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SYNDICATE 6103

Report and Financial Statements
31 December 2014

MAP

Underwriting at Lloyd's

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CHAIRMAN'S REPORT

It should come as no surprise to capital providers that this Special Purpose Syndicate has gone into hibernation. Our promise to all participants has been that we will take them to the party and escort them home before the fights break out and the washing up has to be done. Sadly, as always, there are people still arriving and squabbling over the stale canapés and flat beer.

There are very few exciting opportunities at the moment, so the Syndicate is down to a minimal 10% share of the relevant Syndicate 2791 portfolio, but the catastrophe market can change very rapidly after a major loss event, so we will keep our options open and retain the ability to react and capitalise on any improvement in conditions should this materialise.

D E S Shipley
Chairman
12 March 2015

SYNDICATE 6103

Underwriting Year Distribution Accounts
2012 Closed Year of Account
31 December 2014

DIRECTORS AND ADMINISTRATION

MANAGING AGENT

Managing Agent
Managing Agency Partners Limited (MAP)

Directors
C E Dandridge (Non-executive)
J D Denoon Duncan
H R Dumas (Non-executive)
A S Foote (Non-executive)
A Kong
B S McAuley
D E S Shipley (Non-executive Chairman)
C J Smelt
R J Sumner
R K Trubshaw (Active Underwriter)

Company Secretary
B S McAuley

Managing Agent's Registered Office (until 20 April 2015)
110 Fenchurch Street
London
EC3M 5JT

Managing Agent's Registered Office (from 20 April 2015)
Fitzwilliam House
10 St. Mary Axe
London
EC3A 8EN

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

SYNDICATE

Active Underwriter
R K Trubshaw

Registered Auditors
Ernst & Young LLP, London

The managing agent presents its report on the 2012 year of account of Syndicate 6103 as closed at 31 December 2014.

These accounts have been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (No 8 of 2005). Separate annual accounts under UK GAAP on the calendar year results are available to all the syndicate's members (see pages 20 to 36).

UNDERWRITER'S REPORT

2012 Year of Account

Capacity £31.5 million

All the syndicate's business was written by way of a 30% quota share of all US property catastrophe business (other than terrorism and retrocession business) written by Syndicate 2791. Worldwide business may be written, as long as the predominant exposure is the United States.

The 2012 year has closed with a profit of £8.0m after all members' personal expenses, equivalent to 25.5% of Stamp capacity, compared with the forecast range of 15% to 25%. The closing rate of exchange was US$1.56:£1. The RITC is with Syndicate 2791; following the commutation of the quota share reinsurance contract there will be no outstanding residual liability.

Utilisation of capacity

The final utilisation was 87% at closing rates of exchange. For the first time in its existence the syndicate purchased US$20m of high excess Industry Loss Warranty reinsurance. The cost represents 7.5% of gross premium income. In an improving market this strategy allowed cessions of well-rated business to continue to be made, although, as in most prior years, the syndicate still reached its maximum capacity in the north-east well ahead of year end.

Performance review

Although not as bad as 2011, 2012 continued to experience a historically elevated incidence of tornado/hail events. In addition Super-storm Sandy struck the north-eastern shore in late October. The projected gross ultimate loss is US$11.7m, net of US$2.0m of inwards reinstatement premiums. All losses fall to the 2012 year of account and no reinsurance recoveries are anticipated. The year-end gross incurred was US$10.9m (last year US$10.6m). All reserves have been posted on a formulaic case-by-case basis in line with Syndicate 2791's reserving strategy.

Because of the relatively high utilisation it is pleasing to note that, despite a major market loss in the Syndicate's core territory, a reasonable profit has still been generated.

2013 Year of Account Forecast

We were reasonably optimistic heading into 2013, and raised the Stamp to £41.2m. The percentage cession from Syndicate 2791 was maintained at 30%, and a small amount of reinsurance protection was purchased. However, despite some corrective action on Sandy affected accounts the majority of our business came under competitive pressure. This intensified as the year progressed, as the Capital Markets, faced with the prospect of low yields on their core activities, increasingly viewed our sector as an opportunistic play to write uncorrelated exposure at seemingly attractive margins. Faced with this strategic threat, much of the traditional market responded by price-matching and offering broader coverage, such that significant volumes of business failed to meet our minimum technical margins. At the same time the latest proprietary model release adopted by many in the market has reversed much of the uplift initiated by the 2011 version, making us even more relatively uncompetitive. In consequence our projected gross volume is projected to be some 25% less than that written in 2012, and the utilisation right down to 50%.

Despite these headwinds, the lack of significant cat activity means that the syndicate will generate a healthy bottom line result. Our forecast range is a profit of 27.5% to 37.5% on Stamp Capacity after all expenses.

2014 Overview

Given the lack of any significant catastrophic events in 2013, the market has taken a marked downwards turn into 2014. We estimate average price reductions to be around 20%, often accompanied by broader terms and conditions. Anticipating this we took the decision to scale back the percentage cession from Syndicate 2791 to 20% and reduced the Stamp to £30m. No reinsurance was purchased.

Utilisation is likely to fall even lower, although given the lack of catastrophic activity to date, the Syndicate should still generate a reasonable bottom-line result.

2015 Trading Conditions

The downwards slide in terms and conditions continues, such that we took the decision to halve the percentage cession to 10%, and reduce the Stamp to £12.5m. The Syndicate is effectively in hibernation: should there be a shift in market conditions we would likely seek to gear it back up to historic levels, but in the meantime it is only a nominal spend for the host Syndicate 2791. We are down to a core reinsurance book of mainly Regional carriers, on many of which we enjoy long-standing relationships, which have proved profitable throughout the cycle. It is pleasing to note that since its inception in 2007 the Syndicate has generated over £70m of profit for its members at an average return on Stamp capacity of 33%. There is no intention to gamble this legacy away.

Analysis of premium written by syndicate classification

	Gross written £'000	Net written £'000
Property reinsurance	26,854	24,820

Investment Return

The investment return for the period was £0.4m. The average annual return on assets held over the last three years is 1.3%.

The syndicate operates on a funds withheld basis vis-à-vis Syndicate 2791, from which it accepts its business; the contract between the syndicates provides that the investment return receivable by Syndicate 6103 follows that achieved by Syndicate 2791 on its own funds, principally the Credit for Reinsurance Trust Fund in respect of the US Dollar balances. Where there have been creditors balances (arising out of Sterling funds advanced on behalf of the syndicate), the contract specifies that the cost to Syndicate 6103 is the relevant month's six-month duration Treasury Bill rate plus 1.5% per annum be used.

