claims reserves. These are the basis for internal reporting and the derivation of expected loss ratios for business planning.

The actuarial best estimate reserves are calculated by PMA. The actuarial team calculates the reserves in conjunction with extensive discussions with underwriting, claims and reinsurance staff. The Directors consider, assess and approve the best estimate calculated, based on which the Directors set the booked reserve.

Reserving risk is controlled by the robust application of actuarial methodologies, stepped sign-off procedures, quarterly tracking of projected ultimate loss ratios and reassessment of methodologies where appropriate, regular dialogue between actuaries and practitioners, and access to a history of loss data.

Investment strategy and risk management

PMA's philosophy is that investment activities are complementary to the primary underwriting activities of the business and should not therefore divert or utilise financial resources otherwise available for insurance operations.

Interest rate risk

The most significant proportion of risk within the Syndicate's fixed income portfolio is interest rate risk, which increases as the duration of each portfolio gets longer. In order to manage this risk duration constraints are set, relative to a benchmark to provide downside protection for increases in interest rates although no limit is set for the minimum duration of each portfolio enabling managers to switch to cash or variable rate securities, if considered appropriate.

Currency risk

The Syndicate writes a significant proportion of insurance business in currencies other than sterling, which gives rise to a potential exposure to currency risk.

Liquidity risk

The Syndicate is subject to calls on cash resources, mainly in respect of claims on insurance business, on a daily basis. PMA operates and maintains a liquidity risk policy designed to ensure that cash is available to settle liabilities and other obligations when due without excessive cost to the business.

The liquidity risk policy, which is subject to review and approval by the Board on an annual basis, sets limits for cash required to meet expected cash flows. It includes a contingency funding plan, which details the process and provisions for raising additional funds required to meet liabilities in extreme circumstances.

Operational risk

This is the risk that errors caused by people, processes or systems lead to losses to the Syndicate. PMA seeks to manage this risk with detailed procedures manuals and a structured programme of testing of processes and systems by internal audit.

Regulatory risk

PMA is required to comply with the requirements of the Prudential Regulation Authority, the Financial Conduct Authority 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. PMA has a Compliance Officer, who monitors regulatory developments and assesses the impact on PMA policy. PMA also carries out a compliance-monitoring programme.

Managing Agent's Report (continued)

Staff Matters

PMA considers its staff to be a key resource and seeks to provide a good working environment for its staff that is safe and complies with appropriate employee legislation. During the year there have been no significant injuries to staff in the workplace or any significant actions taken by any regulatory bodies with regard to staff matters.

Environmental Matters

PMA does not consider that a business such as a syndicate at Lloyd's has a large adverse impact upon the environment. As a result PMA does not manage its business by reference to any environmental key performance indicators.

Directors

The directors of PMA who held office during the period covered by this report are set out in the table below. None of the directors has a direct participation on the Syndicate for any year covered by this report.

G.E. Barnes, BA (Hons), FCII	Director
C.D. Brown, ACII	Director
I.R. Garven, BA (Hons), FCA	Director (<i>appointed 6th August 2014</i>)
T.A.B.H. Glover, ACII,	Director, Active Underwriter
A.M. Kaufman, FCA, MAAA, FIA (HON), ARM, CPCU	Non-executive Director, Chairman
M. Johnson, FCII,	Director (<i>resigned 18th November 2014</i>)
M.F. Fisher, FCCA	Director (<i>appointed 19th February 2014; resigned 15th August 2014</i>)
T Seymour MA(Oxon), ACA	Non-executive Director (<i>appointed 20th February 2014</i>)
J.A.S. Wash, BSc (Hons), ACA	Managing Director
R.J. Wallace, FCII	Non-executive Director (<i>resigned 31st December 2014</i>)
L.J. West, BCom, ACA	Director (<i>resigned 15th August 2014</i>)
M.H. Wheeler, ACII	Director

MANAGING AGENT:

Company Secretary

P.P. Hicks, FCII, FIRM, FCIS

Registered office

2nd Floor South, The LUC
3 Minster Court, Mincing Lane
London, EC3R 7DD

SYNDICATE:

Active Underwriter

T.A.B.H. Glover

Bankers

Citibank N.A.
Lloyds TSB
HSBC
Royal Trust

Investment Managers

Conning Asset Management Limited

Registered Auditors

Ernst & Young LLP

Managing Agent's Report (continued)

Disclosure of information to the auditors

The directors each confirm that:

- so far as the directors are aware, there is no relevant audit information, being information needed by the auditor in connection with its report, of which the Syndicate's auditors are unaware, and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

Auditors

Ernst & Young LLP are deemed reappointed as the Syndicate's auditors.



