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31 December 2015

Barbican Syndicate 6113
31 December 2015

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Barbican Syndicate 6113
Directors and Administration

Managing Agent
Barbican Managing Agency Limited

Directors
D M Booth	
W T B Canagaretna	
H N A Colthurst	
O R P Corbett	(Appointed 5 May 2015)
C R Cunningham	
K D Curtis	(Resigned 19 January 2015)
J J S Godfray	
M J Harrington	
R H Hobbs	
D E Reeves	(Appointed 20 January 2015)
J B Soames	(Resigned 26 March 2015)

Managing Agent's Registered Office
33 Gracechurch Street
London
EC3V 0BT

Managing Agent's Registered Number
06948515

Company Secretary
S J Britt

Syndicate Active Underwriter
D M Booth

Bankers
Lloyds Bank plc
Citibank NA
Royal Trust Corporation of Canada
Barclays Bank plc

Investment Managers
General Re - New England Asset Management

Auditor
Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

Report of the Directors of the Managing Agency

The directors present their annual report and financial statements for the year ended 31 December 2015 for Syndicate 6113 (“the Syndicate”).

These financial statements are prepared using the annual basis of accounting as required by Statutory Instrument No 1950 of 2008, The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 (“Lloyd’s Regulations 2008”).

Underwriting year accounts are not required until the closure of the year of account, typically at the 36 month stage. A separate set of underwriting year accounts has been prepared on the traditional three year accounting basis in accordance with the Lloyd’s Syndicate Accounting Byelaw (No. 8 of 2005) for the closed 2013 year of account and will be made available to the Syndicate members.

Managing Agent

The Managing Agent of the Syndicate since its inception on 1 January 2013 is Barbican Managing Agency Limited (“the Company”), whose registered office is situated at 33 Gracechurch Street, London, EC3V 0BT and whose registered number is 06948515.

Result

The result for calendar year 2015 is a total recognised gain of £0.4m (2014: £7.8m). This is analysed further below.

The Syndicate’s key financial performance indicators during the year were as follows:

	2015	2014
	£000	£000
Gross premiums written	(1,039)	27,505
Gross premiums earned	9,086	22,903
Net premiums earned	3,765	13,841
Net claims incurred	(4,335)	(4,064)
Investment return	43	169
Operating expenses	148	(2,767)
Realised and unrealised movements on foreign exchange	751	580
Profit for the year	372	7,759
Net claims ratio	115.1%	29.4%
Expense ratio	(3.9%)	20.0%
Combined ratio	111.2%	49.4%

Report of the Directors of the Managing Agency

Principal Activity

The Syndicate was established for the 2013 Year of Account to provide a dedicated vehicle for external investors to participate, via quota share reinsurance, on a specific portfolio of short tail business lines underwritten by Syndicate 1955, which is also managed by the Company.

The principal activity of the Syndicate is the transaction of general insurance business in the Marine and Property classes, where its focus is a short tail, catastrophe business portfolio. It is a Special Purpose Syndicate, where capacity is ceded to it from Barbican Syndicate 1955.

For the 2013 Year of Account this equated to a 42.4% quota share reinsurance of specific Syndicate 1955 classes of business. The quota share contract covers the following classes of business: Property Insurance, Property Treaty, Aviation and Space and Malicious Acts. The total premium income capacity of the Syndicate for the 2013 Year of Account was £23.9m.

For the 2014 Year of Account, the quota share contract covers the same classes of business as did the 2013 Year of Account with the addition of Marine Energy; the cession percentage is 50% with the exception of Malicious Acts, which equates to a 33.33% quota share. The total premium income capacity of the Syndicate for the 2014 Year of Account was £33.7m.

The business of the Syndicate was not renewed for the 2015 Year of Account.

The cessions that Barbican Syndicate 1955 makes to the Syndicate are made on a funds withheld basis, whereby the Syndicate does not hold any cash. The amounts ceded appear within debtors arising out of reinsurance operations on the Syndicate's balance sheet.

2015 Calendar Year Underwriting Performance

As the SPS 6113 quota share reinsurance contract was not renewed for 2015, activity in the calendar year has comprised solely the run off of the predominantly short-tail classes that the host Syndicate cedes to it. Claims reserves have run off largely as expected, matched by the residual earnings from the 2013 and 2014 Years of Account. The overall experience for the calendar year has accordingly been modestly positive.

2013 Year of Account Reinsurance to Close

Effective 31 December 2015, the 2013 Year of Account of the Syndicate was closed into the 2013 Year of Account of Barbican Syndicate 1955, which in turn closed into the 2014 Year of Account of Barbican Syndicate 1955. The Syndicate as constituted for the 2014 Year of Account then reinsured Barbican Syndicate 1955 in respect of those liabilities of the Syndicate's 2013 Year of Account that were reinsured to close by Barbican Syndicate 1955. A premium of £1.3m is payable in respect of that reinsurance arrangement.

Principal Risks and Uncertainties

The Board of the Managing Agent ("Board") sets risk appetite annually as part of the Syndicate's business planning and Individual Capital Assessment process. A Risk and Capital Committee generally meets quarterly to review and update the Syndicate's risk register and to monitor performance against risk appetite using a series of key risk indicators. The principal risks and uncertainties faced by the Company are as follows:

Insurance Risk

Insurance risk includes the risks that a policy will be written for inadequate premium or provide inappropriate cover (underwriting risk), that the frequency or severity of insured events will be higher than expected (claims risk), and that estimates of claims subsequently prove to be insufficient (reserving risk). The Board manages insurance risk by agreeing its appetite for these risks annually and managing this primarily through the business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. The Board then monitors the progress of the run-off of the Syndicate's portfolio to ensure that it remains within expectations. Reserve adequacy is monitored through quarterly review by the Barbican actuarial function and reviewed annually by an independent firm of actuaries.

Credit Risk

The key aspects of credit risk are the risk of default by one or more of the Syndicate's reinsurers and by Barbican Syndicate 1955 in respect of the reinsurance it cedes to the Syndicate on a funds withheld basis. The Board's policy is that the Syndicate will only reinsure with businesses rated A or higher. Where this is not the case, reinsurers are required to post collateral in accordance with the terms of the relevant reinsurance contract. Furthermore, the cash flows from Barbican Syndicate 1955 are expected to occur following the closure of the Years of Account at 36 months.

Currency Risk

The key aspect of currency risk is the risk of losses on foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. The Board's policy is to maintain received income or incurred expenditure in the core currencies in which they were received or paid (as the case may be). Any surplus or deficit in a core currency is subject to review by the Board, which may instruct surplus currencies to be sold to reduce any deficit on other currencies.

Liquidity Risk

This is the risk that the Syndicate will not be able to meet liabilities as they fall due, owing to a shortfall in cash in Barbican Syndicate 1955, which cedes a proportion of its insurance liabilities to the Syndicate. To mitigate this risk the Board reviews Barbican Syndicate 1955's cash flow projections regularly and ensures it holds liquid investments in its portfolios.