The Effect of Exchange Rates on the Distribution Account

As these accounts are reported over the three consecutive years from 2012 the effect of the GBP:US Dollar exchange rate has moved from an average of 1.59 during 2012 to a closing rate of 1.56 and this has resulted in a profit of £0.1m over the three year period.

MANAGING AGENT'S REPORT

continued

2013 Year of Account Forecast

An estimate of the 2013 underwriting result as at 36 months is set out below:

	£'000
Stamp capacity	41,243
Gross premiums written	20,190
Net premiums written	19,405
Claims incurred – net of reinsurance	(1,502)
Net operating expenses	(1,009)
Investment return	640
Profit commission	(2,600)
Personal expenses	(202)
Estimate of profit for the year of account after personal expenses	14,732

Assumptions underlying the 2013 Estimated Result:

(i) Syndicate expenses, incurred in the calendar year 2015 to be charged to the 2013 year of account, will continue the pattern of previous years as refined by current budgets.

(ii) Exchange rates at 31 December 2015 will not be materially different from those at 31 December 2014.

(iii) Investment returns attributable to 2013 during 2015 = 1% for all currencies.

(iv) Claims will be paid in line with our expected development patterns.

Summary of Closed Years of Account

	2007	2008	2009	2010	2011	2012
Syndicate allocated capacity (£m)	42.7	39.5	39.4	33.7	28.8	31.5
Number of Underwriting Members	1,028	955	1,033	931	859	909
Aggregate net premiums (£m)	17.3	17.1	31.0	19.7	19.6	24.8
Results for illustrative share of £10,000	%	%	%	%	%	%
Utilisation of capacity at premium income monitoring rates of exchange	45.5	41.2	62.1	60.5	72.3	77.7
Gross premiums written (% of illustrative share)	40.6	43.3	78.7	58.5	67.8	85.3
Net premiums (% of illustrative share)	40.6	43.3	78.7	58.5	67.8	78.8
Profit (% of gross premiums)	100.4	17.7	78.2	65.0	30.1	29.9
Results for illustrative share of £10,000	£	£	£	£	£	£
Gross premiums	4,062	4,332	7,870	5,850	6,783	8,526
Net premiums	4,062	4,332	7,870	5,850	6,783	7,881
Reinsurance to close from an earlier year of account	–	–	–	–	–	–
Net claims	(81)	(3,076)	(678)	(1,028)	(3,825)	(3,285)
Reinsurance to close	81	(397)	18	(76)	(146)	(1,273)
Underwriting profit	4,062	859	7,210	4,746	2,812	3,323
Acquisition costs	–	–	–	–	–	–
Other syndicate operating expenses, excluding personal expenses	(348)	(263)	(460)	(346)	(398)	(486)
Reinsurers' and profit commissions	–	–	–	–	–	–
Exchange movement on foreign currency translation	658	139	54	(159)	(85)	35
Net investment income	314	142	423	260	87	117
Illustrative personal expenses:						
Managing agent's fee	–	–	–	–	–	–
Profit commission	(606)	(112)	(1,076)	(699)	(375)	(443)
Other personal expenses	–	–	–	–	–	–
Profit after illustrative personal expenses and illustrative profit commission	4,080	765	6,151	3,802	2,041	2,546

Disclosure of Information to the Auditors

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

By order of the Board

R K Trubshaw
Active Underwriter
Managing Agency Partners Limited

12 March 2015

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulations 2008 ('the Lloyd's Regulations') require the managing agent to prepare syndicate underwriting year accounts for each syndicate in respect of any underwriting year which is being closed by reinsurance to close at 31 December. Detailed requirements in respect of the underwriting year accounts are set out in the Lloyd's Syndicate Accounting Byelaw (No 8 of 2005).

The managing agent must prepare the syndicate underwriting year accounts which give a true and fair view of the result of the closed year of account.

In preparing the syndicate underwriting year accounts, the managing agent is required to:

- select suitable accounting policies which are applied consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable as between the members of the syndicate affected. In particular, the amount charged by way of premium in respect of the reinsurance to close shall, where the reinsuring members and reinsured members are members of the same syndicate for different years of account, be equitable as between them, having regard to the nature and amount of the liabilities reinsured;
- take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in these underwriting year accounts.

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the syndicate and enable it to ensure that the syndicate underwriting year accounts comply with the Lloyd's Regulations. It is also responsible for safeguarding the assets of the syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT

to the Members of Syndicate 6103 – 2012 Closed Year of Account

We have audited the syndicate underwriting year accounts for the 2012 year of account of Syndicate 6103 for the three years ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the related notes 1 to 16 and the Statement of Managing Agent's Responsibilities. 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 9, the managing agent is responsible for the preparation of the syndicate underwriting year accounts, under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005), which give a true and fair view. Our responsibility is to audit and express an opinion on the syndicate underwriting year accounts in accordance with applicable legal and regulatory requirements 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 Underwriting Year Accounts

An audit involves obtaining evidence about the amounts and disclosures in the syndicate underwriting year accounts sufficient to give reasonable assurance that the syndicate underwriting year 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 underwriting year accounts. In addition, we read all the financial and non-financial information in the Underwriting Year Report and Accounts to identify material inconsistencies with the audited underwriting year 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 Underwriting Year Accounts

In our opinion the syndicate underwriting year accounts:

- give a true and fair view of the profit for the 2012 closed year of account;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and have been properly prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

Matters on Which We Are Required to Report by Exception

We have nothing to report in respect of the following matters where The Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) requires us to report to you if, in our opinion:

- the managing agent in respect of the syndicate has not kept proper accounting records; or
- the syndicate underwriting year accounts are not in agreement with the accounting records.

