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Barbican Special Purpose Syndicate 6113
Underwriting Year Accounts
for the Closed 2013 Year of Account

Barbican

31 December 2015

Contents

Directors and Administration

Managing Agent
Barbican Managing Agency Limited

Directors

D M Booth	(Resigned 15 March 2016)
W T B Canagaretna	(Resigned 15 March 2016)
H N A Colthurst	
O R P Corbett	(Appointed 5 May 2015, resigned 15 March 2016)
C R Cunningham	
K D Curtis	(Resigned 19 January 2015)
J J S Godfray	(Resigned 15 March 2016)
S A Godsave	(Appointed 15 March 2016)
M J Harrington	
J W Heap	(Appointed 15 March 2016)
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	Royal Trust Corporation of Canada
Citibank NA	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 the Underwriting Year Accounts for the 2013 Year of Account for the 36 months ended 31 December 2015 for Barbican Special Purpose Syndicate 6113 ("the Syndicate").

These accounts have been prepared on the 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 for that year of account.

Managing Agent

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

Result

The result for the 2013 Underwriting Year at the point of closure is a total recognised gain of £5.6m. This is analysed further below.

The Syndicate's key financial performance indicators for the 2013 Underwriting Year of Account were as follows:

	2013
	£000
Gross premiums written	20,730
Gross premiums earned	20,314
Net premiums earned	11,876
Net claims incurred	(3,273)
Reinsurance to close premium payable, net of reinsurance	(1,263)
Investment return	206
Operating expenses	(2,133)
Realised and unrealised movements on foreign exchange	235
Closed profit	5,648
Net claims ratio	27.6%
Expense ratio	17.9%
Combined ratio	45.5%

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. Total premium income written for the 2013 Year of Account was £20.7m against planned capacity of £23.9m.

The cessions from Barbican Syndicate 1955 to the Syndicate are made on a funds withheld basis.

2013 Underwriting Year Performance

The Syndicate’s performance for the 2013 Year of Account has produced a result broadly in line with plan. Overall gross written premium ceded from Barbican Syndicate 1955 has run slightly below initial projections, largely driven by rating reductions in the main Property lines of business. Reinsurance costs have also been higher than plan as more comprehensive cover was purchased in this business area to protect against large claims exposure. The ongoing low interest rate environment has also led to a small shortfall against plan. Against this, the low incidence of claims occurrence in the 2013 Underwriting Year has resulted in a lower than planned gross loss ratio, delivering a return on capacity of 23.7% (plan 23.9%).

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 Company ("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.

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.

Disclosure of Information to the Auditor

So far as each person who was a director of the Company at the date of approving this report is aware, there is no relevant audit information, being information needed by the 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.

By order of the Board

S J Britt
Company Secretary
22 March 2016

Managing Agent's Responsibilities Statement

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 Managing Agent is required to:

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

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. 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 the Syndicate Underwriting Year Accounts may differ from legislation in other jurisdictions.

Independent Auditor's Report

to the Members of Barbican Syndicate 6113

Closed 2013 Year of Account

We have audited the Syndicate Underwriting Year Accounts for the 2013 Year of Account of Syndicate 6113 ("the Syndicate") for the three years ended 31 December 2015 which comprise the Income Statement, the Statement of Changes in Members' Balances, the Statement of Financial Position, the Statement of Cash Flows, the related notes 1 to 14 and the Statement of Managing Agent's Responsibilities. The financial reporting framework that has been applied in their preparation is applicable law, the Lloyd's Syndicate Accounting Byelaw (no.8 of 2005) and United Kingdom Accounting Standards (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'.

This report is made solely to the Syndicate's members, as a body, in accordance with the Lloyd's Syndicate Accounting Byelaw (no.8 of 2005) and 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 the Syndicate Underwriting Year Accounts, under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005), which give a true and fair view. Our responsibility is to audit and express an opinion on the Syndicate Underwriting Year Accounts in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Syndicate Underwriting Year Accounts

An audit involves obtaining evidence about the amounts and disclosures in the Syndicate Underwriting Year Accounts sufficient to give reasonable assurance that the Syndicate Underwriting Year Accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Syndicate's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Managing Agent; and the overall presentation of the Syndicate Underwriting Year Accounts. In addition, we read all the financial and non-financial information in the Underwriting Year Accounts to identify material inconsistencies with the audited Syndicate Underwriting Year Accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent Auditor's Report

to the Members Barbican Syndicate 6113

Closed 2013 Year of Account

Opinion on Underwriting Year Accounts

In our opinion the syndicate Underwriting Year Accounts:

- give a true and fair view of the profit for the 2013 Closed Year of Account;
- 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 and have been properly prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

Matters on which we are Required to Report by Exception

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

- the Managing Agent in respect of the Syndicate has not kept proper accounting records; or
- the Syndicate Underwriting Year Accounts are not in agreement with the accounting records.