By order of the Board
J.A.S. Wash
Managing Director
17 March 2015

Statement of Managing Agent's Responsibilities

The Managing Agent is responsible for preparing the Syndicate annual report and annual accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (the 2008 Regulations) 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:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK 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 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 the prevention and detection of fraud and other irregularities.

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

Independent Auditor's Report to the Members of Syndicate 4000

We have audited the syndicate annual accounts of Syndicate 4000 for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Statement of Cash Flows, and the related notes 1 to 17. 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 The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the managing agent and the auditor

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 12, the managing agent is responsible for the preparation of syndicate annual accounts which give a true and fair view. Our responsibility is to audit and express an opinion on the syndicate annual accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the syndicate annual accounts

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

Opinion on syndicate annual accounts

In our opinion the 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 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.

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 Underwriter's Report and Managing Agent's Report for the financial year in which the annual accounts are prepared is consistent with the annual accounts.

Matters on which we are required to report by exception

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

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

Ernst & Young LLP,

Andrew R Blackmore (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
17 March 2015

Profit and Loss Account

For the year ended 31 December 2014

Technical account – General business

	Note	2014 £000	2013 £000
Earned premiums, net of reinsurance			
Gross premiums written	3	249,852	273,429
Outward reinsurance premiums		<u>(52,516)</u>	<u>(68,767)</u>
Net premiums written		197,336	204,662
Change in the gross provision for unearned premiums			
Gross amount		(9,434)	(30,657)
Reinsurers' share		<u>(5,990)</u>	<u>5,137</u>
Change in the net provision for unearned premiums		(15,424)	(25,520)
Earned premiums, net of reinsurance		181,912	179,142
Allocated investment return transferred from the non-technical account		3,786	1,628
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(92,622)	(80,190)
Reinsurers' share		<u>28,519</u>	<u>25,107</u>
Net claims paid		(64,103)	(55,083)
Change in the provision for claims			
Gross amount		(51,529)	(24,610)
Reinsurers' share		<u>3,782</u>	<u>1,640</u>
Change in the net provision for claims		(47,747)	(22,970)
Claims incurred, net of reinsurance		(111,850)	(78,053)
Net operating expenses	5	<u>(75,519)</u>	<u>(83,028)</u>
Balance on the technical account for general business		<u>(1,671)</u>	<u>19,689</u>

All the amounts above are in respect of continuing operations.

Non-technical account

	Note	2014 £000	2013 £000
Balance on the technical account for general business		(1,671)	19,689
Investment return	9	3,786	1,628
Allocated investment return transferred to the general business technical account		<u>(3,786)</u>	<u>(1,628)</u>
(Loss)/profit for the financial year	12	<u>(1,671)</u>	<u>19,689</u>

Statement of Total Recognised Gains and Losses

For the year ended 31 December 2014

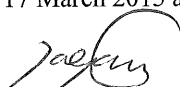
	Note	2014 £000	2013 £000
(Loss)/profit for the financial year		(1,671)	19,689
Currency translation differences	12	<u>2,663</u>	<u>(2,963)</u>
Total recognised gains		<u><u>992</u></u>	<u><u>16,726</u></u>

Balance Sheet

As at 31 December 2014

ASSETS	Note	2014 £000	2013 £000
Investments			
Financial investments	10	230,470	198,805
Deposits with ceding undertakings		-	79
Reinsurers' share of technical provisions			
Provision for unearned premiums		29,536	34,973
Claims outstanding		72,855	67,004
		<u>102,391</u>	<u>101,977</u>
Debtors due within one year			
Debtors arising out of direct insurance operations – intermediaries		44,583	63,282
Debtors arising out of reinsurance operations		63,543	37,440
Other debtors		11,597	234
		<u>119,723</u>	<u>100,956</u>
Debtors due after one year			
Debtors arising out of reinsurance operations		-	8,168
Other debtors		4,938	-
Other assets			
Cash at bank and in hand		6,838	8,245
Other assets	11	22,897	22,875
		<u>29,735</u>	<u>31,120</u>
Prepayments and accrued income			
Deferred acquisition costs		44,010	39,904
Other prepayments & accrued income		2,502	618
		<u>46,512</u>	<u>40,522</u>
TOTAL ASSETS		<u>533,769</u>	<u>481,627</u>
LIABILITIES		2014	2013
		£000	£000
Capital and reserves			
Members' balances	12	(2,133)	9,113
Technical provisions			
Provision for unearned premiums		160,364	147,124
Claims outstanding		293,304	234,098
		<u>453,668</u>	<u>381,222</u>
Creditors due within one year			
Creditors arising out of direct insurance operations – intermediaries		34,447	13,730
Creditors arising out of reinsurance operations		25,986	46,112
Other creditors	13	12,333	14,954
		<u>72,766</u>	<u>74,796</u>
Accruals and deferred income		<u>9,468</u>	<u>16,496</u>
TOTAL LIABILITIES		<u>533,769</u>	<u>481,627</u>

