SYNDICATE 2791

Report and Financial Statements
31 December 2015

MAP

Underwriting at Lloyd's

CONTENTS

CHAIRMAN'S REPORT

It is pleasing to report another strong set of results in difficult market conditions. The pure 2013 underwriting year closed with low loss ratios, and the reserve strength on the closed years generated a release which further enhanced the overall profit. However there has been considerable deterioration in conditions across almost all areas of the market, fuelled by benign loss experience and by the low returns on many other forms of financial activity, and exacerbated by major initiatives to minimise the role of underwriting judgment in the placement process. As ever, MAP's response has been to let business go if the terms are not right. Competitors report only modest falls in achieved premium rates, but with a rapidly increasing proportion of business placed under bulking arrangements or binding authorities, it is not obvious that they have the data to support this contention.

As Richard warns, the drop in volume that has been an inevitable consequence of the team's underwriting discipline brings with it increased volatility; however it would be a mistake to think this volatility could be mitigated by writing large volumes of business at marginal or inadequate rates, or through structures or on policy forms whose opacity undermines the risk analysis at the heart of the underwriting process. Such an approach must generate inferior results in the long term, and is anathema to the relationship we believe we have with our capital providers. At this point in the cycle it is bordering on suicidal.

Our flexible third party capital model gives us a structural advantage in this very cyclical market; our side of the bargain is to maintain underwriting discipline and to keep costs to a minimum. Our team is one of the few in the market with the experience to take full advantage of what is likely to be a dramatic change in market sentiment as insurers feel the cumulative effects of years of reduction, and we trust that our capital providers will join us in stepping up and taking advantage when the time comes.

I would like to put on record my thanks to Raymond Dumas for all his wisdom and support as a non-executive director since the founding of the business. He has played an important role for 15 years and will be sorely missed. We wish him a very long and happy retirement.

D E S Shipley
Chairman

11 March 2016

SYNDICATE 2791

Underwriting Year Distribution Accounts
2013 Closed Year of Account
31 December 2015

DIRECTORS AND ADMINISTRATION

MANAGING AGENT

Managing Agent
Managing Agency Partners Limited (MAP)

Directors
C E Dandridge (Non-executive)
J D Denoon Duncan
H R Dumas (Non-executive) (resigned 10 November 2015)
A S Foote (Non-executive)
A Kong
B S McAuley
A J T Milligan (Non-executive) (appointed 10 November 2015)
D E S Shipley (Non-executive Chairman)
C J Smelt
R J Sumner
R K Trubshaw (Active Underwriter)

Company Secretary
B S McAuley

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

Principal Investment Managers
Schroder Investment Management Limited

Registered Auditors
Ernst & Young LLP, London

The managing agent presents its report on the 2013 year of account of Syndicate 2791 as closed at 31 December 2015.

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 to the extent that they are relevant for a proper understanding of the underwriting year accounts. Separate annual accounts under UK GAAP on the calendar year results are available to all the syndicate's members (see pages 30 to 70).

UNDERWRITER'S REPORT

2013 Year of Account

Capacity £510.5 million

The 2013 year has closed with a profit of £68.1m after all members' personal expenses, equivalent to 13.3% of stamp capacity, compared with the forecast range of 8% to 13%. Absent a £12.5m back-year release the 2013 pure year result would be 11.4%.

Development of Closed Years (2012 and prior)

The total gross IBNR ('incurred but not reported') reserve, less future premiums, has dropped marginally from £138.3m to £136.1m. Only £4.8m or 3.5% of this reserve was utilised in the calendar year, the lowest rate in the syndicate's history. Nevertheless, as we maintain an increasingly defensive stance in the market our ongoing book continues to shrink and becomes more vulnerable to volatility and severity. We have observed that this latency is already leading to a lengthening tail, and it is notable that more recent years have not had as benign a run-off pattern as their predecessors. To our minds this reinforces the need for a considered and prudent approach to reserving. Despite the back year release, our completion factors therefore remain appropriately conservative.

The long-tail casualty classes account for around 70% of the back-year release, and constitute around 55% of the remaining IBNR reserve. Much of the short-tail reserve relates to catastrophes, in particular the international cat events of 2010/11, plus Superstorm Sandy. As at year end, across all years of account, the syndicate had gross incurred losses from the international cat events of £21.3m (£21.6m last year) with a further provision of £7.7m (£16.1m last year). For Superstorm Sandy our expected ultimate gross loss across all years of account is £76.2m (£73.3m last year), of which £57.5m had been incurred at year end (£56.1m last year). We remain cautious in evaluating the potential development of flood losses, in particular those affecting large risk policies in Metropolitan New York.

Pure Year 2013

Utilisation of capacity

The final utilisation was 40% at closing rates of exchange. The reinsurance spend was £53.0m or 25.8% of Lloyd's gross written premium, 41% of which was ceded via a US catastrophe quota share to Syndicate 6103.

Performance review

Despite some corrective action on Sandy affected accounts, the majority of our business continued to come under competitive pressure. This intensified as the year progressed, particularly on US reinsurance where the Capital Markets, faced with the prospect of low yields on their core activities, increasingly viewed our sector as an opportunistic play to write uncorrelated exposure at seemingly attractive margins.

Faced with this strategic threat, much of the traditional market responded by price-matching and offering broader coverage, such that significant volumes of business failed to meet our minimum technical margins. In consequence our gross volume was some 22.5% less than that written in 2012, although given the absence of any meaningful catastrophic activity the year has proved similarly profitable.

Analysis of premium written by syndicate classification

	Gross written £'000	Net written £'000
Property reinsurance	140,275	104,277
Direct and facultative property	31,915	21,600
Marine and offshore energy	22,540	22,430
Motor	22,694	19,365
Third party liability	10,261	10,261
Accident and health	7,849	7,844
Specialist lines	5,111	5,052
Terrorism and political risks	3,469	3,469
Total	244,114	194,298

Investment Return

The investment return generated over the last three years has contributed £5.5m to the 2013 closed year result. The calendar year returns net of expenses in each period were; 1.9% in 2013, 2.6% in 2014 and 0.6% in 2015.

In line with established policy, the 2013 Year of Account receives a proportion of the investment performance of the three calendar years as determined by a formula which assesses the actual assets held in each Year of Account and allocates the result accordingly.

The Effect of Exchange Rates on the 2013 Distribution Account

As these accounts are reported over the three consecutive years from 2013, the GBP:USD exchange rate has moved from an average of 1.56 during 2013 to a closing rate of 1.47 and this has resulted in a profit of £4.0m over the three year period as further set out in note 13.

Reinsurance Debtors

Recoverable amounts from reinsurers amount to £17.9m virtually all of which is current. There are no provisions for bad debts on the syndicate's reinsurance balances.

An analysis of the security rating for the debtors within our statement of financial position at 31 December is set out below:

Debt table by security rating

Standard & Poor's rating	On paid claims £m	On outstanding claims £m	On IBNR £m	Total £m
A	0.9	10.9	5.9	17.7
Not rated	(0.1)	0.1	0.2	0.2
	0.8	11.0	6.1	17.9

The negative paid claim figure in the not rated rating is a repayment due to one of our reinsurers caused by a reduction on a previously paid claim.

