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MONTPELIER SYNDICATE 5151

SYNDICATE ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2014

MONTPELIER SYNDICATE 5151

CONTENTS

MONTPELIER SYNDICATE 5151

REPORT OF THE DIRECTORS OF MONTPELIER AT LLOYD'S LIMITED

The directors of Montpelier at Lloyd's Limited ("the Company"), company registration number 06539650, present their report and Syndicate 5151 Annual Accounts for the year ended 31st December 2014.

The annual report has been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("Lloyd's Regulations 2008") and applicable Accounting Standards in the United Kingdom. The recommendations of the Statement of Recommended Practice on Accounting (SORP) for Insurance Business issued in December 2005 (as amended in December 2006) by the Association of British Insurers (ABI) have been adopted.

Strategic Report

Review of the Business

The principal activity of the Syndicate continues to be the underwriting of general insurance and reinsurance business in the Lloyd's market, written in London and the US. The US business is written by Montpelier Underwriting Inc. ("MUI"), a wholly owned subsidiary of the Montpelier group, by means of binding authorities granted by the Syndicate.

Underwriting Performance

The Syndicate's underwriting business is managed along four key lines, Property, Marine, Specialty and Engineering. The Syndicate's results for 2014 and 2013, split by these key classes of business, are detailed below. Management expenses, not directly attributable to underwriting, and investment return are not shown as allocated to a class of business but are shown in the Corporate segment. This segment also includes the impact of the whole account quota share reinsurance ceded to the Syndicate's group company Montpelier Re Ltd.

Syndicate 2014 Financial Performance	**Property £m**	**Marine £m**	**Specialty £m**	**Engineering £m**	**Corporate £m**	**Total Syndicate £m**
Gross Written Premiums	57.0	48.1	47.8	19.3	-	**172.2**
Net Earned Premiums	42.2	46.6	40.1	20.2	(44.7)	**104.4**
Net Claims Incurred	(13.3)	(25.5)	(24.6)	(15.7)	24.6	**(54.5)**
Expenses	(13.0)	(15.4)	(11.8)	(6.1)	3.6	**(42.7)**
Underwriting Result	**15.9**	**5.7**	**3.7**	**(1.6)**	**(16.5)**	**7.2**
Investment return	-	-	-	-	3.1	**3.1**
Balance on technical account	**15.9**	**5.7**	**3.7**	**(1.6)**	**(13.4)**	**10.3**
Claims ratio	31.5%	54.7%	61.5%	77.5%	-	52.2%
Expense ratio	30.7%	33.2%	29.4%	30.1%	-	40.9%
Combined ratio	**62.3%**	**87.9%**	**90.9%**	**107.6%**	**-**	**93.1%**

Syndicate 2013 Financial Performance	**Property £m**	**Marine £m**	**Specialty £m**	**Engineering £m**	**Corporate £m**	**Total Syndicate £m**
Gross Written Premiums	43.0	54.6	36.8	16.0	-	**150.3**
Net Earned Premiums	33.2	48.5	35.4	19.4	(42.1)	**94.3**
Net Claims Incurred	(0.4)	(33.1)	(20.6)	(16.1)	26.2	**(44.0)**
Expenses	(9.8)	(15.8)	(11.9)	(6.1)	3.8	**(39.7)**
Underwriting Result	**23.0**	**(0.4)**	**2.9**	**(2.8)**	**(12.1)**	**10.6**
Investment return	-	-	-	-	1.7	**1.7**
Balance on technical account	**23.0**	**(0.4)**	**2.9**	**(2.8)**	**(10.4)**	**12.3**
Claims ratio	1.1%	68.2%	58.2%	83.3%	-	46.8%
Expense ratio	29.4%	32.5%	33.6%	31.4%	-	41.8%
Combined ratio	**30.5%**	**100.7%**	**91.8%**	**114.7%**	**-**	**88.6%**

REPORT OF THE DIRECTORS OF MONTPELIER AT LLOYD'S LIMITED CONTINUED

Gross Written Premiums grew from £150.3m in 2013 to £172.2m in 2014 following the addition of new teams writing direct and facultative property and engineering business.

The majority of the Syndicate's lines of business continue to face rating pressure. Growth has therefore been selective in those lines of business highlighted above as well as within the Specialty line of business. We have reduced our written premium within the Marine line of business where in certain areas we felt that premium rates were not adequate.

The Syndicate generated an underwriting profit of £7.2m for the year (2013 – £10.6m), representing a combined ratio of 93.1% (2013 – 88.6%). After the addition of investment returns the overall result for 2014 is a profit of £10.3m (2013 – profit £12.3m).

The Syndicate recorded a claims ratio of 52.2% during 2014 (2013 – 46.8%). This is the result of a relatively benign claims environment in 2014, notable for the absence of any major catastrophic events. Further to this relatively benign claims environment, the Syndicate benefitted from positive development on prior year claims reserves of £19.8m (2013 - £25.0m), the reduction in prior year reserve release is the main reason for the small increase in the net claims ratio in 2014.

The Syndicate purchases outwards reinsurance to protect against large losses from future events. This reinsurance is purchased on both an excess of loss and quota share basis.

Excess of loss reinsurance is purchased predominantly with parties external to the Montpelier Group, premiums ceded on this basis totalled £10.7m during 2014 (2013 – £10.3m).

Quota share reinsurance is purchased with both external third parties and with the Syndicate's fellow Group company Montpelier Re Ltd.

Quota share reinsurance with external parties is purchased for certain contracts or classes of business within the Syndicate which are in the early stages of growth. Reinsurance purchased on this basis totalled £3.2m in 2014.

The Syndicate was party to two quota share reinsurance arrangements with its Group company Montpelier Re Ltd in 2014. The first of these covered European Treaty Cat business written by the Syndicate in 2014, approximately 90% of this business was ceded to Montpelier Re Ltd, amounting to £6.7m.

The Syndicate also purchases whole account quota share protection with Montpelier Re Limited. This quota share provides reinsurance protection for 30% of the losses incurred on the 2012, 2013 and 2014 accident years; premiums ceded on this basis totalled £44.2m during 2014 (2013 – £42.2m).

Investment Performance

The Syndicate's investment portfolio returned £3.1m net of fees for 2014 (2013 – £1.7m), representing a return on average assets under management of 1.8% (2013 – 0.8%). A breakdown of the investment portfolio is detailed in the Financial Position section below.

