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SYNDICATE 6103

Report and Financial Statements
31 December 2017

MAP

Underwriting at Lloyd's

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CHAIRMAN'S REPORT

2015 produced another strong result for Syndicate 6103, albeit with reduced capacity, with benign loss experience in spite of the generally adverse market conditions. As Richard's report indicates, the vagaries of exchange rate fluctuations together with an increase in loss activity mean that the forecast profit for 2016 is somewhat lower although still healthy.

While it is too early to forecast the ultimate outcome of the 2017 year, the underwriting team's defensive approach has done a great deal to mitigate the effects of the three hurricanes and other natural catastrophe losses, and has left them in a strong position to capitalise on the ensuing market disruption. They should be congratulated on their astute cycle management.

D E S Shipley
Chairman
20 March 2018

SYNDICATE 6103

Underwriting Year Distribution Accounts
2015 Closed Year of Account
31 December 2017

DIRECTORS AND ADMINISTRATION

MANAGING AGENT

Managing Agent
Managing Agency Partners Limited (MAP)

Directors
K Allchorne (Non-executive)
C E Dandridge (Non-executive)
J D Denoon Duncan
A S Foote (Non-executive)
T P Froehlich (Non-executive appointed 27 July 2017)
A Kong
P Langridge
A J T Milligan (Non-executive)
D E S Shipley (Non-executive Chairman)
C J Smelt
R J Sumner
R K Trubshaw (Active Underwriter)

Company Secretary
P Langridge

Managing Agent's Registered Office
Fitzwilliam House
10 St. Mary Axe
London
EC3A 8EN

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

SYNDICATE

Active Underwriter
R K Trubshaw

Registered Auditors
Ernst & Young LLP
26 Churchill Place
Canary Wharf
London
E14 5EY

MANAGING AGENT'S REPORT

The managing agent presents its report for the 2015 year of account of Syndicate 6103 as closed at 31 December 2017.

These financial statements have been prepared in compliance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("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. Separate annual accounts under UK GAAP on the calendar year results are available to all the syndicate's members (see pages 24 to 50).

UNDERWRITER'S REPORT

2015 Year of Account

Capacity £12 million

The syndicate's business was written by way of a 10% quota share of all US property catastrophe business (other than terrorism and retrocession business) written by Syndicate 2791. Worldwide business may be written, as long as the predominant exposure is the United States.

The 2015 year closed with a profit of £3.8m distributable to members, equivalent to 30.75% of Stamp capacity, compared with the forecast range of 25% to 35%. The closing rate of exchange was US$1.35:£1. The RITC is with Syndicate 2791; following the commutation of the quota share reinsurance contract there will be no outstanding residual liability.

Utilisation of capacity

The final utilisation was 42% at closing rates of exchange. No reinsurance was purchased.

Performance review

Given the lack of any significant catastrophic events in 2013-14, the market took a marked downwards turn into 2015. Anticipating this we took the decision to scale back the percentage cession from Syndicate 2791 from 20% in 2014 to 10% and reduced the Stamp from £30m to £12.5m. As it happens 2015 was another benign loss year, affected only by certain Mid-West tornado activity, with a closing ultimate net loss ratio of 10.4%.

Analysis of premium written by syndicate classification

	Gross written £'000	Net written £'000
Property reinsurance	4,681	4,681

Investment Return

The investment return for the period was £0.1m. The average annual return on assets held over the last three years is 1.1%.

The syndicate operates on a funds withheld basis vis-à-vis Syndicate 2791, from which it accepts its business. The contract between the syndicates provides that the investment return receivable by Syndicate 6103 follows that achieved by Syndicate 2791 on its own funds, principally the Credit for Reinsurance Trust Fund in respect of the US dollar balances. If the average balance is negative, an interest expense is calculated on the monthly average at the relevant currency six month duration Treasury Bill rate plus 1.5%. The whole of the return is treated as investment income.

The Effect of Exchange Rates on the 2015 Distribution Account

As these accounts are reported over the three consecutive years from 2015 during which the GBP:US dollar exchange rate has moved from an average of 1.53 during 2015 to a closing rate of 1.35 at the end of 2017, this has resulted in an exchange gain of £0.3m versus the average rates over the three year period as further set out in note 8.

2016 Year of Account Forecast

In order to maintain the same US Dollar capacity the syndicate was rebased to £14m for 2016. As such the premium utilisation in sterling will be weaker than 2015. Significant tornado activity in Texas alongside losses from Hurricane Matthew has elevated the incurred loss ratio somewhat, although the syndicate will still generate a reasonably healthy bottom line result. Our forecast range is a profit of 12.5% to 22.5% on Stamp Capacity after all expenses. There are no impacts from the 2017 catastrophic events.

An estimate of the 2016 underwriting result as at 36 months is set out below:

	£'000
Stamp capacity	13,905
Gross premiums written	4,872
Net premiums written	4,872
Claims incurred – net of reinsurance	(1,290)
Net operating expenses	(243)
Investment return	110
Profit commission	(510)
Personal expenses	(49)
Estimate of profit for the year of account after personal expenses	2,890

Assumptions underlying the 2016 Estimated Result:

(i) Exchange rates at 31 December 2018 will not be materially different from those at 31 December 2017.

(ii) Investment returns attributable to 2016 during 2018 = 1.46% for US dollar and 0.5% for all other currencies.

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

2017 Overview

Capital providers will be well aware of the plethora of catastrophes that occurred in 2017. In market loss terms we would estimate the totality of major events affecting the United States and the Caribbean to be around $100bn, compared to $30bn in 2004 and $64bn in 2005. There was also continued tornado-hail activity in the early part of the year, particularly in Texas and the Mid-West.

Unsurprisingly, as a US catastrophe only writer, 6103 has been impacted by these events, but not excessively. We are projecting ultimate gross catastrophe losses of £4.1m, with a year-end incurred of £3.3m. Whilst this represents over 80 percentage points of loss ratio, the impact on Stamp is heavily diluted by the projected 31% utilisation. Following the Californian wildfires in October the year is likely to generate a loss but not a severe one (notwithstanding the fact that the in force book is still largely on risk until July, and could therefore be impacted by further events).

2018 Trading Conditions

In September 2017 we took the decision to re-inflate Syndicate 6103 back to a 30% quota share for the 2018 year of account, in expectation that we would experience market conditions similar to 2013 (which had the same percentage cession). The thinking was that not only would 6103 be able to take advantage of a dislocated catastrophe market, the host syndicate 2791 would also be able to deliver on its gross promises to clients, particularly on those non ceded catastrophic exposed lines (insurance, binders, risk excess, marine etc) which would otherwise be restricted by the specific cat excess of loss reinsurance book. Syndicate 6103 would resume its historic role as a necessary safety-valve for 2791. So far market conditions have been a little disappointing: although there is little execution risk for 6103 – it is after all guaranteed a 30% cession of 2791's US cat book. A straight renewal of 2017 business would generate £15m versus the £27.5m predicated in the business plan. At the moment we are on track for £20m, although there are signs that conditions should improve further.

Certainly, it is unlikely we shall see any 'capacity crunch' as in 2006, and many large Nationwide protections remain technically inadequately rated. However, we are having reasonable success in expanding our core regional book, and have ample capacity to take more risk if priced sufficiently.

Seven Year Summary of Closed Years of Account

	Note	2009	2010	2011	2012	2013	2014	2015
Syndicate allocated capacity (£m)		39.4	33.7	28.8	31.5	41.2	30.0	12.5
Number of Underwriting Members		1,033	931	859	909	997	1,039	991
Aggregate net premiums (£m)		31.0	19.7	19.6	24.8	19.4	9.2	4.7
Results for illustrative share of £10,000		%	%	%	%	%	%	%
Utilisation of capacity at premium income monitoring rates of exchange		62.1	60.5	72.3	84.1	48.8	33.0	33.3
Gross premiums written (% of illustrative share)		78.7	58.5	67.8	85.3	48.9	30.6	37.6
Net premiums (% of illustrative share)		78.7	58.5	67.8	78.8	47.0	30.6	37.6
Profit (% of gross premiums)		78.2	65.0	30.1	29.9	77.9	89.3	81.9
Results for illustrative share of £10,000		£	£	£	£	£	£	£
Gross premiums	1	7,870	5,850	6,783	8,526	4,889	3,058	3,755
Net premiums		7,870	5,850	6,783	7,881	4,702	3,058	3,755
Reinsurance to close from an earlier year of account	2	–	–	–	–	–	–	–
Net claims		(678)	(1,028)	(3,825)	(3,285)	(328)	(503)	(385)
Reinsurance to close	3	18	(76)	(146)	(1,273)	(47)	(5)	38
Underwriting profit		**7,210**	**4,746**	**2,812**	**3,323**	**4,327**	**2,550**	**3,408**
Acquisition costs	1	–	–	–	–	–	–	–
Other syndicate operating expenses, excluding personal expenses		(460)	(346)	(398)	(486)	(289)	(179)	(218)
Reinsurers' commissions and profit participations		–	–	–	–	–	–	–
Exchange movement on foreign currency translation		54	(159)	(85)	35	255	659	287
Net investment income		423	260	87	117	143	68	90
Illustrative personal expenses:								
Managing agent's fee	4	–	–	–	–	–	–	–
Profit commission	5	(1,076)	(699)	(375)	(443)	(627)	(366)	(492)
Other personal expenses	6	–	–	–	–	–	–	–
Profit after illustrative personal expenses and illustrative profit commission		**6,151**	**3,802**	**2,041**	**2,546**	**3,809**	**2,732**	**3,075**

1. The syndicate is not charged with brokerage costs.
2. Reinsurance to close from earlier years of account have been accepted by Syndicate 2791.
3. Reinsurance to close is stated at relevant average rates applicable or when reserves were first set for each year of account.
4. The syndicate is not charged a managing agents fee.
5. Profit commission is reported on a pro forma basis before the application of the deficit clause brought forward.
6. The syndicate is not charged personal expenses directly but an equivalent overriding commission of 1% of gross premiums written is included in syndicate operating expenses.