The annual accounts on pages 14 to 25 were approved by the Board of Pembroke Managing Agency Limited on 17 March 2015 and were signed on its behalf by:



I.R. Garven
Finance Director
17 March 2015

Statement of Cash Flows

For the year ended 31 December 2014

	Note	2014 £000	2013 £000
Reconciliation of operating profit to net cash inflow from operating activities			
Operating (loss)/profit on ordinary activities	12	(1,671)	19,689
Realised/unrealised (gains)/losses on cash and investments including foreign exchange		(7,076)	4,015
Increase in net technical provisions		72,032	45,003
(Increase) in debtors		(21,527)	(32,277)
(Decrease)/increase in creditors		(9,058)	25,719
Distribution of profit		(11,594)	(10,756)
Other movements – including foreign exchange		2,019	(3,148)
Net cash inflow from operating activities	14	<u>23,125</u>	<u>48,245</u>
Cash flows were invested as follows:			
Decrease in cash holdings	14	(1,409)	(1,192)
Increase/(decrease) in overseas deposits	14	132	(362)
Increase in portfolio investment	15	<u>24,402</u>	<u>49,799</u>
Net investment of cash flows		<u>23,125</u>	<u>48,245</u>

Notes to the Financial Statements

At 31 December 2014

1. Basis of preparation

These accounts 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 by the Association of British Insurers (as amended in December 2006), except that exchange differences are dealt with in the Technical Account as there are no Non-technical items.

2. Accounting policies

Premiums written

Premiums written comprise premiums on contracts inception during the financial year. 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

Written premiums are recognised as earned according to 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 balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

Reinsurance premiums 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.

The provision for claims outstanding is assessed on an individual case by case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported ('IBNR') at the balance sheet date based on 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, 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. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

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 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. The methods used, and the estimates made, are reviewed regularly.

Notes to the Financial Statements

At 31 December 2014

2. Accounting policies (continued)

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 cost 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.

Deferred acquisition costs

Acquisition costs, which comprise 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 the average rates of exchange for the period. Transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

Monetary and non-monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date or if appropriate at the forward contract rate.

Exchange differences arising on the retranslation of opening balance sheet items at the closing balance sheet rate and the retranslation of the profit and loss account for the year from the average rate to the closing balance sheet rate are taken to reserves and included in the Statement of Total Recognised Gains and Losses.

All other exchange differences are dealt with in the technical account and included within operating expenses.

The rates of exchange used to translate monetary balances at the year-end in foreign currencies into sterling are as follows:

	<i>31 December 2014</i>	<i>31 December 2013</i>
US Dollars	1.55	1.64
Canadian Dollars	1.81	1.74

Investments

Investments are stated at current market value at the balance sheet date. For this purpose 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 carried at market value are calculated as the difference between sale proceeds and carrying value. 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' agent is gross of tax.

Notes to the Financial Statements

At 31 December 2014

2. Accounting policies (continued)

Provision has been made for Overseas Income Tax payable on underwriting results. Any payments on account made by the syndicate during the year are included in the balance sheet under the heading 'Members' balances'.

Pension costs

Pembroke Managing Agency Limited 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 due from the Syndicate to the Managing Agency is not payable until after the appropriate year of account closes – typically at 36 months. An accrual is calculated and recognised in the financial statements based on the cumulative earned underwriting results of each year of account.

Profit commission payable to Lloyd's cover holders or producing brokers has been provided for on all years of account and recognised within acquisition costs.

