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SYNDICATE 6111

SYNDICATE UNDERWRITING YEAR ACCOUNTS

FOR THE CLOSED 2013 YEAR OF ACCOUNT
AT 31 DECEMBER 2015

SYNDICATE 6111

SYNDICATE INFORMATION

MANAGING AGENT:

Managing agent	Catlin Underwriting Agencies Limited ("CUAL")	
Directors	S. Catlin	Non-executive
	R. Cowdell	Non-executive
	P. Jardine	Non-executive
	A. McMellin	
	J. Gale	
	P. Greensmith	
	G. Bruce-Smythe	
	N. Robertson	
	R. Glauber	Non-executive
	P. Wilson	Non-executive
	J. Harris	
	P. Bradbrook	
	S. Long	
	O. Whelan	
Company secretary	A. Gray	
Registered number	01815126	
Registered office	20 Gracechurch Street London EC3V 0BG	

SYNDICATE:

Active underwriter	P. Greensmith J. Gale
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 2013 YEAR OF ACCOUNT

The directors of the managing agent present their strategic report as at 31 December 2015. The report comprises the cumulative result to 31 December 2015, for the closed 2013 year of account.

On 1 May 2015, the entire issued and to be issued share capital of Catlin Group Limited, the then ultimate parent and controlling party of CUAL, was acquired by XL Group Plc. Going forward, the Group will trade under the brand name XL Catlin.

Business review
Syndicate 6111 was established for the 2012 year of account as a 'Special Purpose Syndicate'. Its principal activity is 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 2013 underwriting year is a profit of £10.9m primarily attributable to the underwriting profit (net earned premiums minus net claims incurred and net operating expenses) of £9.4m. The profit includes other income of £1.9m 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 2015 (financial period) were as follows:

	At 36 months £000's
Gross written premiums	**108,770**
Underwriting result	**9,348**
Profit/(loss) for the financial period	**10,889**
Net loss ratio	**50%**
Combined ratio	**90%**

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 £108.8m in gross premiums which represents its share of Syndicate 2003 gross premiums for the 2013 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 49.5%.

The net operating expense ratio of 40.0% includes commission and administration expenses 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 XL 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 managing agent 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:

<u>Insurance risk</u>
Syndicate 6111 writes one whole account quota share contract per year from Syndicate 2003. The syndicate's insurance risk therefore relates to the risks underwritten by Syndicate 2003 itself, and 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 CUAL Board and communicated clearly throughout the business.

<u>Reserving risk</u>
Reserves for unpaid losses represent the largest single component of the syndicate's 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.

XL 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 produced by the actuarial team, supported by an independent Statement of Actuarial Opinion, and reviewed and approved by the Board.

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 2013 closed year of account
Overall, average weighted premium rates rose slightly across the Syndicate 2003 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 2013 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.

Review of open years
Most classes across the Syndicate 2003 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 2014 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.

Most classes across Syndicate 2003's portfolio experienced difficult rating conditions and written premium decreases in 2015, with overall weighted average rates across Syndicate 2003 down by 3.6%. The affects were particularly felt in the Reinsurance, Marine and Energy books, where Syndicate 2003's focus on writing for profit rather than volume meant that the amount of new business sought was reduced compared to recent years. This was the significant driver of the fall on Gross Written Premiums in 2015.

Weighted average premium rates for Energy/Property/Construction business decreased by 6% per cent in 2015. This was largely due to decreasing rates on Upstream Energy risks caused by a lack of loss activity combined with the impact of falling global oil prices. Aviation rates were up to 20% down at times in the year. The casualty book was the only exception, with marginal increases in rates through the year, albeit at a lower level than seen in 2014.

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

P. Bradbrook
Director
22 March 2016

REPORT OF THE DIRECTORS OF THE MANAGING AGENT FOR THE CLOSED 2013 YEAR OF ACCOUNT

The directors of the managing agent present their report together with the audited closed 2013 underwriting year accounts at 31 December 2015

These accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and applicable Accounting Standards in the United Kingdom, comprising Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102") as modified by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

Directors

The directors of CUAL who held office during the year and up to the date of signing the annual accounts were:

S. Catlin	Non-executive	
R. Cowdell	Non-executive	
P. Jardine	Non-executive	
A. McMellin		Appointed 29 April 2015
J. Gale		Appointed 17 June 2015
P. Greensmith		Appointed 18 June 2015
G. Bruce-Smythe		Appointed 14 July 2015, Resigned 13 February 2016
N. Robertson		Appointed 14 July 2015
R. Glauber	Non-executive	Appointed 12 August 2015
P. Wilson	Non-executive	Appointed 12 August 2015
J. Harris		Appointed 15 October 2015
P. Bradbrook		Appointed 4 December 2015
N. Burkinshaw		Resigned 17 March 2015
C. Robinson	Non-executive	Resigned 1 May 2015
R. Clapham		Resigned 18 June 2015
R. Callan		Resigned 31 October 2015
S. Long		Resigned 13 February 2016
O. Whelan		Resigned 13 February 2016

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. Due to the funds witheld nature of the whole account quota share contract the syndicate has with Syndicate 2003, this risk is managed by the Board of CUAL. The most significant currencies to which the syndicate is exposed are the US Dollar, Canadian Dollar and the Euro.