Individual Capital Assessment

When the 2015 Year of Account commenced, the syndicate was required to produce an Individual Capital Assessment (ICA) under the Individual Capital Adequacy Standards (ICAS) regime. This set the capital required to be held by the members of the syndicate. From 1 January 2016 the ICAS regime changed to Solvency II and the ICA altered to a Solvency Capital Requirement (SCR). For these underwriting year accounts the capital detailed is that which was required to be provided by the members of the 2015 Year of Account.

The capital set by each syndicate is required to reflect the risks contained within each business. Lloyd's reviews and through its Capital and Planning Group approves these assessments to ensure syndicate ICAs are appropriate and consistent across the market. Lloyd's requires an uplift to syndicate ICA's to provide a margin to meet its own financial strength, licence and ratings objectives. For the 2015 Year of Account, the uplift is 35% of the member's ICA. An ICA including the margin is known as the Economic Capital Requirement (ECR) and Lloyd's allocates the ECR required down to each individual member.

The syndicate capital assessment for the 2014 Year of Account was established using our internal Solvency II model which has been run within the ICA regime as prescribed by Lloyd's. The internal model uses sophisticated mathematical models reflecting key risks within the syndicate. The risks are principally Insurance (catastrophes, pricing and reserving), Market (equity, liquidity, currency, interest rate and spread), Credit (brokers, investment and reinsurance) and Operational.

The following table sets out the syndicate's ECR which is unaudited:

2015 Approved Capital

Lloyd's economic capital requirement (ECR)

	2015 £m
6103	30.8

ECR capital is provided by the members of the syndicate from syndicate retained profits plus additional contributed assets held and managed by Lloyd's of London, known as Funds at Lloyd's or FAL.

European Union business

Since the UK voted to leave the European Union, Lloyd's has been working to provide the market with an effective solution that ensures customers can continue to access Lloyd's underwriting expertise for EEA risks.

Lloyd's chosen route is to establish a Lloyd's Brussels subsidiary which will be a fully regulated insurance company, with a robust corporate structure, compliant with the regulator's requirements and capitalised according to Solvency II rules.

The Lloyd's Brussels subsidiary will be operationally ready from July 2018 and able to write business from 1st January 2019.

Syndicate 6103 is unlikely to use this subsidiary due to its wholly United States reinsurance focus. However, along with all Lloyd's syndicates it may be affected by future changes in UK-US-European passporting rules.

Future Developments

The syndicate continues to transact United States reinsurance business that it has transacted historically.

Disclosure of Information to the Auditors

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

By order of the Board

R K Trubshaw
Active Underwriter
Managing Agency Partners Limited
20 March 2018

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

to the Members of Syndicate 6103

Opinion

We have audited the syndicate underwriting year accounts for the 2015 year of account of Syndicate 6103 ('the syndicate') for the three years ended 31 December 2017 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate underwriting year accounts:

- give a true and fair view of the profit for the 2015 closed year of account;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and have been properly prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the syndicate underwriting year accounts section of our report below. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate underwriting year accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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 and the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The managing agent's use of the going concern basis of accounting in the preparation of the syndicate underwriting accounts on the basis that the recorded assets and liabilities will be realised and discharged in the normal course of business is not appropriate; or
- the managing agent has not disclosed in the syndicate underwriting accounts any identified material uncertainties that may cast significant doubt on the ability of the syndicate to realise its assets and discharge its liabilities in the normal course of business.

Other information

The other information comprises the information included in the annual report, other than the syndicate underwriting year accounts and our auditor's report thereon. The managing agent is responsible for the other information.

Our opinion on the syndicate underwriting year accounts does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Other information *continued*

In connection with our audit of the syndicate underwriting year accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate underwriting year accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the syndicate underwriting year accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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 adequate accounting re cords; or
- the syndicate underwriting year accounts are not in agreement with the accounting records

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 9, the managing agent is responsible for the preparation of the syndicate underwriting year accounts in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and The Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate underwriting accounts, the managing agent is responsible for assessing the syndicate's ability to realise its assets and discharge its liabilities in the normal course of business, disclosing, as applicable, any matters that impact its ability to do so.

Auditor's responsibilities for the audit of the syndicate underwriting year accounts

Our objectives are to obtain reasonable assurance about whether the syndicate underwriting year accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these syndicate underwriting year accounts.

A further description of our responsibilities for the audit of financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Benjamin Gregory (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
20 March 2018

INCOME STATEMENT TECHNICAL ACCOUNT – GENERAL BUSINESS

2015 Closed Year of Account for the three years ended 31 December 2017

	Note	2015 £'000
Syndicate allocated capacity		12,466
Earned premiums, net of reinsurance:		
Gross premiums written	*3*	4,681
Outward reinsurance premiums		–
Earned premiums, net of reinsurance		4,681
Allocated investment return transferred from the non-technical account		112
Claims incurred, net of reinsurance		
Claims paid		
Gross amount		(480)
Reinsurance to close premium payable, net of reinsurance	*4,5*	47
Net operating expenses	*6*	(885)
Balance on the technical account – general business	*9*	3,475

INCOME STATEMENT NON-TECHNICAL ACCOUNT

2015 Closed Year of Account for the three years ended 31 December 2017

	Note	2015 £'000
Balance on the general business technical account		3,475
Investment income	*10*	112
Allocated investment return transferred to general business technical account		(112)
Non-technical account foreign exchange	*8*	3
Profit for the 2015 closed year of account excluding other comprehensive income		3,478

STATEMENT OF COMPREHENSIVE INCOME

2015 Closed Year of Account for the three years ended 31 December 2017

	Note	2015 £'000
Profit for the 2015 closed year of account excluding other comprehensive income		3,478
Exchange differences on foreign currency translation	*8*	355
Profit for the 2015 closed year of account including other comprehensive income being profit distributed to members		3,833

STATEMENT OF FINANCIAL POSITION

2015 Closed Year of Account for the three years ended 31 December 2017

	Note	2015 £'000
Assets		
Debtors	*11*	5,341
Total assets		5,341
Liabilities		
Amounts due to members	*12*	3,833
Reinsurance to close premium payable to close the account – gross amount	*5*	40
Other creditors	*13*	1,468
Total liabilities		5,341

The financial statements on pages 12 to 21 were approved by the Board of Managing Agency Partners Limited on 20 March 2018 and were signed on its behalf by:

R K Trubshaw
Active Underwriter

R J Sumner
Finance Director

20 March 2018

STATEMENT OF CASH FLOWS

2015 Closed Year of Account for the three years ended 31 December 2017

	Note	2015 £'000
Operating profit on ordinary activites		3,478
Movement in gross technical provisions		40
Movement in debtors		(5,341)
Movement in creditors		1,468
Investment return		(112)
Exchange differences on foreign currency translation		355
Net cash inflow / (outflow) from operating activities		(112)
Cash flows from investing activities		
Income acrrued from 2791		112
Increase / (decrease) in cash and cash equivalents		–
Cash and cash equivalents at 1 January		–
Cash and cash equivalents at 31 December		–

The syndicate operates on a funds withheld basis. Consequently there are no movements in cash, portfolio investments and financing.

NOTES TO THE ACCOUNTS

2015 Closed Year of Account for the three years ended 31 December 2017

1.1 Basis of Preparation and Statement of Compliance

These financial statements 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.

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.

The Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) requires the aggregation of movements in each of the three calendar years' for any Underwriting Year account. For 2015's Underwriting Year Distribution Account each calendar year result is aggregated using the relevant years' average rate for each item in the income statement.

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 2015 year of account which has been closed by reinsurance to close at 31 December 2017. Consequently, the statement of financial position represents the assets and liabilities of the 2015 year of account with the income statement and the statement of cash flows reflecting the transactions for that year of account during the three year period until closure.

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

Reinsurance to close

A Reinsurance to Close (RITC) is a reinsurance which closes a year of account and transfers the responsibility for discharging all the liabilities that attach to that year of account (and any year of account closed into that year) plus the right to any income due to the closing year of account into an open year of account of the same or a different syndicate in return for a premium.

Effective at each year-end 31 December, the RITC process means that all assets and liabilities have been transferred to a reinsuring year of account. To this extent, the risks that the syndicate is exposed to 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 include the associated risk disclosures required by section 34 of FRS 102 and section 4 of FRS 103. Full disclosures relating to these risks are provided in the main Annual Accounts of the Syndicate. In addition, certain other disclosure requirements under FRS 102 and FRS 103, such as the disclosure of a Statement of Changes in Members' Balances, have not been provided as we believe they are not required for a proper understanding of the underwriting year accounts.

The functional currency is US dollars but the financial statements are prepared in sterling which is the presentational currency of the syndicate and rounded to the nearest £'000.

Syndicate 6103 operates on a funds withheld basis with Syndicate 2791 which cedes business under a quota-share treaty to Syndicate 6103. Syndicate 2791 is also managed by the managing agent, MAP. Syndicate 6103 holds no cash or investments. All the syndicate's funds are held by Syndicate 2791 which makes payments of liabilities on Syndicate 6103's behalf. Debtors and creditors between the syndicates are grossed up in the syndicate statement of financial position and upon the closure of each year of account, normally after 36 months, the assets and liabilities of that closing year are netted off as part of the commutation settlement with Syndicate 2791.