2014 Year of Account Forecast

Capital providers will recall we reduced Stamp Capacity to £453m for 2014 in anticipation of a rapidly softening market. Despite this, the deterioration in terms and conditions was so extreme that we actually shed a further 23.5% of premium volume relative to 2013, such that the projected utilisation has fallen to 35%. Most of this drop was in the property reinsurance lines, which came under intense rating pressure. To date the incurred loss ratios are similar to 2013 at like time: our forecast range for the 2014 year of account is a profit of 4% to 9% on Stamp Capacity after all expenses.

2014 Year of Account Forecast *continued*

An estimate of the 2014 underwriting result as at 36 months is set out below:

	£'000
Stamp capacity	453,035
Gross premiums written	194,482
Net premiums written	157,037
Claims incurred – net of reinsurance	(60,761)
Net operating expenses	(47,514)
Investment return	3,973
Profit commission	(9,733)
Personal expenses	(4,065)
Estimate of profit for the year of account after personal expenses	38,937

Assumptions underlying the 2014 Estimated Result:

(i) There will be no material reinsurance failures.
(ii) Syndicate expenses, incurred in the calendar year 2016 to be charged to the 2014 year of account, will continue the pattern of previous years as refined by current budgets.
(iii) Exchange rates at 31 December 2016 will not be materially different from those at 31 December 2015.
(iv) Investment returns attributable to 2014 during 2016 = 1.0% for USD and 0.5% for all other currencies.
(v) Claims will be paid in line with our expected development patterns.
(vi) No material back year surplus or deficit arises from the RITC.

2015 Overview

Once again we reduced Stamp capacity to £400m, which is where we were back in 2009. The competitive pressures that so severely affected the reinsurance book from 2013 now started to contaminate most other lines of business, as the market continued its headlong charge downwards. Premium utilisation is likely to be similar to that in 2014. Although the incurred loss ratio to date is extremely benign, there is a great deal of latent volatility inherent in such a low volume.

2016 Trading Conditions

We are now pretty much down to our core book, which we are defending as appropriate. As I mentioned last year, the strategy for dealing with these wintry conditions is simple: carry on underwriting risk by risk, make sure the expected attritional loss ratio remains acceptable and continue to reduce the net catastrophic risk appetite in line with a lower anticipated return. The alternative is to join the herd, assume a lot more risk for a lot less money and hope for the best. As underwriters whose market franchise relies on pricing integrity, and who have a significant financial stake in the business we are not prepared to do this.

In the meantime, in the absence of any meaningful market losses, terms and conditions continue to deteriorate. This will go on until a majority of players in a given class feel enough pain such that they feel compelled to change course. Usually this is given a positive spin: managers often talk of "exiting unprofitable business", as though it were part of a predetermined strategy rather than merely an admission of underwriting failure. It begs the obvious questions of how they stumbled into it in the first place, and what else they are writing that will also ultimately prove unprofitable. For risk analysts such as ourselves, market dislocation allows the relative freedom to re-price business properly: there are some such opportunities at present, certain niche motor classes for example, but they are as yet few and far between.

Having said all this, I am actually more optimistic than a year ago: terms and conditions in many classes are so far adrift of any reasonable view of a long-term profit margin that the day of reckoning cannot be too far away. We are fortunate that our third-party capital structure has afforded us the flexibility to decline unacceptably priced risk in a softening market: we look forward to re-assuming a much more positive role once the pendulum has turned.

Individual capital assessment

For the 2013 Year of account the syndicate was required to produce an Individual Capital Assessment (ICA) under the Individual Capital Adequacy Standards (ICAS) regime which 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 2013 Year of Account.

Individual capital assessment *continued*

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. 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 2013 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:

2013 Approved Capital

Lloyd's economic capital requirement (ECR)

	Prospective year 2013 £m
2791	254.6

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

Future developments & important events since the end of the financial year

Effective 1 January 2016, Lloyd's is subject to the Solvency II capital regime and the Solvency 1 figures are no longer applicable from that date. Although the capital regime has changed, this has not significantly impacted the Solvency Capital requirement of the syndicate, since this has been previously calculated based on Solvency II principles as detailed above.

Seven Year Summary of Closed Years of Account

	Note	2007	2008	2009	2010	2011	2012	2013
Syndicate allocated capacity (£m)		459.2	400.6	403.7	504.5	504.5	506.8	510.5
Number of Underwriting Members		1,399	1,368	1,508	1,585	1,687	1,718	1,721
Aggregate net premiums (£m)		302.3	255.4	274.0	232.5	232.6	258.4	194.3
Results for illustrative share of £10,000		%	%	%	%	%	%	%
Utilisation of capacity at premium income monitoring rates of exchange		65.6	54.9	53.5	44.7	46.3	48.4	38.2
Gross premiums written (% of illustrative share)		75.4	74.6	83.0	54.2	54.8	61.8	47.8
Net premiums (% of illustrative share)		65.8	63.8	67.9	46.1	46.1	51.0	38.1
Profit (% of gross premiums)		36.9	20.9	38.7	32.7	24.5	18.9	27.9
Results for illustrative share of £10,000		£	£	£	£	£	£	£
Gross premiums	1	7,542	7,458	8,296	5,417	5,479	6,185	4,782
Net premiums		6,583	6,377	6,785	4,608	4,612	5,098	3,806
Reinsurance to close from an earlier year of account		6,527	6,748	6,792	5,046	4,545	4,304	4,771
Net claims		(2,712)	(3,745)	(1,844)	(1,659)	(1,946)	(2,070)	(1,436)
Reinsurance to close	2	(6,048)	(6,225)	(6,326)	(4,782)	(4,361)	(4,553)	(4,439)
Underwriting profit		**4,350**	**3,155**	**5,407**	**3,213**	**2,850**	**2,779**	**2,702**
Acquisition costs	1	(1,621)	(1,631)	(1,746)	(1,161)	(1,157)	(1,370)	(1,061)
Other syndicate operating expenses, excluding personal expenses		(148)	(136)	(141)	(113)	(130)	(170)	(140)
Reinsurers' and profit commissions		47	69	97	42	48	39	49
Exchange movement on foreign currency translation		320	7	29	(59)	(65)	14	79
Net investment income		568	544	466	398	242	252	107
Illustrative personal expenses:								
Managing agent's fee		(55)	(55)	(55)	(55)	(55)	(55)	(55)
Profit commission	3	(533)	(332)	(794)	(455)	(351)	(287)	(312)
Other personal expenses		(147)	(63)	(57)	(40)	(39)	(34)	(35)
Profit after illustrative personal expenses and illustrative profit commission		**2,781**	**1,558**	**3,206**	**1,770**	**1,343**	**1,168**	**1,334**

1. Gross premiums and syndicate operating expenses have been grossed up for brokerage costs.
2. Reinsurance to close is stated at relevant average rates applicable or when reserves were first set for each year of account.
3. Profit commission is reported on a pro forma basis before the application of the deficit clause brought forward.

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

11 March 2016

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 2791 – 2013 Closed Year of Account

We have audited the syndicate underwriting year accounts for the 2013 year of account of syndicate 2791 ('the syndicate') for the three years ended 31 December 2015 which comprise the Income Statement, Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the related notes 1 to 23 and the Statement of Managing Agent's Responsibilities. The financial reporting framework that has been applied in their preparation is applicable law, the Lloyd's Syndicate Accounting Byelaw (No.8 of 2005) and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and Financial Reporting Standard 103 'Insurance Contracts'.