Cash Flows

There was a £20.3m reduction in the Syndicate's cash and investments as a result of the return of a previous cash call in respect of the closing 2011 year of account. Cash flow at the operating level was positive at £18.2m (2013: £2.2m).

REPORT OF THE DIRECTORS OF MONTPELIER AT LLOYD'S LIMITED CONTINUED

Financial Position

The main components of the Syndicate's balance sheet are Investments and Technical Provisions.

The Syndicate's investment portfolio comprises a core portfolio of government, quasi-government and high grade corporate bonds, a smaller portfolio of lower grade high-yield bank loans and cash and overseas deposits.

As at the year end the core portfolio managed by GR NEAM comprised 83.2% (2013 – 84.0%) of total cash and investments, the bank loan portfolio, managed by Pinebridge, comprised 8.8% (2013 – 8.9%) and cash and overseas deposits the balance.

	AAA	AA	A	BBB & below	Total
	£m	£m	£m	£m	£m
Debt and other fixed income securities	33,659	53,643	42,992	29,266	159,560
Holdings in collective investment schemes	4,549	-	1,099	-	5,648
Cash and overseas deposits	1,915	1,600	13,124	-	16,639
Total	40,123	55,863	57,215	29,266	181,847

Technical provisions include a provision for gross outstanding claims reported of £100.3m and gross claims incurred but not reported of £130.6m. The reinsurers' share of these technical provisions are £30.0m and £42.7m respectively. Gross unearned premium at the balance sheet date was £86.5m and the reinsurers' share of this was £4.3m.

Future developments

The Syndicate intends to continue to expand both its existing business written at the box in Lloyd's and also the business written in the USA and other geographical locations, where profitable opportunities arise.

The Syndicate delivers its annual Syndicate Business Forecast ("SBF") to Lloyd's each year and this forms the basis of the Syndicate's short term business plans.

The Syndicate's 2015 SBF was submitted with planned gross written premium of £178.0m. The SBF contains targeted growth in areas where the Syndicate has recently expanded its underwriting teams.

Principal risks and uncertainties

The Board of Directors sets risk appetite annually as part of the Syndicate's business planning and Capital Assessment process. The Board has continued to review the risk appetite adopted through the year in the context of the worldwide economic climate. The company has a Risk and Compliance Committee which meets quarterly 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:

REPORT OF THE DIRECTORS OF MONTPELIER AT LLOYD'S LIMITED CONTINUED

Insurance risk

Insurance risk includes the risks 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 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. Performance against the business plan is monitored regularly throughout the year by the Underwriting Committee, Reserving Committee and the Board. Reserve adequacy is monitored by quarterly reviews by the Syndicate Actuary who reports to the Audit Committee and the Board.

Credit risk

Credit risk is defined as the risk that a counterparty is unable, or unwilling, to settle its debts to the Syndicate as they fall due.

A key aspect of credit risk is the risk of default by one or more of the Syndicate's reinsurers or the default by a number of the Syndicate's insurance intermediaries. The Company manages this risk through a Counterparties Committee which assesses and is required to approve reinsurers and insurance intermediaries before business is placed with them. The committee also reviews the Syndicate's inward insurance and reinsurance debt position, together with amounts due from individual insurance intermediaries.

Another key aspect of credit risk is the risk of default on one or more of the investment counterparties. The Syndicate's investment guidelines ensure that the Syndicate's investments are held in high quality instruments. The portfolios are monitored for concentration with respect to issuers and credit ratings. Counterparty exposures are calculated regularly and compared with authorised credit limits before further transactions are undertaken with counterparties. The fixed and floating interest bond portfolio, together with cash investments, are managed with counterparties having an overall average credit agency rating of A or better. The syndicated bank loan portfolio is managed with counterparties having an overall average credit agency rating of B or better.

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. To mitigate this risk the insurance debtors and creditors are reviewed by currency on a regular basis in order that they are in line with Lloyd's requirements.

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 cash balances and future cash flow projections are reviewed on a regular basis.

Interest rate risk

The Syndicate is exposed to interest rate risk arising on interest bearing assets. Assets with floating interest rates expose the Syndicate to cash flow interest rate risk. Fixed interest rate assets expose the Syndicate to fair value risk.

The Syndicate's strategy is to invest primarily in high quality, liquid securities and cash and to actively manage their duration.

Operational risk

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

REPORT OF THE DIRECTORS OF MONTPELIER AT LLOYD'S LIMITED CONTINUED

Regulatory and compliance risk

The Company's and the Syndicate's operations have been historically subject to regulation by the FSA and the Council of Lloyd's. The FSA was responsible under the Financial Services and Markets Act 2000 for regulating UK insurers including the Society of Lloyd's as well as individual Lloyd's managing agents. The Council of Lloyd's is responsible under the Lloyd's Act 1982 for the management and supervision of the market as a whole, including Lloyd's members, syndicates and Lloyd's managing agents.

The UK Financial Services Bill received Royal Assent on 19th December 2012. This came into force from 1st April 2013 and provides the following changes to the regulatory landscape:

- It gave the Bank of England responsibility for protecting and enhancing financial stability, bringing together macro and micro prudential regulation; and
- It abolished the FSA and created a new regulatory framework consisting of the Financial Policy Committee of the Bank of England ("FPC"), the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA").

Macro-prudential supervision is now the responsibility of the new FPC. The FPC will monitor risks to financial stability and, when it identifies risks, will offer advice and recommendations to appropriate bodies. It will not have direct powers over individual financial institutions, but will have powers of direction over micro-prudential regulators.

Micro-prudential supervision is the responsibility of two regulatory authorities:

- The Prudential Regulatory Authority ("PRA") is responsible for the prudential regulation of banks and insurers (including Lloyd's and Lloyd's managing agents). It is a subsidiary of the Bank of England. Its general objective is promoting the safety and soundness of PRA-authorised persons; it also has the insurance objective of securing an appropriate degree of protection for policyholders.
- The Financial Conduct Authority ("FCA") regulates business conduct in financial services, including the Lloyd's Market, and prudentially regulates firms not regulated by the PRA (including insurance intermediaries). It has the single strategic objective of ensuring that the relevant markets function well. The FCA will be an independent entity, taking over the FSA's legal structure.

