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SYNDICATE 6111

SYNDICATE UNDERWRITING YEAR ACCOUNTS

FOR THE CLOSED 2012 YEAR OF ACCOUNT
AT 31 DECEMBER 2014

SYNDICATE 6111

SYNDICATE INFORMATION

MANAGING AGENT:

Managing agent	Catlin Underwriting Agencies Limited ("CUAL")	
Directors	S. Catlin	
	P. Jardine	
	R. Clapham	
	N. Burkinshaw	
	S. Long	
	R. Callan	
	O. Whelan	
	R. Cowdell	Non-executive
	C. Robinson	Non-executive
Company secretary	A. Gray	
Registered number	01815126	
Registered office	20 Gracechurch Street London EC3V 0BG	

SYNDICATE:

Active underwriter	N. Burkinshaw
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT

SYNDICATE 6111

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SYNDICATE 6111

STRATEGIC REPORT OF THE DIRECTORS OF THE MANAGING AGENT FOR THE CLOSED 2012 YEAR OF ACCOUNT

The directors of the managing agent present their strategic report as at 31 December 2014. The report comprises the cummulative result to 31 December 2014, for the closed 2012 year of account.

Business review
Syndicate 6111 has been established since the 2012 year of account as a 'Special Purpose Syndicate' to underwrite a whole account quota share reinsurance of Catlin Syndicate 2003 and this is the only inwards contract that the syndicate writes.

This contract operates on a funds withheld basis.

The result for the 2012 underwriting year is a profit of £5.7m primarily attributable to the underwriting profit (net earned premiums minus net claims incurred and net operating expenses) of £4.3m. The profit includes other income of £1.4m that relates to interest generated on funds withheld balances.

Key performance indicators
The syndicate's key financial performance indicators for the 36 month period ended 31 December 2014 (financial period) were as follows:

	At 36 months £000's
Gross written premiums	**78,747**
Underwriting result	**4,298**
Profit for the financial period	**5,719**
Net loss ratio	**55.4%**
Combined ratio	**93.4%**
Solvency result	**5,492**

Note: The combined ratio is the ratio of net claims incurred and net operating expenses to net premiums earned. A lower combined ratio represents better performance.

Results
During the financial period, the syndicate wrote £78.7m in gross premiums which represents their share of Syndicate 2003 gross premiums for the 2012 year of account, in line with the Whole Account Quota Share agreement between the two syndicates.

The syndicate incurred a net loss ratio for the period of 55.4%.

Net operating expense ratio of 37.9% includes commission expenses and administration expense which primarily comprise of members' personal expenses.

Principal risks and uncertainties
The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. The Managing Agent has developed a risk and control framework in line with the wider Catlin Group which is built on an Enterprise Risk Management Model that aims to integrate existing risk programmes into a more holistic, embedded Group-wide risk and capital management framework.

The risk and control framework is applied across all of the syndicates that are managed by the Managing Agent and the policies, procedures and internal controls are implemented across all of the syndicates as relevant.

All policies are approved by management and subject to ongoing review by the risk management and internal audit teams. Compliance with regulation, legal and ethical standards is a high priority for the syndicate and the compliance team and the finance department take on an important oversight role in this regard. The Board of the agency is responsible for satisfying itself that a proper internal control framework exists to manage all risks and the controls operate effectively.

Key risks are considered both within the control framework and within the assessment of capital requirements. The syndicate conducts in-depth stochastic modelling across all insurance risk categories.

The principal risks from reinsurance business arise from the following:

Insurance risk
Insurance risk includes the risks of inappropriate underwriting, inadequate pricing and ineffective management of underwriting delegated to third parties. The insurance risks are mitigated by a robust underwriting control framework and through underwriting and reinsurance plans, which are approved by the Board and communicated clearly throughout the business.

Reserving risk
Reserves for unpaid losses represent the largest single component of the syndicate liabilities. Loss reserve estimates are inherently uncertain. Actual losses that differ from the provisions, or revisions in the estimates, can have a material impact on future earnings and the balance sheet.

Catlin has a large, experienced team of actuaries and other actuarial staff. They work closely with the underwriting and claims staff to ensure understanding of the syndicate exposures and loss experience.

Analysis of the reserve requirements are initially developed by actuaries embedded within the business with close knowledge of local underwriting activities. Final reserves are developed by a central actuarial team and reviewed for final selection by the Reserving Committee.