1.2 Judgements and Key Sources of Estimation Uncertainty

The preparation of the financial statements require management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position 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.

It should however be noted that upon RITC the uncertainties are transferred to the accepting year of account of Syndicate 2791.

The following are the Syndicate's key sources of estimation uncertainty:

Insurance contract technical provisions (reinsurance to close premium payable)

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 reported (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some types 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, Bornheutter-Ferguson methods and individual reserving at contract level.

1.2 Judgements and Key Sources of Estimation Uncertainty *continued*

Insurance contract technical provisions (reinsurance to close premium payable) *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. The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the statement of financial position date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims IBNR at the statement of financial position date based on statistical methods.

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from pricing and other models of the business accepted and assessments of underwriting conditions. Where the amount of any material salvage and subrogation recoveries is separately identified it is reported as an asset.

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 the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. In addition where losses are not settled until several years after the expiration of the policy in question, the estimates are considered to be more volatile and consequently are subjected to additional management judgemental prudence adjustments. The methods used, and the estimates made, are reviewed regularly.

Estimates of future premiums

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates are judgemental and the main assumption underlying these estimates is that past premium development can be used to project future premium development.

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

Expense provisions – Unallocated loss adjustment provisions and legal provisions

Estimates of future expenses to be incurred in respect of settlement transaction costs and administrating or adjusting expenses in respect of claim provisions are made at each statement of financial position date if applicable. The main assumptions underlying these provisions are direct claim administration costs are as budgeted, inflation rates will be in line with historical rates and claim payment patterns reflect historical experience by line of business. Expense provisions are also made in respect of legal disputes anticipated to be incurred in the normal course of business defending the syndicate position. These provisions are based on historical average costs or direct individual case estimates.

Changes in assumptions, quantum or complexity of future claims can affect the value of these provisions.

2. Accounting Policies

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

Insurance contracts

An insurance contract (including inwards reinsurance contract) is defined as a contract containing significant insurance risk. Insurance risk is considered significant if, and only if, an insured event could cause the syndicate to pay significant additional benefits in any scenario. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire.

2. Accounting Policies *continued*

Premiums written

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

Premiums are treated as fully earned and are disclosed before the deduction of taxes or duties levied on them.

Acquisition costs

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

Reinsurance premium ceded

Outwards reinsurance premiums are accounted for in the year of inception. Premiums ceded to reinstate reinsurance cover or additional premiums payable on loss are recognised when they may be assessed with reasonable certainty. The Syndicate has not purchased any reinsurance for the 2015 year of account.

Claims paid and related recoveries

Gross claims paid include internal and external claims settlement expenses and are attributed to the same year of account as the original premium for the underlying policy. Reinstatement premiums payable in the event of a claim being made are charged to the same year of account as that to which the recovery is credited. As the syndicate operates on a funds withheld basis it cannot make loss fund advance payments.

Reinsurance to close premium payable

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

The estimate of claims outstanding is assessed on an individual case and class basis, as appropriate, and is based on the estimated ultimate cost of all claims notified but not settled by the statement of financial position date, together with the provision for related claims handling costs. It also includes the estimated cost of claims IBNR at the statement of financial position date based on statistical methods.

Future unallocated loss adjustment expenses

An accrual for all future unallocated loss adjustment expenses ('ULAE') is made if applicable. The ULAE is comprised of those costs which are related to the settlement of earned claims but which are not directly attributable to individual claims. ULAE expenses are undiscounted and include the expenses of managing the run-off of the business on the basis the business is a going concern. Costs of administration of the reinsurance programme are included in the gross ULAE. Separate reserves are established for each year of account.

Legal provisions

The syndicate may be subject to legal disputes, in the normal course of business. Provisions for such events and their related costs are recognised where there is an expected present obligation relating to a past event or evidence exists of the requirement for a general provision that can be measured reliably and it is probable that an outflow of economic benefit will be required to settle an obligation. The directors of the managing agent do not expect the outcome of these claims, either individually or in aggregate, to have a material effect upon the syndicate's operations or financial position. As allowed by FRS 102, further disclosure has not been given as it may seriously prejudice the outcome of any legal proceedings.

Insurance receivables and payables

Insurance receivables and payables are recognised when due and measured on initial recognition at the fair value of the consideration received. They are derecognised when the obligation is settled, cancelled or expired.

Bad debt

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

Foreign currency translation

Financial Reporting Standard 102 requires each entity to identify its functional currency and a presentational currency. The functional currency is identified as the currency of the primary economic environment in which the entity operates. The functional currency of this Syndicate is US dollars as the majority of the underwriting business, cash flows and expenses are in US dollars. We have chosen to maintain our presentational currency as sterling as the Syndicate is based in the UK, complies with UK reporting standards and enables simpler comparisons to other Lloyds's insurance syndicates.

The Syndicate records transactions in four settlement currencies being sterling, US dollars, Canadian dollars and Euros and when reported these currencies are translated in the income statement at the average rates of exchange for each calendar year of the 36 month period respectively. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

2. Accounting Policies *continued*

***Foreign currency translation** continued*

As permitted by FRS 103, the Syndicate has continued with its existing accounting policy to treat non-monetary assets and liabilities arising from insurance contracts (which include items such as unearned premiums and deferred acquisition costs) the same as monetary assets and liabilities. Consequently all assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date or if appropriate at the forward contract rate.

Exchange differences from the functional currency (US dollars) arising from the retranslation of opening balances and between average and year-end rates to the presentational currency are included in the statement of comprehensive income.

All other exchange differences are included in the general business non-technical account.

Where Canadian dollars or Euros are sold or bought relating to the profit or loss of the closed underwriting account after 36 months, any exchange profit or loss arising is reflected in the underwriting account into which the liabilities of that year have been reinsured. Where US dollars relating to the profit or loss of a closed underwriting account are bought or sold by the syndicate on behalf of the members on that year, any exchange profit or loss accrues to those members.

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

	Year end rate	Average rates during		
	2017	2017	2016	2015
USD	1.35	1.29	1.35	1.53
CAD	1.70	1.67	1.79	1.95
EUR	1.13	1.14	1.22	1.38

Investments

The syndicate does not hold any investments or derivatives.

Investment return

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

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

Allocation of investment return

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

Operating expenses

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

Taxation

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

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the syndicate during the year are included in the statement of financial position under the heading ‘debtors’. No provision has been made for any overseas tax payable by members on underwriting results.

Profit commission

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

3. Segmental Analysis

All the syndicate's business, as set out in the technical account, is classified as reinsurance accepted and all premiums were concluded in the UK. The geographical situs of the risks is principally the USA.

4. Movement in Underwriting Reserves

The following table reconciles the reinsurance to close in the Income Statement to the Statement of Financial Position:

	Reserves at average rates £'000	Exchange to closing rate £'000	Closing RITC £'000
Change in three year period (2015 pure)	47	(87)	(40)
	47	(87)	(40)

5. Reinsurance to Close Premium Payable

	2015 pure £'000
Gross and net outstanding claims	22
Provision for gross and net claims incurred but not reported	18
Net premium for reinsurance to close	40

The reinsurance to close is effected to the 2016 year of account of Syndicate 2791.

6. Net Operating Expenses

	£'000
Outwards profit commission	(613)
Other administrative expenses	(272)
	(885)

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

The ceding commission within the administrative expenses include:	6103 £'000
Auditors' remuneration	
Fees for the audit of the syndicate	25
Audit-related assurance	23
Other services pursuant to Regulations and Lloyd's Byelaws	26
Taxation compliance services	1
Other non-audit services	17
	92

Audit related assurance includes reporting required by law and regulation, reviews of interim financial information and reporting on regulatory returns. Other non-audit services represent actuarial valuation services. Other services pursuant to Regulations and Lloyd's Byelaws represent fees for the provision of the Syndicate Acturial Opinions (SAO) to Lloyd's and HMRC.

7. Staff Numbers and Costs

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

8. Exchange Gains and Losses

Exchange differences on foreign currency translation arise as follows:

	£'000
On 2015 balances brought forward at 1 January 2017: from opening to closing rates	361
On transactions during 2017: from average to year end rates	(3)
	358
Represented by:	
Non-technical account foreign exchange	3
Exchange differences on foreign currency translation	355
	358

9. Balance on the Technical Account – General Business

All income and expenses relate to the 2015 pure year of account.

10. Investment Income

	£'000
Investment income	112

11. Debtors

	£'000
Arising out of reinsurance operations	5,256
Members' agents' fees advances	91
Non-standard personal expenses due from/(to) members	(6)
	5,341

All debtors are due from Syndicate 2791 and, as the syndicate operates on a funds withheld basis, are settled on closure of the account.

12. Amounts Due to Members

	£'000
Profit for the 2015 closed year of account due to members at 31 December 2017	3,833

13. Other Creditors

	£'000
Arising out of reinsurance operations	772
Profit commissions	676
Inter-syndicate loan	20
	1,468

All creditors are payable to Syndicate 2791 and, as the syndicate operates on a funds withheld basis, are settled on closure of the account.

14. Related Parties

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

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

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

The following transactions between the syndicates occurred for the 2015 year of account:

	£'000
Premiums ceded	4,681
Paid claims recovered	(480)
Ceding commission	(225)
Overriding commission	(47)
Investment income receivable	112
Reinsurance to close premium	47

All balance sheet items are with Syndicate 2791 and the net balance owed by Syndicate 2791 to Syndicate 6103 at the end of the period is £3.8m and will be settled through the Lloyd's distribution process.