This report is made solely to the syndicate's members, as a body, in accordance with the Lloyd's Syndicate Accounting Byelaw (No.8 of 2005) and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the managing agent and the auditor

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 10, the managing agent is responsible for the preparation of the syndicate underwriting year accounts, under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005), which give a true and fair view. Our responsibility is to audit and express an opinion on the syndicate underwriting year accounts in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the syndicate underwriting year accounts

An audit involves obtaining evidence about the amounts and disclosures in the syndicate underwriting year accounts sufficient to give reasonable assurance that the syndicate underwriting year accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the syndicate's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the managing agent; and the overall presentation of the syndicate underwriting year accounts. In addition, we read all the financial and non-financial information in the Syndicate 2791 Underwriting Year Distribution Accounts to identify material inconsistencies with the audited syndicate underwriting year accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on syndicate underwriting year accounts

In our opinion the syndicate underwriting year accounts:

- give a true and fair view of the profit for the 2013 closed year of account;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and Financial Reporting Standard 103 'Insurance Contracts'; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and have been properly prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

Matters on which we are required to report by exception

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

- the managing agent in respect of the syndicate has not kept proper accounting records; or
- the syndicate underwriting year accounts are not in agreement with the accounting records.

Ben Gregory (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

11 March 2016

INCOME STATEMENT TECHNICAL ACCOUNT – GENERAL BUSINESS

2013 Closed Year of Account for the three years ended 31 December 2015

	Note		2013 £'000
Syndicate allocated capacity			510,484
Earned premiums, net of reinsurance:			
Gross premiums written	*4*	244,114	
Outward reinsurance premiums		(49,816)	
Earned premiums, net of reinsurance			194,298
Reinsurance to close premiums received, net of reinsurance	*5*		243,548
Allocated investment return transferred from the non-technical account			5,474
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(88,017)	
Reinsurers' share		14,709	
			(73,308)
Reinsurance to close premium payable, net of reinsurance	*6*		(226,581)
Acquisition expenses		(54,176)	
Reinsurers' commissions and profit participations		2,512	
Administrative expenses	*8*	(27,659)	
Net operating expenses			(79,323)
Balance on the technical account – general business	*12*		64,108

INCOME STATEMENT NON TECHNICAL ACCOUNT

2013 Closed Year of Account for the three years ended 31 December 2015

	Note	2013 £'000
Balance on the technical account for general business		64,108
Investment income	*11*	18,962
Net unrealised gains and losses on investments		(7,555)
Investment expenses and charges	*11*	(5,933)
Allocated investment return transferred to general business – technical account		(5,474)
US dollar functional currency exchange gains and losses	*13*	(548)
Profit for the 2013 closed year of account excluding other comprehensive income		63,560

STATEMENT OF COMPREHENSIVE INCOME

2013 Closed Year of Account for the three years ended 31 December 2015

	Note	2013 £'000
Profit for the 2013 closed year of account excluding other comprehensive income		63,560
Exchange differences on foreign currency translation	*13*	4,552
Profit for the 2013 closed year of account including other comprehensive income being profit distributed to members		68,112

STATEMENT OF FINANCIAL POSITION

2013 Closed Year of Account as at 31 December 2015

	Note	2013 £'000
Assets		
Investments	*14*	315,831
Debtors	*15*	13,801
Reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account	*7*	17,107
Other assets		
Cash at bank and in hand		10,539
Prepayments and accrued income		
Accrued interest		1,023
Total assets		358,301
Liabilities		
Amounts due to members	*16*	68,112
Reinsurance to close premiums payable to close the account – gross amount	*7*	250,455
Other creditors	*17*	38,856
Accruals and deferred income		878
Total liabilities		358,301

The financial statements on pages 12 to 28 were approved by the Board of Managing Agency Partners Limited on 11 March 2016 and were signed on its behalf by:

R K Trubshaw
Active Underwriter
11 March 2016

R J Sumner
Finance Director

STATEMENT OF CASH FLOWS

2013 Closed Year of Account for the three years ended 31 December 2015

	Note	2013 £'000
Net cash inflow from operating activities	*18*	24,428
Net cash inflow from investing activities	*18*	217,445
Net cash outflow from financing activities	*18*	(235,051)
		6,822
Cash flows were invested as follows:		
Increase in cash holdings	*19*	10,539
Increase in overseas deposits	*19*	714
Net portfolio investment	*20*	(4,431)
Net investment of cash flows		6,822

NOTES TO THE ACCOUNTS

2013 Closed Year of Account for the three years ended 31 December 2015

1. Basis of Preparation

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 to the extent that they are relevant for a proper understanding of the underwriting year accounts.

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 2013's Underwriting Year Distribution Account each calendar year result is aggregated using the relevant years' average rates of exchange for each item in the income statements. The reinsurance to close received by 2013 from 2012 is presented as both a premium and as part of the reinsurance to close payable at the same rates, which are the rates at 1 January 2015. Any changes made to the opening reinsurance to close are accounted for at the average rates ruling during calendar year 2015.

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These accounts relate to the 2013 year of account which has been closed by reinsurance to close at 31 December 2015; consequently the statement of financial position represents the assets and liabilities of the 2013 year of account and the income statements and statement of cash flows reflect 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.

An 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. 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.

Syndicate 2791 cedes business under a quota-share treaty to Syndicate 6103 which operates on a funds withheld basis with Syndicate 2791. Syndicate 6103 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 6103.

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.

It should however be noted that upon Reinsurance to Close (RITC) the uncertainties are transferred to the accepting year of account (2014) of the syndicate.

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 yet reported, at the reporting date (IBNR). It can take

2. Judgements and key sources of estimation uncertainty *continued*

Insurance contract technical provisions (reinsurance to close premium payable) continued

a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder, 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 incurred but not reported (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. The amount of salvage and subrogation recoveries is separately identified and, where material, 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.

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.

Estimates of future premiums

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

The estimated premium income in respect of facility contracts, for example binding authorities and lineslips, includes an estimate of the underlying business attaching to each facility at the statement of financial position date.

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. 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. Judgements and key sources of estimation uncertainty *continued*

Fair value of financial assets and derivatives determined using valuation techniques

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques.

These valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on estimates. It incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk- return factors inherent in the financial investment.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3 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 to the successor year of account.

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.

Premiums written

Premiums written comprise premiums on contracts incepted during the financial year of account as well as adjustments made in the year to premiums written in prior accounting periods. Estimates are made for pipeline premiums, representing amounts due to the syndicate not yet notified.

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

Acquisition costs

Acquisition costs, comprising commission and other direct or indirect costs related to the acquisition of insurance contracts are deferred to the extent that they are attributable to premiums unearned at the statement of financial position date. The value of commission paid to insurance intermediaries is determined based on the contractual amounts recorded in all contracts. Where, however, policies are issued and the insured agrees to pay a fee directly to the intermediary without reference to the insurer, the written premium comprises the premium payable to the insurer and accounting for broker acquisition costs is inappropriate.

Reinsurance premium ceded

Outwards reinsurance purchased consists of excess of loss contracts and proportional reinsurance contracts. Initial excess of loss 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. Proportional outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

Claims paid and related recoveries

Gross claims paid include internal and external claims settlement expenses and, together with reinsurance recoveries less amounts provided for in respect of doubtful reinsurers, 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.

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 collectible reinsurance recoveries, relating to the closed year of account and all previous years of account reinsured therein.

3. Accounting Policies *continued*

Reinsurance to close premium payable continued

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 incurred but not reported ('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.

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 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 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.

As permitted by FRS103, 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.