The strategy for managing other business and operational risks includes:
- Identifying and analysing risk through a disciplined risk assessment process;
- Mitigating or avoiding risks that do not fit the syndicate's business objectives; and
- Retaining risk within an agreed risk appetite with appropriate levels of capital.

Review of the 2012 closed year of account

2012 saw an improvement in market conditions for many classes of business, and in particular for pricing of catastrophe-exposed business following the losses of 2011. There was also an improved environment for certain lines of non-catastrophe business, such as US Casualty classes. However, rates continued to remain under pressure in the Aviation and Speciality/War & Political Risk classes of business.

Through its participation in the whole account quote share with Syndicate 2003, the syndicate focused its presence in classes of business where rating has been favourable. 2012 provided a respite for the insurance industry from the exceptional series of natural catastrophes in 2011 and one event – Superstorm Sandy – was the only natural catastrophe to have a significant impact on the syndicate.

Review of open years

Overall, average weighted premium rates rose slightly across the portfolio for 2013, although the increases in some classes were offset by reductions in others. Rates continued to increase for most classes of US Casualty business.

Increases in weighted average premium rates for Energy/Marine business in early 2013 were offset by decreases later in the year, creating a net nil effect for the year as a whole. Rate increases for Downstream Energy business and Energy Liability business were counterbalanced by decreasing rates for Upstream Energy risks. Marine rates were generally flat across all sub-sectors (Cargo, Hull and Specie).

Rates for Specialty Lines generally increased during 2013, largely driven by rate adjustments on poor-performing Accident & Health and Equine/Livestock individual accounts. War and Political Risk rates generally decreased during 2013, reflecting benign loss experience and increased competition in the market.

STRATEGIC REPORT OF THE DIRECTORS OF THE MANAGING AGENT FOR THE CLOSED 2012 YEAR OF ACCOUNT

Property Treaty Excess of Loss reinsurance and other catastrophe classes began 2013 with modest pricing increases in the aftermath of Superstorm Sandy, but the combination of increased capacity for catastrophe risks and the reduction in catastrophe losses caused rates to generally decrease during subsequent renewal periods. Rates for Direct Property business classes saw a general increase.

Insured losses arising from natural catastrophes decreased substantially during 2013.

Most classes across the portfolio saw rate decreases in 2014. The exception to this was the Casualty business, which continued to see rate increases. The most significant fall in rates was seen in the natural catastrophe exposed business, particularly in the reinsurance book.

Despite improvements in rates on Airline business during renewals in the second half of the year following significant losses in the sector, overall rates for Aerospace business continued to decrease year on year as pricing trends early in 2014 were based on the benign loss experience in recent years.

Average weighted premium rates for Casualty classes increased marginally during 2014. Rates continued to increase for US Casualty business written in London and the US, albeit more modestly.

This report was approved by the Board and signed on its behalf by:

R. Callan
Director
23 March 2015

REPORT OF THE DIRECTORS OF THE MANAGING AGENT FOR THE CLOSED 2012 YEAR OF ACCOUNT

The directors of the managing agent present their report together with the audited closed 2012 underwriting year accounts at 31 December 2014.

The underwriting year accounts are prepared under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate accounts) regualtions 2008 ("the 2008 Regulations"), in accordance with the Lloyd's Syndicate Accounting Byelaws (No.8 of 2005) and applicable accounting standards in the United Kingdom.

Directors
The directors of CUAL who held office during the year ended 31 December 2014 and up to the date of signing the annual accounts were:

S. Catlin		
P. Jardine		
R. Clapham		
N. Burkinshaw		Resigned 17 March 2015
S. Long		
R. Callan		
O. Whelan		Appointed 7 November 2014
N. Sinfield		Resigned 17 August 2014
R. Cowdell	Non-executive	
C. Robinson	Non-executive	
T. Burrows	Non-executive	Resigned 26 November 2014

Financial instruments and risk management

Interest rate risk
To the extent that claims inflation is correlated to interest rates, liabilities to policyholders are exposed to interest rate risk.

Currency risk
The syndicate is exposed to currency risk in respect of liabilities under policies of insurance denominated in currencies other than Pounds Sterling. The most significant currencies to which the syndicate is exposed are the US Dollar, Canadian Dollar and the Euro. Where possible, the syndicate seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency. There is a natural matching to currency risk as claims are normally paid in the currency of the original policy.

Credit risk
Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the syndicate is exposed to credit risk are:

- Reinsurers' share of insurance provisions;
- Amounts due from reinsurers in respect of claims already paid; and
- Amounts due from insurance intermediaries.