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

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

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

Nomina No. 208 LLP commenced underwriting on the 2007 year of account. For the 2015 year of account Nomina No. 208 LLP provided £0.6m of capacity on Syndicate 6103 representing 4.75% of capacity. MAP has no direct interest in the share capital of Nomina No. 208 LLP.

Messrs. Shipley, Kong, Trubshaw, Sumner and Smelt, or their related parties, also participate on Syndicate 6103 via MAP Capital Limited (MCL) which commenced underwriting on the 2014 year of account. For the 2015 year of account MCL provided £1.16m of capacity on Syndicate 6103 representing 9.33% of capacity.

Profit commission of £0.7m (at closing rates of exchange) is due to MAP in respect of the profit of the 2015 closed year. There are no other transactions or arrangements requiring disclosure.

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SYNDICATE 6103

Annual Report and Accounts
31 December 2017

DIRECTORS AND ADMINISTRATION

MANAGING AGENT

Managing Agent
Managing Agency Partners Limited (MAP)

Directors
K Allchorne (Non-executive)
C E Dandridge (Non-executive)
J D Denoon Duncan
A S Foote (Non-executive)
T P Froehlich (Non-executive appointed 27 July 2017)
A Kong
P Langridge
A J T Milligan (Non-executive)
D E S Shipley (Non-executive Chairman)
C J Smelt
R J Sumner
R K Trubshaw (Active Underwriter)

Company Secretary
P Langridge

Managing Agent's Registered Office
Fitzwilliam House
10 St. Mary Axe
London
EC3A 8EN

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

SYNDICATE

Active Underwriter
R K Trubshaw

Registered Auditors
Ernst & Young LLP
26 Churchill Place
Canary Wharf
London
E14 5EY

The directors of the managing agent present their report for the year ended 31 December 2017. The principal activity of the syndicate is that of writing reinsurance business.

This annual report is prepared using the annual basis of accounting as required by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ('the 2008 Regulations'), FRS 102 and FRS 103 being applicable UK GAAP accounting standards, and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

Separate underwriting year accounts for the closed 2015 year of account are attached to these accounts in the section headed Underwriting Year Distribution Accounts (pages 4 to 21).

The syndicate commenced underwriting for the 2007 year of account. All 2014 and prior years have been reinsured into Syndicate 2791. For the 2015 to 2017 years of account its business was written by way of a 10% quota share of all US property catastrophe business (other than terrorism and retrocession business) written by Syndicate 2791. Worldwide business may be written, as long as the predominant exposure is the United States.

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

UNDERWRITER'S REPORT

A Review of the Calendar Year Result

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

Due to the significant hurricane activity in the US during the year, the 2017 calendar year produced an annually accounted loss of £0.3m (2016: profit of £3.3m) on net earned premiums of £5.1m (2016: £4.9m). All the syndicate's business comprises US property catastrophe risks. The net combined ratio was 108.3% (2016: 34.6%).

Movement on underwriting years of account during the 2017 calendar year

	2015 £'000	2016 £'000	2017 £'000	**Total £'000**	2016 £'000
Gross written premium	(11)	14	5,095	**5,098**	4,871
Net premium earned	(11)	395	4,725	**5,109**	4,874
Net claims incurred	(11)	(25)	(5,122)	**(5,158)**	(826)
Operating expenses	(6)	(65)	(304)	**(375)**	(861)
Investment income	86	60	11	**157**	109
Non-technical account foreign exchange gains and (losses)	(2)	(3)	(1)	**(6)**	16
Annual accounted profit/(loss)	56	362	(691)	**(273)**	3,312
Currency translation differences	(338)	(236)	31	**(543)**	2,077
Total comprehensive income	**(282)**	**126**	**(660)**	**(816)**	**5,389**
As previously reported	4,115	2,697	–	6,812	9,616
Cumulative pure year result	**3,833**	**2,823**	**(660)**	**5,996**	**15,005**
Net annual accounting ratios:					
Claims ratio				**101%**	16.9%
Expense ratio				**7.3%**	17.7%
Combined ratio				**108.3%**	34.6%

UNDERWRITER'S REPORT *continued*

A Review of the Calendar Year Result *continued*

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

	2017 Gross written £'000	**2017 Net written £'000**	**2017 Net earned £'000**	**2017 Underwriting profit/(loss) £'000**
Property reinsurance	**5,098**	**5,098**	**5,109**	**(273)**

	2016 Gross written £'000	2016 Net written £'000	2016 Net earned £'000	2016 Underwriting profit/(loss) £'000
Property reinsurance	4,871	4,871	4,874	3,312

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

During 2017, the syndicate has accepted premiums amounting to £5.1m (2016: £4.9m) and paid ceding commission of £0.3m (2016: £0.2m) and overriding commission of £46k (2016: £37k) to Syndicate 2791. All the syndicate's funds are held by Syndicate 2791 which makes payments of liabilities on the syndicate's behalf. The syndicate has been credited with £0.2m (2016: £0.1m) in respect of interest on funds held by Syndicate 2791. The rates of interest credited on credit balances to the syndicate are those achieved by Syndicate 2791 on its own funds and the rates charged on debit balances are relevant currency six month duration Treasury Bills rates +1.5%.

2017 Overview

Capital providers will be well aware of the plethora of catastrophes that occurred in 2017. In market loss terms we would estimate the totality of major events affecting the United States and the Caribbean to be around $100bn, compared to $30bn in 2004 and $64bn in 2005. There was also continued tornado-hail activity in the early part of the year, particularly in Texas and the Mid-West.

Unsurprisingly, as a US catastrophe only writer, 6103 has been impacted by these events, but not excessively. We are projecting ultimate gross catastrophe losses of £4.1m, with a year-end incurred of £3.3m. Whilst this represents over 80 percentage points of loss ratio, the impact on Stamp is heavily diluted by the projected 31% utilisation. Following the impact of the Californian wildfires in October, the year is likely to generate a loss but not a severe one (notwithstanding the fact that the in force book is still largely on risk until July, and could therefore be impacted by further events).

2018 Trading Conditions

In September 2017 we took the decision to re-inflate Syndicate 6103 back to a 30% quota share for the 2018 year of account, in expectation that we would experience market conditions similar to 2013 (which had the same percentage cession). The thinking was that not only would 6103 be able to take advantage of a dislocated catastrophe market, the host syndicate 2791 would also be able to deliver on its gross promises to clients, particularly on those non ceded catastrophic exposed lines (insurance, binders, risk excess, marine etc) which would otherwise be restricted by the specific cat excess of loss reinsurance book. Syndicate 6103 would resume its historic role as a necessary safety-valve for 2791. So far market conditions have been a little disappointing: although there is little execution risk for 6103 – it is after all guaranteed a 30% cession of 2791's US cat book. A straight renewal of 2017 business would generate £15m versus the £27.5m predicated in the business plan. At the moment we are on track for £20m, although there are signs that conditions should improve further.

Certainly, it is unlikely we shall see any 'capacity crunch' as in 2006, and many large Nationwide protections remain technically inadequately rated. However, we are having reasonable success in expanding our core regional book, and have ample capacity to take more risk if priced sufficiently.

FINANCIAL REPORT

Investment Return

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

The investment return contributed £0.2m (2016: £0.1m) to the annual result.

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

Currency Translation Differences

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

The accounting exchange loss for the year is £0.5m (2016: profit £2.1m). This principally reflects the US dollar weakening against sterling from the opening rate of 1.24 to the current year end rate of 1.35 as further set out in note 10.

Reinsurance

During the period no outwards reinsurance has been purchased.

Solvency Capital Requirement

The Managing Agent is required to provide a solvency capital assessment (SCR) to Lloyd's which sets the capital required to be held by the members of the syndicate for the prospective underwriting year. Lloyd's syndicate SCR's are combined to provide the basis of the Lloyd's internal model which the Prudential Regulation Authority approved in December 2017.

This amount is derived from the syndicate's loss distribution, which is calculated internally. It is the loss at the 99.5th confidence level, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The Syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements.

The SCRs of each Syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.

A Syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the Syndicate on which it is participating but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis.

Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate SCR 'to ultimate'. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Requirement (ECR). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2018 is 35% (2017: 35%) of the member SCR 'to ultimate'.

The syndicate current capital assessment has been established using our internal Solvency II model which has been run within the capital regime as prescribed by Lloyd's. The internal model uses sophisticated mathematical models reflecting key risks within the syndicate. The risks are principally Insurance (catastrophes, pricing and reserving), Market (equity, liquidity, currency, interest rate and spread), Credit (brokers, investment and reinsurance) and Operational.

The following table sets out the syndicate's ECR which is unaudited:

	2018 £m	2017 £m
6103	115.9	39.7

ECR capital is provided by the members of the syndicate from syndicate own funds (retained profits) set under Solvency II regulations plus additional contributed assets held and managed by Lloyd's of London, known as Funds at Lloyd's or FAL.

FINANCIAL REPORT *continued*

The syndicate quota share arrangement with Syndicate 2791 has increased to a 30% cession for the 2018 year of account which is reflected in the increased ECR capital above.

European Union business

Since the UK voted to leave the European Union, Lloyd's has been working to provide the market with an effective solution that ensures customers can continue to access Lloyd's underwriting expertise for EEA risks.

Lloyd's chosen route is to establish a Lloyd's Brussels subsidiary which will be a fully regulated insurance company, with a robust corporate structure, compliant with the regulator's requirements and capitalised according to Solvency II rules.