The Company is a dual-regulated firm and as such, has interactions with both statutory regulators. The PRA's focus with regards to Lloyd's managing agents is on solvency and risk management, whereas the FCA's initial focus is on policyholder treatment, financial crime and sanctions risks.

The Company is required by Lloyd's to maintain a minimum level of funds. Regulatory and compliance risk is considered to be the inability or failure of the Company to comply with UK or overseas regulatory requirements.

Directors

The directors of the Company who served during the financial year ended 31st December 2014 and up to the date of signing their financial statements were as follows:

Executive Directors:	Non-Executive Directors:
R M M Chattock	T G S Busher
L J Gibbins	C L Harris
M J S Southgate	P T O'Neill
M Taylor	N J Newman-Young (resigned 31st December 2014)
	I M Winchester

None of the directors has any participation in the premium income capacity of the Syndicate.

REPORT OF THE DIRECTORS OF MONTPELIER AT LLOYD'S LIMITED CONTINUED

Charitable donations

There were no charitable donations in the year.

Disclosure of information to the auditors

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

Independent Auditors

It is the intention to reappoint PricewaterhouseCoopers LLP as Syndicate auditors for the forthcoming year. PricewaterhouseCoopers LLP also act as auditors for the Company.

REPORT OF THE DIRECTORS OF MONTPELIER AT LLOYD'S LIMITED CONTINUED

Statement of Managing Agent's responsibilities

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

The Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulations 2008 requires the Managing Agent to prepare Syndicate annual accounts at 31st 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 which are applied consistently, subject to changes arising on the adoption of new accounting standards in the year;
- 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 these accounts, and
- prepare the Syndicate 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 directors confirm they have complied with the above requirements in preparing the Syndicate annual report and accounts for Syndicate 5151.

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 annual accounts may differ from legislation to other jurisdictions.

By order of the Board

L J Gibbins
Director

13th March 2015

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNDICATE 5151

Report on the syndicate annual accounts

Our Opinion

In our opinion the syndicate annual accounts, defined below:

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2014 and of its profit and cash flows 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

What we have audited

The syndicate annual accounts for the year ended 31 December 2014, which are prepared by the Managing Agent, comprise:

- the Balance Sheet as at 31 December 2014;
- the Profit and Loss Account for the year then ended;
- the Statement of Cash Flows; and
- the notes to the syndicate annual accounts, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the syndicate annual accounts is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Managing Agent has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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

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

Other matters on which we are required to report by exception

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNDICATE 5151 (continued)

Responsibilities for the syndicate annual accounts and the audit

Our responsibilities and those of the Managing Agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 7, the Managing Agent is responsible for the preparation of syndicate annual accounts and for being satisfied that they 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the syndicate's members as a body in accordance with section 10 of part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of syndicate annual accounts involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the syndicate annual accounts sufficient to give reasonable assurance that the syndicate annual accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the syndicate's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Managing Agent; and
- the overall presentation of the syndicate annual accounts.

We primarily focus our work in these areas by assessing the Managing Agent's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the syndicate annual accounts.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.

James Pearson

James Pearson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
13 March 2015

PROFIT AND LOSS ACCOUNT

TECHNICAL ACCOUNT – GENERAL BUSINESS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes		2014		2013
		£'000	£'000	£'000	£'000
Earned premiums, net of reinsurance					
Gross premiums written	4		172,191		150,316
Outward reinsurance premiums			(62,815)		(56,893)
Net premiums written			109,376		93,423
Change in provision for unearned premiums					
Gross amount		(4,629)		(1,143)	
Reinsurers' share		(336)		1,989	
Change in net provision for unearned premiums			(4,965)		846
Earned premiums, net of reinsurance			104,411		94,269
Allocated investment return Transferred from the non-technical account			3,101		1,739
Claims paid, net of reinsurance					
Gross amount		(63,249)		(85,239)	
Reinsurers share		18,612		17,606	
		(44,637)		(67,633)	
Change in the provision for claims					
Gross amount		(26,678)		12,448	
Reinsurers' share		16,853		11,169	
Change in the net provision for claims		(9,825)		23,617	
Claims incurred, net of reinsurance			(54,462)		(44,016)
Change in unexpired risk provision			-		(62)
Net operating expenses	5		(42,766)		(39,660)
Balance on the technical account for general business			**10,284**		**12,270**

All operations are continuing.

PROFIT AND LOSS ACCOUNT

NON-TECHNICAL ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	£'000	2014 £'000	£'000	2013 £'000
Balance on the general business technical account			**10,284**		**12,270**
Investment result					
Investment income		3,944		4,368	
Unrealised gains on investments		(5)		209	
Unrealised losses on investments		372		(2,114)	
Investment expenses and charges		(1,210)		(724)	
Allocated investment return					
Transferred to the general business technical account		(3,101)		(1,739)	
			-		-
Profit for the financial year	10		**10,284**		**12,270**

There were no recognised gains or losses for the year other than those included in the profit and loss account. Therefore no statement of recognised gains and losses has been presented.

There are no differences between the profit for the financial year stated above and their historical cost equivalents.

MONTPELIER SYNDICATE 5151

BALANCE SHEET - ASSETS

AS AT 31 DECEMBER 2014

	Notes		2014		2013
		£'000	£'000	£'000	£'000
Investments					
Other financial investments	8		165,208		183,308
Reinsurers' share of technical provisions					
Provision for unearned premiums		4,311		4,648	
Claims outstanding		72,770		51,830	
			77,081		56,478
Debtors					
Debtors arising out of direct insurance operations	9	64,116		54,200	
Debtors from ceding insurers and intermediaries		23,134		15,317	
Debtors arising out of reinsurance operations		23,470		9,253	
Other debtors		2,206		1,214	
			112,926		79,984
Other assets					
Cash at bank and in hand		4,007		5,549	
Overseas deposits		12,632		7,613	
			16,640		13,162
Prepayments and accrued income					
Deferred acquisition costs		22,042		19,798	
Other prepayments and accrued income		1,047		673	
			23,089		20,471
Total assets			**394,944**		**353,403**