Group Risk

Group risk is the possibility that the operation of part of the Group adversely affects operations. Group risk includes: negative publicity; inadequate communication within the organisation; undue influence from fellow subsidiaries, holding companies or stakeholders; financial pressures to make funds available to the Group; and financial restraint leading to shortcomings in core activities such as reinsurance purchasing.

Principal Risks and Uncertainties (continued)

Group Risk (continued)

The Company's strategy is to minimise any Group risk by ensuring that there are clear lines of authority and communication between related parties, that intra-Group reinsurance is placed on arm's length terms and that any intra-Group agreements are clearly understood and observed by all parties.

Operational Risk

This is the risk that errors caused by people, processes or systems lead to losses to the Syndicate. The Board seeks to manage this risk through the use of policies, procedures, management controls, risk-based compliance monitoring, and a structured programme of testing processes and systems by internal audit. Business continuity and disaster recovery plans are in place and are regularly updated.

Regulatory Risk

The Company is required to comply with the requirements of the Financial Conduct Authority ("FCA"), Prudential Regulation Authority ("PRA") and the Society of Lloyd's ("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 Board has appointed the Group Head of Compliance and Risk as its Compliance Officer, who monitors regulatory developments, assesses the impact on Company policy and reports to the Board.

Future Developments

The Syndicate did not renew its participation in the quota share reinsurance of Barbican Syndicate 1955 for the 2015 Year of Account. Accordingly, 2014 was the last active trading year for the Syndicate.

Disclosure of Information to the Auditor

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 Company and the Syndicate's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Reappointment of Auditor

Ernst & Young LLP are deemed reappointed as auditor of the Syndicate.

By order of the Board

S J Britt
Company Secretary
15 March 2016

Managing Agent's Responsibilities Statement

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 Syndicate Annual Accounts are required by law to give a true and fair view of the state of affairs of the Syndicate as at that date and of its profit or loss for that year. In preparing the Syndicate Annual Accounts, the Managing Agent is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the notes to the Syndicate Annual Accounts; and
- prepare the Syndicate Annual Accounts on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume that the Syndicate will do so.

The 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 Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. 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 Auditor's Report to the Members of Barbican Syndicate 6113

We have audited the Syndicate Financial Statements Under UK GAAP of Special Purpose Syndicate 6113 ("the Syndicate") for the year ended 31 December 2015 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Members' Balances, the Statement of Cash Flows and the related notes 1 to 19. 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 auditor's 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 7, the Managing Agent is responsible for the preparation of Syndicate Financial Statements Under UK GAAP which give a true and fair view. Our responsibility is to audit and express an opinion on the Syndicate Financial Statements Under UK GAAP 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 Financial Statements Under UK GAAP

An audit involves obtaining evidence about the amounts and disclosures in the Syndicate Financial Statements Under UK GAAP sufficient to give reasonable assurance that the Syndicate Financial Statements Under UK GAAP 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 Financial Statements Under UK GAAP. In addition, we read all the financial and non-financial information in the Syndicate Financial Statements Under UK GAAP to identify material inconsistencies with the audited Syndicate Financial Statements Under UK GAAP 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 Financial Statements Under UK GAAP

In our opinion the Syndicate Financial Statements Under UK GAAP:

- give a true and fair view of the Syndicate's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and Financial Reporting Standard 103 'Insurance Contracts'; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Independent Auditor's Report

to the Members Barbican Syndicate 6113

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 Syndicate Financial Statements Under UK GAAP are prepared is consistent with the Syndicate Financial Statements Under UK GAAP.

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 Financial Statements Under UK GAAP are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Benjamin Gregory (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

15 March 2016

Barbican Syndicate 6113

Income Statement

Technical Account – General Business

For the year ended 31 December 2015

	Notes	2015 £000	2014 £000
Gross premiums written	2	(1,039)	27,505
Outward reinsurance premiums		(2,219)	(10,214)
Net premiums written		(3,258)	17,291
Change in the provision for unearned premiums:			
- Gross amount		10,125	(4,602)
- Reinsurers' share		(3,102)	1,152
Change in the net provision for unearned premiums	9	7,023	(3,450)
Earned premiums, net of reinsurance		3,765	13,841
Allocated investment return transferred from the non-technical account	3	43	169
Claims paid			
- Gross amount		(9,786)	(2,423)
- Reinsurers' share		4,084	510
Net claims paid		(5,702)	(1,913)
Change in the provision for claims			
- Gross amount		264	(6,210)
- Reinsurers' share		1,103	4,059
Change in the net provision for claims	10	1,367	(2,151)
Claims incurred, net of reinsurance		(4,335)	(4,064)
Net operating expenses	4	148	(2,767)
Balance on the technical account for general business		(379)	7,179

Barbican Syndicate 6113
Income Statement

Non-Technical Account - General Business

For the year ended 31 December 2015

	Note	2015 £000	2014 £000
Balance on the general business technical account		(379)	7,179
Investment income	3	78	431
Realised losses on investments	3	(5)	(133)
Unrealised losses on investments	3	(30)	(117)
Investment management expenses	3	-	(12)
Allocated investment return transferred to general business technical account	3	(43)	(169)
Foreign exchange gains		751	580
Profit for the financial year		372	7,759

Statement of Changes in Members' Balances

For the year ended 31 December 2015

	Profit and loss account	Total members' balances
	£000	£000
At 1 January 2014	3,618	3,618
Profit for the year	7,759	7,759
At 31 December 2014	11,377	11,377
Profit for the year	372	372
At 31 December 2015	11,749	11,749

Barbican Syndicate 6113

Statement of Financial Position

As at 31 December 2015

Assets	Notes	2015 £000	2014 £000
Reinsurers' share of technical provisions			
Provision for unearned premiums	9	491	3,505
Claims outstanding	10	6,796	5,340
		7,287	8,845
Debtors due within one year			
Debtors arising out of reinsurance operations	11	6,911	24,928
Debtors due after one year			
Debtors arising out of reinsurance operations	11	10,123	-
Prepayments and accrued income			
Deferred acquisition costs		-	687
		-	687
Total assets		24,321	34,460

Liabilities	Notes	2015 £000	2014 £000
Capital and reserves			
Member's balance	12	11,749	11,377
Technical provisions			
Provision for unearned premiums	9	974	11,591
Claims outstanding	10	11,598	11,492
		12,572	23,083
Total liabilities		24,321	34,460

The Annual Accounts on pages 10 to 48 were approved by the Board of Barbican Managing Agency Limited on 15 March 2016 and were signed on its behalf by

C R Cunningham

Deputy Managing Director

15 March 2016

Barbican Syndicate 6113

Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 £000	2014 £000
Cash flows from operating activities			
Profit for the financial year		372	7,759
Adjustments for			
Movement in general insurance unearned premiums and outstanding claims		(10,511)	11,652
Movement in reinsurers' share of unearned premiums and outstanding claims		1,558	(5,690)
Movements in other assets/liabilities		8,581	(13,721)
Net cash from operating activities		-	-
Net increase/(decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		**-**	**-**

1. Significant Accounting Policies

a. Statement of Compliance

The financial statements have been prepared in compliance with FRS 102 and FRS 103, being applicable UK GAAP accounting standards and the" Insurance Accounts Directive" (Lloyd's Syndicate Accounts) Regulations 2008

The financial statements are prepared under the historical cost convention except for certain financial instruments which are measured at fair value.