Exchange differences from Sterling, Canadian dollars and Euros arising from the retranslation of opening balances and between average and year-end rates to the functional currency are included in the general business non-technical account.

All other exchange differences are within operating expenses.

Where Canadian dollars or Euros are sold or bought relating to the profit or loss of the closed underwriting account after 31 December, 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.

3. Accounting Policies *continued*

Foreign currency translation continued

The following rates of exchange to Sterling have been used in the preparation of these accounts:

	Year end rate		Average rates during	
	2015	**2015**	2014	2013
USD	**1.47**	**1.53**	1.65	1.56
CAD	**2.05**	**1.95**	1.82	1.61
EUR	**1.36**	**1.38**	1.24	1.18

Syndicate 6103 funds withheld basis

Syndicate 2791 has purchased a proportional reinsurance contract from Syndicate 6103 also managed by Managing Agency Partners Limited. This proportional reinsurance contract operates on a funds withheld basis; reinsurance premium less recoveries payable to Syndicate 6103 are withheld by Syndicate 2791. The withheld funds are invested alongside Syndicate 2791's other investments until Syndicate 6103 closes the relevant year of account, normally at 36 months.

At the closure, by Reinsurance to Close of Syndicate 6103 the net funds are released to the members of Syndicate 6103.

Syndicate 2791, has the right to request funds from the members of Syndicate 6103 if its net balance becomes a liability.

The contract between the syndicates provides that an investment return is payable by Syndicate 2791 on the average net balance owed to Syndicate 6103.The return mirrors that achieved by Syndicate 2791 on its own funds, principally, the credit for reinsurance trust fund in respect of US dollar balances.

Investment values

Financial investments are valued at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

Listed investments

Listed and other quoted investments are stated at current bid value at the statement of financial position date. For this purpose listed and quoted investments are stated at market value and deposits with credit institutions are stated at cost.

The cost of syndicate investments is the amount paid on the purchase date for those investments still held at the statement of financial position date.

Deposits

All deposits with credit institutions are stated at cost.

Unlisted investments

Investment that are not listed or in a market not regarded as active because:

- Quoted prices are not readily and regularly available; or
- Prices do not represent actual and regularly occurring market transactions on an arm's length basis.

The syndicate then seeks to establish fair value by using third party administrators with experience in valuing such assets using valuation techniques as described below:

- Using recent arm's length transactions between knowledgeable, willing parties (if available);
- Reference to the current fair value of other instruments that are substantially the same;
- Discounted cash flow analyses and option pricing models.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on estimates. It incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial investment.

The Syndicate participates in a number of hedge/credit funds and related financial instruments for which there are no available quoted market prices. The valuation of these hedge funds is based on fair value techniques (as described above). The fair value of our hedge/credit fund portfolio is calculated by reference to the underlying net asset values (NAVs) of each of the individual funds.

3. Accounting Policies *continued*

Investment return continued

Consideration is also given to adjusting such NAV valuations for any restriction applied to distributions, the existence of side pocket provisions, and the timing of the latest available valuations. The cost of syndicate investments is deemed to be the aggregate of market value at the accepted RITC date of those investments still held at the current statement of financial position date, and purchases during the period.

Investment return

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

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price.

Movements in unrealised gains and losses on investments represent the difference between their valuation at the statement of financial position date and their purchase price or, if they have been previously valued, their valuation at the last statement of financial position date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

As detailed above with regard to funds withheld on behalf of Syndicate 6103, investment income earned in the period is reduced by the amount payable to Syndicate 6103.

Purchases and sales of investments are recognised on the trade date, which is the date the syndicate commits to purchase or sell the assets. Funds receivable or payable after the trade date are recorded in debtors and creditors respectively until settled.

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.

Investment management expenses

Comprise contractual fees and profit commissions payable to external third party investment managers for managing the syndicate's investment funds. They are accrued in the period to which they relate.

Overseas deposits

Overseas deposits lodged as a condition of conducting underwriting business in certain countries in compliance with Lloyd's licences are stated at the market value, based on a bid price, ruling at the statement of financial position date.

Operating expenses

Where expenses are incurred by or on behalf of the managing agent on the administration of managed syndicates, these expenses are apportioned using varying methods depending on the type of expense. Expenses which are incurred jointly for the agency company and managed syndicates are apportioned between the agency company and the syndicates on bases depending on the amount of work performed, resources used and the volume of business transacted. Syndicate operating expenses are allocated to the year of account for which they are incurred.

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.

Pension costs

MAP operates a defined contribution scheme. Pension contributions relating to syndicate staff are charged to the syndicate and included within net operating expenses.

Profit commission

Profit commission is charged by the managing agent at a rate of 20% of profit subject to the operation of a deficit clause. This is charged to the syndicate on an earned basis but does not become payable until after the year of account closes, normally at 36 months.

4. Segmental Analysis

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

	Gross written premiums (note 1) £'000	Gross claims incurred (note 2) £'000	Gross operating expenses (note 4) £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
2013 pure year						
Direct insurance						
Accident and health	7,755	(4,438)	(2,931)	(7)	379	893
Fire and other damage to property	26,068	(8,421)	(8,436)	(4,842)	4,369	1,680
Marine, aviation and transport	19,300	(8,906)	(5,703)	(174)	4,517	3,008
Motor (other classes)	17,549	(14,021)	(4,303)	434	(341)	4,980
Third party liability	4,484	(1,982)	(2,441)	(13)	48	1,924
Miscellaneous	1,204	(659)	(537)	(3)	5	541
	76,360	(38,427)	(24,351)	(4,605)	8,977	13,026
2013 pure year						
Reinsurance	170,577	(43,241)	(56,326)	(32,989)	38,021	20,886
	246,937	(81,668)	(80,677)	(37,594)	46,998	33,912
RITC[5]	260,177	(249,448)	1,354	(447)	11,636	199,436
Total	507,114	(331,116)	(79,323)	(38,041)	58,634	233,348

Total commissions on direct gross premiums written amount to £18.1m.

1. Gross premiums earned are identical to gross premiums written.
2. Gross claims incurred comprise gross claims paid and gross reinsurance to close premium payable.
3. All premiums are concluded in the UK.
4. Gross operating expenses include reinsurer's commissions and profit participations.
5. All 2012 and prior year movements are reflected in the RITC line.
6. The business class split reported is a statutory reporting requirement but the business is managed by its own business classes and hence an element of allocation is used.

The geographical analysis of gross premiums by destination is as follows:

	Direct £'000	Reinsurance £'000	Total £'000
UK	1,544	2,966	4,510
Other EU countries	9,647	2,134	11,781
US	47,928	116,760	164,688
Other	16,032	47,103	63,135
Total	75,151	168,963	244,114

5. Reinsurance to Close Premium Receivable

	Syndicate 2791 £'000	Syndicate 6103 £'000	Total £'000
Gross reinsurance to close premium receivable	258,832	4,168	263,000
Reinsurance recoveries anticipated	(19,452)	–	(19,452)
Reinsurance to close premium receivable, net of reinsurance	239,380	4,168	243,548

At 1 January 2015, Syndicate 2791 accepted a Reinsurance to Close Premium from Syndicate 6103 in respect of Syndicate 6103's 2012 Year of Account.