BALANCE SHEET - LIABILITIES

AS AT 31 DECEMBER 2014

	Notes		2014		2013
		£'000	£'000	£'000	£'000
Capital and reserves					
Member's balances	10		(11,383)		16,838
Technical provisions					
Provisions for unearned premiums		86,482		81,853	
Claims outstanding	11	232,321		203,686	
Unexpired risk reserve		-		-	
			318,803		285,539
Creditors					
Creditors arising out of direct insurance operations		5,286		1,445	
Creditors arising out of reinsurance operations		74,189		46,700	
Other creditors, including taxation and social security	12	7,160		2,134	
			86,635		50,279
Accruals and deferred income			888		747
Total liabilities			**394,944**		**353,403**

The financial statements on pages 10 to 33 were approved by the Board of Montpelier at Lloyd's Limited on 3rd March 2015 and were signed on its behalf by:

L J Gibbins
Director

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 £'000	2013 £'000
Net cash inflow from operating activities	13	18,210	2,165
Transfers to member			
Distribution of profits on prior years of account	10	(38,505)	(16,836)
		(20,295)	(14,671)
Cash flows were invested as follows:			
(Increase)/decrease in investment portfolio	14	(23,542)	2,019
Decrease in cash holdings	14	(1,500)	(16,102)
Decrease/(increase) in overseas deposits	14	4,747	(588)
		(20,295)	(14,671)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1. Basis of preparation

The annual report has been prepared in accordance with regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("Lloyd's Regulations 2008") and applicable Accounting Standards in the United Kingdom. The recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued in December 2005 (as amended in December 2006) by the Association of British Insurers have been adopted.

The directors of the managing agent have prepared the financial statements on the basis that the syndicate will continue to write future business and settle its obligations as due.

2. Accounting policies

Premiums written
Premiums written comprise premiums on contracts incepted during the financial year as well as adjustments made to premiums on contracts incepted in prior accounting periods. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Premiums include estimates for pipeline premiums, representing amounts due to the Syndicate 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 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 reserves and related recoveries
Claims reserves represent estimates of future amounts needed to pay claims and related expenses (such as claim adjusters' fees and legal expenses) for insured losses that have occurred. The process of estimating these reserves involves a considerable degree of judgment and estimates as of any given date are inherently uncertain.

Estimating claims reserves and claims expenses requires assumptions regarding reporting and development patterns, frequency and severity trends, claims settlement practices, potential changes in legal environments, inflation, loss amplification and other factors. These estimates and judgments are based on numerous considerations and are often revised as a result of:

i. changes in loss amounts reported by reinsurance companies;
ii. additional information, experience or other data;
iii. development of new or improved methodologies; or
iv. changes in the law.

The claims reserves relating to short-tail property risks are typically reported and settled more promptly than those relating to long-tail risks. However, the timeliness of loss reporting can be affected by such factors as the nature of the event causing the loss, the location of the loss, whether the loss is from policies written as direct business or reinsurance where exposure falls within overall insurance program. In the case of reinsurance business, the reserving process is highly dependent on the loss information received from insurance companies.

2. Accounting policies (continued)

Claims reserves and related recoveries (continued)
The claims reserves are comprised of case reserves (which are based on claims that have been reported to us) and IBNR reserves (which are based on losses believed to have occurred but for which claims have not yet been reported to us and a provision for expected future development on case reserves).

Case reserve estimates are initially determined on the basis of loss reports received from third parties. Case estimates are set by experienced claims technicians, applying their skill and specialist knowledge to the circumstances of individual claims. IBNR reserve estimates are determined using various actuarial methods as well as a combination of historical loss experience, historical insurance industry loss experience, estimates of pricing adequacy trends and professional judgment. The process used to estimate our IBNR reserves involves projecting estimated ultimate claims loss and claims expenses reserves and then subtracting paid claims and case reserves to arrive at the IBNR reserve.

Most of the treaty reinsurance contracts comprise business which has both a low frequency of claims occurrence and a high potential severity of loss, such as claims arising from natural catastrophes, terrorism, large individual property risks, marine, space and aviation risks. Given the high-severity, low-frequency nature of these events, the losses typically generated do not lend themselves to traditional actuarial reserving methods, such as statistical calculations of a range of estimates surrounding the best point estimate of claims and claims expenses reserves. Therefore, where such events occur, the reserving approach for these types of coverage is to estimate the ultimate cost associated with that event rather than analysing the historical development patterns of past losses as a means of estimating ultimate losses for an entire accident year. Reserves are estimated for these large events on a contract-by-contract basis by means of a review of policies with known or potential exposure to a particular loss event.

The two primary bases for estimating the ultimate loss associated with a large event are:
i. actual and precautionary claims advices received; and
ii. the nature and extent of the impact the event is estimated to have on the industry as a whole.

Immediately after a loss event, reliance is placed on output provided by commercially available catastrophe models, as well as proprietary models developed in-house to estimate the nature and extent of the event. The exposure potentially affected by the event is analysed on the basis of this output. As the amount of information received from insured's increases during the period following an event, so does our reliance on this correspondence.

While the approach used in reserving for large events is applied with consistency, at any point in time the specific reserving assumptions may vary among contracts. The assumptions for a specific contract may depend upon the class of business, historical reporting patterns of the reinsurer, whether or not the reinsurer provides an IBNR estimate, how much of the loss has been paid, the number of underlying claims still open and other factors.

For non-catastrophe losses, trend-based actuarial methodologies are applied in setting reserves, including paid and incurred loss development, Bornheutter-Ferguson and frequency and severity techniques. Industry loss ratio and development pattern information is also used, in conjunction with direct experience. The weight given to a particular method will depend on many factors, including the homogeneity within the class of business, the volume of losses, the maturity of the accident year and the length of the expected development tail.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

2. Accounting policies (continued)

Claims reserves and related recoveries (continued)
For example, development methods rely on reported losses, while expected loss ratio methods are typically based on expectations established prior to a notification of loss. Therefore, as an accident year matures, there will be migration from an expected loss ratio method to an incurred development method.

Unexpired risk 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.

Reinsurance to close ("RITC")
Following the end of the third year, the underwriting account of each Lloyd's syndicate is normally closed by reinsurance into the following year of account. The amount of the RITC premium is determined by the managing agent, generally by estimating the cost of claims notified but not settled together with the estimated cost of claims incurred but not reported at that date and claims handling costs.

The payment of an RITC premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring syndicate was unable to meet its obligations, and other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle the outstanding claims. The directors consider that the likelihood of such a failure of the RITC is remote, and consequently the RITC has been deemed to settle liabilities outstanding at the closure of an underwriting account.