Kevin Senior (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

12 March 2015

PROFIT AND LOSS ACCOUNT TECHNICAL ACCOUNT – GENERAL BUSINESS

2012 Closed Year of Account for the three years ended 31 December 2014

	Note	2012 £'000
Syndicate allocated capacity		31,495
Earned premiums, net of reinsurance:		
Gross premiums written	3	26,854
Outward reinsurance premiums		(2,034)
Net premiums written		24,820
Allocated investment return transferred from the non-technical account		367
Claims incurred, net of reinsurance		
Claims paid		
Gross amount		(10,346)
Reinsurance to close premium payable, net of reinsurance	4,5	(4,008)
Net operating expenses	6	(2,924)
Profit on exchange	8	110
Balance on the technical account – general business	9	8,019

PROFIT AND LOSS ACCOUNT NON-TECHNICAL ACCOUNT

2012 Closed Year of Account for the three years ended 31 December 2014

	Note	2012 £'000
Balance on the general business technical account		8,019
Investment income	10	367
Allocated investment return transferred to general business technical account		(367)
Profit for the 2012 closed year of account		8,019

BALANCE SHEET

2012 Closed Year of Account as at 31 December 2014

	Note	2012 £'000
Assets		
Debtors	*11*	27,582
Total assets		27,582
Liabilities		
Amounts due to members	*12*	8,019
Reinsurance to close premium payable to close the account – gross amount	*5*	4,168
Other creditors	*13*	15,395
Total liabilities		27,582

The financial statements on pages 11 to 18 were approved by the Board of Managing Agency Partners Limited on 12 March 2015 and were signed on its behalf by:

R K Trubshaw
Active Underwriter

R J Sumner
Finance Director

12 March 2015

CASH FLOW STATEMENT

2012 Closed Year of Account for the three years ended 31 December 2014

	Note	2012 £'000
Net cash inflow from operating activities	*14*	–
Transfers to members in respect of underwriting participations		–
		–
Cash flows were invested as follows:		
Increase in cash holdings		–
Increase in deposits		–
Net portfolio investment	*15*	–
Net investment of cash flows		–

NOTES TO THE ACCOUNTS

2012 Closed Year of Account for the three years ended 31 December 2014

1. **Basis of Preparation**

These financial statements have been prepared under regulation 6 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and applicable Accounting Standards in the United Kingdom and comply with the Statement of Recommended Practice on Accounting for Insurance Business issued in December 2005 (as amended in December 2006) by the Association of British Insurers.

The Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) requires the aggregation of movements in each of the three calendar years' for any Underwriting Year account. For 2012's Underwriting Year Distribution Account each calendar year result is aggregated using the relevant years' average rate for each item in the profit and loss account.

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These accounts relate to the 2012 year of account which has been closed by reinsurance to close at 31 December 2014; consequently the balance sheet represents the assets and liabilities of the 2012 year of account and the profit and loss account and cash flow statement reflect the transactions for that year of account during the three year period until closure.

As each syndicate year of account is a separate annual venture, comparatives as required by FRS28 are not required to be disclosed.

2. **Accounting Policies**

The underwriting accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of the three year period, outstanding liabilities can normally be determined with sufficient accuracy to permit the year of account to be closed by payment of a reinsurance to close premium.

Premiums written

Premiums written comprise premiums on contracts incepted during the financial year of account. Estimates are made for pipeline premiums, representing amounts due to the syndicate not yet notified.

Estimates include an element of judgement with regard to the level of claims affected future premiums receivable by the syndicate. The methods used for assessing future premiums generally involve projecting from past experience, based on the development of claims and the related inwards premiums receivable against these claims. The directors consider the estimates of gross future premium are fairly stated on the basis of the information available currently to them. However, the ultimate receivable will vary as a result of subsequent information or events and this may result in significant adjustments.

Premiums are disclosed before the deduction of taxes or duties levied on them.

Acquisition costs

The syndicate is not charged with acquisition costs and has no deferred acquisition costs.

Claims paid and related recoveries

Gross claims paid include internal and external claims settlement expenses and are attributed to the same year of account as the original premium for the underlying policy. Reinstatement premiums payable in the event of a claim being made are charged to the same year of account as that to which the recovery is credited.

Reinsurance to close premium payable

The reinsurance to close premium is determined on the basis of estimated outstanding liabilities and related claims settlement costs (including claims incurred but not reported) relating to the closed year of account.

The estimate of claims outstanding is assessed on an individual case and class basis, as appropriate, and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. It 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 of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified.

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

2. Accounting Policies *continued*

The directors consider that the estimates of 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.

Bad debt

Bad debts are provided for only where specific information becomes available to suggest a debtor may be unable or unwilling to settle its debts to the syndicate. Specific information may be directly attributed to the debtor company or may be indirect information from a rating agency or other source. The provision is calculated on a case by case basis.

Foreign currency translation

Transactions, other than reinsurance to close, in US Dollars, Canadian Dollars and Euros are translated at the average rates of exchange for each calendar year in which they are booked. Reinsurance to close premiums payable are included in the technical account at relevant average rates applicable when the change occurred or when reserves were first set.

The reinsurance to close premiums payable are included in the balance sheet at the closing rate.

All exchange differences arising on retranslation of opening balances and between average and year-end rates are disclosed separately in the general business technical account. All other exchange differences are within operating expenses.

Balance sheet 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.

Where Canadian Dollars or Euros are sold or bought relating to the profit or loss of the closed underwriting account after 31 December, any exchange profit or loss arising is reflected in the underwriting account into which the liabilities of that year have been reinsured. Where United States Dollars relating to the profit or loss of a closed underwriting account are bought or sold by the syndicate on behalf of the members on that year, any exchange profit or loss accrues to those members.

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

	Year end rate	Average rates during		
	2014	2014	2013	2012
USD	1.56	1.65	1.56	1.59
CAD	1.81	1.82	1.61	1.58
EUR	1.29	1.24	1.18	1.23

Investments

The syndicate does not hold any investments or derivatives.

Investment return

Investment return comprises an allocation, calculated on the monthly average of the Total Funded Paid Experience balance (equivalent to the premiums received, claims paid, ceding commission, interest expenses and income). This return is equal to the rate of investment return on its Credit for Reinsurance Fund for USD denominated balances achieved by Syndicate 2791 on its invested funds during the relevant month. Interest on other currency positive balances is credited at rates achieved by Syndicate 2791 on those currencies for the relevant month.

If the average balance is negative, an interest expense is calculated on the monthly average at the relevant currency six month duration Treasury Bill rate plus 1.5%. The whole of the return is treated as investment income.

Allocation of investment return

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments are generated by insurance related assets.

Operating expenses

All current and future syndicate expenses at the balance sheet date, including audit fees, are charged to and borne by Syndicate 2791 for which the syndicate is charged a ceding commission of 5% of gross premiums written. Personal expenses (Lloyd's subscriptions and central fund), which are charged to Syndicate 2791 are covered by an overriding commission of 1% of gross premiums written.

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.

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

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

Profit commission

Profit commission is charged by the managing agent at a rate of 15% of profit subject to the operation of a deficit clause. This is charged to the syndicate as incurred on an earned basis but does not become payable until after the year of account closes.

3. Segmental Analysis

All the syndicate's business, as set out in the technical account, is classified as reinsurance accepted and all premiums were concluded in the UK.

The geographical destination of the reinsurance premiums is the USA.