The Syndicate transitioned from previously extant UK GAAP to FRS 102 and FRS 103 as at 1 January 2014. An explanation of how transition to FRS 102 and FRS 103 has affected the reported financial position and financial performance is given in note 19.

b. Basis of Preparation

The financial statements for the year ended 31 December 2015 were approved for issue by the Board on 15 March 2016.

The financial statements are prepared in Sterling which is the presentation and functional currency of the Syndicate and rounded to the nearest £000.

As permitted by FRS 103, the Syndicate continues to apply the existing accounting policies that were applied prior to this standard, for its insurance contracts.

Amounts ceded from Barbican Syndicate 1955 to the Syndicate are taken net of external reinsurance, and are recognised as reinsurance balances in Barbican Syndicate 1955, then are in turn recognised as gross balances in the Syndicate. The Syndicate's share of the Barbican Syndicate 1955's external outward reinsurance is recognised as reinsurance balances in the Syndicate. The Syndicate also takes a share of investment income and expenses, which are stripped out of the Barbican Syndicate 1955 and recognised in the equivalent accounts in the Syndicate.

c. Judgements and Key sources of Estimation Uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following are the key sources of estimation uncertainty:

Insurance Contract Technical Provisions

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

1. Significant Accounting Policies (continued)

c. Judgements and Key Sources of Estimation Uncertainty (continued)

Insurance Contract Technical Provisions (continued)

The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by underwriting years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g. to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the most likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

A number of judgements and assumptions are used in assessing salvage and subrogation recoveries.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the earnings methodology on an insurance contract requires amortisation of unearned premium on a basis other than time apportionment.

Estimates of Future Premiums

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates are judgemental and could result in misstatements of revenue being recorded in the financial statements.

The main assumption underlying these estimates is that past premium development can be used to project future premium development.

1. Significant Accounting Policies (continued)

d. Financial Instruments

The Syndicate's financial instruments are initially recorded at cost and are carried at each reporting date at amortised cost. See note 8 for details of financial instruments.

Derecognition of Financial Assets

A financial asset or, when applicable, a part of a financial asset is derecognised when:

- The rights to the cash flows from the asset have expired; or
- The Syndicate retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and either (a) the Syndicate has transferred substantially all the risks and rewards of the asset; or (b) the Syndicate has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Syndicate has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards nor transferred control of the asset, the asset is recognised to the extent of the Syndicate's continuing involvement in the asset. This applies to the funds withheld in respect of the cession from Barbican Syndicate 1955 to the Syndicate. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Syndicate could be required to repay. In that case, the Syndicate also recognises an associated liability.

e. Investment Return

All of the Barbican Syndicate 1955's investments are recognised at fair value through the profit and loss. Although SPS 6113 does not itself hold any investments, it takes a share of Barbican Syndicate 1955's investment income.

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

Interest income is recognised on a time proportionate basis taking into account effective interest yield.

Unrealised and realised gains and losses on financial investments are recognised based on the appropriate classification of financial investments and are covered in detail under the accounting policy for financial instruments.

An allocation of actual investment return on investments supporting the general insurance technical provisions is made from the non-technical account to the technical account. Investment return related to non-insurance business is attributed to the non-technical account.

1. Significant Accounting Policies (continued)

f. Insurance Contracts

Product Classification

Insurance contracts are those contracts when the Syndicate (the insurer) has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Syndicate determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Gross Premiums

Gross written premiums comprise the total premiums receivable for the whole period of cover provided by the contracts entered into during the reporting period, regardless of whether these are wholly due for payment in the reporting period, together with any adjustments to such premiums receivable arising in the reporting period to such premiums receivable in respect of business written in prior reporting periods. They are recognised on the date on which the policy commences. Additional or return premiums are treated as a remeasurement of the initial premium.

Written premiums include an estimate for pipeline premiums (i.e. premiums written in respect of policies which have not incepted by the reporting date) relating only to those underlying contracts of insurance where the period of cover has commenced prior to the reporting date. The most significant assumption in this estimate is that current year experience will be consistent with prior year experience.

Under some policies, written premiums are adjusted retrospectively in the light of claims experience or where the risk covered cannot be assessed accurately at the commencement of cover. Where written premiums are subject to an increase retrospectively, recognition of any potential increase is deferred until the additional amount can be ascertained with reasonable certainty. Where written premiums are subject to a reduction, a remeasurement taking account of such a reduction is made as soon as there is an obligation to the policyholder.

Written premiums are recognised as earned over the period of the policy on a time apportionment basis having regard where appropriate, to the incidence of risk. The provision for unearned premiums is predominantly calculated on a monthly pro rata basis with some classes of business such as Space having more complex earnings profiles. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

The Syndicate has written a quota share contract with Barbican Syndicate 1955. The contract operates on a “funds withheld basis” whereby the proportion of the ceded premiums are considered as combined funds from which loss recoveries will be drawn. The associated cash flows are expected to occur following the closure of the Years of Account at 36 months. As such, the balance of amounts ceded by Barbican Syndicate 1955 to the Syndicate is recognised as an asset on the balance sheet.

1. Significant Accounting Policies (continued)

f. Insurance Contracts (continued)

Reinsurance Premiums

Reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period, including portfolio premiums payable, and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Under some policies, reinsurance premiums payable are adjusted retrospectively in the light of claims experience or where the risk covered cannot be assessed accurately at the commencement of cover. Where written premiums are subject to an increase retrospectively, recognition of any potential increase is recognised as soon as there is an obligation to the policyholder.

Reinsurance premiums under a Risks Attaching During (“RAD”) contract are earned typically over two years based on inception and expiry dates. Year of Account allocation is based on the inception and expiry dates that the contract relates to. This results in a triangular earnings pattern, where earnings increase towards the middle of the policy period then decrease until the policy expires.

Reinsurance premiums under a Losses Occurring During (“LOD”) contract are earned on a straight line basis over the period of the reinsurance contract based on inception and expiry dates. Losses that occur during the length of the contract could relate to the current, prior or following year of account, therefore an allocation to Year of Account is applied to this type of policy. The allocation is based on historical class level monthly earnings for the underlying gross policies.

1. Significant Accounting Policies (continued)

Fees and Commission Income

Insurance policyholders are charged for policy administration services, investment management services, policy surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services to be provided in future periods, then they are deferred and recognised over those future periods.

Claims

Claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Technical Provisions

Technical provisions comprise claims outstanding, provisions for unearned premiums, provisions for unexpired risks.

Claims Outstanding

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims and therefore, the ultimate cost of these claims cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money.

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.