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

Foreign currencies
The functional and presentation currency of the Syndicate is UK pounds sterling (£).

Transactions in US Dollars, Canadian Dollars and Euros are translated at the average rates of exchange for the year, where the proxy for an average rate is the previous month end's closing rate. Underwriting transactions denominated in other foreign currencies, including Japanese Yen and Australian Dollars, are included at the rate of exchange ruling at the date the transaction is processed.

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. Non-monetary assets and liabilities are translated at the rates ruling at the transaction dates. Unearned premiums reserves and deferred acquisition costs have been treated as non-monetary items.

Exchange differences are included in the technical account.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

2. Accounting policies (continued)

Financial assets

The Syndicate classifies its financial assets into the following categories as set out below. There are no assets classified as available for sale. The classification depends on the purpose for which the investments were acquired and management determines the classification of its investments at initial recognition.

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

i. Financial assets at fair value through profit and loss

The Syndicate classifies its investments at fair value through profit and loss. Financial investments classified into this category form a portfolio which may be sold to meet the cash flow requirements of the Syndicate or as investment conditions change.

Purchases and sales of investments are accounted for at their fair values (normally their cost of acquisition or proceeds of disposal) on the trade date, which is the date the syndicate commits to purchase or sell the assets. The fair value of quoted investments is based on quoted bid prices.

Unquoted investments are initially carried at cost as the best estimate of fair value, which is adjusted using appropriate valuation techniques and having regard to subsequent events or changes in circumstances.

Realised and unrealised gains and losses arising from the changes in fair values are included in investment return in the profit and loss statement in the period in which they arise.

ii. Receivables

Receivables are non-derivative financial assets with fixed or determinable cash flows that are not quoted in an active market, are not intended to be sold in the short term and do not fall into the other categories of financial assets as described above.

Appropriate provisions for estimated irrecoverable amounts are recognised in the profit and loss statement when there is objective evidence that the Syndicate will not be able to collect all amounts due according to their original terms. These are reversed if the payment is received. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment together with the impairment review of loans and receivables.

iii. Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are determined by reference to quoted market prices for similar instruments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

2. Accounting policies (continued)

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 period 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.

Syndicate expenses

Where expenses are incurred by the UK group service company on behalf of the Syndicate, they are recharged to the Syndicate.

Pension costs

Montpelier Underwriting Services Limited, a UK associated company, operates a defined contribution pension scheme. Pension contributions relating to Syndicate staff are charged to the Syndicate and included within net operating expenses.

3. Financial risk

The Syndicate is exposed to a wide range of financial risks, the key financial risk being that the proceeds from its assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of financial risk are credit risk, market risk and liquidity risk.

An analysis of the Syndicate's exposure to each significant component of financial risk is given below:

Credit risk

Credit risk is defined as the risk that a counterparty is unable, or unwilling, to settle its debts to the Syndicate as they fall due. The primary sources of credit risk for the syndicate are: amounts due from reinsurers, amounts due from insurance intermediaries, and counterparty risk with respect to investments including cash and cash equivalents. The Syndicate has in place policies and procedures designed to manage its credit risk exposures.

The credit risk in respect of reinsurance debtors is primarily managed by review and approval of reinsurance security by the Company's Counterparties Committee, prior to the purchase of reinsurance contracts. Guidelines are set, and monitored, that limit the purchase of reinsurance based on Standard & Poor's or appropriate alternative ratings for each reinsurer.

The credit risk in respect of insurance intermediaries is managed through the Company's Counterparties Committee, with the assistance of the underwriting department and the binder management team. To transact business with the Syndicate the insurance intermediary must first comply with internal guidelines that include approval (where relevant) by both the PRA and Lloyd's, to have a satisfactory credit rating and to have in place a Terms of Business Agreement or a Binding Authority Agreement with the Syndicate.

3. Financial assets (continued)

Credit risk (continued)

The position is then monitored through on-going review of the amount of debt outstanding to terms, and by regular cover-holder audit.

Credit risk within the investment funds is managed through the credit research carried out by the investment managers. The investment guidelines are designed to mitigate credit risk by ensuring diversification of the holdings. Fixed income investments are predominantly invested in Government and corporate bonds.

An analysis of the Syndicate's major exposure to counterparty credit risk, which is based on Standard & Poor's or equivalent rating, is presented below.

At 31 December 2014	AAA £'000	AA £'000	A £'000	Other/ Not rated £'000	Total £'000
Reinsurance debtors and reinsurers' share of claims outstanding	-	619	52,877	-	53,496
Debtors arising out of direct insurance operations	-	-	-	64,116	64,116
Debtors from ceding insurers and intermediaries	-	-	22,950	184	23,134
Debt and other fixed income securities	33,659	53,643	42,992	29,266	159,560
Holdings in collective investment schemes	4,549	-	1,099	-	5,648
Cash	-	-	4,007	-	4,007
Overseas deposits	-	-	12,632	-	12,632
Total	38,208	54,262	136,557	93,566	322,593

At 31 December 2013	AAA £'000	AA £'000	A £'000	Other/ Not rated £'000	Total £'000
Reinsurance debtors and reinsurers' share of claims outstanding	-	418	28,524	19	28,961
Debtors arising out of direct insurance operations	-	-	-	54,200	54,200
Debtors from ceding insurers and intermediaries	-	-	10,267	5,050	15,317
Debt and other fixed income securities	54,303	53,362	40,164	28,216	176,045
Holdings in collective investment schemes	5,132	-	1,714	-	6,846
Forward exchange contract	-	-	417	-	417
Cash	-	-	5,549	-	5,549
Overseas deposits	-	-	7,613	-	7,613
Total	59,435	53,780	94,248	87,485	294,948

Reinsurance debtors and reinsurers' share of claims outstanding exclude IBNR.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

3. Financial assets (continued)

Credit risk (continued)
The financial assets included in the 'other/not rated' column relate to debt and other fixed income securities with credit ratings of BBB to CCC, premium debtors, reinsurance debtors and reinsurers' share of claims outstanding with unrated counterparties.

Collateral is held in trust in respect of debtors outstanding on a quota share between the Syndicate and Montpelier Reinsurance Ltd ("MRE"), a Montpelier group company incorporated in Bermuda. This includes debt securities, cash and cash equivalents are held with The Bank of New York Mellon, with a fair value of £32.86m (2013 – £12.01m) as at 31st December 2014.