4. Movement in Underwriting Reserves

	Reserves £'000	Exchange to closing rate £'000	Closing RITC £'000
2012 pure			
Change in three year period	(4,008)	(160)	(4,168)
Unallocated loss and loss adjustment expenses	–	–	–
	(4,008)	(160)	(4,168)

5. Reinsurance to Close Premium Payable

	2012 pure £'000
Gross and net outstanding claims	2,082
Provision for gross and net claims incurred but not reported	2,086
Unallocated loss and loss adjustment expenses	–
Net premium for reinsurance to close	4,168

The reinsurance to close is effected to the 2013 year of account of Syndicate 2791.

6. Net Operating Expenses

	£'000
Outwards profit commission	(1,396)
Other administrative expenses	(1,528)
	(2,924)

Other administrative expenses comprise Lloyd's subscriptions, central fund contributions and the ceding commission payable to Syndicate 2791 in accordance with the terms of the contract. All other syndicate expenses, including audit fees, are charged to and borne by Syndicate 2791 for which the syndicate is charged a ceding commission of 5% of gross premiums written. Personal expenses are also charged to Syndicate 2791 but these are covered by an equivalent charge of 1% of gross premiums written.

7. Staff Numbers and Costs

All staff are employed by the managing agent. No recharge of payroll costs or in respect of directors' remuneration is made specifically to the syndicate – all such charges are made to Syndicate 2791 and covered by the ceding commission. Profit related remuneration in respect of all directors and staff is wholly paid and borne by the managing agent.

8. Profit on Exchange

Exchange differences on foreign currency translation arise as follows:

	£'000
On 2012 balances brought forward: from opening to closing rates	38
On transactions during 2014: from average to year end rates	72
	110

9. Balance on the Technical Account – General Business

All income and expenses relate to the 2012 pure year of account.

10. Investment Income

	£'000
Investment income	367

11. Debtors

	£'000
Arising out of reinsurance operations	27,321
Members' agents' fees advances	255
Non-standard personal expenses due from members	6
	27,582

12. Amounts Due to Members

	£'000
Profit for the 2012 closed year of account due to members at 31 December 2014	8,019

13. Other Creditors

	£'000
Arising out of reinsurance operations	11,853
Profit commissions	1,415
Inter-syndicate loans	2,127
	15,395

14. Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	£'000
Operating profit on ordinary activities for the closed year of account	8,019
Net reinsurance to close premium payable	4,168
(Increase) in debtors, prepayments and accrued income	(27,582)
Increase in creditors, accruals and deferred income	15,395
Net cash inflow from operating activities	–

15. Movement in Opening and Closing Portfolio Investments Net of Financing

The syndicate has no portfolio investments and consequently there are no movements in cash, portfolio investments and financing.

16. Related Parties

All the syndicate's transactions, including the reinsurance to close, are with or via Syndicate 2791, which is also managed by the managing agent, MAP.

All business ceded by Syndicate 2791 is accepted on an arm's length basis and the main terms of the reinsurance contract are set out in the Report of the Directors of the Managing Agent.

The managing agent, MAP, is a wholly owned subsidiary of Managing Agency Partners Holdings Limited, the equity of which is 90.1% owned by MAP Equity Limited, a company that is owned by an employee share trust and the staff of the managing agency and syndicate.

The following transactions between the syndicates occurred for the 2012 year of account:

	£'000
Premiums ceded	24,820
Paid claims recovered	(10,346)
Ceding commission	(1,260)
Overriding commission	(269)
Investment income payable	367

The directors' interests in the ordinary share capital of MAP Equity Limited, which has an issued share capital of 250,000 £1 shares, at the balance sheet date were as follows:

	A Shares (voting)	B Shares (non-voting)
R K Trubshaw	33,000	–
A Kong	22,000	–
J D Denoon Duncan	–	8,333
B S McAuley	–	13,500
C J Smelt	5,000	2,500
R J Sumner	–	10,000

Messrs. Shipley, Denoon Duncan, Kong, Trubshaw, Sumner, Smelt and Ms McAuley, or their related parties, participate on Syndicate 6103 via a dedicated, but unaligned to the managing agent, corporate member Nomina No. 208 LLP.

Nomina No. 208 LLP commenced underwriting on the 2007 year of account. For the 2012 year of account Nomina No. 208 LLP provided £1.47m of capacity on Syndicate 6103 representing 4.7% of capacity. MAP has no direct interest in the share capital of Nomina No. 208 LLP.

Profit commission of £1.4m is due to MAP in respect of the profit of the 2012 closed year.

There are no other transactions or arrangements requiring disclosure.

SYNDICATE 6103

Annual Report and Accounts
31 December 2014

DIRECTORS AND ADMINISTRATION

MANAGING AGENT

Managing Agent
Managing Agency Partners Limited (MAP)

Directors
C E Dandridge (Non-executive)
J D Denoon Duncan
H R Dumas (Non-executive)
A S Foote (Non-executive)
A Kong
B S McAuley
D E S Shipley (Non-executive Chairman)
C J Smelt
R J Sumner
R K Trubshaw (Active Underwriter)

Company Secretary
B S McAuley

Managing Agent's Registered Office (until 20 April 2015)
110 Fenchurch Street
London
EC3M 5JT

Managing Agent's Registered Office (from 20 April 2015)
Fitzwilliam House
10 St. Mary Axe
London
EC3A 8EN

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

SYNDICATE

Active Underwriter
R K Trubshaw

Registered Auditors
Ernst & Young LLP, London

The directors of the managing agent present their report for the year ended 31 December 2014.

The principal activity of the syndicate is that of writing reinsurance business.

This annual report is prepared using the annual basis of accounting as required by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ('the 2008 Regulations').

The syndicate commenced underwriting for the 2007 year of account. For all years its business is written by way of a 30% quota share, (except for a 40% quota share in 2009), of all US property catastrophe business (other than terrorism and retrocession business) written by Syndicate 2791. Worldwide business may be written, as long as the predominant exposure is the United States.

The syndicate is charged a 5% ceding commission and an overriding commission of 1% of gross premiums written under the contract, to cover administration expenses, Lloyd's levies and subscriptions borne by Syndicate 2791. The syndicate does not pay any brokerage costs. A profit commission of 15% of any underwriting profit is payable to the managing agent. The syndicate has not purchased any reinsurance protection in 2014. The maximum net exposure appetite is managed to 125% of capacity, after reinstatement premium, in any one of Lloyd's mandated Realistic Disaster Scenarios.