6. 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 rate £'000	Exchange to closing rate £'000	Closing RITC £'000
2012 and prior			
Opening balance	(239,380)	(11,737)	(251,117)
Change in year	40,693	5,896	46,589
2013 pure			
Change in three year period	(27,170)	(926)	(28,096)
Movement in unallocated loss and loss adjustment expenses	(724)	–	(724)
	(226,581)	(6,767)	(233,348)

The exchange difference arising from the retranslation of the opening reinsurance to close liabilities is exactly matched by the assets transferred in at 1 January 2015 in currency and therefore the effect to the income statement is nil.

7. Reinsurance to Close Premium Payable

	2012 and prior £'000	2013 pure £'000	2013 £'000
Gross outstanding claims	82,251	18,525	100,776
Reinsurance recoveries anticipated	(5,777)	(5,221)	(10,998)
Net outstanding claims	76,474	13,304	89,778
Provision for gross claims incurred but not reported	128,331	15,531	143,862
Reinsurance recoveries anticipated	(5,368)	(741)	(6,109)
Provision for net claims incurred but not reported	122,963	14,790	137,753
Unallocated loss and loss adjustment expenses	5,054	763	5,817
Net premium for reinsurance to close	204,491	28,857	233,348

A positive run-off of £12.5m on the 2012 and prior years' reserves (2011 and prior: £10.0m) was experienced in the year. This change to the previous closed year reserves was 5.4% of the relevant provisions brought forward.

The reinsurance to close is effected to the 2014 year of account of Syndicate 2791.

8. Administrative Expenses

	£'000
Personal expenses	4,608
Profit commission payable to managing agent	15,928
Other administrative expenses	6,892
Loss on exchange	231
	27,659

Administrative expenses include:	£'000
Auditors' remuneration	
Fees for the audit of the syndicate	196
Other services pursuant to Regulations and Lloyd's Byelaws	79
Taxation compliance services	5
Actuarial consultancy services	309

Personal expenses comprise managing agent's fees, Lloyd's subscriptions and central fund contributions.

9. Staff Numbers and Costs

All staff are employed by the managing agent. The following amounts were recharged to the syndicate in respect of salary costs:

	£'000
Wages and salaries	3,996
Social security costs	466
Other pension costs	453
	4,915

Included above are the employment costs of underwriters attributable to acquisition of business and those of claims staff treated within the technical account as Acquisition Costs and Loss Adjustment Expenses respectively.

The average number of employees employed by the managing agent but working for the syndicate during the three years was as follows:

Administration and finance	22
Underwriting	23
Claims	4
	49

10. Emoluments of the Directors of Managing Agency Partners Limited

The directors of Managing Agency Partners Limited received the following aggregate remuneration charged to the syndicate and included within net operating expenses:

	£'000
Emoluments	902

The 2013 year of account has been charged with active underwriter's remuneration as follows:

	£'000
Emoluments – R K Trubshaw	242

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

11. Investment Return

	£'000
Investment income	
Income from investments	8,109
Gains on the realisation of investments	10,853
	18,962
Investment expenses and charges	
Losses on realisation of investments	(3,943)
Investment management expenses, including interest	(1,990)
	(5,933)

12. Balance on the Technical Account – General Business

	2012 and prior years of account £'000	2013 pure years of account £'000	Total 2013 £'000
Balance excluding investment return and operating expenses	7,517	130,440	137,957
Brokerage and commission on gross premium	786	(54,962)	(54,176)
Allocated investment income	–	5,474	5,474
Net operating expenses other than acquisition costs	541	(25,688)	(25,147)
	8,844	55,264	64,108

13. Exchange Differences Arising on Foreign Currency Translation

	£'000
On 2013 balances brought forward at 1 January 2015: from opening to closing rates	3,703
On transactions during 2015: from average to year end rates	301
	4,004
Represented by:	
US dollar functional currency exchange gains and losses	(548)
Exchange differences on foreign currency translation	4,552
	4,004

14. Financial Investments

	Market value £'000	Cost £'000
Investments:		
Shares and other variable yield securities and units in unit trusts	23,994	24,078
Debt securities and other fixed income securities	221,587	226,700
Participation in investment pools	5,135	6,207
Deposits with credit institutions	2,192	2,192
Overseas deposits as investments	16,192	16,192
	269,100	275,369
Hedge Funds/Alternative Assets:		
Shares and other variable yield securities and units in unit trusts	21,101	10,682
Debt securities and other fixed income securities	–	–
Participation in investment pools	25,630	18,589
Deposits with credit institutions	–	–
Overseas deposits as investments	–	–
	46,731	29,271
Total Investments:		
Shares and other variable yield securities and units in unit trusts	45,095	34,760
Debt securities and other fixed income securities	221,587	226,700
Participation in investment pools	30,765	24,796
Deposits with credit institutions	2,192	2,192
Overseas deposits as investments	16,192	16,192
	315,831	304,640

Within "Shares and other variable yield securities and units in unit trusts" and "Participation in investment pools" £45.1m are listed on a recognised exchange. These comprise 14.3% of the total market value of investments.

15. Debtors

	£'000
Arising out of direct insurance operations	(1,860)
Arising out of reinsurance operations	10,513
Inter-syndicate loan	669
Members' agents' fees advances	2,718
Non-standard personal expenses due from members (overseas taxation)	705
Reinsurers' profit commission and overriding commission	726
Outstanding settlements on investments	322
Other	8
	13,801

16. Amounts Due to Members

	£'000
Profit for the 2013 closed year of account due to members at 31 December 2015	68,112

17. Other Creditors

	£'000
Arising out of direct insurance operations	
Policyholders	–
Intermediaries	89
Arising out of reinsurance operations	21,739
Profit commissions	17,028
	38,856

18. Reconciliation of Operating Profit to Net Cash Inflow

	£'000
Operating profit on ordinary activities for the closed year of account	68,112
Decrease in debtors, excluding those received as consideration for RITC	43,046
Decrease in creditors, excluding those received as consideration for RITC	(86,730)
Net cash inflow from operating activities	24,428
Realised and unrealised investments losses including exchange movements	(15,903)
Net reinsurance to close payable	233,348
Net cash inflow from investing activities	217,445
Non-cash consideration for net RITC receivable	
Deposits	(14,377)
Portfolio investments	(289,268)
Debtors (Syndicate 2791)	(30,288)
Creditors (Syndicate 2791)	103,051
Debtors (Syndicate 6103)	(27,582)
Creditors (Syndicate 6103)	23,413
Net cash outflow from financing activities	(235,051)
Net cash inflow	6,822

19. Movement in Opening and Closing Portfolio Investments Net of Financing

	£'000
Net cash inflow	10,539
Cash flow – increase in overseas deposits	714
Cash flow – portfolio investments	(4,431)
Movement arising from cash flows	6,822
Received as non-cash RITC consideration	
Deposits and portfolio investments	303,645
Changes in market value and exchange rates	15,903
Total movement in portfolio investments	326,370
Portfolio at 1 January 2013	–
Portfolio at 31 December 2015	326,370

20. Movement in cash, portfolio investments and financing

	At 1 January 2013 £'000	Cash flow £'000	Received as consideration for net RITC receivable £'000	Changes to market value and currencies £'000	At 31 December 2015 £'000
Cash at bank and in hand	–	2,081	8,497	(39)	10,539
Overseas deposits	–	714	14,377	1,101	16,192
Portfolio investments:					
Shares and other variable yield securities and units in unit trusts	–	(7,527)	51,472	1,150	45,095
Debt securities and other fixed income securities	–	30,585	179,985	11,017	221,587
Participation in investment pools	–	(4,376)	33,966	1,175	30,765
Other loans	–	(21,820)	20,561	1,259	–
Deposits with credit institutions	–	(1,293)	3,284	201	2,192
Total portfolio	–	(4,431)	289,268	14,802	299,639
Total cash, portfolio investments and financing	–	(1,636)	312,142	15,864	326,370

21. Net Cash Inflow on Portfolio Investments

	£'000
Purchase of shares and other variable yield securities	(17,804)
Purchase of debt securities and other fixed income securities	(1,770,477)
Purchase of participation in investment pools	(34,361)
Movement in other loans	21,820
Movement of deposits with credit institutions	1,293
Sale of shares and other variable yield securities	25,331
Sale of debt securities and other fixed income securities	1,739,892
Sale of participation in investment pools	38,737
Net cash inflow on portfolio investments	4,431

22. Related Parties

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 entirely owned by the staff of the managing agency and syndicate.