Valuation Hierarchy
The syndicate has classified its financial instruments as at 31st December 2014 using the fair value hierarchy required by the Amendments to FRS 29 Financial Instruments Disclosures. The fair value hierarchy classifies financial instruments into Level 1 to Level 3 based on the significance of the inputs used in measuring their fair value. The levels within the fair value hierarchy are defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for the identical instruments.
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 – Valuation techniques for which any significant input is not based on observable market data.

At 31 December 2014	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Debt and other fixed income securities	20,634	138,926	-	159,560
Holdings in collective investment schemes	5,648	-	-	5,648
Total	26,282	138,926	-	165,208

At 31 December 2013	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Debt and other fixed income securities	25,446	150,599	-	176,045
Holdings in collective investment schemes	6,846	-	-	6,846
Forward exchange contract	-	417	-	417
Total	32,292	151,016	-	183,308

The level within the hierarchy that a financial instrument is placed is based on the lowest level of any input that is significant to its fair value measurement.

3. Financial assets (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factors.

Market risk comprises three types of risk as set out below:

- interest rate risk (due to fluctuations in market interest rates)
- currency risk (due to fluctuations in foreign exchange rates)
- price risk (due to fluctuations in market prices)

Interest rate risk

The majority of the Syndicate's investments comprise cash and fixed income securities. The fair value of the Syndicate's investments is inversely correlated to movements in interest rates. If interest rates fall, the fair value of the syndicate's fixed income securities tends to rise and vice versa.

The tables below show the potential impact to the profit and loss and equity resulting from fluctuations in interest rates, based on the portfolio duration, as follows:

At 31 December 2014	GBP'000	USD'000	CAD'000	EUR'000	Cnv GBP'000
Change in interest rates (Basis points)					
+100 bps	(290)	(3,002)	(276)	(642)	(2,875)
+50 bps	(147)	(1,522)	(139)	(324)	(1,456)
-50 bps	69	1,061	141	(101)	750
-100 bps	132	1,732	261	(104)	1,308

At 31 December 2013	GBP'000	USD'000	CAD'000	EUR'000	Cnv GBP'000
Change in interest rates (Basis points)					
+100 bps	-	(4,168)	(89)	-	(2,568)
+50 bps	-	(2,106)	(45)	-	(1,297)
-50 bps	-	2,171	45	-	1,337
-100 bps	-	4,429	91	-	2,727

The Syndicate manages interest rate risk by investing in financial investments with an average duration of less than 3 years. The Company monitors the duration of these assets on a regular basis.

Outstanding claims provisions are not sensitive to the level of interest rates, as they are undiscounted and contractually non-interest bearing.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

3. Financial assets (continued)

Currency risk

The Syndicate operates internationally and its exposures to foreign exchange risk arise primarily with respect to the US Dollar, Canadian Dollar and the Euro. The Syndicate mitigates this risk by endeavouring to maintain a match of assets and liabilities in their respective currencies.

At 31 December 2014	GBP £'000	Converted GBP USD £'000	CAD £'000	Euro £'000	Total £'000
Financial investments	15,658	114,561	10,366	24,623	165,208
Reinsurer's share of claims outstanding	249	48,511	-	4,735	53,495
Debtors	38,739	27,262	9	-	66,010
Cash and overseas deposits	11,293	1,617	1,814	1,916	16,640
Total financial assets	65,939	191,951	12,189	31,274	301,353
Reported claims outstanding	24,205	59,702	2,950	13,462	100,319
Creditors	5,006	77,560	94	3,719	86,379
Total financial liabilities	29,211	137,262	3,044	17,181	186,698

At 31 December 2013	GBP £'000	Converted GBP USD £'000	CAD £'000	Euro £'000	Total £'000
Financial investments	-	175,956	7,352	-	183,308
Reinsurer's share of claims outstanding	84	28,877	-	-	28,961
Debtors	28,147	27,267	-	-	55,414
Cash and overseas deposits	8,774	2,300	1,161	927	13,162
Total financial assets	37,005	234,400	8,513	927	280,845
Reported claims outstanding	16,655	51,384	2,259	11,859	82,157
Creditors	2,632	49,562	4	222	52,420
Total financial liabilities	19,287	100,946	2,263	12,081	134,577

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

3. Financial assets (continued)

Currency risk (continued)

The tables below show the potential impact, based on the financial assets or liabilities by currency as set out above, on the profit and loss and equity resulting from of fluctuations in foreign exchange rates:

		Converted GBP			
At 31 December 2014	**GBP**	**USD**	**CAD**	**Euro**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
+ 10%	-	(4,972)	(831)	(1,281)	(7,084)
+ 5%	-	(2,604)	(435)	(671)	(3,710)
- 5%	-	2,878	481	742	4,101
- 10%	-	6,076	1,016	1,566	8,658

		Converted GBP			
At 31 December 2013	**GBP**	**USD**	**CAD**	**Euro**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
+ 10%	-	(12,133)	(568)	1,014	(11,687)
+ 5%	-	(6,355)	(298)	531	(6,122)
- 5%	-	7,023	329	(587)	6,765
- 10%	-	14,828	694	(1,239)	14,283

The Syndicate manages foreign exchange risk by buying or selling currency to rebalance its monetary assets and liabilities following each quarter end.

Previously the Syndicate bought or sold forward exchange rate contracts to hedge its net monetary assets and liabilities. As at 31st December 2014 the Syndicate does not have any forward exchange rate contracts in force.

The effect of the forward exchange contracts in place as at 31st December 2013 are set out below:

Forward exchange rate contracts		Original Currency		
	GBP'000	**USD'000**	**CAD'000**	**Euro'000**
Forward currency (sale)/purchase:				
CAD/USD	-	4,067	(4,200)	-
EUR/USD	-	(39,764)	-	28,850
GBP/USD	17,750	(28,693)	-	-
Total	17,750	(64,390)	(4,200)	28,850

3. Financial assets (continued)

Price risk
Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded on the market.

The Syndicate holds no equity investments and so has a low exposure to price risk.

Liquidity risk
Liquidity risk arises where insufficient financial resources are maintained to meet liabilities as they fall due.