During 2014, the syndicate has accepted premiums amounting to £8.9m (2013: £20.7m) and paid ceding commission of £0.4m (2013: 1.0m) and overriding commission of £18k (2013: £0.2m) to Syndicate 2791. All the syndicate's funds are held by Syndicate 2791 which makes payments of liabilities on the syndicate's behalf. The syndicate has been credited/(charged) with £0.8m (2013: £(0.2)m) in respect of interest on funds held by Syndicate 2791. The rates of interest credited on credit balances to the syndicate are those achieved by Syndicate 2791 on its own funds and the rates charged on debit balances are relevant currency six month duration Treasury Bills rates +1.5%.

UNDERWRITER'S REPORT

A Review of the Calendar Year Result

These financial statements are prepared focusing on the calendar year results under UK Generally Accepted Accounting Practice (GAAP) for insurance companies.

The 2014 calendar year produced an annually accounted profit of £9.2m (2013: £16.1m) on net earned premiums of £9.6m (2012: £20.1m). All the syndicate's business comprises US property catastrophe risks. The net combined ratio was 13.1% (2013: 18.6%). The negative claims ratio in the calendar year is a consequence of reserve reductions for Superstorm Sandy claims.

Movement on underwriting years of account during the 2014 calendar year

	2012 £'000	2013 £'000	2014 £'000	**Total** **£'000**	2013 £'000
Gross written premium	(49)	(100)	9,092	**8,943**	20,716
Net premium earned	(49)	1,219	8,464	**9,634**	20,089
Net claims incurred	1,148	1,377	(1,696)	**829**	337
Operating expenses	(149)	(451)	(1,490)	**(2,090)**	(4,076)
Investment income	359	437	39	**835**	(218)
Annual accounted profit	1,309	2,582	5,317	**9,208**	16,132
Currency translation differences	476	867	310	**1,653**	(1,135)
Total recognised gains and losses	1,785	3,449	5,627	**10,861**	14,997
As previously reported	6,234	11,108	–	**17,342**	8,231
Cumulative pure year result	8,019	14,557	5,627	**28,203**	23,228
Net annual accounting ratios:					
Claims ratio				**(8.6)%**	(1.7)%
Expense ratio				**21.7%**	20.3%
Combined ratio				**13.1%**	18.6%

A Review of the Calendar Year Result *continued*

The written premium in the calendar year all falls within the property reinsurance classification maintained by the syndicate.

	2014 Gross written £'000	**2014 Net written £'000**	2013 Gross written £'000	2013 Net written £'000
Property reinsurance	**8,943**	**8,943**	20,716	19,931

There are no non-financial key performance indicators relevant to the specific circumstances of this syndicate.

2014 Overview

Given the lack of any significant catastrophic events in 2013, the market took a marked downwards turn into 2014. We estimate average price reductions to be around 20%, often accompanied by broader terms and conditions. Anticipating this we took the decision to scale back the percentage cession from Syndicate 2791 to 20% and reduced the Stamp to £30m. No reinsurance was purchased for the 2014 year of account.

In consequence our gross premium was less than half of that earned in 2013, although given the absence of any meaningful catastrophic activity the year was once again profitable. The gross ultimate loss for Sandy has been reduced from US$13m as at last year end to US$11.7m net of U$2.0m inwards reinstatement premiums, which contributed to the underwriting performance.

2015 Trading Conditions

The downwards slide in terms and conditions continues, such that we took the decision to halve the percentage cession to 10%, and reduce the Stamp to £12.5m for the 2015 year of account. The Syndicate is effectively in hibernation: should there be a shift in market conditions we would likely seek to gear it back up to historic levels, but in the meantime it is only a nominal spend for the host Syndicate 2791. We are down to a core reinsurance book of mainly Regional carriers, on many of which we enjoy long-standing relationships, which have proved profitable throughout the cycle. It is pleasing to note that since its inception in 2007 the Syndicate has generated over £70m of closed years profit for its members at an average return on Stamp capacity of 33%. There is no intention to gamble this legacy away.

FINANCIAL REPORT

Investment Return

The investment return is represented by the syndicate's share of income earned by Syndicate 2791 on balances (underwriting, non-technical and balance sheet funding) received or paid on Syndicate 6103's behalf. Income receivable or chargeable is calculated monthly on average balances actually received or paid by Syndicate 2791 at relevant rates for each currency, as set out in the reinsurance agreement.

The investment return contributed £0.8m (2013: £(0.2)m) to the annual result.

The syndicate undertakes no lending of securities and does not undertake exchange rate management.

Currency Translation Differences

Whilst virtually all of the syndicate's assets are held in US Dollars the results are published in Sterling. The result of this is that changes in the £:US Dollar exchange rate can alter the reported Sterling results. However, capital providers receive distributions virtually all in US Dollars only, therefore the accounting exchange movement booked has no effect on the currency distributions to capital providers.

The accounting exchange profit for the year is £1.7m (2013: £1.1m loss). This principally reflects the US Dollar strengthening against Sterling from the opening rate of 1.66 to the current year end rate of 1.56.

Reinsurance

During the period no outwards reinsurance has been purchased. (2013: £785,000).

Risk Management

We have established a risk management framework whose primary objective is to protect the syndicate from events which negatively impact current and future returns.

Principal Risks and Uncertainties

Syndicate 6103 accepts business under a funds withheld reinsurance contract with Syndicate 2791. The majority of the principal risks applying to Syndicate 6103 are managed within Syndicate 2791.

Insurance risk

Insurance risk includes the risks that a policy will be written for too low a premium or provide inappropriate cover, that the frequency or severity of insured events will be higher than expected, or that estimates of claims subsequently prove to be insufficient.

Underwriting strategy is agreed by the Board and set out in the Syndicate Business Plan which is submitted to Lloyd's each year. Processes are in place to identify, quantify and manage aggregate exposures and technical prices within each of our underwriting classes. Reinsurance may be purchased, where appropriate to our risk appetite and to reduce the retained financial impact of catastrophic loss. Reserves set are subject to stress testing and independent review.

Credit risk

Credit risk is the risk of default or the inability of one or more of the syndicate's reinsurers or brokers to settle their debts as they fall due. For the 2012 and 2013 years of account, the syndicate has purchased reinsurance placed with security that meets the criteria agreed by the Board. Use is made of independent rating agencies. Business is only accepted through accredited Lloyd's brokers who are reviewed by the Agency's Security Committee.

Liquidity risk

This is the risk that the syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash. Liquidity management forms an important part of the financial management practices of the syndicate. Cash flow projections and budgetary controls are maintained and reported upon to the Board.

Market risk

Market risk is the potential adverse financial impact of changes in value of financial instruments caused by fluctuations in foreign currency, interest rates or equity prices. The potential impact of market risk elements is reported to the Board and the potential financial impact of changes in market value is monitored through the capital setting process.