The Lloyd's Brussels subsidiary will be operationally ready from July 2018 and able to write business from 1st January 2019.

Syndicate 6103 is unlikely to use this subsidiary due to its wholly United States reinsurance focus. However, along with all Lloyd's syndicates it may be affected by future changes in UK-US-European passporting rules.

Future Developments

The syndicate continues to transact United States reinsurance business that it has transacted in historically.

Research and Development

The Syndicate has not participated in any research and development activity during the period.

RISK MANAGEMENT

We have established a risk management framework whose primary objective is to protect the syndicate from events which negatively impact current and future returns. Further information is disclosed in note 20 to the financial statements.

Principal Risks and Uncertainties

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

Insurance risk

Insurance risk includes the risks that a policy will be written for too low a premium or provide inappropriate cover, that the frequency or severity of insured events will be higher than expected, or that estimates of claims subsequently prove to be insufficient. Underwriting strategy is agreed by the Board and set out in the Syndicate Business Plan which is submitted to Lloyd's each year. Processes are in place to identify, quantify and manage aggregate exposures and technical prices within each of our underwriting classes. Reinsurance may be purchased, where appropriate to our risk appetite and to reduce the retained financial impact of catastrophic loss. Reserves set are subject to stress testing and independent review.

Credit risk

Credit risk is the risk of default or the inability of one or more of the syndicate's reinsurers or brokers to settle their debts as they fall due. Where reinsurance is purchased it is placed with security that meets the criteria agreed by the Board. Use is made of independent rating agencies. Business is only accepted through accredited Lloyd's brokers who are reviewed by the Agency's Security Committee. The Syndicate has not purchased any reinsurance for the 2015 year of account or any year of account thereafter.

Liquidity risk

This is the risk that the syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash. Liquidity management forms an important part of the financial management practices of the syndicate. Cash flow projections and budgetary controls are maintained and reported upon to the Board. However, the Syndicate has no cash and investments.

Market risk

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

Foreign currency exchange risk

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

Interest rate risk

Interest rate risk is the potential adverse financial impact of changes in value of assets and liabilities caused by rising or falling market interest rates. For example debt and fixed income securities are exposed to actual fluctuations or changes in market perception of current or future interest rates. Exposure to interest rate risk is monitored through the use of Value-at-Risk analysis, scenario testing, stress testing and duration reviews. Interest rate risk is managed by matching of assets and liabilities to within five years. Although the Syndicate holds no investments it is exposed to interest rate risk by way of its share of the investment fund held on its behalf by Syndicate 2791.

Operational risk

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

RISK MANAGEMENT *continued*

Regulatory risk

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

CORPORATE GOVERNANCE

Directors and Directors' Interests

The Directors of the Managing Agent who served during the year ended 31 December 2017 together with their participations on the syndicate were as follows:

	2017 year of account £'000	2016 year of account £'000
K Allchorne	**–**	–
C E Dandridge (Non-executive)	**–**	–
J D Denoon Duncan*	**44**	40
A S Foote (Non-executive)	**–**	–
A Kong*	**118**	107
P Langridge	**–**	–
A J T Milligan (Non-executive)	**–**	44
D E S Shipley (Non-executive Chairman)*	**210**	194
C Smelt*	**115**	104
R J Sumner*	**75**	69
R K Trubshaw (Active Underwriter)*	**594**	380

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

The total capacity of the 2017 year of account of the syndicate was £15.7m (2016: £13.9m).

Governance Framework

MAP maintains a clear organisational and governance framework with the role and responsibility of the Board, sub-committees, directors and senior staff clearly defined and documented.

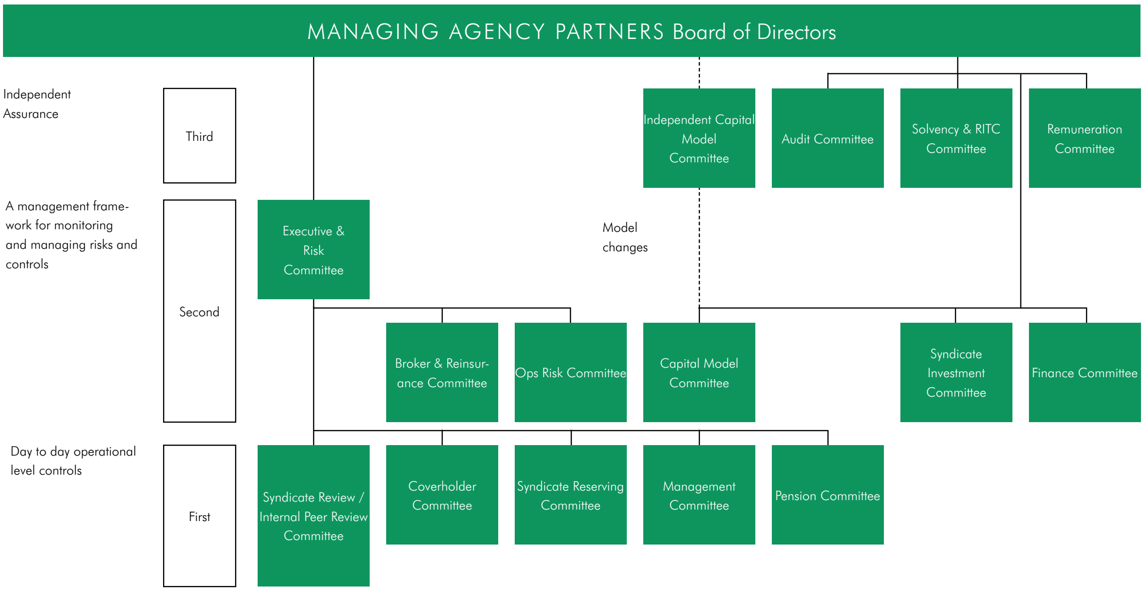
An established risk management framework operates in respect of the identification, assessment, management and monitoring of all core areas of risk to which the business is exposed in its day-to-day activities (insurance risk, market risk, reserving risk, credit risk, liquidity risk and operational risk) with defined and articulated risk appetites in all areas.

CORPORATE GOVERNANCE *continued*

MAP operates a three lines of defence approach to the overall governance of its operations. The first line of defence is the day to day operational level controls; the second line of defence being a framework for monitoring and managing risks and controls; and the third being challenge through both:

- Oversight committees each comprising a majority of non-executive directors; and
- Independent assurance review through the Internal Audit function.

This is depicted in the following Committee Structure diagram:



COMMITTEE STRUCTURE: Risk and Operations

Reappointment of Auditors

Ernst & Young LLP will not be reappointed as auditors. The audit committee undertook a tender process in respect of external audit services during 2017 and it was concluded that Deloitte LLP will be appointed as auditors for future audits. Members may object to the intention to appoint Deloitte LLP as auditors within 21 days of the issue of these accounts. Any such objection should be addressed to P Langridge, Risk & Assurance Director of at the registered office of Managing Agency Partners Limited.

Disclosure of Information to the Auditors

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

Annual General Meeting

As permitted under the Syndicate Meetings (Amendment No.1) Byelaw (No.18 of 2000) MAP does not propose holding a Syndicate Annual General Meeting of the members of the Syndicate. Members may object to this proposal within 21 days of the issue of these accounts. Any such objection should be addressed to P Langridge, Risk & Assurance Director at the registered office of Managing Agency Partners Limited.

By order of the Board

R K Trubshaw
Active Underwriter
Managing Agency Partners Limited
London

P Langridge
Secretary

20 March 2018

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

to the Members of Syndicate 6103

Opinion

We have audited the syndicate annual accounts of syndicate 6103 ('the syndicate') for the year ended 31 December 2017 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Members' Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

- give a true and fair view of the syndicate's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the syndicate annual accounts section of our report below. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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 and the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the managing agent's use of the going concern basis of accounting in the preparation of the syndicate annual accounts is not appropriate; or
- the managing agent has not disclosed in the syndicate annual accounts any identified material uncertainties that may cast significant doubt about the syndicate's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the syndicate annual accounts are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the syndicate annual accounts and our auditor's report thereon. The managing agent is responsible for the other information.

Our opinion on the syndicate annual accounts does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the syndicate annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the syndicate annual accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008

In our opinion, based on the work undertaken in the course of the audit

- the information given in the managing agent's report for the financial year in which the syndicate annual accounts are prepared is consistent with the syndicate annual accounts, and
- the managing agent's report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we have not identified material misstatements in the managing agent's report.

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 re cords; or
- the syndicate annual accounts are not in agreement with the accounting records;
- we have not received all the information and explanations we require for our audit; or
- certain disclosures of the managing agents' emoluments specified by law are not made.

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 32, the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate annual accounts, the managing agent is responsible for assessing the syndicate's ability to continue in operation, disclosing as applicable, matters related to its ability to continue in operation and using the going concern basis of accounting unless the managing agent either intends to cease to operate the syndicate, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the syndicate annual accounts

Our objectives are to obtain reasonable assurance about whether the syndicate annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these syndicate annual accounts.