1. Significant Accounting Policies (continued)

f. Insurance Contracts (continued)

Technical Provisions (continued)

The reinsurers' share of provisions for claims is based on the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurers involved. A number of statistical methods are used to assist in making these estimates.

The two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and 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 Annual Accounts for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

Provisions for Unearned Premiums

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. In respect of general insurance business, written premiums are recognised as earned over the period of the policy on a time apportionment basis having regard where appropriate, to the incidence of risk. The provision for unearned premiums is predominantly calculated on a monthly pro rata basis with some classes of business such as Space having more complex earnings profiles. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Unearned reinsurance premiums are those proportions of reinsurance premiums in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Unexpired Risks

A liability adequacy provision (the unexpired risks provision) is made where the cost of claims and expenses arising after the end of the financial year from contracts concluded before that date, is expected to exceed the provision for unearned premiums, net of deferred acquisition costs, and premiums receivable.

The assessment of whether a provision is necessary is made by considering separately each category of business on the basis of information available at the reporting date, after offsetting surpluses and deficits arising on products which are managed together. Investment income is taken into account in calculating the provision.

At 31 December 2015 and 31 December 2014 the Syndicate did not have an unexpired risks provision.

1. Significant Accounting Policies (continued)

f. Insurance Contracts (continued)

Deferred Acquisition Costs

The Syndicate is an SPS and therefore has no cash, and no brokerage changes hands under the quota share contract. Acquisition costs are therefore netted off against gross written premium, and deferred acquisition costs are netted off against unearned premium.

Acquisition costs comprise costs arising from the conclusion of insurance contracts. They include both direct costs, such as intermediary commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio, and indirect costs, such as the advertising costs or the administrative expenses connected with the processing of proposals and the issuing of policies.

Deferred acquisition costs are costs arising from conclusion of insurance contracts that are incurred during the reporting period but which relate to a subsequent reporting period and which are carried forward to subsequent reporting periods.

Deferred acquisition costs are amortised over the period in which the related premiums are earned.

The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset amortisation is recorded in the income statement.

Commissions receivable on outwards reinsurance contracts are deferred and amortised on the same basis as the related reinsurance premium is earned.

Reinsurance Assets

The Syndicate cedes insurance risk in the normal course of business for all of its lines of business. Reinsurance assets represent balances due from reinsurance companies and other Lloyd's syndicates. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, should an indication of impairment arise during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Syndicate may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Syndicate will receive from the reinsurer. The impairment loss is recorded in the statement of Income Statement.

Ceded reinsurance arrangements do not relieve the Syndicate from its insurance obligations to its policyholders.

Insurance Receivables

Insurance receivables relate to the cession from Barbican Syndicate 1955 on a funds withheld basis and are recognised when due and are measured at amortised cost. The carrying value of insurance receivables is reviewed for impairment should events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Income Statement.

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

1. Significant Accounting Policies (continued)

g. Provisions

Provisions are recognised when the Syndicate has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

h. Foreign Currencies

The Syndicate's functional currency and presentational currency is Sterling.

Transactions in US dollars, Canadian dollars, Euros, Australian dollars and Japanese Yen are initially recorded in the functional currency at the average rates of exchange for the period where for practical purposes it is not possible to use the actual rate at the date of transaction. Transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

Monetary assets and liabilities (which include unearned premiums and deferred acquisition costs) denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. Non-monetary items denominated in a foreign currency, measured at fair value are translated into the functional currency using the exchange rate ruling at the date when the fair value was determined.

Exchange differences arising on the retranslation of opening balance sheet items at the closing balance sheet rate and the retranslation of the Income Statement for the year from the average rate to the closing balance sheet rate are recorded in the non-technical account.

i. Taxation

Under Schedule 19 of the Finance Act 1993 managing agents at Lloyd's 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 the Company and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings.

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

1. Significant Accounting Policies (continued)

j. Profit Commission

Profit commission is included within acquisition costs within the Income Statement, and is offset against the receivable balance with Barbican Syndicate 1955 in the balance sheet. It is charged by the Company at a rate of 15% of the cumulative profit on the 2013 and separately the 2014 Year of Account. This is charged to the Syndicate as incurred but does not become payable until after the appropriate Year of Account closes, normally at 36 months. In the event that a Year of Account is loss making, a deficit clause permits losses to be carried forward against future Year of Account profits (up to two years) in order to reduce future Year of Account profit commission payments.

2. Segmental Analysis

a. Analysis by Class of Business

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

2015	Gross written premiums £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000	Net technical provisions £000
Reinsurance	(1,039)	9,086	(9,522)	148	(134)	(422)	(5,285)
	(1,039)	9,086	(9,522)	148	(134)	(422)	(5,285)

2014	Gross written premiums £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000	Net technical provisions £000
Reinsurance	27,505	22,903	(8,633)	(2,767)	(4,493)	7,010	(14,238)
	27,505	22,903	(8,633)	(2,767)	(4,493)	7,010	(14,238)

All premiums were written in the UK.

b. Analysis by Geographical Location

Geographical analysis of gross premiums written is based on the location of underlying policyholders, which is not materially different from revenue by source. The geographical analysis of premiums by location of risk is as follows:

	2015 £000	2014 £000
UK	(485)	14,449
EU member states	(88)	2,748
US	(351)	7,331
Other	(115)	2,977
Gross premiums written	(1,039)	27,505

c. Analysis by Composition

Gross written premium is netted off by acquisition costs and is made up as follows:

	2015 £000	2014 £000
Gross premiums written	(1,256)	33,249
Acquisition costs	217	(5,744)
	(1,039)	27,505

3. Investment Return

All of the Barbican Syndicate 1955's investments are recognised at fair value through the profit and loss. Although the Syndicate holds no investments, it takes a share of Barbican Syndicate 1955's investment income.

	2015	2014
	£000	£000
Investment income	78	431
Realised losses on investments	(5)	(133)
Unrealised losses on investments	(30)	(117)
Total investment income	43	181
Investment management expenses, including interest	-	(12)
Net investment income	43	169

4. Net Operating Expenses

	2015	2014
	£000	£000
Acquisition costs	(195)	2,717
Auditor's remuneration	47	50
Net operating expenses	(148)	2,767

Profit commission is included within acquisition costs.

5. Auditor's Remuneration

	2015 £000	2014 £000
Audit of the Syndicate Annual Accounts	22	23
Audit of the Managing Agent's Annual Accounts	14	15
Other services pursuant to regulations and Lloyd's byelaws	11	12
	47	50

Auditors' remuneration is included as part of the administrative expenses in note 4 to the financial statements.

6. Staff Costs and Directors' Remuneration

All staff are employed by Barbican Holdings (UK) Limited, the immediate parent company of the Company. The cost of these staff is borne by Barbican Syndicate 1955.

7. Emoluments of the Directors of Barbican Managing Agency Limited

The Syndicate was not recharged any expenses relating to the remuneration of the Directors of the Company.