Foreign currency exchange risk

We operate from the United Kingdom but all our premiums and claims are settled in currencies other than Sterling. Our reported financial results are denominated in Sterling and are therefore affected by the exchange rate against Sterling of our main currency assets (USD, EUR and CAD). The syndicate will settle its surplus assets in USD as each underwriting year closes or earlier if a solvency transfer is approved. We do not therefore seek to hedge the USD exposure. Other currencies are tracked against Sterling to ensure the amount of exposure is monitored and if needed appropriate action taken.

Interest rate risk

Interest rate risk is the potential adverse financial impact of changes in value of assets and liabilities caused by rising and falling market interest rates. For example debt and fixed income securities are exposed to actual fluctuations or changes in market perception of current or future interest rates. Exposure to interest rate risk is monitored through the use of Value-at-Risk analysis, scenario testing, stress testing and duration reviews. Interest rate risk is managed by matching of assets and liabilities to within five years.

Operational risk

Operational risk is the potential adverse financial and reputational impact of inadequate or failed internal processes, people and systems or from external events. An internal risk assessment process has been developed to assess the potential impact and probability of certain events and a system of internal controls has been implemented to mitigate the risks. These controls have been monitored by Senior Management and the Board whilst their ongoing effectiveness is validated through both the ongoing risk assessment and internal audit process.

Regulatory risk

The agency is required to comply with the requirements of the Prudential Regulation Authority (PRA), the Financial Conduct Authority (FCA) and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The agency has a director of risk and assurance who monitors regulatory developments and assesses the impact on agency policy. She is supported by two assistants who carry out a compliance monitoring programme.

CORPORATE GOVERNANCE

Directors and Directors' Interests

The Directors of the managing agent who served during the year ended 31 December 2014 together with their participations on the syndicate were as follows:

	2014 year of account £'000	2013 year of account £'000
C E Dandridge	–	–
J D Denoon Duncan*	61	62
H R Dumas (Non-executive)	–	43
A S Foote (Non-executive)	–	–
A Kong*	231	259
B S McAuley*	98	70
D E S Shipley (Non-executive Chairman)*	413	481
C Smelt*	188	209
R J Sumner*	135	124
R K Trubshaw (Active Underwriter)*	682	740

*Participate via Nomina 208 LLP, an unaligned corporate member and/or MAP Capital Limited.

The total capacity of the 2014 year of account of the syndicate was £29.99m (2013: £41.24m).

Reappointment of Auditors

Ernst & Young LLP are deemed to be reappointed as the syndicate's auditors.

Disclosure of Information to the Auditors

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

Annual General Meeting

As permitted under the Syndicate Meetings (Amendment No. 1) Byelaw (No. 18 of 2000) MAP does not propose holding a Syndicate Annual General Meeting of the members of the Syndicate.

Members may object to this proposal or the intention to reappoint the auditors within 21 days of the issue of these accounts. Any such objection should be addressed to B S McAuley, Compliance Director at the registered office of Managing Agency Partners Limited.

By order of the Board

R K Trubshaw
Active Underwriter
Managing Agency Partners Limited
London

B S McAuley
Secretary

12 March 2015

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The managing agent is responsible for preparing the syndicate annual accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare syndicate annual accounts at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The annual accounts are required by law to give a true and fair view of the state of affairs of the syndicate as at that date and of its profit or loss for that year.

In preparing the syndicate annual accounts, the managing agent is required to:

1. select suitable accounting policies which are applied consistently;
2. make judgements and estimates that are reasonable and prudent;
3. state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the annual accounts; and
4. prepare the annual accounts on the basis that the syndicate will continue to write future business unless it is inappropriate to presume that the syndicate will do so.

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the syndicate and enable it to ensure that the syndicate annual accounts comply with the 2008 Regulations. It is also responsible for safeguarding the assets of the syndicate and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

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

INDEPENDENT AUDITORS' REPORT

to the Members of Syndicate 6103

We have audited the syndicate annual accounts of Syndicate 6103 for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes 1 to 20. 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 25, 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 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.

Kevin Senior (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

12 March 2015

PROFIT AND LOSS ACCOUNT TECHNICAL ACCOUNT – GENERAL BUSINESS

for the year ended 31 December 2014

	Note	£'000	2014 £'000	£'000	2013 £'000
Earned premiums, net of reinsurance					
Gross premiums written	3		8,943		20,716
Outward reinsurance premiums			–		(785)
Net premiums written			8,943		19,931
Change in the provision for unearned premiums					
Gross amount		966		165	
Reinsurers' share		(275)		(7)	
Change in the net provision for unearned premiums			691		158
Earned premiums, net of reinsurance			9,634		20,089
Allocated investment return transferred from the non-technical account			835		(218)
Claims incurred, net of reinsurance					
Claims paid					
Gross amount	3	(2,034)		(5,707)	
Reinsurers' share		–		–	
Net claims paid		(2,034)		(5,707)	
Change in the provision for claims					
Gross amount	3	2,863		6,091	
Reinsurers' share		–		(47)	
Change in the net provision for claims		2,863		6,044	
Claims incurred, net of reinsurance			829		337
Ceding and overriding commission		(464)		(1,233)	
Administrative expenses		(1,626)		(2,843)	
Net operating expenses	3,5		(2,090)		(4,076)
Balance on the technical account for general business			9,208		16,132

All operations are continuing.

PROFIT AND LOSS ACCOUNT NON-TECHNICAL ACCOUNT

for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Balance on the general business technical account		9,208	16,132
Investment income	7	835	(218)
Allocated investment return transferred to general business technical account		(835)	218
Profit for the financial year		9,208	16,132

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Profit for the financial year		9,208	16,132
Exchange differences on foreign currency translation	9	1,653	(1,135)
Total recognised gains and losses since the last annual report		10,861	14,997

BALANCE SHEET ASSETS

at 31 December 2014

	Note	£'000	2014 £'000	£'000	2013 £'000
Reinsurers' share of technical provisions					
Provision for unearned premiums		–		273	
Claims outstanding	4	–		–	
			–		273
Debtors					
Debtors arising out of reinsurance operations	10	57,127		63,641	
Other debtors	11	889		900	
			58,016		64,541
Total assets			58,016		64,814

BALANCE SHEET LIABILITIES

at 31 December 2014

	Note	£'000	2014 £'000	£'000	2013 £'000
Capital and reserves					
Members' balances	12		28,204		23,228
Technical provisions					
Provision for unearned premiums		665		1,585	
Claims outstanding	4	5,119		8,099	
			5,784		9,684
Creditors					
Creditors arising out of reinsurance operations	13	15,698		23,829	
Other creditors	14	8,330		8,073	
			24,028		31,902
Total liabilities			58,016		64,814

The financial statements on pages 27 to 36 were approved by the Board of Managing Agency Partners Limited on 12 March 2015 and were signed on its behalf by:

R K Trubshaw
Active Underwriter

R J Sumner
Finance Director

12 March 2015

CASH FLOW STATEMENT

for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Net cash inflow from operating activities	*15*	–	–
Transfer to members in respect of underwriting participations:			
Continuous solvency transfer		–	–
Profits distributed		–	–
		–	–
Cash flows were invested as follows:			
Increase in cash holdings		–	–
Increase in deposits		–	–
Net portfolio investment	*16*	–	–
Net investment of cash flows		–	–

1. Basis of Preparation

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

The result for the year is determined on the annual basis of accounting in accordance with UK GAAP.