A further description of our responsibilities for the audit of financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Benjamin Gregory (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
20 March 2018

INCOME STATEMENT TECHNICAL ACCOUNT – GENERAL BUSINESS

for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Earned premiums, net of reinsurance			
Gross premiums written	3	**5,098**	4,871
Outward reinsurance premiums		**–**	–
Net premiums written		**5,098**	4,871
Change in the provision for unearned premiums			
Gross amount	4	**11**	3
Reinsurers' share	4	**–**	–
Change in the net provision for unearned premiums		**11**	3
Earned premiums, net of reinsurance		**5,109**	4,874
Allocated investment return transferred from the non-technical account		**157**	109
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	3,5	**(3,790)**	(1,088)
Reinsurers' share		**–**	–
Net claims paid		**(3,790)**	(1,088)
Change in the provision for claims			
Gross amount	3,5	**(1,368)**	262
Reinsurers' share	5	**–**	–
Change in the net provision for claims		**(1,368)**	262
Claims incurred, net of reinsurance		**(5,158)**	(826)
Ceding and overriding commission		**(302)**	(277)
Administrative expenses		**(73)**	(584)
Net operating expenses	3,6	**(375)**	(861)
Balance on the technical account for general business		**(267)**	3,296

All operations are continuing.

INCOME STATEMENT NON-TECHNICAL ACCOUNT – GENERAL BUSINESS

for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Balance on the general business technical account		(267)	3,296
Investment income	*8*	157	109
Allocated investment return transferred to general business technical account		(157)	(109)
Non-technical account foreign exchange	*10*	(6)	16
(Loss)/Profit for the financial year		**(273)**	3,312

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
(Loss)/Profit for the financial year		(273)	3,312
Exchange differences on foreign currency translation	*10*	(543)	2,077
Total comprehensive income for the year		**(816)**	5,389

STATEMENT OF CHANGES IN MEMBERS' BALANCES

for the year ended 31 December 2017

Reconciliation of Members' Balances	2017 £'000	2016 £'000
Members' balances brought forward at 1 January	15,005	25,324
(Loss)/Profit for the financial year	(273)	3,312
Exchange rate difference – transfer from the Statement of Comprehensive Income	(543)	2,077
Payments of profit to members' personal reserve funds via Syndicate 2791 for the 2014 (2013) year of account	(7,968)	(15,409)
Members' agents fees for the 2014 (2013) year of account	(225)	(299)
Members' balances carried forward at 31 December	**5,996**	15,005

Members participate on syndicates by reference to years of account and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a participation.

STATEMENT OF FINANCIAL POSITION ASSETS

at 31 December 2017

	Note	2017 £'000	2016 £'000
Reinsurers' share of technical provisions			
Provision for unearned premiums	4	–	–
Claims outstanding	5	–	–
		–	–
Debtors			
Debtors arising out of reinsurance operations	11	14,996	23,157
Other debtors	12	269	526
		15,265	23,683
Total assets		15,265	23,683

STATEMENT OF FINANCIAL POSITION LIABILITIES

as at 31 December 2017

	Note	2017 £'000	2016 £'000
Capital and reserves			
Members' balances		5,996	15,005
Technical provisions			
Provision for unearned premiums	4	354	397
Claims outstanding	5	1,882	728
		2,236	1,125
Creditors			
Creditors arising out of reinsurance operations	13	5,601	4,435
Other creditors	14	1,432	3,118
		7,033	7,553
Total liabilities		15,265	23,683

The financial statements on pages 35 to 50 were approved by the Board of Managing Agency Partners Limited on 20 March 2018 and were signed on its behalf by:

R K Trubshaw
Active Underwriter

R J Sumner
Finance Director

20 March 2018

STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

	Note	2017 £000	2016 £'000
Operating (loss)/profit on ordinary activities		**(273)**	3,312
Movement in gross technical provisions		**1,111**	(166)
Movement in reinsurers' share of gross technical provisions		**–**	–
Movement in debtors		**8,418**	13,610
Movement in creditors		**(520)**	(3,125)
Investment return		**(157)**	(109)
Exchange differences on foreign currency translation		**(543)**	2,077
Members' agents' fee advances		**(225)**	(299)
Net cash inflow from operating activities		**7,811**	15,300
Cash flows from investing activities			
Income accrued from Syndicate 2791		**157**	109
Cash flows from financing activities			
Payments of profits to members in respect of underwriting participations		**(8,243)**	(15,801)
Receipt of losses from members in respect of underwriting participations		**275**	392
Net Cash outflow from financing activities		**(7,968)**	(15,409)
Increase in cash and cash equivalents		**–**	–
Cash and cash equivalents at 1 January		**–**	–
Cash and cash equivalents at 31 December	*15*	**–**	–

1.1 Basis of Preparation and Statement of Compliance

These financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, FRS 102 and FRS 103, being applicable UK GAAP accounting standards, and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

The functional currency is US dollars but the financial statements are prepared in sterling which is the 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.

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

Syndicate 6103 operates on a funds withheld basis with Syndicate 2791. Syndicate 2791 is also managed by the managing agent, MAP. Syndicate 6103 holds no cash or investments. All the syndicate's funds are held by Syndicate 2791 which makes payments of liabilities on Syndicate 6103's behalf. Debtors and creditors between the syndicates are grossed up in the syndicate statement of financial position and upon the closure of each year of account, normally after 36 months, the assets and liabilities of that closing year are netted off as part of the commutation settlement with Syndicate 2791.

1.2 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 statement of financial position 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 Syndicate's 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 IBNR at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some types 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, Bornheutter-Ferguson methods and individual reserving at contract level.

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. The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the statement of financial position date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims IBNR at the statement of financial position date based on statistical methods.

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from pricing and other models of the business accepted and assessments of underwriting conditions. Where the amount of any material salvage and subrogation recoveries is separately identified it is reported as an asset.

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

The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. In addition, where contracts are yet to expire, or where losses are not settled until several years after the expiration of the policy in question, the estimates are considered to be more volatile and consequently are subjected to additional management judgemental prudence adjustments. The methods used, and the estimates made, are reviewed regularly.

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 pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

1.2 Judgements and Key Sources of Estimation Uncertainty *continued*

Estimates of future premiums

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates are judgemental and the main assumption underlying these estimates is that past premium development can be used to project future premium development.

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

In addition, the most recent underwriting year estimates are considered to be more volatile and consequently are subjected to judgemental management adjustments.

Expense provisions – Unallocated loss adjustment provisions and legal provisions

Estimates of future expenses to be incurred in respect of settlement transaction costs and administrating or adjusting expenses in respect of claim provisions are made at each statement of financial position date if applicable. The main assumptions underlying these provisions are that direct claim administration costs will be as budgeted, inflation rates will be in line with historical rates and claim payment will patterns reflect historical experience by line of business.

Expense provisions are also made in respect of legal disputes anticipated to be incurred in the normal course of business defending the syndicate position. These provisions are based on historical average costs or direct individual case estimates.

Changes in assumptions, quantum or complexity of future claims can affect the value of these provisions.

2. Accounting Policies

Insurance contracts

An insurance contract (including inwards reinsurance contract) is defined as a contract containing significant insurance risk. Insurance risk is considered significant if, and only if, an insured event could cause the syndicate to pay significant additional benefits. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire.

Premiums written

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

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

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

Premiums for contracts where the syndicate delegates underwriting authority to another party (binding authorities, lineslips or proportional treaties) use an estimate for written premium or when the underlying contracts incept within the term of the delegated authority based on historical patterns or evenly if no pattern exists to measure the proportion of business incepted.

Unearned gross premiums

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

Acquisition costs

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

Reinsurance premium ceded

Outwards reinsurance premiums are accounted for in the year of inception. Premiums ceded to reinstate reinsurance cover or additional premiums payable on loss are recognised when they may be assessed with reasonable certainty. The Syndicate has not purchased any reinsurance for the 2014 year of account or any year of account thereafter.

Unearned reinsurance premium

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

2. Accounting Policies *continued*

Claims provisions and related recoveries

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

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years. The provision for claims outstanding is assessed on an individual case and class basis, as appropriate, and is based on the estimated ultimate cost of all claims notified but not settled by the statement of financial position date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported ('IBNR') at the statement of financial position date based on statistical methods. Separate reserves are established for each year of account.

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

Future unallocated loss adjustment expenses

An accrual for all future unallocated loss adjustment expenses ('ULAE') is made if applicable. The ULAE is comprised of those costs which are related to the settlement of earned claims but which are not directly attributable to individual claims. ULAE expenses are undiscounted and include the expenses of managing the run-off of the business on the basis the business is a going concern. Costs of administration of the reinsurance programme are included in the gross ULAE. Separate reserves are established for each year of account.

Legal provisions

The syndicate may be subject to legal disputes in the normal course of business. Provisions for such events and their related costs are recognised where there is an expected present obligation relating to a past event or evidence exists of the requirement for a general provision that can be measured reliably and it is probable that an outflow of economic benefit will be required to settle an obligation. The directors of the managing agent do not expect the outcome of these claims, either individually or in aggregate, to have a material effect upon the syndicate's operations or financial position. As allowed by FRS 102, further disclosure has not been given as it may seriously prejudice the outcome of any legal proceedings.

Insurance receivables and payables

Insurance receivables and payables are recognised when due and measured on initial recognition at the fair value of the consideration received. They are derecognised when the obligation is settled, cancelled or expired.

Bad debt

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

Unexpired risks provision

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

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

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

Foreign currency translation

Financial Reporting Standard 102 requires each entity to identify its functional currency and a presentational currency. The functional currency is identified as the currency of the primary economic environment in which the entity operates. The functional currency of this Syndicate is US dollars as the majority of the underwriting business, cash flows and expenses are in US dollars. We have chosen to maintain our presentational currency as sterling as the Syndicate is based in the UK, complies with UK reporting standards and to enable simpler comparisons to other Lloyds's insurance syndicates.