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	Net technical provisions £'000
Direct insurance:							
Accident & Health	22,313	21,978	(8,402)	(6,367)	(4,417)	2,792	(23,955)
Marine aviation and transport	27,393	26,932	(48,230)	(8,722)	7,590	(22,430)	(62,183)
Fire and other damage to property	42,145	41,214	(21,733)	(12,307)	(5,885)	1,289	(49,952)
Third party liability	64,273	63,561	(16,711)	(19,755)	(13,281)	13,814	(61,320)
Miscellaneous	43,616	23,828	(14,940)	(12,746)	(2,893)	(6,751)	(36,155)
	199,740	177,513	(110,016)	(59,897)	(18,886)	11,286	(233,565)
Reinsurance	50,112	62,905	(34,135)	(15,622)	(7,319)	5,830	(77,819)
Total	249,852	240,418	(144,151)	(75,519)	(26,205)	(5,457)	(311,384)
2013							
Direct insurance:							
Accident & Health	21,369	21,763	(7,523)	(7,385)	(3,684)	3,171	(9,748)
Marine aviation and transport	28,663	27,607	(13,754)	(9,580)	(3,105)	1,168	(11,991)
Fire and other damage to property	44,512	37,428	(25,325)	(12,941)	(2,264)	(3,102)	(25,945)
Third party liability	74,380	64,029	(5,926)	(23,303)	(15,310)	19,490	(85,416)
Miscellaneous	41,770	22,443	(10,576)	(11,830)	(2,937)	(2,900)	(36,081)
	210,695	173,270	(63,104)	(65,039)	(27,300)	17,827	(169,180)
Reinsurance	62,735	69,502	(41,696)	(17,989)	(9,583)	234	(75,026)
Total	273,429	242,772	(104,800)	(83,028)	(36,883)	18,061	(244,206)

Notes to the Financial Statements

At 31 December 2014

3. Segmental analysis (continued)

Commissions on direct insurance gross premiums during 2014 were £37.2m (2013: £56.9m).

All premiums were concluded in the UK.

The geographical analysis of gross premiums written by destination:

	2014	2013
	£000	£000
UK	65,271	98,659
Other EU countries	29,960	23,561
US	74,443	63,726
Other	80,178	87,483
	<hr/>	<hr/>
Total	249,852	273,429
	<hr/> <hr/>	<hr/> <hr/>

4. Claims outstanding

The movement in the net provision for claims includes adverse prior year development of £5.3m. This predominately relates to claims reserve development in the Marine division.

5. Net operating expenses

	2014	2013
	£000	£000
Acquisition costs	(63,596)	(73,743)
Change in deferred acquisition costs	4,801	8,785
Administrative expenses	(14,789)	(17,678)
Loss on exchange	(1,935)	(392)
	<hr/>	<hr/>
	(75,519)	(83,028)
	<hr/> <hr/>	<hr/> <hr/>

6. Auditors' Remuneration

	2014	2013
	£000	£000
Fees payable to the Syndicate's Auditors for:		
Audit of the Syndicate annual accounts	56	74
Audit of the Managing Agents' annual accounts	16	15
Other services pursuant to regulations and Lloyd's byelaws	112	103
	<hr/>	<hr/>
	184	192
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

At 31 December 2014

7. Staff numbers and costs

All staff were employed by the Pembroke Managing Agency Limited. The following amounts were recharged to the Syndicate in respect of salary costs:

	2014	2013
	£000	£000
Wages and salaries	9,919	8,719
Social security costs	1,131	1,160
Other pension costs	761	939
Other	284	174
	<u>12,095</u>	<u>10,992</u>

The average number of employees employed by the Managing Agency but working for the Syndicate during the year was as follows:

	2014	2013
	Number	Number
Administration and finance	15	18
Underwriting	59	52
Claims	9	5
Compliance	12	5
Other	2	7
	<u>97</u>	<u>87</u>

8. Emoluments of the directors of Pembroke Managing Agency Limited

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

	2014	2013
	£000	£000
Emoluments	1,044	1,662
Pension contributions	94	146
	<u>1,138</u>	<u>1,808</u>

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

	2014	2013
	£000	£000
Emoluments	387	359
Pension contributions	27	31
	<u>414</u>	<u>390</u>

9. Investment return

	2014	2013
	£000	£000
Investment income	3,276	3,343
Net unrealised gains on investments	800	(494)
Net realised losses on investments	(70)	(1,221)
Investment expenses and charges	(220)	-
	<u>3,786</u>	<u>1,628</u>