2. Accounting Policies

Premiums written

Premiums written comprise premiums on contracts incepted during the financial year of account. Estimates are made for pipeline premiums, representing amounts due to the syndicate not yet notified.

Estimates include an element of judgement with regard to the level of claims affected future premiums receivable by the syndicate. The methods used for assessing future premiums generally involve projecting from past experience, based on the development of claims and the related inwards premiums receivable against these claims. The directors consider the estimates of gross future premium are fairly stated on the basis of the information available currently to them. However, the ultimate receivable will vary as a result of subsequent information or events and this may result in significant adjustments.In addition the most recent underwriting year estimates are considered to be more volatile and consequently are subjected to additional management judgemental prudence adjustments.

Differences between such estimates and actual amounts will be recorded in the period in which the actual amounts are determined.

Premiums are disclosed before the deduction of taxes or duties levied on them.

Unearned gross premiums

Written premiums are recognised evenly over the term of the contract for those contracts where the incidence of risk does not vary over the term. Contracts where the incidence of risk differs over the term are earned based on the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

Acquisition costs

The syndicate is not charged with acquisition costs and has no deferred acquisition costs.

Reinsurance premium ceded

Outwards reinsurance purchased consists of high excess Industry Loss Warranty (ILW) contracts. Initial excess of loss premiums are accounted for in the year of inception. Premiums ceded to reinstate reinsurance cover or additional premiums payable on loss are recognised when they may be assessed with reasonable certainty.

Unearned reinsurance premium

Reinsurance premiums paid to purchase high excess ILW reinsurance contracts are earned evenly over the period at risk.

Claims provisions and related recoveries

Claims paid comprise claims and claim handling expenses paid during the period.

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years. The provision for claims outstanding is assessed on an individual case and class basis, as appropriate, and is based on the estimated ultimate cost of all claims notified but not settled by the 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. Separate reserves are established for each year of account.

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. 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 a provision for reinsurance bad debt, having regard to the reinsurance programme in place for each class of business, the claims experience for the year and the current security rating of the reinsurance entities involved. A number of statistical methods are used to assist in making these estimates.

2. **Accounting Policies** *continued*

Claims provisions and related recoveries continued

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

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

Bad debt

Bad debts are provided for only where specific information becomes available to suggest a debtor may be unable or unwilling to settle its debts to the syndicate. Specific information may be directly attributed to the debtor company or may be indirect information from a rating agency or other source. The provision is calculated on a case by case basis.

Unexpired risks provision

A provision for unexpired risks may be made, if necessary, where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date exceed unearned premiums and premiums receivable, after the deduction of any deferred acquisition costs.

The assessment of whether an unexpired risk provision is required and if so its quantum is based on information available at the balance sheet date which may include evidence of relevant previous claims experience on similar contracts. The assessment is not required to take into account of any new claims events occurring after the balance sheet date as these are non-adjusting events.

The provision for unexpired risks is calculated by reference to classes of business, which are managed on a year of account basis, after taking into account relevant future investment return. The provision for unexpired risks is included in technical provisions in the balance sheet.

Foreign currency translation

Transactions in US Dollars, Canadian Dollars and Euros are translated at the average rates of exchange for the period. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

In accordance with SSAP20, Foreign Currency Translation, 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.

All exchange differences arising on retranslation of opening balances and between average and year-end rates are 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 following rates of exchange have been used in the preparation of these accounts.

	2014		2013	
	Year end	Average	Year end	Average
USD	1.56	1.65	1.66	1.56
CAD	1.81	1.82	1.76	1.61
EUR	1.29	1.24	1.20	1.18

Investments

The syndicate does not hold any investments or derivatives.

Investment return

Investment return comprises an allocation, calculated on the monthly average of the Total Funded Paid Experience balance (equivalent to the premiums received, claims paid, ceding commission, interest expenses and income). This return is equal to the rate of investment return achieved by Syndicate 2791 on its invested funds during the relevant month and is equal to the gross return on its Credit for Reinsurance Fund for USD denominated balances. Interest on other currency positive balances is credited at rates achieved by Syndicate 2791 on those currencies for the relevant month.

If the average balance is negative, an interest expense is calculated on the monthly average at the relevant currency six month duration Treasury Bill rate plus 1.5%. The whole of the return is treated as investment income.

2. Accounting Policies *continued*

Allocation of investment return

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

Operating expenses

All current and future syndicate expenses at the balance sheet date, including audit fees, are charged to and borne by Syndicate 2791 for which the syndicate is charged a ceding commission of 5% of gross premiums written. Personal expenses (Lloyd's subscriptions and central fund), which are charged to Syndicate 2791 are covered by an overriding commission of 1% of gross premiums written.

Taxation

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

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

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

Profit commission

Profit commission is charged by the managing agent at a rate of 15%. This is charged to the syndicate as incurred on an earned basis but does not become payable until after the appropriate year of account closes, normally at 36 months.

3. Segmental Analysis

All the syndicate's business, as set out in the technical account, is classified as reinsurance accepted and all premiums were concluded in the UK.

The geographical situs of the risks reinsured is principally the USA.

4. Claims Outstanding

	2014 £'000	2013 £'000
Gross outstanding claims	**2,487**	2,986
Reinsurance recoveries anticipated	**–**	–
Net outstanding claims	**2,487**	2,986
Provision for gross claims incurred but not reported	**2,632**	5,113
Reinsurance recoveries anticipated	**–**	–
Provision for net claims incurred but not reported	**2,632**	5,113
Unallocated loss and loss adjustment expenses	**–**	–
Net reserves	**5,119**	8,099

The movement in the net provision for claims includes a release of £1.7m in respect of claims outstanding at the previous year end (2013: £3.3m). This release is a consequence of favourable development in Superstorm Sandy claims.