The Syndicate records transactions in four settlement currencies being sterling, US dollars, Canadian dollars and Euros and when reported these currencies are translated in the income statement at the average rates of exchange for the period. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

2. Accounting Policies *continued*

Foreign currency translation continued

As permitted by FRS 103, the Syndicate has continued with its existing accounting policy to treat non-monetary assets and liabilities arising from insurance contracts (which include items such as unearned premiums and deferred acquisition costs) the same as monetary assets and liabilities. Consequently all assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date or if appropriate at the forward contract rate.

Exchange differences from the functional currency (US dollars) arising from the retranslation of opening balances and between average and year-end rates to the presentational currency are included in the statement of comprehensive income.

All other exchange differences are included in the general business non-technical account. The following rates of exchange have been used in the preparation of these accounts.

	2017		2016	
	Year end	**Average**	Year end	Average
USD	**1.35**	**1.29**	1.24	1.35
CAD	**1.70**	**1.67**	1.66	1.79
EUR	**1.13**	**1.14**	1.17	1.22

Investments

The syndicate does not hold any investments or derivatives.

Investment return

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

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

Allocation of investment return

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

Operating expenses

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

Taxation

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

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

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

Profit commission

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

3. Segmental Analysis

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

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

4. Provision for Unearned premiums

	Gross £'000	Reinsurers' share £'000	Net £'000
At 1 January 2017	**397**	–	**397**
Premiums written in year	**5,098**	–	**5,098**
Premiums earned in year	**(5,109)**	–	**(5,109)**
Foreign Exchange	**(32)**	–	**(32)**
At 31 December 2017	**354**	**–**	**354**
At 1 January 2016	338	–	338
Premiums written in year	4,871	–	4,871
Premiums earned in year	(4,874)	–	(4,874)
Foreign Exchange	62	–	62
At 31 December 2016	397	–	397

5. Claims Outstanding

	Gross £'000	Reinsurers' share £'000	Net £'000
At 1 January 2017	**728**	–	**728**
Claims incurred in current underwriting year	**5,158**	–	**5,158**
Claims paid during year by Syndicate 2791	**(3,790)**	–	**(3,790)**
RITC 2014 YOA commuted into Syndicate 2791	**(98)**	–	**(98)**
Foreign Exchange	**(116)**	–	**(116)**
At 31 December 2017	**1,882**	**–**	**1,882**
At 1 January 2016	953	–	953
Claims incurred in current underwriting year	826	–	826
Claims paid during year by Syndicate 2791	(1,088)	–	(1,088)
RITC 2013 YOA commuted into Syndicate 2791	(107)	–	(107)
Foreign Exchange	144	–	144
At 31 December 2016	728	–	728

The movement in the net provisions for claims includes a release of £0.2m in respect of reserves set in prior years (2016: £0.4m).

6. Net Operating Expenses

All syndicate expenses, including audit fees, are charged to and borne by Syndicate 2791 for which the syndicate is charged a ceding commission of 5% of gross premiums written. Personal expenses (Lloyd's subscriptions and central fund), which are charged to Syndicate 2791, are covered by an overriding commission of 1% of gross premiums written. A profit commission of 15% of profits for each Underwriting Year of Account is payable to the managing agent.

The ceding commission within the administrative expenses include:	**2017 £'000**	2016 £'000
Auditors' remuneration		
Fees for the audit of the syndicate	**32**	22
Audit-related assurance	**27**	22
Other services pursuant to Regulations and Lloyd's Byelaws	**15**	29
Taxation compliance services	**1**	1
Other non-audit services	**17**	15
	92	89

Audit related assurance includes reporting required by law and regulation, reviews of interim financial information and reporting on regulatory returns. Other non-audit services represent actuarial valuation services. Other services pursuant to Regulations and Lloyd's Byelaws represent fees for the provision of the Syndicate Acturial Opinions (SAO) to Lloyd's and HMRC.

7. Staff Numbers and Costs

All staff are employed by the managing agent. No recharge of payroll costs for staff or in respect of directors' remuneration is made specifically to the syndicate – all such charges are made to Syndicate 2791 and covered by the ceding commission as set out in note 6.

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

8. Investment Income

	2017 £'000	2016 £'000
Investment income	**157**	109

9. Calendar Year Investment Yield

	2017 £'000	2016 £'000
Average syndicate funds available for investment held by Syndicate 2791	**8,518**	14,053
Investment return	**157**	109
Calendar year investment yield	**1.8%**	0.8%

Investment yield is almost entirely derived from US dollars. Other settlement currencies are immaterial.

The syndicate borrowed sterling to cover its sterling expenses and interest was paid at an average rate of 1.5% over six month duration Treasury Bills) (2015: 1.5%) during the year.

10. Exchange Differences on Foreign Currency Translation

Exchange differences on foreign currency translation arise as follows:

	2017 £'000	2016 £'000
On balances brought forward: from opening to year end rates	**(560)**	1,798
On transactions during 2016: from average to year end rates	**11**	295
Non-technical account foreign exchange	**6**	(16)
	(543)	2,077

11. Debtors Arising Out of Insurance Operations

	2017 £'000	2016 £'000
Debtors arising out of reinsurance operations:		
Due within one year	**5,256**	12,134
Due after one year	**9,740**	11,023
	14,996	23,157

All debtors are due from Syndicate 2791.

12. Other Debtors

	2017 £'000	2016 £'000
Members' agents fees advances:		
Due within one year	**85**	226
Due after one year	**184**	300
	269	526

All creditors are payable to Syndicate 2791.

13. Creditors Arising Out of Insurance Operations

	2017 £'000	2016 £'000
Creditors arising out of reinsurance operations:		
Due within one year	**772**	2,545
Due after one year	**4,829**	1,890
	5,601	4,435

14. Other Creditors

	2017 £'000	2016 £'000
Due within one year		
Profit commissions	676	1,446
Inter-syndicate loan	20	74
	696	1,520
Due after one year		
Profit commissions	498	1,202
Inter-syndicate loan	238	396
	736	1,598
	1,432	3,118

15. Cash and cash equivalents

The syndicate operates on a funds withheld basis and consequently there are no movements in cash, portfolio investments and financing.

16. Related Parties

All the syndicate's transactions, including the reinsurance to close, are with or via Syndicate 2791, which is also managed by the managing agent, MAP. All business ceded by Syndicate 2791 is accepted on an arm's length basis and the main terms of the reinsurance contract are set out in the Report of the Directors of the Managing Agent.

During the year, the following transactions between the syndicates occurred:

	2017 £'000	2016 £'000
Premiums receivable	5,098	4,871
Paid claims	(3,790)	(1,088)
Ceding commission	(255)	(240)
Overriding commission	(46)	(37)
Net interest received	157	109
Reinsurance to close premium – 2014 (2013) year of account	47	(16)
Balance owed by Syndicate 2791 to Syndicate 6103 at the end of the period:		
Due within one year	3,833	8,193
Due after one year	2,163	6,812

Profit commission of £0.1m (2016: £0.6m) is due to the managing agent in respect of the results for this calendar year.

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

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

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

16. Related Parties *continued*

Messrs. Shipley, Denoon Duncan, Kong, Trubshaw, Sumner and Smelt, or their related parties, participate on Syndicate 6103 via a dedicated, but unaligned to the managing agent, corporate member, Nomina No. 208 LLP. Nomina No. 208 LLP commenced underwriting on the 2007 year of account. For the 2017 year of account Nomina No. 208 LLP provided £0.8m (2016: £0.7m) of capacity on Syndicate 6103 representing 4.8% (2016: 4.8%) of capacity. MAP has no direct or indirect interest in Nomina No. 208 LLP.

Messrs. Shipley, Kong, Trubshaw, Sumner, and Smelt, or their related parties, also participate on Syndicate 6103 via MAP Capital Limited (MCL) which commenced underwriting on the 2013 year of account. For the 2017 year of account MCL provided £1.46m (2016: £1.29m) of capacity on Syndicate 6103 representing 9.3% (2016: 9.3%) of capacity.

There is no compensation charged by the syndicate to key management. There are no other transactions or arrangements requiring disclosure.

17. Funds at Lloyd's

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

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

18. Events After the Reporting Period

In accordance with the reinsurance contract with Syndicate 2791, the 2015 Year of Account will be commuted. An RITC will be effected with Syndicate 2791 and the reserves carried for the 2015 Year of Account (amounting to £0.04m) transferred to that syndicate in 2017.

19. Items not Disclosed in the Statement of Financial Position

The Syndicate has not been party to any arrangement which is not reflected in its statement of financial position.

20. Risk Management of Insurance Risk

This Syndicate is a Special Purpose Arrangement writing a single line of business, property catastrophe reinsurance on United States risks (excluding terrorism and retrocession business). Its insurance risk is principally related to pricing and the measurement of catastrophe losses which have occurred and those to which the syndicate is currently exposed.

The Syndicate uses its own proprietary pricing models which set a technical price for each risk based on a required profitability margin. To mitigate against the potential for under-pricing of insurance risk these models are actively back tested against underwriting performance and by checking actual exposure to losses versus predicted loss exposure.

The other principal insurance risk the Syndicate is subject to, is that actual claims and benefit payments or the timing thereof, may differ from expectations. This is influenced by the frequency of claims, severity of claims and actual claims paid. Therefore, the objective of the syndicate is to ensure that sufficient reserves are available to cover these liabilities. The most significant claim risks arise from natural disasters. The claim risk exposure is mitigated by strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims.

The Syndicate further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Claim inflation risk for a short tail property catastrophe insurance syndicate such as Syndicate 6103 is mainly generated by "demand inflation" when following a loss demand for certain assets or trades results in higher pricing; this is mitigated by taking expected demand inflation into account when estimating insurance contract liabilities.