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The syndicate is indirectly sensitive to the credit risk managed by Syndicate 2003. Key areas where the syndicate is exposed to Syndicate 2003's credit risk are:

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

Syndicate 2003 monitors its exposure to a single counterparty, or groups of counterparties, and to geographical and industry segments.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT FOR THE CLOSED 2013 YEAR OF ACCOUNT

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.

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 underwriting year accounts, the directors of the managing agent are 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 underwriting year accounts; and

The directors of the managing agent confirm that they have complied with the above requirements in preparing the syndicate underwriting year 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 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005). 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:

A. Gray
Company Secretary
22 March 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNDICATE 6111 FOR THE CLOSED 2013 YEAR OF ACCOUNT

Report on the syndicate underwriting year accounts

Our Opinion
In our opinion, Syndicate 6111's syndicate underwriting year accounts for the 2013 year of account for the 3 years ended 31 December 2015 (the "syndicate underwriting year accounts"):

- give a true and fair view of the state of the syndicate's profit for the 2013 closed year of account; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

What we have audited
The syndicate underwriting year accounts, included within the Syndicate Underwriting Year Accounts (the "Annual Report"), comprise:

- the balance sheet as at 31 December 2015;
- the statement of comprehensive income for the 3 years then ended;
- 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, comprising FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102") as modified by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

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 5, the Managing Agent is responsible for the preparation of the syndicate underwriting year accounts in accordance with the financial reporting framework described above and for being satisfied that they give a true and fair view of the result for the 2013 closed year of account.

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 2013 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 part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and part C of 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 Annual Report 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.

MNichols

Matthew Nichols (Senior statutory auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 March 2016

SYNDICATE 6111

STATEMENT OF COMPREHENSIVE INCOME
FOR THE CLOSED 2013 YEAR OF ACCOUNT

	Note	At 36 months £000's
TECHNICAL ACCOUNT - GENERAL BUSINESS		
Syndicate allocated capacity		**85,694**
Earned premium, net of reinsurance		
Gross premiums written	2	108,770
Outward reinsurance premiums		(19,303)
Earned premium, net of reinsurance		89,467
Claims incurred, net of reinsurance		
Claims paid		
Gross amount		(39,902)
Reinsurers' share		3,582
		(36,320)
Change in the provision for claims		
Gross amount		(9,701)
Reinsurers' share		1,692
		(8,009)
Claims incurred, net of reinsurance		(44,329)
Net operating expenses	5	(35,790)
Balance on the general business technical account		9,348

SYNDICATE 6111

STATEMENT OF COMPREHENSIVE INCOME
FOR THE CLOSED 2013 YEAR OF ACCOUNT

	Note	At 36 months £000's
NON-TECHNICAL ACCOUNT		
Balance on the general business technical account		**9,348**
Other income	6	**1,921**
Foreign exchange gains and losses		**(380)**
Profit for the 2013 closed year of account		**10,889**
Other Comprehensive Income		-
Total Comprehensive Income for the 2013 closed year of account		**10,889**

The notes on pages 12 to 19 form part of these underwriting year accounts.

SYNDICATE 6111

BALANCE SHEET
FOR THE CLOSED 2013 YEAR OF ACCOUNT

	Note	At 36 months £000's
ASSETS		
Debtors - amounts falling due within one year		
Debtors arising out of reinsurance operations	7	81,503
Other debtors	8	2,662
		84,165
TOTAL ASSETS		84,165

SYNDICATE 6111

BALANCE SHEET
FOR THE CLOSED 2013 YEAR OF ACCOUNT

	Note	At 36 months £000's
LIABILITIES		
Members' balance	11	10,143
Technical provisions		
Reinsurance to close the 2013 year of account	3	49,536
Creditors - amounts falling due within one year		
Creditors arising out of reinsurance operations	9	19,147
Other creditors	10	5,339
		24,486
TOTAL LIABILITIES		84,165

The underwriting year accounts on pages 8 to 19 were approved by the Board of Directors of Catlin Underwriting Agencies Limited on 22 March 2016 and were signed on its behalf by:

P. Bradbrook
Director

The notes on pages 12 to 19 form part of these underwriting year accounts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE CLOSED 2013 YEAR OF ACCOUNT

1 ACCOUNTING POLICIES

1.1 Basis of preparation

These accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and applicable Accounting Standards in the United Kingdom, comprising Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102") as modified by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

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 2013 year of account which has been closed by reinsurance to close as at 31 December 2015. Consequently the balance sheet represents the assets and liabilities of the 2013 year of account at the date of closure. The underwriting account reflects the transactions for that year of account during the three-year period until closure. These accounts cover the three years from the date of inception of the 2013 year of account to the date of closure. Accordingly, this is the only reporting period and so corresponding amounts are not shown.