Benjamin Gregory (Senior statutory auditor)

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

London

22 March 2016

Barbican Special Purpose Syndicate 6113
Income Statement

Technical account - General business

For the Closed 2013 Year of Account

	Notes	2013 £000
Syndicate allocated capacity		23,873
Earned premiums, net of reinsurance		
- Gross premiums written	2	20,314
- Outward reinsurance premiums		(8,438)
Earned premiums, net of reinsurance		11,876
Reinsurance to close premium receivable, net of reinsurance		-
Allocated investment return transferred from the non-technical account	3	206
Claims incurred, net of reinsurance		
Claims paid		
- Gross amount		(4,541)
- Reinsurers' share		1,268
Net claims paid		(3,273)
Reinsurance to close premium payable, net of reinsurance	9	(1,263)
		(4,536)
Net operating expenses	4	(2,133)
Balance on the technical account for general business		5,413

Barbican Special Purpose Syndicate 6113
Income Statement

Non-Technical account – General business

For the Closed 2013 Year of Account

	Note	2013 £000
Balance on the general business technical account		5,413
Investment income	3	513
Realised losses on investments	3	(127)
Unrealised losses on investments	3	(168)
Investment management expenses	3	(12)
Allocated investment return transferred to general business technical account	3	(206)
Foreign exchange gains		235
Profit for the 2013 Underwriting Year		5,648

Barbican Special Purpose Syndicate 6113

Statement of Changes in Members' Balances

For the Closed 2013 Year of Account

	Members' balances £000
At 1 January 2013	-
Profit for the 2013 Underwriting Year	5,648
At 31 December 2015	**5,648**

Barbican Special Purpose Syndicate 6113
Statement of Financial Position

For the Closed 2013 Year of Account

Assets	Notes	2013 £000
Debtors due within one year		
Debtors arising out of reinsurance operations	8	6,911
Total assets		6,911

Liabilities		2013 £000
Capital and reserves		
Member's balance		5,648
Technical provisions		
Reinsurance to close the 2013 Year of Account	9	1,263
		1,263
Total liabilities		6,911

The Syndicate Underwriting Year Accounts on pages 10 to 33 were approved by the Board of Barbican Managing Agency Limited on 21 March 2016 and were signed on its behalf by

C R Cunningham

Deputy Managing Director

22 March 2016

Barbican Special Purpose Syndicate 6113

Statement of Cash Flows

For the Closed 2013 Year of Account

	2013
	£000
Cash flows from operating activities	
Profit for the Underwriting Year	5,648
Adjustments for:	
Movement in technical provisions	1,263
Movements in other assets/liabilities	(6,911)
Net cash from operating activities	-
Net increase/(decrease) in cash and cash equivalents	-
Cash and cash equivalents at 1 January 2013	-
Cash and cash equivalents at 31 December 2015	**-**

1. Significant Accounting Policies

a. Statement of Compliance

The Syndicate Underwriting Year Accounts have been prepared under the 2008 Regulations and in accordance with the Syndicate Accounting Byelaw (No.8 of 2005) and applicable accounting standards in the United Kingdom. Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and Financial Reporting Standard 103 'Insurance Contracts' (FRS 103) have been applied to the extent that they are relevant for a proper understanding of the Underwriting Year Accounts.

The 2013 Year of Account has closed and all assets and liabilities have been reinsured to close as at 31 December 2015. The result for the Year of Account was declared in Sterling so there is no exchange rate risk. To this extent, the risks to which it is exposed in respect of the reported financial position and financial performance are significantly less than those relating to the open years of account as disclosed in the Syndicate Annual Accounts. Accordingly, these Underwriting Year Accounts do not have the associated quantitative risk disclosure analysis that would otherwise be required by section 34 of FRS 102 and section 4 of FRS 103, although qualitative risk disclosures are included. Full disclosures relating to these risks are provided in the Syndicate Annual Accounts. In addition certain other disclosure requirements under FRS 102 and FRS 103, which include tables showing the movement in technical provisions, have not been provided as they are not required for a proper understanding of the Underwriting Year Accounts.

b. Basis of Preparation

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 at 31 December 2015; consequently the Statement of Financial Position represents the assets and liabilities of the 2013 Year of Account, and the Income Statement and Statement of Cash Flows reflect the transactions for that Year of Account during the 36 month period until closure.

The Underwriting Year Accounts for the 36 months ended 31 December 2015 were approved for issue by the Board on 21 March 2016.

The Underwriting Year Accounts are prepared in Sterling which is the functional and presentational 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.

As each syndicate Year of Account is a separate annual venture, there are no comparative figures.

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. In turn they are 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 from Barbican Syndicate 1955.

1. Significant Accounting Policies (continued)

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.

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). 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.

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 7 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 Barbican Syndicate 1955's investments are recognised at fair value through the profit and loss. Although the Syndicate 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

The Syndicate has written a quota share contract with Barbican Syndicate 1955. The contract operates on a “funds withheld basis” whereby a proportion of the ceded premiums is considered as combined funds from which loss recoveries will be drawn. The associated cash flows are expected to occur following the closure of the 2013 Year 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, and reinsurance assumed from Barbican Syndicate 1955 is recognised as gross written premium.