Risks written usually cover twelve months duration.

The Syndicate limits its exposure to uncertain loss by imposing maximum claim amounts on certain contracts as well as allowing the potential use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Syndicate's risk appetite as decided by management. While the syndicate may purchase reinsurance, it has not done so for the three years accounted, in these financial statements. No claims have been made against previously purchased reinsurance.

20. Risk Management of Insurance Risk *continued*

The overall risk appetite aim is to limit the downside risk to a 125% ultimate loss on Stamp capacity following any one of the Lloyd's prescribed Realistic Disaster Scenarios (RDS). The downside risk takes into account the net of any reinsurance RDS loss and reinstatement premiums.

The Syndicate uses its own 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 event not modelled are greater than those arising from a modelled event.

As a further guide to the level of catastrophe exposure written by the Syndicate, the following table shows hypothetical claims arising for various realistic disaster scenarios based on the Syndicate's risk exposures at 1 January 2018:

RDS	Market Loss (insured) £m	Estimated Gross Claims £m	Estimated Net Claims £m
North East USA Hurricane	74,140	29	28
Miami/Dade Specific	128,751	11	10
Pinellas specific (West Coast Florida Windstorm)	121,095	20	19
Gulf of Mexico Windstorm	102,493	13	12
Los Angeles Earthquake	66,391	15	14

Estimated net claims are net of reinstatement premiums. The Syndicate has no reinsurance at this date.

All of the Syndicates claims are geographically generated from the United States and the vast majority are payable in US dollars.

Key assumptions

The principal assumption underlying the claim estimates is that future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of individual and average claim costs, claim handling costs, claim inflation factors and underwriting year. 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, judicial judgements, and legal delays in settlement. All business is in US dollars and therefore changes in currency may affect reported claims when converted to sterling but do not affect the payments in underlying currency.

Sensitivities

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 and members' balances.

The underlying sensitivity analysis is performed by underwriting year. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are not necessarily non-linear.

	2017 £'000	2016 £'000
Gross and net outstanding claims (note 5)	1,882	728
Impact of 10% increase in gross and net outstanding claims	188	73
Impact of 10% increase in gross and net 2017 CAT losses	489	N/A

The impact on both profit and members' balances are those figures shown above less profit commission of 15%.

The Syndicate has material exposure to the Hurricanes Harvey and Irma in the 2017 year of account. This increases the uncertainty of the Syndicate's total reserves, but does not increase that uncertainty in an adverse direction significantly beyond the normal range of uncertainty for insurance liabilities at this stage of development. For the avoidance of doubt, the syndicate has no material exposure to these hurricanes on either the 2015 or 2016 years of account and no material exposure to Hurricane Maria at all.

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

20. Risk Management of Insurance Risk *continued*

Claims development table

The following table shows the estimates of ultimate claims, including both claims notified and IBNR for each successive underwriting year at each reporting date, together with cumulative payments to date. The ultimate claims estimates and cumulative payments are translated to sterling at the rate of exchange that applied to the Statement of Financial Position at the reporting date. Each prior year is restated at current exchange rates to provide a consistent view of changes to ultimate claims reserves.

In setting claims provisions the syndicate gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an underwriting year is greatest when the underwriting year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained may decrease. However, due to the uncertainty inherent in the estimation process, the actual overall claim provision may not always be in surplus.

This syndicate has Reinsured to Close all liabilities on 2014 and prior underwriting years to Syndicate 2791 and therefore Syndicate 6103's estimate of ultimate claims cease to change after 3 years for any year of account.

Syndicate 6103 no longer has any exposure to liabilities reinsured out by Reinsurance to Close. Consequently, in accordance with FRS103, the claims development information disclosed is only for the most recent three years because there is no future uncertainty on reinsured prior years of account.

The ultimate claims are adjusted for the unearned proportion of claims, any unallocated future expense claims costs and cumulative payments to date to provide the reconciliation to the Syndicate's gross and net statement of financial position reserves and are also shown in note 5.

Gross and net claim triangles by year of account as at 31 December 2017

	2015 £'000	2016 £'000	2017 £'000	Total £'000
Estimate of Gross and Net Ultimate Claims				
12 months	1,203	1,472	5,102	
24 months	539	1,290		
36 months	549			
Total Ultimate losses	**549**	**1,290**	**5,102**	**6,941**
Less cumulative paid claims	(509)	(1,222)	(3,120)	(4,851)
Less unearned portion of ultimate losses	–	(1)	(207)	(208)
Gross and Net claims liabilities	**40**	**67**	**1,775**	**1,882**

In 2017, there has been an overall surplus in ultimate claims of £0.2m (2016: £0.7m) due primarily to a reduction in claims estimates as uncertainty around catastrophe exposure unwinds.

21. Risk Management of Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Although its reporting currency is sterling, the syndicate's functional currency is US dollars and so its exposure to foreign exchange risk arises primarily with respect to transactions in Euro, sterling and Canadian dollars. The exchange exposure is further limited by the syndicate making profit distributions in both sterling and US dollars resulting in the actual exchange risk to members being between just those currencies converted to sterling to make profit distributions.

In the case of Syndicate 6103 these currencies are Euro and Canadian dollars and, as shown in the table below, the quantum of Euro and Canadian dollar assets and liabilities is not significant.

21. Risk Management of Currency Risk *continued*

The tables below set out the underlying currency exposure to the syndicate although it should be noted that profits are only paid out in sterling and US dollars:

2017	GBP £'000	USD £'000	EUR £'000	CAD £'000	Total £'000
Insurance and reinsurance receivables	–	14,996	–	–	**14,996**
Other assets	265	4	–	–	**269**
Total assets	**265**	**15,000**	**–**	**–**	**15,265**
Technical provisions	–	(2,237)	–	–	**(2,237)**
Insurance and reinsurance payables	–	(5,601)	–	–	**(5,601)**
Other creditors	(347)	(1,084)	–	–	**(1,431)**
Total liabilities	**(347)**	**(8,922)**	**–**	**–**	**(9,269)**
Members' balances by currency	**(82)**	**6,078**	**–**	**–**	**5,996**

The syndicate has negative net assets in GBP. This liability is to Syndicate 2791 and will be settled out of the profit distribution on closure of the relevant year of account.

If sterling was to weaken by 10% and 20%, the impact on the above total converted sterling profit would be an increase of £0.7m and £1.5m respectively.

2016	GBP £'000	USD £'000	EUR £'000	CAD £'000	Total £'000
Insurance and reinsurance receivables	–	23,152	–	5	23,157
Other assets	420	106	–	–	526
Total assets	420	23,258	–	5	23,683
Technical provisions	–	(1,125)	–	–	(1,125)
Insurance and reinsurance payables	–	(4,435)	–	–	(4,435)
Other creditors	(527)	(2,591)	–	–	(3,118)
Total liabilities	(527)	(8,151)	–	–	(8,678)
Members' balances by currency	(107)	15,107	–	5	15,005

If sterling had weakened by 10% and 20%, the impact on the above comparative total converted sterling profit would have been an increase of £1.7m and £3.8m respectively.

22. Other Risk Management Matters

Interest rate risk	**2017 £'000**	2016 £'000
Impact of 50 basis point increase in interest rates on result	**(214)**	(249)
Impact of 50 basis points decrease in interest rates on result	**212**	249

The impact of the above interest rate sensitivity is within our investment parameter guidelines and management tolerance.

Interest rate risk is the risk that arises for bond owners from fluctuating interest rates. The sensitivity depends on two things, the bond's time to maturity, and the coupon rate of the bond. As interest rates rise, bond prices fall and vice versa, a bonds sensitivity to an increase in interest rates is magnified by its time to maturity.

Although the syndicate holds no investments it is exposed to interest rate risk by way of its share of the investment fund held on its behalf by Syndicate 2791.

22. Other Risk Management Matters *continued*

For Syndicate 6103's investments held within Syndicate 2791 all are fixed income and are recorded at fair value. A sensitivity analysis is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit and members' balances of the effects of changes in interest rates on:

– Fixed rate financial assets; and

– Variable rate financial assets.

The first of these measures the impact on profit or loss for the year (for items recorded at fair value, through the income statement) and on members' balances (for available for sale investments) that would arise in a reasonably possible change in interest rates at the reporting date on financial instruments at the period end. The second of these measures the change in interest income or expense over the period of the year attributable to a reasonably possible change in interest rates, based on floating rate assets and liabilities held at the reporting date.

The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, the variables were altered on an individual basis.

It should be noted that movements in these variables are non-linear.

The method used for deriving sensitivity information and significant variables did not change from the previous period.

The Syndicate has no significant concentration of interest rate risk.

Insurance liabilities are not discounted and therefore not exposed to interest rate risk.

Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Syndicate 6103 does not have exposure to price risk as there are no equities in the element of funds held by Syndicate 2791 on behalf of Syndicate 6103.

Liquidity risk

Liquidity risk is the risk that the Syndicate will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected reinsurance recoveries.

However, the Syndicate has no cash or investments and operates on a funds withheld basis with Syndicate 2791. Therefore, its liquidity risk is that Syndicate 2791 is unable to pay its debts as they fall due.

All the syndicate assets and liabilities are netted off as part of the commutation settlement when each year of account closes at 36 months.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

All insurance debtors are balances with A rated Syndicate 2791 and therefore its liquidity risk is that Syndicate 2791 is unable to pay its debts as they fall due.

There are no reinsurance recovery assets at the statement of financial position date.

MAP

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