The syndicate monitors its exposure to a single counterparty, or groups of counterparties, and to geographical and industry segments.

Reinsurance is used to manage insurance risk. This does not, however, discharge the syndicate's liability as primary insurer. If a reinsurer fails to pay a claim, the syndicate remains liable for the payment to the policyholder. The creditworthiness of the reinsurers is considered on an ongoing basis by reviewing their financial strength prior to finalisation of any contract.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT FOR THE CLOSED 2012 YEAR OF ACCOUNT

Disclosure of information to the auditors
Each of the persons who is a director at the date of this report confirms that:

- so far as each director is aware, there is no relevant audit information for which the syndicate's auditors are unaware; and
- each director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the syndicate's auditor is aware of that information.

Statement of managing agent's responsibilities
The directors of the managing agent are responsible for preparing the managing agent's report and the Syndicate underwriting year accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations") require the managing agent to prepare Syndicate underwriting year accounts at 31 December in respect of any underwriting year which is being closed at the end of the financial year which give a true and fair view of the result of the underwriting year at closure. Detailed requirements in respect of the underwriting year accounts are set out in the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

In preparing these syndicate annual 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;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the annual accounts; and
- prepare the financial statements 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 of the managing agent confirm that they have complied with the above requirements in preparing the syndicate annual accounts.

The directors of the managing agent are responsible for keeping proper accounting records that are sufficient to show and explain the syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the syndicate and enable it to ensure that the annual accounts comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. They are 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.

This report was approved by the Board and signed on its behalf by:

R. Callan
Director
23 March 2015

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNDICATE 6111 FOR THE CLOSED 2012 YEAR OF ACCOUNT

Report on the syndicate underwriting year accounts

Our Opinion
In our opinion the syndicate underwriting year accounts, defined below:

- give a true and fair view of the state of the syndicate's affairs for the 2012 closed year of account and of its profit for the 3 years 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 and have been properly prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

What we have audited
The syndicate underwriting year accounts for the 2012 year of account of Syndicate 6111 for the 3 years 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 3 years then ended; and
- the notes to the syndicate underwriting year 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 underwriting year 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.

Other matters on which we are required to report by exception
Under the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) we are required 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.

We have no exceptions to report arising from this responsibility

Responsibilities for the syndicate underwriting year 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 4, 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), and for being satisfied that they 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNDICATE 6111 FOR THE CLOSED 2012 YEAR OF ACCOUNT

This report, including the opinions, has been prepared for and only for the syndicate's members as a body in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) 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 underwriting year 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 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.

We primarily focus our work in these areas by assessing the Managing Agent's judgements against available evidence, forming our own judgements, and evaluating disclosures in the syndicate underwriting year 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 underwriting year accounts to identify material inconsistencies with the audited syndicate 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.

M Nichols

Matthew Nichols (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23 March 2015

SYNDICATE 6111

PROFIT AND LOSS ACCOUNT
FOR THE CLOSED 2012 YEAR OF ACCOUNT

	Note	At 36 months £000's
TECHNICAL ACCOUNT - GENERAL BUSINESS		
Syndicate allocated capacity		**60,000**
Earned premium, net of reinsurance		
Gross premiums written	2	**78,747**
Outward reinsurance premiums		**(14,321)**
Earned premium, net of reinsurance		**64,426**
Claims incurred, net of reinsurance		
Change in the provision for claims		
Gross amount		**(39,132)**
Reinsurers' share		**3,422**
Claims incurred, net of reinsurance		**(35,710)**
Net operating expenses	5	**(24,418)**
Balance on the general business technical account		**4,298**

PROFIT AND LOSS ACCOUNT
FOR THE CLOSED 2012 YEAR OF ACCOUNT

	Note	At 36 months £000's
NON-TECHNICAL ACCOUNT		
Balance on the general business technical account		**4,298**
Other income	6	**1,422**
Profit for the 2012 closed year of account		**5,720**

No Statement of Total Recognised Gains and Losses has been disclosed as all gains and losses have been included within the Profit and Loss Account.

The notes on pages 12 to 17 form part of these underwriting year accounts.