8. Financial Instruments

A breakdown of how the Syndicate's financial instruments are measured is given below:

	2015 £000	2014 £000
Financial assets that are debt instruments measured at amortised cost		
Debtors arising out of reinsurance operations	17,034	24,928

9. Provisions for Unearned Premiums

	Gross	Reinsurer's share	Net
	£000	£000	£000
At 1 January 2015	11,591	(3,505)	8,086
Premiums written in the year	(1,039)	(2,219)	(3,258)
Premiums earned in the year	(9,086)	5,321	(3,765)
Foreign exchange	(492)	(88)	(580)
At 31 December 2015	974	(491)	483

	Gross	Reinsurer's share	Net
	£000	£000	£000
At 1 January 2014	6,447	(2,149)	4,298
Premiums written in the year	27,505	(10,214)	17,291
Premiums earned in the year	(22,903)	9,062	(13,841)
Foreign exchange	542	(204)	338
At 31 December 2014	11,591	(3,505)	8,086

Gross unearned premium is netted off by deferred acquisition costs and is made up as follows:

	2015	2014
	£000	£000
Unearned premium	1,169	13,909
Deferred acquisition costs	(195)	(2,318)
	974	11,591

10. Claims Outstanding

	Gross	Reinsurer's share	Net
	£000	£000	£000
At 1 January 2015	11,492	(5,340)	6,152
Claims incurred in current accident year	-	-	-
Claims incurred in prior accident years	9,522	(5,187)	4,335
Claims paid during the year	(9,786)	4,084	(5,702)
Foreign exchange	370	(353)	17
At 31 December 2015	11,598	(6,796)	4,802

	Gross	Reinsurer's share	Net
	£000	£000	£000
At 1 January 2014	4,984	(1,006)	3,978
Claims incurred in current accident year	863	(457)	406
Claims incurred in prior accident years	7,770	(4,112)	3,658
Claims paid during the year	(2,423)	510	(1,913)
Foreign exchange	298	(275)	23
At 31 December 2014	11,492	(5,340)	6,152

11. Debtors Arising out of Reinsurance Operations

The amount due from cedants represents the cession from Syndicate 1955 to the Syndicate, on a funds withheld basis.

	2015	2014
	£000	£000
Due within one year	6,911	24,928
Due after one year	10,123	-
	17,034	24,928

12. Reconciliation of Members' Balance

	2015	2014
	£000	£000
Members' balance brought forward at 1 January	11,377	3,618
Total profit for the year	372	7,759
Members' balance carried forward at 31 December	11,749	11,377

13. Risk Management

a. Governance Framework

The primary objective of the Syndicate's risk and financial management framework is to protect the members from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Management recognises the critical importance of having efficient and effective risk management systems in place.

The Company has established a risk management function with clear terms of reference from the Board, its committees and the associated executive management committees. The Company has adopted the terms of reference of the Group's Risk Management function and approves the annual plans of that function to support its risk management framework. The risk management framework is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the Board to executive management committees. Lastly, a policy framework which sets out the risk profiles for the Syndicate, risk management, control and business conduct standards for Syndicate's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Syndicate.

The Board approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies and their implementation. These policies define the identification of risk and its interpretation to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements. Significant emphasis is placed on assessment and documentation of risks and controls, including the articulation of 'risk appetite'.

b. Capital Management Objectives, Policies and Approach

In line with the Lloyd's capital framework, Lloyd's capital setting process and provision of capital by members, the Syndicate has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

- To maintain the required level of stability of the Syndicate thereby providing a degree of security to policyholders,
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its members,
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets,
- To align the profile of assets and liabilities taking account of risks inherent in the business, and
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.

The operations of the Syndicate are also subject to regulatory requirements within the jurisdictions in which it operates, in particular compliance with FCA rules, PRA rules, Lloyd's standards and byelaws, relevant EU regulations, and EIOPA guidelines. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy) to minimise the risk of default and insolvency on the part of insurance companies to meet unforeseen liabilities as these arise.

The Syndicate has met all of these requirements throughout the financial year.

13. Risk Management (continued)

b. Capital Management Objectives, Policies and Approach (continued)

In reporting financial strength, capital and solvency are principally measured using the rules prescribed by the PRA as applicable to the Society of Lloyd's and Lloyd's managing agents. These regulatory capital tests are based upon required levels of solvency, capital and a series of prudent assumptions in respect of the type of business written.

The Company's capital management policy for its insurance business is to hold sufficient capital to cover the statutory requirements based on the requirements of the PRA and Lloyd's, the FCA, including any additional amounts required by the regulators.

c. Approach to Capital Management

The Syndicate seeks to optimise the structure and sources of capital to ensure that it consistently maximises capital resources.

The Syndicate's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to manage the capital position of the Syndicate in the light of changes in economic conditions and risk characteristics. An important aspect of the Syndicate's overall capital management process is the setting of target risk adjusted rates of return, which are aligned to performance objectives and ensure that the Syndicate is focused on the creation of value for members.

The primary sources of capital used by the Syndicate are members' balances and bank letters of credit.

The capital requirements are routinely forecast on a periodic basis and assessed against both the forecast available capital and the expected internal rate of return, including risk and sensitivity analyses. The process is ultimately subject to approval by the Board.

The Syndicate has had no significant changes in its policies and processes to its capital structure during the past year.

d. Capital Resources Requirement

The Syndicate is subject to capital requirements imposed by Lloyd's. Throughout the year the Syndicate has complied with the Lloyd's risk based LIM methodology under Solvency II, which is used to calculate the Syndicate's capital requirement. The Syndicate's Solvency Capital Requirement under Solvency II as at 31 December 2015 is £11.0m (2014: £2.1m).

13. Risk Management (continued)

e. Solvency II Capital Requirements

Under the Solvency II regime, there are two prescribed methods for assessing an insurer's regulatory capital requirements – using either a standard formula set by the regulator or an Internal Model specific to that insurer which is subject to regulatory approval.

The Syndicate operates within the Lloyd's market. The PRA has determined that the Society of Lloyd's is the relevant insurer for the Lloyd's market. The Society of Lloyd's has chosen to operate an Internal Model and this was approved by the PRA in December 2015. In consequence, all Lloyd's managing agents are required to operate an internal model for each managed syndicate that is structured on Solvency II lines and which (when aggregated) ensures the integrity and effectiveness of the Society of Lloyd's Internal Model. During 2015, the Company continued to build upon its preparations for the Solvency II regime, which became effective on 1 January 2016.

The Society of Lloyd's not only oversees the approval and monitoring of each syndicate's internal model, but also imposes certain restrictive provisions to minimise the risk of non-compliance with regulatory capital requirements.

The effective management of risk and capital is a key strategic priority. The Company's risk management framework will further enhance the definition of the risk standards and risk tolerances which guide the Company's and Syndicate's day-to-day business decision making and processes and ensure that the risk appetite is not exceeded.

Economic capital is calculated for the Syndicate considering the complete spectrum of risks identified by the risk framework, ensuring that the capital requirement reflects the risk profile and enabling capital to be allocated and returns measured on a risk adjusted basis.