MAP also manages Syndicate 6103. The underwriting business of Syndicate 6103 is derived solely under a reinsurance contract with Syndicate 2791. Under the terms of this contract, Syndicate 6103 is obliged to accept 30% of all business written by Syndicate 2791 under certain categories of its property catastrophe book. Syndicate 2791 retains the balance of these contracts net for its own account.

Syndicate 2791 receives a ceding commission of 5% and an overriding commission of 1% of gross written premiums ceded to Syndicate 6103 to cover personal expenses of Syndicate 6103 names borne by Syndicate 2791. A profit commission of 15% of profits, as defined in the contract, is payable to MAP. All funds are retained and invested by Syndicate 2791 on behalf of Syndicate 6103 and interest is payable (or charged on negative balances) to Syndicate 6103 at rates agreed.

The following transactions between the syndicates occurred for the 2013 year of account:

	£'000
Premiums ceded	(19,393)
Paid claims recovered	1,354
Ceding commission	991
Overriding commission	202
Investment income payable	(588)
Reinsurance to close premium	193

The balance owed by Syndicate 2791 to Syndicate 6103 at the end of the period is £15.7m and will be settled through the distribution process.

22. Related Parties *continued*

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)	A Shares (non-voting)
R K Trubshaw	33,000	–
A Kong	22,000	–
J D Denoon Duncan	–	8,333
B S McAuley	–	13,500
C J Smelt	5,000	2,500
R J Sumner	–	10,000

Messrs. Shipley, Denoon Duncan, Kong, Trubshaw, Sumner, Smelt and Ms McAuley, or their related parties, participate on Syndicate 2791 via a dedicated, but unaligned to the managing agent, corporate member MAP Capital Limited.

MAP Capital Limited commenced underwriting on the 2001 year of account. For the 2013 year of account MAP Capital Limited provided £105.3m of capacity on Syndicate 2791 representing 20.6% of capacity. MAP has no direct interest in the share capital of MAP Capital Limited.

For the 2013 year of account these directors also participate on Syndicate 2791 via a dedicated, but unaligned to the managing agent, corporate member, Nomina No 208 LLP. For the 2013 year of account it has provided £12.0m of capacity representing 2.3% of capacity. MAP has no direct or indirect interest in Nomina No 208 LLP.

Managing agency fees amounting to £2.8m were paid to MAP for the 2013 year and profit commission of £17.0m (at closing rates) is also due to the managing agency in respect of the profit of the 2013 closed year. Expenses totalling £9.2m were recharged to this year of account.

The syndicate has an investment in Steadfast International Limited, an equity investment fund managed by Steadfast Capital Management Limited of which Mr Foote, a director of MAP, was the managing director until 31 December 2015. The syndicate's participation on this fund is at arm's length and the syndicate was charged fees and profit commissions amounting to US$0.3m during 2015 on normal commercial terms.

Separately, a fund (Steadfast Capital LP) under the management of Steadfast Capital Management Limited participates in the syndicate through a corporate vehicle – the syndicate does not invest in this fund.

There are no other transactions or arrangements requiring disclosure.

23. Contingent Liabilities

Letters of credit

The syndicate has provided letters of credit to certain insureds and reinsureds to cover losses that might arise on their contracts written in the ordinary course of business. These amount to US $3.2m; the letters of credit are fully collateralised with cash deposits held by Citibank, on the syndicate's account, of US $3.2m.

SYNDICATE 2791

Annual Report and Accounts
31 December 2015

DIRECTORS AND ADMINISTRATION

MANAGING AGENT

Managing Agent
Managing Agency Partners Limited (MAP)

Directors
C E Dandridge (Non-executive)
J D Denoon Duncan
H R Dumas (Non-executive) (resigned 10 November 2015)
A S Foote (Non-executive)
A Kong
B S McAuley
A J T Milligan (Non-executive) (appointed 10 November 2015)
D E S Shipley (Non-executive Chairman)
C J Smelt
R J Sumner
R K Trubshaw (Active Underwriter)

Company Secretary
B S McAuley

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

Principal Investment Managers
Schroder Investment Management Limited

Registered Auditors
Ernst & Young LLP, London

The directors of the managing agent present their report for the year ended 31 December 2015. The principal activity of the syndicate is that of writing insurance and 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').

Separate underwriting year accounts for the closed 2013 year of account are attached to these accounts in the section headed Underwriting Year Distribution Accounts (pages 1 to 28).

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 Practices (GAAP) for insurance companies.

The 2015 calendar year produced a total comprehensive income of £48.6m (2014: £62.4m) on gross earned premiums of £157.9m (2014: £198.6m) gross of acquisition and reinsurance costs. The net combined ratio was 68.7% (2014: 73.0%).

Movement on underwriting years of account during the 2015 calendar year

	2012 and prior periods £'000	2013 £'000	2013 and prior periods £'000	2014 £'000	2015 £'000	**Total £'000**	2014 £'000
Gross written premium	(2,654)	(5,568)	(8,222)	24,458	132,871	**149,107**	170,340
Net premium earned	(2,433)	2,403	(30)	50,073	79,552	**129,595**	164,443
Net claims incurred	13,399	(1,420)	11,979	(16,577)	(31,641)	**(36,239)**	(46,153)
Acquisition costs	787	(1,212)	(425)	(14,551)	(18,376)	**(33,352)**	(48,367)
	11,753	(229)	11,524	18,945	29,535	**60,004**	69,923
Operating expenses	546	(2,844)	(2,298)	(4,805)	(12,305)	**(19,408)**	(25,561)
Investment income	–	1,993	1,993	411	126	**2,530**	11,345
US dollar functional currency adjustment	67	(615)	(548)	38	(191)	**(701)**	(983)
Annual accounted profit	12,366	(1,695)	10,671	14,589	17,165	**42,425**	54,724
Currency translation differences	504	3,220	3,724	1,794	701	**6,219**	7,652
Total Comprehensive Income	**12,870**	**1,525**	**14,395**	**16,383**	**17,866**	**48,644**	62,376
As previously reported	–	53,717	53,717	19,583	–	**73,300**	70,117
Cumulative pure year result	**12,870**	**55,242**	**68,112**	**35,966**	**17,866**	**121,944**	132,493
Net annual accounting ratios:							
Claims ratio						**28%**	28%
Expense ratio						**41%**	45%
Combined ratio						**69%**	73%

Written premium in the calendar year by syndicate classification

	2015 Gross written £'000	**2015 Net written £'000**	2014 Gross written £'000	2014 Net written £'000
Property reinsurance	**73,105**	**58,211**	82,876	63,639
Direct and facultative property	**19,303**	**14,209**	23,421	17,392
Marine and offshore energy	**7,580**	**7,521**	18,913	16,015
Motor	**32,142**	**24,472**	26,981	21,823
Third party liability	**6,130**	**6,130**	4,854	5,828
Accident and health	**5,910**	**5,905**	6,201	6,204
Specialist lines	**2,418**	**2,373**	4,173	4,129
Terrorism and political risks	**2,519**	**2,519**	2,921	2,920
Total	**149,107**	**121,340**	170,340	137,950

2015 Overview

Once again we reduced Stamp capacity to £400m, which is where we were back in 2009. The competitive pressures that so severely affected the reinsurance book from 2013 now started to contaminate most other lines of business, as the market continued its headlong charge downwards. Indeed, the deterioration in terms and conditions was so extreme that we actually shed over 20% of gross earned premium relative to 2014. Despite this it is pleasing to note that the percentage profit earned has held steady at over 30.0%, which shows we continue to maintain our pricing integrity at the expense of top line volume.