SYNDICATE 6111

BALANCE SHEET
FOR THE CLOSED 2012 YEAR OF ACCOUNT

	Note	At 36 months £000's
ASSETS		
Debtors - amounts falling due within one year		
Debtors arising out of reinsurance operations	7	**56,342**
Other debtors	8	**845**
		57,187
TOTAL ASSETS		**57,187**

SYNDICATE 6111

BALANCE SHEET
FOR THE CLOSED 2012 YEAR OF ACCOUNT

	Note	At 36 months £000's
LIABILITIES		
Members' balance	11	**5,188**
Technical provisions		
Reinsurance to close the 2012 year of account	3	**35,510**
Creditors - amounts falling due within one year		
Creditors arising out of reinsurance operations	9	**13,888**
Other creditors	10	**2,601**
		16,489
TOTAL LIABILITIES		**57,187**

The underwriting year accounts on pages 8 to 17 were approved by the Board of Directors of Catlin Underwriting Agencies Limited on 23 March 2015 and were signed on its behalf by:

P. Jardine
Director

R. Callan
Director

The notes on pages 12 to 17 form part of these underwriting year accounts.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE CLOSED 2012 YEAR OF ACCOUNT

1 ACCOUNTING POLICIES

1.1 Basis of presentation

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

Members participate on a Syndicate by reference to a year of account and each Syndicate year of account is a separate annual venture. These financial statements relate to the 2012 year of account which has been reinsured to close as at 31 December 2014. Consequently the balance sheet represents the assets and liabilities of the 2012 year of account at the date of closure and the profit and loss account reflects the transactions for that year of account during the three year period until closure. Accordingly, this is the only reporting period and so comparative amounts are not shown.

For the 2012 year of account, Syndicate 6111 only wrote one inwards contract, being a whole account quota share reinsurance of Catlin Syndicate 2003. Therefore, premiums written and the associated inwards claims represent a cession of premiums written and inwards claims in Catlin Syndicate 2003. Outwards reinsurance premiums and the associated recoveries represent a cession of outwards reinsurance premiums ceded and recoveries by Catlin Syndicate 2003.

The contract that the syndicate wrote is on a funds withheld basis. The associated cash flows will occur following the closure of the year of account. Therefore there have been no cash flows in the year and no cash flow statement is presented.

1.2 Reinsurance to close for the 2012 account

The reinsurance to close (RITC) for the 2012 account is determined on the basis of estimated outstanding liabilities and related claims settlement costs including claims incurred but not reported (IBNR) for the closed year of account.

The provision for outstanding claims is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date.
The reinsurance to close also includes the estimated costs of claims incurred but not reported at the balance sheet date based on statistical methods.

In calculating the estimated cost of unpaid claims a variety of estimation techniques are used by management, which are described in note 1.3(iv) below.

1.3 Insurance and investment contracts - classification

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

The syndicate has not issued any investment contracts, as set out above and has only issued insurance contracts in the year.

The results of the syndicate are determined on an annual basis, whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

1 ACCOUNTING POLICIES (continued)

1.3 Insurance and investment contracts - classification (continued)

(i) Premiums written

Premiums written represent premiums on business incepting during the year together with adjustments to premiums written in previous accounting periods. They include estimates for pipeline premiums and are stated before deduction of commissions and other related acquisition costs but net of taxes & duties levied on premiums.

The full estimate of gross premiums written is recognised at inception for general insurance contracts that are of a duration greater than one year.

(ii) Outward reinsurance premiums written

Outward reinsurance premiums ceded represents premiums for contracts incepting during the financial year together with adjustments to outwards reinsurance premiums ceded in previous years. They are allocated to the appropriate accounting period on bases which fairly reflect the allocation of the underlying business being protected.

(iii) Claims incurred

Claims incurred comprise claims and related expenses paid during the year and changes in the provisions for outstanding claims, whether reported or not, including related direct claims handling costs and adjustments to claims outstanding from previous years.

(iv) Claims provisions and related reinsurance recoveries

Provision is made at the end of the financial period for the estimated cost of claims incurred but not settled at the Balance Sheet date, including the cost of claims incurred but not yet reported to the syndicate. The estimated cost of claims includes expenses to be incurred in settling claims. The syndicate takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. Any differences between provisions and subsequent settlements are dealt with in the general business technical account of later years.

The estimation of claims incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the syndicate, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insurer until many years after the event giving rise to the claims has happened. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the syndicate uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in syndicate processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous periods;
- changes in the legal environment;

1 **ACCOUNTING POLICIES (continued)**

1.3 Insurance and investment contracts - classification (continued)

(iv) Claims provisions and related reinsurance recoveries (continued)

- the effects of inflation;
- the impact of large losses; and
- the impact of large losses; and
- movements in industry benchmarks.