The Solvency II Directive has been transposed into UK legislation through PRA rules and guidance. In addition, Solvency II firms are obligated to comply with relevant EU regulations and EIOPA guidelines. The PRA authorises and regulates both the Society of Lloyd's and Lloyd's managing agents, including the Company. In addition, the Society of Lloyd's supervises certain activities performed by Lloyd's managing agents.

13. Risk Management (continued)

f. Insurance Risk

Insurance risk refers to fluctuations in the timing, frequency and severity of insured events, relative to the expectations of the Syndicate at the time of underwriting.

For general insurance business some specific examples of insurance risk include variations in the severity or frequency of claims or the unexpected occurrence of multiple claims arising from a single cause. More generally, insurance risk includes the potential for claims overruns relative to pricing or reserving assumptions.

Insurance risk is a concern in a prudential context because inadequate systems and controls for its management can create a threat to the regulatory objectives of maintaining market confidence and consumer protection. Inadequately managed insurance risk may result in:

- The inability of a Syndicate to meet its contractual insurance liabilities as they fall due; and
- The inability of a Syndicate to treat its policyholders fairly and consistently with the Syndicate's obligations.

The Syndicate's underwriting strategy is to write a diverse book of business with a focus on building a composite portfolio with a high level of diversification, thus creating a business with low volatility and a good opportunity for consistent profit across the underwriting cycle. The Syndicate's appetite is governed by market conditions and management undertakes a continuous assessment of its portfolio against this background.

Tolerance - Risk Appetite

The Syndicate's tolerance by class of business is covered within the business plan. The Syndicate operated within defined exception criteria as follows:

- Stamp capacity was £33.7m for the 2014 year of account;
- Maximum realistic disaster scenario net exposure for the 2014 Year of Account of 45.9% of stamp capacity; and
- Usual maximum gross line size for 2014 of £11.2m.

Claims

Open market claims are settled by the claims management team. The claims department has produced claims handling guidelines which incorporate Lloyd's minimum standards.

Claims development tables are shown on an underwriting year basis on page 34, and the key assumptions underlying liability estimates are set out under Key Assumptions on page 38.

13. Risk Management (continued)

f. Insurance Risk (continued)

Gross insurance contract outstanding claims provisions as at 31 December 2015:

Underwriting Year	2013	2014	2015	Total
Estimate of ultimate gross claims:	£000	£000	£000	£000
At end of underwriting year	9,326	16,492	-	-
One year later	6,065	19,328	-	19,328
Two years later	5,911		-	5,911
Current estimate of ultimate claims	5,911	19,328	-	25,239
Cumulative payments	4,348	8,478	-	12,826
Gross claims reserve	1,563	10,850	-	12,413

Net insurance contract outstanding claims provisions as at 31 December 2015:

Underwriting Year	2013	2014	2015	Total
Estimate of ultimate net claims:	£000	£000	£000	£000
At end of underwriting year	7,522	9,844	-	-
One year later	4,431	9,229	-	9,229
Two years later	4,341		-	4,341
Current estimate of ultimate claims	4,341	9,229	-	12,977
Cumulative payments	3,031	5,144	-	8,175
Net claims reserve	1,310	4,085	-	5,395

13. Risk Management (continued)

f. Insurance Risk (continued)

The claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit for the year and members' balances.

31 December 2015	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on profit and members' balances
		£000	£000	£000
Average claim cost	+10%	1,160	546	(546)
Average number of claims	+10%	1,160	546	(546)

31 December 2014	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on profit and members' balances
		£000	£000	£000
Average claim cost	+10%	1,149	609	(609)
Average number of claims	+10%	1,149	609	(609)

The method used for deriving sensitivity information and significant assumptions has not changed from the previous period.

The Syndicate uses both its own and commercially available proprietary risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from an un-modelled event are greater than those arising from a modelled event.

13. Risk Management (continued)

f. Insurance Risk (continued)

The following table shows hypothetical claims arising for the largest realistic disaster scenarios based on the Syndicate's average risk exposures. This shows the position up to 2014, given that the Syndicate ceased to write business on 31 December 2014, and the last open Year of Account is 2014.

	Gross Aggregate Exposure $m	Estimated gross loss $m	Estimated net loss $m
US earthquake	145	56	20
US windstorm	248	81	31
Japan earthquake	17	16	11
Japan windstorm	10	5	3
Europe windstorm	25	20	13

13. Risk Management (continued)

f. Insurance Risk (continued)

There are agreed documented outwards reinsurance procedures in place covering the purchase of cover and the procedures for making recoveries. There is also a policy for the approval of reinsurers to minimise credit risk.

The Company assesses the Syndicate's need for reinsurance on a continuous basis, where the Syndicate takes a share of Barbican Syndicate 1955's reinsurance programme and has its own specific reinsurance contracts. The structure of the reinsurance programme is part of the annual planning process and broad estimates of reinsurance spend are made. The programme is subject to extension or modification as the year progresses. Procedures for purchasing approval and transactions processing are set out in a procedures manual.

The table below sets out the concentration of outstanding claim liabilities by type of contract:

31 December 2015	Gross liabilities £000	Reinsurance assets £000	Net liabilities £000
Energy - marine	655	(384)	271
Energy – non-marine	1,120	(656)	464
Marine, aviation and transport	1,940	(1,137)	803
Fire and other damage to property	7,883	(4,619)	3,264
Total	**11,598**	**(6,796)**	**4,802**

31 December 2014	Gross liabilities £000	Reinsurance assets £000	Net liabilities £000
Energy - marine	5	(2)	3
Energy – non-marine	3,531	(1,641)	1,890
Marine, aviation and transport	406	(189)	217
Fire and other damage to property	7,550	(3,508)	4,042
Total	**11,492**	**(5,340)**	**6,152**

13. Risk Management (continued)
f. Insurance Risk (continued)

The geographical concentration of the outstanding claim liabilities is noted below. The disclosure is based on the countries where business is written. The analysis would not be materially different if based on the countries in which the counterparties are situated.

31 December 2015	Gross liabilities £000	Reinsurance assets £000	Net liabilities £000
United Kingdom	5,414	(3,172)	2,242
EEA	982	(576)	406
USA	3,918	(2,296)	1,622
International	1,284	(752)	532
Total	**11,598**	**(6,796)**	**4,802**

31 December 2014	Gross liabilities £000	Reinsurance assets £000	Net liabilities £000
United Kingdom	6,037	(2,805)	3,232
EEA	1,148	(534)	614
USA	3,063	(1,423)	1,640
International	1,244	(578)	666
Total	**11,492**	**(5,340)**	**6,152**

Key Assumptions

The principal assumption underlying the liability estimates is that the future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence; changes in market factors such as public attitude to claiming: economic conditions: as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

13. Risk Management (continued)

g. Credit Risk

Credit risk arises where one party is exposed to a loss through another party failing to perform its financial obligations to the other party, including failure to perform in a timely manner. Examples of credit risk arising in insurance are from premium debtors, where cover under contracts of insurance may either commence before premiums become due or continue after their non-payment. It can also arise if a reinsurer fails to fulfil its financial obligation to pay where a valid claim has been made.