2016 Trading Conditions

We are now pretty much down to our core book, which we are defending as appropriate. As I mentioned last year, the strategy for dealing with these wintry conditions is simple: carry on underwriting risk by risk, make sure the expected attritional loss ratio remains acceptable and continue to reduce the net catastrophic risk appetite in line with a lower anticipated return. The alternative is to join the herd, assume a lot more risk for a lot less money and hope for the best. As underwriters whose market franchise relies on pricing integrity, and who have a significant financial stake in the business we are not prepared to do this.

In the meantime, in the absence of any meaningful market losses, terms and conditions continue to deteriorate. This will go on until a majority of players in a given class feel enough pain such that they feel compelled to change course. Usually this is given a positive spin: managers often talk of "exiting unprofitable business", as though it were part of a predetermined strategy rather than merely an admission of underwriting failure. It begs the obvious questions of how they stumbled into it in the first place, and what else they are writing that will also ultimately prove unprofitable. For risk analysts such as ourselves, market dislocation allows the relative freedom to re-price business properly: there are some such opportunities at present, certain niche motor classes for example, but they are as yet few and far between.

Having said all this, I am actually more optimistic than a year ago: terms and conditions in many classes are so far adrift of any reasonable view of a long-term profit margin that the day of reckoning cannot be too far away. We are fortunate that our third-party capital structure has afforded us the flexibility to decline unacceptably priced risk in a softening market:we look forward to re-assuming a much more positive role once the pendulum has turned.

FINANCIAL REPORT

Investment return

The investment return for 2015 was 0.9% (£3.9m), gross of all investment expenses, (2014: 3.1% – £14.8m). The return net of investment expenses was 0.6% (£2.5m) (2014: 2.4% – £11.4m).

There were two significant investment events during 2015 that impacted the syndicate's portfolio. In December 2015 the United States Federal Reserve attempted to start normalising the FED funds rates with an increase in the target rate from 0.25% to 0.5%. This resulted in a parallel upward shift of the yield curve. Secondly, commodity prices collapsed in response to reduced worldwide demand and in the case of oil in particular, with no adjustment in supply. A consequence of these pressures on oil and commodity based companies together with their banking counterparties has been a weakening in the prices of both their bonds and equities.

The core portfolio is there to pay claims and as such has a target of capital preservation. It consists of US dollar denominated Treasuries, Corporates and Agency securities. Management is outsourced and is subject to a conservative mandate. Approximately 50% is held in US Government bonds with under 10% allocated to BBB securities. During the course of 2015, duration of the core portfolio was extended from 2 years to 2.6 years to take advantage in a back-up of rates. We also instructed the manager to dispose of all asset backed securities due to the continuing lack of clarity as to whether they are a permitted asset under the Solvency II regime. The return for the year on the core portfolio was 0.7%, against a return for the benchmark of 1.1%. The underperformance was a consequence of an allocation to a small number of commodity companies. During 2015 we also increased our allocation to a liquid US Treasury long duration portfolio. The aim of this holding is to provide protection when equity prices are falling or economic data is weakening.

Our non-core portfolio comprised a mix of equities, long/short hedge and credit funds. It performed reasonably well during the year with a gross return of 2.1%. It is rather depressing that 2% is considered by us to be a good return but needs to be considered in the context of an S&P500 index return of 1.4% and a negative 3.2% for the Barclays 10 year aggregate bond index. This element of our portfolio is invested in individual pooled vehicles, each managed by a separate manager. There were no changes to the four investment managers during the year.

Investment return *continued*

The cash liquidity fund element of the portfolio generated negligible returns, as it has since 2009. We hold these assets for two reasons; for liquidity to pay claims due and to meet overseas solvency requirements. Various overseas jurisdictions dictate that the syndicate holds assets in currency trust funds in which we do business. This restricts our ability to invest in longer-term assets.

2016 is likely to bring even more investment uncertainty. The possibility of further rate rises being implemented by the US Federal reserve, or not; perhaps negatively affecting the general economy, or not; Brexit, or not; oil prices up, or not. These are some of the potential scenarios we worry about. Our response is to make sure the portfolio is diverse enough to have the chance of gains on some assets when others are falling and not to over stretch for yield. Unfortunately, we do believe investment returns in 2016 will again be muted.

The table below sets out the returns by asset class in our portfolio:

	2015		2014	
	Return	**Closing assets as a proportion of portfolio**	Return	Closing assets as a proportion of portfolio
Asset class	**%**	**%**	%	%
Cash and cash liquidity funds	**0.4**	**12.5**	0.6	13.8
Equities	**6.1**	**9.7**	12.2	8.5
Credit bond funds	**(4.0)**	**3.4**	4.6	5.2
US treasury bonds	**(0.1)**	**32**	2.8	21.0
US agency bonds	**2.7**	**1.7**	3.0	6.8
US corporate debt	**0.8**	**36.2**	1.8	40.1
Overseas regulatory trust funds	**0.4**	**4.5**	2.1	4.6
Return	**0.9**		3.1	
Return after charges	**0.6**		2.6	

The key characteristics for each class are described below:

Cash and cash liquidity funds

These comprise either cash at bank or on short term deposit, spread across five different major banks. Our liquidity funds are all AAA rated, predominantly investing in government bonds with no exposure to structured debt.

Equities

These comprise two different funds, one of which has the ability to sell equities short to manage exposure during falling markets. The other is a long only manager who seeks to invest in companies they believe are capable of sustaining high returns on capital without requiring financial leverage.

Credit funds

We invest in two separate open ended funds each managed by an external specialist investment manager.

US treasury bonds

These comprise US Treasury bills and notes managed by two large US external investment managers. These assets have a duration of around 5.3 years (2014: 3.3 years). US treasuries are split by manager 88% to a short duration manager and 12% to a longer specialist duration manager.

US agency bonds

These comprise direct investment in the 100% US Government-backed National Mortgage Association (Ginnie Mae) or Federal Deposit Insurance Corporation (FDIC). They have a weighted average duration of 2.2 years (2014: 3.3 years).

US corporate debt

These comprise senior and subordinate bonds issued by industrial and financial companies, mainly US based. The average duration of these bonds is 2.0 years (2014: 2.4 years).

Investment return *continued*

Overseas regulated trust funds

Separately regulated trust funds set up to satisfy local regulatory requirements. Each of these funds is managed conservatively by Lloyd's.