5. Net Operating Expenses

All syndicate expenses, including audit fees, are charged to and borne by Syndicate 2791 for which the syndicate is charged a ceding commission of 5% of gross premiums written. Personal expenses (Lloyd's subscriptions and central fund), which are charged to Syndicate 2791, are covered by an overriding commission of 1% of gross premiums written.

A profit commission of 15% of profits for each Underwriting Year of Account is payable to the managing agent.

6. Staff Numbers and Costs

All staff are employed by the managing agent. No recharge of payroll costs for staff or in respect of directors' remuneration is made specifically to the syndicate – all such charges are made to Syndicate 2791 and covered by the ceding commission as set out in note 5.

Any profit related remuneration in respect of all directors and staff is wholly paid and borne by the managing agent.

7. Investment Income

	2014 £'000	2013 £'000
Investment income	835	(218)

8. Calendar Year Investment Yield

	2014 £'000	2013 £'000
Average syndicate funds available for investment	30,267	26,903
Investment return	835	(218)
Analysis of calendar year investment yield by currency:		
United States Dollars	2.7%	(0.8)%

Other settlement currencies are immaterial.

The syndicate borrowed Sterling to cover its Sterling expenses and interest was paid at an average rate of 1.5% (1.5% over six month duration Treasury Bills) (2013: 1.5%) during the year.

9. Exchange Differences on Foreign Currency Translation

Exchange differences on foreign currency translation arise as follows:

	2014 £'000	2013 £'000
On balances brought forward: from opening to year end rates	1,123	(156)
On transactions during 2014: from average to year end rates	530	(979)
	1,653	(1,135)

10. Debtors Arising Out of Insurance Operations

	2014 £'000	2013 £'000
Debtors arising out of reinsurance operations:		
Due within one year	27,321	18,839
Due after one year	29,806	44,802
	57,127	63,641

11. Other Debtors

	2014 £'000	2013 £'000
Members' agents fees funded:		
Due within one year	261	239
Due after one year	628	661
	889	900

12. Reconciliation of Members' Balances

	2014 £'000	2013 £'000
Members' balances brought forward at 1 January	23,228	21,034
Profit for the financial year	9,208	16,132
Exchange rate difference – transfer from the Statement of Recognised Gains and Losses	1,653	(1,135)
Payments of profit to members' personal reserve funds via Syndicate 2791 for the 2011 (2010) year of account	(5,646)	(12,522)
Members' agents fees for the 2011 (2010) year of account	(239)	(281)
Members' balances carried forward at 31 December	28,204	23,228

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.

13. Creditors Arising Out of Insurance Operations

	2014 £'000	2013 £'000
Creditors arising out of reinsurance operations:		
Due within one year	11,853	11,543
Due after one year	3,845	12,286
	15,698	23,829

14. Other Creditors

	2014 £'000	2013 £'000
Due within one year		
Profit commissions	1,415	1,039
Inter-syndicate loans	2,127	168
	3,542	1,207
Due after one year		
Profit commissions	3,562	3,061
Inter-syndicate loans	1,226	3,805
	4,788	6,866
	8,330	8,073

15. Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	2014 £'000	2013 £'000
Operating profit on ordinary activities	9,208	16,132
(Decrease) in technical provisions	(3,627)	(6,188)
Decrease in debtors	6,525	581
(Decrease)/increase in creditors	(7,874)	3,413
Exchange differences on foreign currency translation	1,653	(1,135)
Movement on members' balances	(5,885)	(12,803)
Net cash inflow from operating activities	–	–

16. Movement in Opening and Closing Portfolio Investments Net of Financing

The syndicate has no portfolio investments and consequently there are no movements in cash, portfolio investments and financing.

17. Related Parties

All the syndicate's transactions, including the reinsurance to close, are with or via Syndicate 2791, which is also managed by the managing agent, MAP.

All business ceded by Syndicate 2791 is accepted on an arm's length basis and the main terms of the reinsurance contract are set out in the Report of the Directors of the Managing Agent.

During 2014, the following transactions between the syndicates occurred:

	2014 £'000	2013 £'000
Premiums receivable	8,943	20,716
Paid claims	(2,034)	(5,707)
Ceding commission	(446)	(1,046)
Overriding commission	(18)	(187)
Net interest received	835	(218)

17. Related Parties *continued*

Profit commission of £1.6m (2013: £2.8m) is due to the managing agent in respect of the results for this calendar year.

MAP is a wholly owned subsidiary of Managing Agency Partners Holdings Limited, the equity of which is 90.1% owned by MAP Equity Limited, a company that is owned by an employee share trust and the staff of the managing agency and syndicate.

The directors' interests in the ordinary share capital of MAP Equity Limited, which has an issued share capital of 250,000 £1 shares, during 2014, were as follows:

	A Shares (voting)	A Shares (non-voting)
R K Trubshaw	33,000	–
A Kong	22,000	–
J D Denoon Duncan	–	8,333
B S McAuley	–	13,500
C J Smelt	5,000	2,500
R J Sumner	–	10,000

Messrs. Shipley, Denoon Duncan, Kong, Trubshaw, Sumner, Smelt and Ms McAuley, or their related parties, participate on Syndicate 6103 via a dedicated, but unaligned to the managing agent, corporate member, Nomina No. 208 LLP. Nomina No. 208 LLP commenced underwriting on the 2007 year of account. For the 2014 year of account Nomina No. 208 LLP provided £1.47m (2013: £1.47m) of capacity on Syndicate 6103 representing 4.9% (2013: 3.6%) of capacity. MAP has no direct or indirect interest in Nomina No. 208 LLP.

Messrs. Shipley, Kong, Trubshaw, Sumner, and Smelt, or their related parties, also participate on Syndicate 6103 via MAP Capital Limited (MCL) which commenced underwriting on the 2013 year of account. For the 2014 year of account MCL provided £1.85m (2013: £2.7m) of capacity on Syndicate 6103 representing 6.2% (2013: 6.6%) of capacity.

There are no other transactions or arrangements requiring disclosure.

18. Funds at Lloyd's

Every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities.

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

19. Post Balance Sheet Event

In accordance with the reinsurance contract with Syndicate 2791, the 2012 Year of Account will be commuted and an RITC effected with Syndicate 2791 and the reserves carried for the 2012 Year of Accounting (amounting to £4.2m) transferred to that syndicate in 2015.

20. Off-Balance Sheet Items

The Syndicate has not been party to any arrangement which is not reflected in its balance sheet.

MAP

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