Notes to the Financial Statements

At 31 December 2014

10. Financial Investments

	2014 Market Value £000	2014 Cost £000	2013 Market Value £000	2013 Cost £000
Shares and other variable yield securities	7,594	7,594	16,462	16,462
Debt Securities and other fixed income securities	216,171	215,655	174,487	175,366
Deposits with approved credit institutions	6,705	6,705	7,856	7,856
	<u>230,470</u>	<u>229,954</u>	<u>198,805</u>	<u>199,684</u>

Included in investments are securities of £141.7m which are listed on recognised exchanges.

11. Other assets

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

12. Reconciliation of members' balances

	2014 £000	2013 £000
Members' balances brought forward at 1 January	9,113	3,328
Distribution	(11,594)	(10,756)
(Loss)/Profit for the financial year	(1,671)	19,689
Statement of total recognised gains and losses	2,663	(2,963)
Non-standard personal expenses paid on behalf of the members	(207)	(569)
Other recognised gains and losses relating to financial year	(437)	384
Members' balances carried forward at 31 December	<u>(2,133)</u>	<u>9,113</u>

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 in respect of their membership of a particular year.

Notes to the Financial Statements

At 31 December 2014

13. Other creditors

Other creditors comprise amounts due to Pembroke Managing Agency of £12.3m (2013: £15.0m).

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

	2014 £000	2013 £000
Net cash outflow for the year	(1,409)	(1,192)
Cash flow		
- increase in overseas deposits	132	(362)
Portfolio investments		
- decrease in shares and other variable yield securities	(9,234)	6,945
- increase in debt securities and other fixed income securities	35,132	39,972
- decrease in deposits with ceding undertakings	(83)	13
- decrease in deposits with credit institutions	(1,413)	2,869
	<hr/>	<hr/>
Movement arising from cash flows	23,125	48,245
Changes in market value and exchange rates	7,076	(4,015)
	<hr/>	<hr/>
Total movement in portfolio investments net of financing	30,201	44,230
Portfolio at 1 January	230,004	185,774
	<hr/>	<hr/>
Portfolio at 31 December	260,205	230,004
	<hr/> <hr/>	<hr/> <hr/>

Movement in cash, portfolio investments and financing

	At 1 January 2014 £000	Cash flow £000	Changes to market value and currencies £000	At 31 December 2014 £000
Cash at bank and in hand	8,245	(1,409)	2	6,838
Overseas deposits	22,875	132	(110)	22,897
Shares and other variable yield securities	16,462	(9,234)	366	7,594
Debt and other fixed income securities	174,487	35,132	6,552	216,171
Deposits with credit institutions	7,856	(1,413)	262	6,705
Deposits with ceding undertakings	79	(83)	4	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total cash, portfolio investments and financing	230,004	23,125	7,076	260,205
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

At 31 December 2014

15. Net cash outflow on portfolio investments

	2014 £000	2013 £000
Purchase of shares and other variable yield securities	-	(6,945)
Purchase of debt and other fixed income securities	(123,505)	(100,545)
Deposits with ceding undertakings	83	(13)
Deposits with credit institutions	1,413	(2,869)
Sale of debt securities and other fixed income securities	88,373	60,573
Sale of shares and other variable yield securities	9,234	-
	<hr/>	<hr/>
Net cash outflow on portfolio investments	(24,402)	(49,799)

16. Related parties

Ironshore Corporate Capital Ltd is the corporate member of the Syndicate. Ironshore Corporate Capital Ltd's immediate parent company is Ironshore International Ltd.

The Syndicate is managed by Pembroke Managing Agency Ltd. The immediate parent company of Pembroke Managing Agency is Pembroke JV Ltd.

The ultimate parent company of Ironshore Corporate Capital Ltd and Pembroke Managing Agency Ltd is Ironshore Inc, a company incorporated in the Cayman Islands.

Syndicate 4000 has elected to take advantage of the exemption permitted in Financial Reporting Standard 8 – Related Party Disclosures and not disclosed details of transactions with entities that are part of the Ironshore Inc group of companies.

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) and 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 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.



Building a better
working world

SYNDICATE ANNUAL ACCOUNTS AND LLOYD'S ANNUAL RETURN

31 DECEMBER 2014

Syndicate No: 4000

Managing Agent: Pembroke Managing Agency Limited

Report of the independent auditors to the Council of Lloyd's

We have reviewed the statement dated 17 March 2015 by the managing agent.