Credit risk is a concern in a prudential context because inadequate systems and controls for credit risk management within Syndicates can create a threat to the regulatory objectives of maintaining market confidence and ensuring consumer protection by:

- The erosion of a Syndicate’s capital due to persistent credit losses so threatening its viability as a going concern; or
- Hampering the Syndicate’s ability to meet its own obligations to policyholders or other market counterparties due to capital erosion.

The overall responsibility of approval of intermediaries and reinsurers has been delegated to the Risk and Capital Committee. The Risk and Capital Committee reviews the credit ratings of reinsurers on a quarterly basis, approves the use of intermediaries and reinsurers and reviews any late settlement or reputational issues of the counterparties. The compliance department performs regular checks to ensure no unapproved parties are used. The policy for approving reinsurers includes limits on counterparty exposure in order to limit the total credit risk the Syndicate may be exposed to in respect of any one reinsurer.

The credit risk policy covers the quota share contract with Barbican Syndicate 1955. The contract operates on a “funds withheld basis” whereby the proportion of the ceded premiums are considered as combined funds from which loss recoveries will be drawn. The associated cash flows are expected to occur following the closure of the Years of Account at 36 months. These amounts are shown as “Debtors arising out of reinsurance operations” in the tables which follow.

13. Risk Management (continued)

g. Credit Risk (continued)

The Syndicate's maximum exposure to credit risk to the assets above at 31 December 2015 and 2014 is the funds withheld balance with Barbican Syndicate 1955 as a result of the amount it cedes to the Syndicate. The ratings of the Syndicate's assets are given below.

Rating source	Tier 1	Tier 2	Tier 3
Standard & Poor's	AA	A	BBB or less

At 31 December 2015

	Tier 1	Tier 2	Tier 3	Unrated	Total
	£000	£000	£000	£000	£000
Reinsurer' share of claims outstanding	1,530	3,518	26	1,722	6,796
Debtors arising out of reinsurance operations	3,188	10,001	651	3,194	17,034
Total	**4,718**	**13,519**	**677**	**4,916**	**23,830**

At 31 December 2014

	Tier 1	Tier 2	Tier 3	Unrated	Total
	£000	£000	£000	£000	£000
Reinsurer' share of claims outstanding	627	3,500	471	742	5,340
Debtors arising out of reinsurance operations	2,926	16,338	2,200	3,464	24,928
Total	**3,553**	**19,838**	**2,671**	**4,206**	**30,268**

13. Risk Management (continued)
g. Credit Risk (continued)

The ageing of the Syndicate's assets is disclosed below:

At 31 December 2015	Neither due nor impaired	<3 months	3-6 months	6 months - 1 year	> one year	Impaired	Total
	£000	£000	£000	£000	£000	£000	£000
Reinsurer' share of claims outstanding	6,594	116	61	21	4	-	6,796
Debtors arising out of reinsurance operations	16,523	293	152	54	12	-	17,034
Total	**23,117**	**409**	**213**	**75**	**16**	**-**	**23,830**

At 31 December 2014	Neither due nor impaired	<3 months	Three to six months	6 months - 1 year	> one year	Impaired	Total
	£000	£000	£000	£000	£000	£000	£000
Reinsurer' share of claims outstanding	4,848	273	116	72	31	-	5,340
Debtors arising out of reinsurance operations	22,637	1,276	539	334	142	-	24,928
Total	**27,485**	**1,549**	**655**	**406**	**173**	**-**	**30,268**

13. Risk Management (continued)

h. Foreign Currency Risk

In order to minimise currency risk arising from foreign exchange the Syndicate matches the currency of anticipated liabilities to its assets. Shortfalls of sterling to settle expenses are managed by the sale of surplus currencies as required.

Cash flow reports form part of monthly accounting. Cash flow forecasts are performed regularly to ensure currencies are matched and to minimise any foreign exchange risk.

The Syndicate currently maintains ledger balances in six main currencies: Sterling, Euros, US Dollars, Japanese Yen, Australian Dollars and Canadian Dollars. The most important non-sterling currency exposure relates to the US dollar. Exposures arise from a number of classes of business transacted outside of the USA, mainly Property. Maintenance of currency ledgers enables the Company to monitor foreign exchange risk.

The carrying value of total assets and liabilities by currency is as follows:

At 31 December 2015	**GBP**	**US $**	**Euro €**	**CAD $**	**Other**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Reinsurers' share of technical Provisions	54	7,168	47	9	9	7,287
Insurance and reinsurance receivables	(3,776)	17,980	16	609	2,205	17,034
Deferred acquisition costs	-	-	-	-	-	-
Total assets	**(3,722)**	**25,148**	**63**	**618**	**2,214**	**24,321**
Technical provisions	(327)	(11,184)	(606)	(320)	(135)	(12,572)
Total Liabilities	**(327)**	**(11,184)**	**(606)**	**(320)**	**(135)**	**(12,572)**
Members' balances	**(4,049)**	**13,964**	**(543)**	**298**	**2,079**	**11,749**

13. Risk Management (continued)

i. Foreign Currency Risk

At 31 December 2014	GBP	US $	Euro €	CAD $	Other	Total
	£000	£000	£000	£000	£000	£000
Reinsurers' share of technical Provisions	110	8,580	101	17	37	8,845
Insurance and reinsurance receivables	6,195	12,590	2,615	954	2,574	24,928
Deferred acquisition costs	687	-	-	-	-	687
Total assets	**6,992**	**21,170**	**2,716**	**971**	**2,611**	**34,460**
Technical provisions	(1,127)	(18,334)	(2,365)	(549)	(708)	(23,083)
Total Liabilities	**(1,127)**	**(18,334)**	**(2,365)**	**(549)**	**(708)**	**(23,083)**
Members' balances	**5,865**	**2,836**	**351**	**422**	**1,903**	**11,377**

13. Risk Management (continued)

i. Sensitivity Analysis

Sensitivity analysis is carried out on the underwriting/investment portfolio in relation to key parameters such as: exchange rates, market rating cycles, coverage cycles and catastrophe model output.

As at 31 December 2015, the Syndicate used closing rates of exchange of £1:€1.36 and £1:$1.47 (31 December 2014: 1:€1.29 and £1:$1.56). The Syndicate performs sensitivity analysis based on a 10% strengthening or weakening of Pound Sterling against the Euro and US Dollar. This analysis assumes that all other variables, in particular interest rates, remain constant and that the underlying valuation of assets and liabilities in their base currency is unchanged. The process of deriving the undernoted estimates takes account of the linear retranslation movements of foreign currency monetary assets and liabilities.

Increase/(decrease) on members' balances	**2015**	**2014**
	£000	**£000**
Strengthening of US dollar	1,552	1,342
Weakening of US dollar	(1,270)	(1,098)
Strengthening of Euro	(60)	9
Weakening of Euro	49	(7)

j. Interest Rate Risk

The reinsurance debtors have a duration of 1-3 years and are as such exposed to interest rate risk. Changes in interest yields, with all other variables constant, would result in changes in the capital value of debt securities. This would affect reported profits and members' balances as indicated in the stress test below. This is applied to the position as at 31 December 2015 and takes into account the full effect of mark to market movements, but without recognising running yield benefit.