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these the syndicate has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods.

Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distorting effect of the development and incidence of these large claims.

Where possible the syndicate adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.
Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

The amount of any salvage and subrogation recoveries is separately identified and where material, reported as an asset.

1.4 Foreign currencies

Items included in the annual accounts are measured using the currency of the primary economic environment in which the syndicate operates (the functional currency). The annual accounts are presented in Pounds Sterling, which is the syndicate's functional currency.

Transactions in foreign currencies are translated into the functional currency using average rates of exchange as a proxy for the transactional rates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the revaluation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Technical Account.

Non monetary assets and liabilities, including deferred acquisition costs and unearned premiums, are translated at the exchange rate prevailing at the time of the original transaction and are not revalued at each year end.

1 ACCOUNTING POLICIES (continued)

1.5 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.

It remains the responsibility of the member to agree its corporation tax liabilities with HM Revenue & Customs.

2 SEGMENTAL ANALYSIS

Gross premiums written, gross premiums earned, gross claims incurred, gross operating expenses and the reinsurance balances by class of business are as follows:

Cummulative 36 months Reinsurance Acceptances	Gross Premiums Written	Gross Premiums Earned	Gross Claims Incurred	Gross Operating Expenses	Reinsurance Balance	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Fire and other damage to property	36,209	36,209	(15,798)	(11,810)	(5,334)	3,267
Accident and health	17,002	17,002	(9,966)	(5,330)	(735)	971
Marine, aviation and transport	23,786	23,786	(12,353)	(6,538)	(4,128)	767
Motor (third party liability)	1,750	1,750	(1,015)	(1,343)	(99)	(707)
Total	78,747	78,747	(39,132)	(25,021)	(10,296)	4,298

The reinsurance balance represents the charge to the technical account from the aggregate of all items relating to reinsurance outwards.

For the purposes of SSAP 25 'Segmental Reporting', the Lloyd's insurance market has been treated as one geographical segment. All business is signed and concluded in the United Kingdom.

All gross premiums written originate in the United Kingdom.

3 REINSURANCE TO CLOSE THE 2012 YEAR OF ACCOUNT

	At 36 months £000's
Gross notified incurred claims	38,968
Reinsurance recoveries anticipated	(3,458)
Reinsurance to close the 2012 year of account	**35,510**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE CLOSED 2012 YEAR OF ACCOUNT

4 EMPLOYEES & DIRECTORS

The syndicate and its managing agent has no employees.

The syndicate did not directly incur staff costs during the year.

The syndicate was not recharged any expenses during the year relating to the remuneration of the directors of CUAL.

Under the standard managing agents' agreement, Catlin Underwriting Agencies Limited receives an annual fee for services provided.

5 NET OPERATING EXPENSES

The cumulative expenses charged to the 2012 underwriting account were made up as follows:

	At 36 months £000's
Acquisition costs	23,484
Administration expenses	1,841
Realised foreign exchange gain	(304)
Reinsurance commissions and profit participation	(603)
	24,418

6 OTHER INCOME

	At 36 months £000's
Income on funds withheld balance	1,422

Other income represents interest on funds withheld balances on the Whole Account Quota Share agreement with Syndicate 2003.

7 DEBTORS ARISING OUT OF REINSURANCE OPERATIONS

	At 36 months £000's
Due from cedants within one year	56,342

8 OTHER DEBTORS: Amounts falling due within one year

	At 36 months £000's
Other debtors	845

9 CREDITORS ARISING OUT OF REINSURANCE OPERATIONS

	At 36 months £000's
Due to cedants within one year	13,888

10 OTHER CREDITORS: Amounts falling due within one year

	At 36 months £000's
Other creditors	2,601

11 RECONCILIATION OF MOVEMENTS IN MEMBERS BALANCE

	At 36 months £000's
Profit for the 2012 year of account	5,720
Members agents fees	(532)
Total closing members balance	5,188

Members participate in 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.

12 RELATED PARTY TRANSACTIONS

Catlin Underwriting Agencies Limited ("CUAL") is the managing agent for Syndicate 6111. Under the standard managing agents' agreement, CUAL receives an annual fee of 1% of stamp capacity and profit commissions at 20%. For the 2012 year of account managing agency fees amounted to £0.6m and profit commissions amounted to £1.3m. The total balance due to CUAL for the 2012 year of account as at 31 December 2014 was £1.9m.