1.2 Reinsurance to close for the 2013 year of account

The reinsurance to close (RITC) for the 2013 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. Insurance contracts (including inwards reinsurance contracts) are defined as those containing significant insurance risk. Insurance risk is considered significant if, and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire. 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, in this or prior years and has only issued insurance contracts.

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 and duties levied on premiums.

For general insurance contracts that are of a duration greater than one year and payable in annual instalments, generally, only the initial annual instalment is included as premiums written at policy inception due to the ability of the (re)insured to commute or cancel coverage during the term of the policy. The remaining annual instalments are included as premiums written at each successive anniversary date within the multi-year term.

(ii) Outward reinsurance premiums ceded

Outward reinsurance premiums ceded represent 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 underwriting 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 year end 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 assume 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:

1 ACCOUNTING POLICIES (continued)

1.3 Insurance and investment contracts - classification (continued)

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

- 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;
- the effects of inflation;
- changes in the mix of business;
- 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.

Syndicate 2003 discounts unpaid loss reserves arising from Periodical Payment Orders ("PPO") related to bodily injury liability claims, emanating from UK exposures, as these payments are considered fixed and determinable.

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 underwriting 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 non-technical account.

At each period end foreign currency monetary items are translated using the closing rate.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE CLOSED 2013 YEAR OF ACCOUNT

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	52,312	52,312	(20,291)	(18,189)	(7,217)	6,615
Accident and health	23,913	23,913	(13,009)	(8,560)	(1,520)	824
Marine, aviation and transport	30,097	30,097	(15,034)	(9,079)	(4,106)	1,878
Motor (third party liability)	2,448	2,448	(1,269)	(1,003)	(145)	31
Total	108,770	108,770	(49,603)	(36,831)	(12,988)	9,348

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

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 2013 YEAR OF ACCOUNT

	At 36 months £000's
Gross notified incurred claims	51,517
Reinsurance recoveries anticipated	(1,981)
Reinsurance to close the 2013 year of account	**49,536**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE CLOSED 2013 YEAR OF ACCOUNT

4 EMPLOYEES & DIRECTORS

The syndicate and its managing agent have 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 2013 underwriting year of account were made up as follows:

	At 36 months £000's
Acquisition costs	32,493
Administration expenses	4,338
Reinsurance commissions and profit participation	(1,041)
	35,790

Audit fees of £55,000 have been borne by Syndicate 2003.

6 OTHER INCOME

	At 36 months £000's
Income on funds withheld balance	1,921

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	81,503

NOTES TO THE FINANCIAL STATEMENTS
FOR THE CLOSED 2013 YEAR OF ACCOUNT

8 OTHER DEBTORS:
Amounts falling due within one year

	At 36 months £000's
Other debtors	2,662

9 CREDITORS ARISING OUT OF REINSURANCE OPERATIONS

	At 36 months £000's
Due to cedants within one year	19,147

10 OTHER CREDITORS:
Amounts falling due within one year

	At 36 months £000's
Other creditors	5,339

11 RECONCILIATION OF MOVEMENTS IN MEMBERS BALANCE

	At 36 months £000's
Profit/(loss) for the 2013 year of account	10,889
Members agents fees	(746)
Total closing members balance	10,143

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 2013 year of account managing agency fees amounted to £0.9m and profit commissions amounted to £2.8m. The total balance due to CUAL for the 2013 year of account as at 31 December 2015 was £3.7m.

13 Seven year summary

Year of Account	**2013**	*2012*
Syndicate allocated capacity	**85,694**	*60,000*
Number of underwriting members	**1,312**	*1,189*
Gross Premiums net of brokerage	**84,395**	*62,151*
Capacity utilised	**98%**	*104%*
Underwriting ratio	**19%**	*15%*
Results for an illustrative share of £10,000		
Gross premiums	**12,693**	*13,125*
Net premiums net of brokerage	**7,596**	*7,972*
Net claims paid	**-**	*-*
Net claims incurred	**(5,173)**	*(5,952)*
Underwriting profit	**2,423**	*2,020*
Profit/(loss) on exchange	**(44)**	*51*
Syndicate operating expenses	**(826)**	*(930)*
Names personal expenses	**(506)**	*(425)*
Balance on technical account before investment return	**1,047**	*716*
Investment return	**224**	*237*
Profit before members' agents' fees	**1,271**	*953*

Notes to the two year summary

1. The two year summary has been prepared from the audited accounts of the syndicate. Only two years are shown in this summary, as the syndicate commenced underwriting in 2012.
2. "Capacity utilised" represents gross premiums net of brokerage as a percentage of the allocated capacity.
3. "Underwriting ratio" represents underwriting result as a percentage of gross premiums.