	Impact on profit for the year		**Impact on members' balances**	
	2015	**2014**	**2015**	**2014**
	£000	**£000**	**£000**	**£000**
Shift in yield (basis points)				
50 basis points decrease	223	208	223	208
50 basis points increase	(185)	(137)	(185)	(137)

13. Risk Management (continued)

k. Liquidity Risk

Liquidity risk is the risk that a Syndicate, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost.

There are no liabilities which bear liquidity risk on the Syndicate's balance sheet, other than claims outstanding, given that the funds withheld balance with Barbican Syndicate 1955 is accounted for as an asset on the Syndicate's balance sheet. Expected timing of future cash flows for claims outstanding is shown below.

At 31 December 2015	**< 1 year**	**1-3 years**	**3-5 years**	**> 5years**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Claims outstanding	933	1,879	3,332	5,454	11,598
Total Liabilities	**933**	**1,879**	**3,332**	**5,454**	**11,598**

At 31 December 2014	**< 1 year**	**1-3 years**	**3-5 years**	**> 5years**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Claims outstanding	924	1,862	3,301	5,405	11,492
Total Liabilities	**924**	**1,862**	**3,301**	**5,405**	**11,492**

13. Risk Management (continued)

l. Operational Risk

Operational risk is the risk of loss, resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risk is inclusive of all internal processes, manual and computerised, and all systems; internal and external fraud; and employee competence. Employee relations and culture are included in people risks.

An assessment of operational risk is important as it can affect a Syndicate's solvency, or lead to unfair treatment of consumers or lead to financial crime. A Syndicate should consider all operational risk events that may affect these matters in establishing and maintaining its systems and controls.

The Company's strategy is to implement and maintain a high level of operational processes and procedures. These are subject to ongoing review and update. This will help reduce and control operational risk more effectively and make any subsequent loss more manageable. The operational controls are designed to meet the requirements of relevant regulatory bodies and agreed best practice. All operational controls are monitored on a regular basis to ensure that they remain fit for purpose.

m. Group Risk

Group risk is the risk that the operation of part of the Barbican Group adversely affects operations. Group risk includes:

- Negative publicity;
- Inadequate communication within the organisation;
- Undue influence from fellow subsidiaries, holding companies or stakeholders;
- Financial pressures to make funds available to the Barbican Group; and/or
- Financial restraint leading to shortcomings in core activities such as reinsurance purchase.

The Company's overall strategy is to minimise any Group risk by ensuring there are clear lines of authority and communication between related parties, that intra-Group reinsurance is placed at arm's length and that any intra-Group agreements are clearly understood by all parties.

n. Dependencies Between Risk Categories

Under certain conditions, the outcome with respect to one risk category can be expected to influence another. There are two such specific dependencies which the Company has identified:

- A major loss event could lead to widespread failures within the reinsurance market. The loss would need to be very large since the reinsurance market, particularly that part of the market to which the Syndicate is exposed, has in the past shown itself to be robust enough to withstand losses such as World Trade Center and major hurricane losses; and
- There are a number of operational risks that have the potential to correlate with major natural catastrophe losses. For example, the consequences of inadequately monitoring liquidity are only likely to be suffered should there be a significant call on liquidity (likely to happen after a major loss event).

In terms of other loss types, an aggregation of casualty claims might coincide with a weak economy. Historically, although more commonly a weak economy has coincided with a period of lower interest rates, this relationship varies depending upon the cause of the weak economy and in some instances can be accompanied by higher interest rates. The timing of the claims experience is also far from clear; in some instances recessionary claims emerge with clarity only with a sufficient time lag (even under claims-made cover) such that the economy is improving again and interest rates might be rising. Therefore although there is an argument for some degree of positive correlation, it is not clear how significant this might be.

14. Related Parties

SPS Cessions

Barbican Syndicate 1955 cedes reinsurance to the Syndicate on a funds withheld basis, with £33.7m of Barbican Syndicate 1955's £260.0m capacity ceded to the Syndicate for the 2014 Year of Account (2013: £23.9m). The Syndicate ceased to write business from 1 January 2015.

For the 2013 Year of Account, 42.4% of the Property Insurance, Property Treaty, Aviation and Space and Malicious Acts portfolios were ceded from Barbican Syndicate 1955 to the Syndicate.

For the 2014 Year of Account, the Marine Energy book was also ceded to the Syndicate. The quota share was increased to 50.0% for all classes ceded, excepting Malicious Acts, where a 33.3% cession was applied.

The Syndicate received (£1.0m) (2014: £27.5m) of reinsurance premium from Barbican Syndicate 1955 during the year and had a balance of £17.0m (2014: £24.9m) receivable from Barbican Syndicate 1955 on a funds withheld basis. The reinsurance premium ceded to the Syndicate during 2015 is negative because of EPI revisions and return premium on the 2013 and 2014 Years of Account.

Barbican Companies

The Syndicate, along with Barbican Syndicate 1955 and Special Purpose Syndicates 6118 and 6120, is managed by the Company, whose parent company is Barbican Holdings (UK) Limited. The ultimate parent company is Barbican Group Holdings Limited, a Guernsey registered company which consolidates the Syndicate result.

The directors consider the ultimate controlling party to be Carlson Capital L.P.

15. Funds at Lloyd's

Every member of Lloyd's 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 Company or the Syndicate, no amount has been shown in these Annual Accounts by way of such capital resources. However, the Company is able to make a call on the members' FAL to meet liquidity requirements or to settle losses.

16. Post Reporting Date Events

There are no post balance sheet events which will impact the Syndicate’s 2015 result or financial position.

17. Off-balance Sheet Items

The Syndicate has not been party to any arrangement, not reflected in its balance sheet, where material risks or benefits arise for the Syndicate.

18. Derivatives

The Syndicate has not purchased any forward foreign currency contracts to hedge currency exposure or entered into any other derivative contracts within the period.

19. Transition to FRS 102 and FRS 103

The Syndicate transitioned to FRS 102 and FRS 103 from previously extant UK GAAP as at 1 January 2015. As unearned premium and deferred acquisition costs were already treated as monetary items, there was no impact on member’s balances. The only accounting change arising from transition to FRS 102 and FRS 103 was that foreign exchange gains arising on retranslation of the balance sheet of £0.8m (2014: £0.6m) previously recorded in the statement of recognised gains and losses are now recorded in the Income Statement within the non-technical account.

The profit for the year ended 31 December 2014 has accordingly been re-stated from £7.2m to £7.8m, where the £0.6m currency translation difference previously recorded in other comprehensive income is now recorded in the non-technical account.

This is in effect a re-classification and has a net nil impact on the result for the 2015 or 2014 financial year, or on members’ balances as at 31 December 2015.