This report is made solely to the addressees in accordance with Market Bulletin ref: Y4850 dated 15 December 2014 entitled "2014 syndicate report and accounts" ("the Instructions"). Our work has been undertaken so that we might state to the addressees of this report those matters which we are required to state in this report by the Instructions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than the addressees of this report, for our work, for this report, or for the opinions we have formed.

Our opinion dated 17 March 2015 on the syndicate annual accounts was not qualified.

There are no additional matters referred to in that opinion which have not been referred to in our opinion dated 19 February 2015 on the 2014 Calendar year information in the Annual Return.

Opinion

In our opinion:

- a) the statement dated 17 March 2015 has been properly prepared by the managing agent;
and
- b) it was not unreasonable for the managing agent giving the statement to have made the statements therein.

Ernst & Young LLP,

Ernst & Young LLP
Recognised auditors approved by the Council of Lloyd's
London
Date: *17 March 2015*

Appendix 3 (no restatement)

**SYNDICATE ANNUAL ACCOUNTS AND LLOYD'S ANNUAL RETURN
31 DECEMBER 2014**

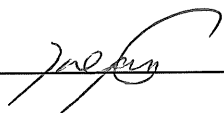
Syndicate No: 4000


Statement by the managing agent to the Council of Lloyd's

In accordance with Market Bulletin Y4850 dated 15 December 2014, "2014 Syndicate Report and Accounts", we confirm that the disclosures in column C of QMA001 and QMA002 of the Annual Return as submitted to Lloyd's on 19 FEBRUARY 2015 agree with those for the 2014 profit and loss account, balance sheet, and related notes of the syndicate annual accounts as at 31 December 2014.

We also confirm the syndicate annual accounts either have positive disclosure or have no positive disclosure as follows:

	Positive disclosure	No positive disclosure
Off balance sheet arrangements – Lloyds Regulations 2008, Schedule 1, para 7	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Financial assets classified as available-for-sale – Reporting Regulations 2008, Schedule 3, para 73	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Derivatives not included at fair value – Reporting Regulations 2008, Schedule 3, para 74	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Fixed assets in excess of fair value – Reporting Regulations 2008, Schedule 3, para 75	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Related party transactions that have not been concluded under normal market conditions – Reporting Regulations 2008, Schedule 3, para 90	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Signed  Finance Director
 Name IAN GARVEN (BLOCK CAPITALS)

Signed  Director
 Name JUSTIN WASH (BLOCK CAPITALS)

On behalf of PEMBROKE MANAGING AGENCY Managing Agent

Date 17 MARCH 2015

**SYNDICATE ANNUAL ACCOUNTS AND SYNDICATE UNDERWRITING YEAR
ACCOUNTS
31 DECEMBER 2014**

Syndicate No. 4000.....

Managing Agent: PEMBROKE MANAGING AGENCY.....

In respect of the above syndicate:

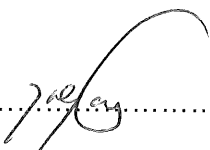
I confirm that the version of the 31 December 2014 syndicate annual accounts submitted to Lloyd's in electronic PDF file format, via the Lloyd's Market Returns Website on or before 24 March 2015, is identical to the hardcopy signed version of the syndicate annual accounts submitted to Lloyd's Market Finance Department on or before 17 March 2015.

and either:

~~*I confirm that the version of the 31 December 2014 syndicate underwriting year accounts submitted to Lloyd's in electronic PDF file format, via the Lloyd's Market Returns Website on or before 24 March 2015, is identical to the hardcopy signed version of the syndicate underwriting year accounts submitted to Lloyd's Market Finance Department on or before 24 March 2015.~~

or

*I confirm that no syndicate underwriting year accounts have been produced for this syndicate because either the syndicate has no year that has reached the normal date of closure or because all members have agreed that no underwriting year accounts are required.

Signed .....

Director / ~~Compliance Officer~~

Name IAN GARVEN.....

(Block capitals)

Date 17 MARCH 2015.....

*Delete as appropriate

This form is to be signed and dated by a Director or compliance officer and returned to Shabbir Patel, Market Finance, 1986 Building/G5, 1 Lime Street, London, EC3M 7HA, by Tuesday 24 March 2015.