Product Classification

The quota share contract with Barbican Syndicate 1955 has been classified as an insurance contract on the basis that the Syndicate has accepted insurance risk from Barbican Syndicate 1955 by agreeing to compensate it if a specified uncertain future event (the insured event) adversely affects it.

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 arising in the reporting period to 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.

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.

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.

Claims Paid

Claims paid 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.

1. Significant Accounting Policies (continued)

f. Insurance Contracts (continued)

Reinsurance Receivables

Reinsurance 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 reinsurance 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.

Reinsurance to Close

The reinsurance to close for the 2013 Year of 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.

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.

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.

g. Provisions

Provisions are recognised when the Syndicate has a present obligation as a result of a past event when it becomes probable that an outflow of resources embodying economic benefits will be required to settle the obligation, which can be reliably estimated.

1. Significant Accounting Policies (continued)

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 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.

j. Commissions

Profit commission is included within net operating expenses within the Income Statement. It is charged by the Company at a rate of 15% of the cumulative profit on the 2013 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.

The Syndicate also incurs an overrider commission calculated as 6% of written premium net of acquisition costs.

2. Segmental analysis

a. Analysis by Class of Business

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

2013	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	20,730	20,314	(4,541)	(2,133)	(8,433)	5,207	1,263
	20,730	20,314	(4,541)	(2,133)	(8,433)	5,207	1,263

All premiums were written in the UK.

b. Analysis by Geographical Location

Geographical analysis of gross premiums written is based on the location of the policyholders of Barbican Syndicate 1955, which is not materially different from revenue by source. The geographical analysis of premiums by location of risk is as follows:

	2013 £000
UK	7,093
Other EU countries	1,716
US	9,765
Other	2,156
Gross premiums written	20,730

c. Analysis by Composition

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

	2013 £000
Gross premiums written	23,855
Acquisition costs	(3,125)
	20,730

3. Investment Return

All of the Syndicate's investments are recognised at fair value through the profit and loss.

	2013
	£000
Investment income	513
Realised gains on investments	74
Unrealised gains on investments	12
Realised losses on investments	(202)
Unrealised losses on investments	(179)
Total investment income	218
Investment management expenses, including interest	(12)
Net investment income	206

4. Net Operating Expenses

	2013
	£000
Profit commission	924
Overrider commission	1,209
	2,133

5. Auditor's Remuneration

	2013
	£000
Audit of the Syndicate Annual and Underwriting Year Accounts	22
Audit of the Managing Agent's Annual Accounts	14
Other services pursuant to regulations and Lloyd's byelaws	11
	47

Auditor's remuneration is included as part of the overrider commission in note 4 to the financial statements.

6. Staff costs and Directors' Remuneration

All staff are employed by Barbican Holdings (UK) Limited ("BHUK"), 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:

	2013
	£000
Financial assets that are debt instruments measured at amortised cost:	
Debtors arising out of reinsurance operations	6,911
	6,911

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

9. Reinsurance to Close Premium Payable

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. This premium is made up of:

	2013
	£000
Gross claims outstanding	880
Reinsurance recoveries anticipated	(131)
	749
Provision for claims incurred but not reported	683
Reinsurance recoveries anticipated	(146)
	537
Gross unearned premium	(23)
Reinsurance to close premium payable, net of reinsurance	1,263

The reinsurance to close is effected to the 2013 Year of Account of the Syndicate.

10. Related Parties

SPS Cessions

Barbican Syndicate 1955 cedes reinsurance to the Syndicate on a funds withheld basis, with £23.9m of Barbican Syndicate 1955's £227.5m capacity ceded to the Syndicate for the 2013 Year 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 BHUK. The ultimate parent company is Barbican Group Holdings Limited, a Guernsey registered company which consolidates the Syndicate result. For the 2013 Year of Account the Company received profit commission of £0.9m and overrider commission of £1.2m.

11. 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 Underwriting Year 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.

12. 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.

13. 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.

14. 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’.

14. Risk Management (continued)

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 Company 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 36 months ended 31 December 2015.

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 regulatory requirements.

14. Risk Management (continued)

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 made no significant changes to its policies and processes to its capital structure during the 36 months ended 31 December 2015.

14. Risk Management (continued)

d. 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.

14. Risk Management (continued)

e. 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 underwriting strategy of the host Syndicate, Barbican Syndicate 1955, 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 host Syndicate's appetite is governed by market conditions and management undertakes a continuous assessment of its portfolio against this background.

Tolerance - Risk Appetite

The host Syndicate's tolerance by class of business is covered within the business plan.

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.

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.

14. Risk Management (continued)

e. Insurance Risk (continued)

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 occurrences; 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.

The host 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.

Reinsurance Placement and Recoveries

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 buys its own specific reinsurance protections. 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.

14. Risk Management (continued)

f. 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 prudential concern 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 a proportion of the ceded premiums is 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. The Syndicate's maximum exposure to credit risk at 31 December 2015 is the funds withheld balance with Barbican Syndicate 1955.

14. Risk Management (continued)

g. Foreign Currency Risk

In order to minimise currency risk arising from foreign exchange the host 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.

h. 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.

i. 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.

14. Risk Management (continued)

j. 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.

k. 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.