The Syndicate is exposed to daily calls on its available cash resources, principally from claims arising from its insurance activities. The Syndicate's policy is to manage its liquidity position so that it can reasonably meet a significant individual or market loss event. This means that the syndicate maintains sufficient liquid assets, or assets that can be quickly converted into liquid assets, without any significant capital loss, to meet estimated cash flow requirements. These liquid funds are regularly monitored and the majority of the Syndicate's investments are in highly liquid assets which could be converted into cash in a short time frame and at minimal expense. Cash and overseas deposits are generally bank deposits and money market funds.

4. Segmental analysis

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

2014	Gross written premiums £'000	Gross Premiums Earned £'000	Gross claims incurred £'000	Gross Operating Expenses £'000	Re-insurance Balance £'000	Total £'000
Direct insurance:						
Accident and health	25	15	60	(4)	(23)	48
Marine	24,535	25,384	(19,035)	(6,633)	(2,082)	(2,366)
Transport	8,482	10,133	(5,432)	(2,772)	(2,106)	(177)
Energy-marine	466	580	29	(136)	(202)	271
Energy non-marine	120	153	(9)	(29)	(57)	58
Fire and other damage to property	29,768	23,940	(13,390)	(6,916)	(4,233)	(599)
Third-party liability	21,706	20,735	(14,983)	(6,445)	(1,912)	(2,605)
Pecuniary loss	10,296	6,945	(4,765)	(2,094)	(855)	(769)
	95,398	87,885	(57,525)	(25,029)	(11,470)	(6,139)
Reinsurance	76,793	79,677	(32,402)	(17,737)	(16,216)	13,322
Total	172,191	167,562	(89,927)	(42,766)	(27,686)	7,183

All premiums were concluded in the UK.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

4. Segmental analysis (continued)

2013	Gross Written Premiums £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross Operating expenses £'000	Re-Insurance Balance £'000	Total £'000
Direct insurance:						
Accident and health	(30)	59	(90)	(18)	5	(44)
Marine	26,038	25,494	(17,444)	(8,746)	986	290
Transport	10,085	9,586	(11,249)	(3,113)	2,111	(2,665)
Energy-marine	923	1,005	(461)	(337)	(37)	170
Energy non-marine	247	298	41	(63)	(75)	201
Fire and other damage to property	16,682	14,329	(1,394)	(2,318)	(6,923)	3,694
Third-party liability	19,987	18,530	(12,538)	(8,277)	496	(1,789)
Pecuniary loss	4,738	5,096	(4,155)	(2,244)	464	(839)
	78,670	74,397	(47,290)	(25,116)	(2,973)	(982)
Reinsurance	71,646	74,776	(25,501)	(25,198)	(12,502)	11,575
Total	150,316	149,173	(72,791)	(50,314)	(15,475)	10,593

The geographical analysis of premiums by territory of risk is as follows:

	2014 £'000	2013 £'000
UK	1,528	841
Other EU countries	9,897	2,122
US and Canada	40,629	33,470
Worldwide	120,137	113,883
	172,191	150,316

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

5. Net operating expenses

	2014 £'000	2013 £'000
Acquisition costs	39,979	36,850
Change in deferred acquisition costs	(1,282)	(147)
Administrative expenses	22,033	20,119
Loss on foreign exchange	310	1,366
Profit on forward exchange contracts	(14)	(1,174)
Reinsurer's commissions	(18,260)	(17,354)
	42,766	39,660

Administrative expenses include:

	2014 £'000	2013 £'000
Audit services:		
Fees payable to the Syndicate's auditors for the audit of the Syndicate's accounts	215	218
Non-audit services:		
Other services pursuant to legislation, including the audit of the regulatory return	59	65
Members' standard personal expenses:		
Lloyd's subscriptions	823	737
New Central Fund contributions	398	788
Managing Agent's fees	900	900
Not included in Syndicate administrative expenses:		
Audit of the Managing Agency	15	13

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

6. Staff numbers and costs

All staff are employed by the Montpelier's UK group service company, Montpelier Underwriting Services Limited ("MUSL"). The following amounts were recharged from MUSL to the Syndicate in respect of salary costs:

	2014 £'000	2013 £'000
Wages and salaries	10,558	8,422
Social security costs	1,428	1,447
Other pension costs	433	370
Other	184	166
	12,603	10,405

The average number of employees, employed by MUSL, performing services directly on behalf of the Syndicate during the year was as follows:

	2014 Number	2013 Number
Administration and finance	26	22
Underwriting	24	20
Claims	4	4
	54	46

7. Directors' emoluments

The directors of Montpelier At Lloyd's Limited received the following aggregate remuneration charged to the Syndicate and included within net operating expenses.

	2014 £'000	2013 £'000
Emoluments	4,114	2,882
Contributions to defined contribution pensions	109	139

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

	2014 £'000	2013 £'000
Emoluments	1,527	1,361
Contributions to defined contribution pensions	53	40

8. Financial investments

	Market Value 2014 £'000	Cost 2014 £'000	Market Value 2013 £'000	Cost 2013 £'000
Holdings in collective investment schemes	5,648	5,648	6,846	6,846
Fixed interest securities	139,516	139,670	137,083	138,617
Floating interest rate securities	20,044	20,519	38,962	38,823
Forward exchange contract	-	-	417	-
	165,208	165,837	183,308	184,286

9. Debtors arising out of direct insurance operations

	2014 £'000	2013 £'000
Due from intermediaries within one year	64,116	54,200

10. Reconciliation of member's balances

	2014 £'000	2013 £'000
Member's balances brought forward at 1 January	16,838	18,500
Transfer to corporate member in respect of underwriting participation on closed year of accounts:		
Amount declared and settled with corporate member	(38,505)	(16,836)
Amount declared but not settled with corporate member	-	2,904
Profit for the financial year	10,284	12,270
Member's balances carried forward at 31 December	(11,383)	16,838

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

11. Claims outstanding

The directors have assessed the technical provisions above in accordance with the accounting policies set out within these annual accounts. This is the Syndicate's eighth year of trading and the Syndicate's business includes classes of a long tail nature where the IBNR portion of the total reserves is high, and which typically display greater variation between initial estimates and final outcomes because of the greater level of uncertainty and difficulty estimating these reserves. The Syndicate has appropriate historic loss data for business similar to that underwritten during the period. The Syndicate has projected its claims reserves based on this historic development in order to assess the likely ultimate claims having regard to variations in the business accepted and the strengthening or weakening of the underlying terms and conditions.

Whilst the directors consider that the provision for claims is fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in material adjustments to the amounts provided. Adjustments to the amounts of provision 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.

Favourable prior year claims development of £19.8m (2013 – £25.0m) was experienced in 2014 mainly in respect of the Property lines of business further to changes in ultimate loss ratios.

	2014 £'000	2013 £'000
Reported claims	100,320	82,157
Incurred but not reported	130,581	119,807
Unallocated loss adjustment expenses	1,420	1,722
	232,321	203,686

12. Other creditors, including taxation and social security

	2014 £'000	2013 £'000
Amounts falling due within one year		
Amounts due to group companies	6,126	3,981
Amount due to investment manager	777	293
Amount declared but not settled with corporate member (Note 10)	-	(2,140)
Other creditors	257	-
	7,160	2,134

No security over the Syndicate's assets has been given in respect of the above.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

13. Reconciliation of operating profit/(loss) to net cash inflow from operating activities

	2014 £'000	2013 £'000
Operating profit on ordinary activities	10,284	12,270
Realised/unrealised (gains)/losses on investments	(5,673)	17,357
Increase/(decrease) in net technical provisions	12,661	(25,321)
Increase in debtors and prepayments	(35,559)	(3,792)
Increase in creditors and accruals	36,496	1,650
Net cash inflow from operating activities	18,210	2,165

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

	2014 £'000	2013 £'000
(Decrease)/increase in investment portfolio	(23,542)	2,019
Decrease in cash holdings	(1,500)	(16,102)
Increase/(decrease) in overseas deposits	4,747	(588)
Movement arising from cash flows	(20,295)	(14,671)
Changes in market value and exchange rates	5,672	(17,357)
Total movement in portfolio investments	(14,623)	(32,028)
Portfolio at 1 January	196,470	228,498
Portfolio at 31 December	181,847	196,470

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

	At 1 January 2014 £'000	Cash Flow £'000	Changes to Market Value and Currencies £'000	At 31 December 2014 £'000
Portfolio investments:				
Holdings in collective investment schemes	6,846	(1,444)	246	5,648
Debt and fixed income securities	176,045	(21,681)	5,196	159,560
Forward Exchange Contract	417	(417)	-	-
Total portfolio investments	183,308	(23,542)	5,442	165,208
Cash at bank and in hand	5,549	(1,500)	(42)	4,007
Overseas deposits	7,613	4,747	272	12,632
Total cash and portfolio investments	196,470	(20,295)	5,672	181,847

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

16. Cash flows invested in portfolio investments

	2014 £'000	2013 £'000
Purchases of debt and other fixed income securities	(129,370)	(112,793)
Sales of shares and other variable yield securities	1,444	25,252
Sales of debt and other fixed income securities	151,051	85,522
Settlement of forward exchange contract	417	-
Net cash inflow/(outflow) on portfolio investments	23,542	(2,019)

17. Related parties

I M Winchester and C L Harris are directors of and hold securities in Montpelier Re Holdings Ltd. ("MRH"), the ultimate holding company of the Montpelier Group. T G S Busher, R M M Chattock, P T O'Neill, M J S Southgate, L J Gibbins and M Taylor also hold securities in MRH.

R M M Chattock, L J Gibbins, M J S Southgate and M Taylor were directors of Montpelier Capital Limited ("MCL") during the financial year. MCL is a wholly aligned corporate member which provides 100% of the underwriting capacity of Syndicate 5151.

During the year, the Syndicate was a party to the following transactions with related parties within the Montpelier Group:

For the 2014 underwriting year the Syndicate purchased reinsurance from Montpelier Reinsurance Ltd ("MRE"), a wholly owned subsidiary of the Montpelier Group. The cost of the reinsurance protection was £50,883,882 (2013 – £42,151,664). The Syndicate also purchased reinsurance in conjunction with MRe and its apportioned share of the cost was £3,417,489 (2013 – £4,452,202).

The Syndicate paid fees to the managing agency of £900,000 (2013 – £900,000), based on percentage of underwriting capacity.

During the year the Syndicate was a party to binding authority agreements whereby certain business in the United States was written on behalf of the Syndicate by Montpelier Underwriting Inc. ("MUI"). MUI is incorporated in the U.S. and is a wholly owned subsidiary of the Montpelier Group. Gross premiums written under these agreements amounted to £7,720,969 (2013 – £15,652,308) in respect of which the Syndicate paid commissions to MUI of £1,289,946 (2013 – £1,723,163). C L Harris and M S Paquette are directors of MUI.

Montpelier Technical Resources Ltd ("MTRL"), a company incorporated in the US and a wholly owned subsidiary of the Montpelier Group, is responsible for providing IT services to the Montpelier Group worldwide. MTRL has charged the Syndicate £2,737,930 (2013 – £3,006,493) during the period for services under this agreement. C L Harris is also a director of MTRL.

17. Related parties (continued)

Montpelier Underwriting Services Limited ("MUSL"), a company incorporated in the UK and a wholly owned subsidiary of the Montpelier Group, acts as a service company to the UK Montpelier Group companies, and incurs the cost of the majority of the UK companies' expenses. A significant element of the Syndicate's costs are borne by MUSL and then reimbursed by the Syndicate. In 2014 these costs amounted to £15,243,649 (2013 – £13,169,482). R M M Chattock, L J Gibbins, M J S Southgate and M Taylor were directors of MUSL during the financial year.

Montpelier Holdings Limited ("MHL") acts as the UK parent company for all Montpelier Group UK entities. R M M Chattock, C L Harris and L J Gibbins are directors of MHL, a company incorporated in the UK.

18. Funds at Lloyd's

Every Lloyd's 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 FSA 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 Company, no amount has been shown in these financial statements by way of such capital resources. However, the Company is entitled to make a call on the Members' FAL to meet liquidity requirements or to settle losses.

19. Off-Balance Sheet

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

20. Ultimate Parent Company

As at 31st December 2014, the immediate parent company of Montpelier At Lloyd's Limited (Formerly Montpelier Underwriting Agencies Limited) was MHL and the ultimate parent company was MRH, which is both the smallest and largest Montpelier Group company where consolidated accounts are prepared. The consolidated financial statements of MRH can be obtained from that company's offices at Montpelier House, 94 Pitts Bay Road, Pembroke, Bermuda HM08, or PO Box HM 2079, Hamilton, Bermuda, HMHX. MRH is incorporated in Bermuda.