Valuation risk

Investments are marked to market at bid prices at each period end with all changes taken through the underwriting account. Prices are supplied by external custodians for all investments. The custodians obtain prices from independent sources, with each custodian having an audit of their pricing and control systems. In accordance with the custodian systems, prices are supplied by at least two pricing vendor sources. The pricing sources use market prices, or where it is more appropriate in illiquid markets, pricing models. We reconcile the custodians overall prices to our bond managers records to check for reasonableness. Additional sample checks are made using Bloomberg or exchange market prices. We also conduct a review of the proportion of assets that each manager deems to have a restricted market for valuation purposes. These reviews revealed no significant pricing issues.

Rating and the future

The credit rating of our assets is set out below:

31 December 2015	Rating						
	AAA	AA	A	BBB	<BBB	Not Rated	Total
Shares and other variable yield securities and unit trusts	5,833	–	25,943	–	–	26,853	**58,629**
Debt securities	14,343	179,327	88,620	35,241	–	–	**317,531**
Participation in investment pools	2,549	–	–	–	–	43,582	**46,131**
Loans with credit institutions	–	–	–	–	–	–	**–**
Deposits with credit institutions	–	–	2,192	–	–	–	**2,192**
Overseas deposits as investments	1	16,449	74	1,908	1	35	**18,468**
Reinsurer' share of claims outstanding	–	–	28,080	–	–	255	**28,335**
Cash at bank and in hand	–	–	11,566	–	–	–	**11,566**
Accrued interest	80	531	633	222	–	–	**1,466**
Total credit risk	**22,806**	**196,307**	**157,108**	**37,371**	**1**	**70,725**	**484,318**

31 December 2014	Rating						
	AAA	AA	A	BBB	<BBB	Not Rated	Total
Shares and other variable yield securities and unit trusts	12,747	–	28,935	–	–	23,263	64,945
Debt securities	37,852	140,216	105,591	11,994	–	–	295,653
Participation in investment pools	3,678	7,242	–	–	–	47,172	58,092
Loans with credit institutions	–	33,776	–	–	–	–	33,776
Deposits with credit institutions	–	–	3,284	–	–	–	3,284
Overseas deposits as investments	–	–	–	–	–	18,790	18,790
Reinsurer' share of claims outstanding	–	–	30,096	–	–	218	30,314
Cash at bank and in hand	–	–	10,411	–	–	–	10,411
Accrued Interest	201	361	875	89	–	1,526	1,526
Total credit risk	54,277	181,234	178,317	11,994	–	90,969	516,791

The syndicate does not undertake securities lending or exchange rate management. Lloyd's are custodians of our overseas deposits over which we have no direct investment control.

Currency Translation Differences

Over 89% of the syndicate's assets are held in US dollars but as results are published in Sterling changes in the £:USD exchange rate can significantly alter the reported Sterling result. However, capital providers receive distributions in both currencies and are therefore unaffected by the accounting exchange gain booked.

The accounting exchange gain for the year is £6.2m (2014: £7.7m). This principally reflects the strengthening of the US Dollar against Sterling from the opening rate of 1.56 to the current year end rate of 1.47 and is further detailed in note 12. We do not seek to hedge exchange exposure.

Reinsurance Balances

There are no provisions for bad debts on the syndicates' reinsurance balances.

An analysis of the security rating for the reinsurance balances on our statement of financial position at 31 December is set out below:

Debt table by security rating

Standard & Poor's rating	On paid claims £m	On outstanding claims £m	On IBNR £m	**2015 Total £m**	2014 Total £m
A	3.0	16.2	11.8	**31.0**	42.5
Not rated	(0.1)	0.1	0.2	**0.2**	–
	2.9	16.3	12.0	**31.2**	42.5

Of the total reinsurance debtors rated A in the table above, the amounts owed by Syndicate 6103 are £5.1m.

The negative paid claim figure in the not rated rating is a repayment due to one of our reinsurers caused by a reduction on a previously paid claim.

Our reinsurance security committee has authorised the use of a number of the insurance companies set up after the 2005 hurricanes. These companies have either no, or a low, Standard and Poor's security rating. As a result they are only accepted on to the syndicate's reinsurance programme if they offer acceptable alternative direct security (Letters of Credit or syndicate specific trust accounts).

Solvency Capital Requirement

The Syndicate is required to produce a Solvency Capital Assessment (SCR) 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 Regulatory Authority approved in December 2015.

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 SCRs are appropriate and consistent across the market. Lloyd's requires an uplift to syndicate SCR's to provide a margin to meet its own financial strength, licence and ratings objectives. An SCR 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 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.

Solvency Capital Requirement *continued*

The following table sets out the syndicate's ECR:

	Prospective year 2016 £m	Prospective year 2015 £m
2791	222.5	221.4

ECR capital is provided by the members of the syndicate as a mixture of 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.

Future developments & important events since the end of the financial year

Effective 1 January 2016, Lloyd's is subject to the Solvency II capital regime and the Solvency 1 figures are no longer applicable from that date. Although the capital regime has changed, this has not significantly impacted the Solvency Capital requirement of the syndicate, since this has been previously calculated based on Solvency II principles as detailed above.

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.

Principal Risks and Uncertainties

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 is purchased, where appropriate to our risk appetite and reduces 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.

Reinsurance is only 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 and business accepted via binding authority is subject to a process of rolling review. Aggregate exposure to any counterparty is monitored regularly and a robust system of credit control is in place, itself subject to the internal Security Committee. Exposure to investment counterparties is monitored by a specialist investment reporting company and reviewed by the Investment Committee. This Committee includes a non-executive director with expertise in US fund management. Investment guidelines are set and monitored in view of the syndicate's liability exposures and their durations.

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.

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 capital setting process. This risk is managed by spreading the investments of equities over a number of investment managers who each specialise in a market sector or type of investment evaluation.

Foreign currency exchange risk

We operate from the United Kingdom but over 90% of 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 settles its surplus assets in

Principal Risks and Uncertainties *continued*

both Sterling and US dollars as each underwriting year closes or earlier if a solvency transfer is approved. We do not therefore seek to hedge the US dollars 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 and 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.

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.

Regulatory risk

The agency is required to comply with the requirements of the Prudential Regulation Authority (PRA), 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 agency has a director of risk and assurance who monitors regulatory developments and assesses the impact on agency policy. She is supported by two assistants who carry out a compliance monitoring programme.

Research and development

The type of insurance risk the syndicate writes are often bespoke to an insured and in the ordinary course of business we develop and research new policies, wording or coverages to meet our insureds needs.

CORPORATE GOVERNANCE

Directors and Directors' Interests

The Directors of the managing agent who served during the year ended 31 December 2015 together with their participations on the syndicate were as follows:

	2015 year of account £'000	2014 year of account £'000
J D Denoon Duncan [(1) (2)]	**609**	695
H R Dumas (Non-executive) (resigned 10 November 2015)	**–**	–
A S Foote [(3)]	**–**	–
A Kong [(1) (2)]	**1,910**	2,150
B S McAuley [(1) (2)]	**854**	963
A J T Milligan (Non-executive) (appointed 10 November 2015)	**–**	–
D E S Shipley (Chairman) [(1)]	**4,514**	5,109
C Smelt [(1) (2)]	**1,553**	1,750
R J Sumner [(1)]	**855**	963
R K Trubshaw (Active Underwriter) [(1)]	**5,630**	6,350
C E Dandridge	**–**	–

(1) Participate via MAP Capital Limited and Nomina 208 LLP, unaligned corporate members.

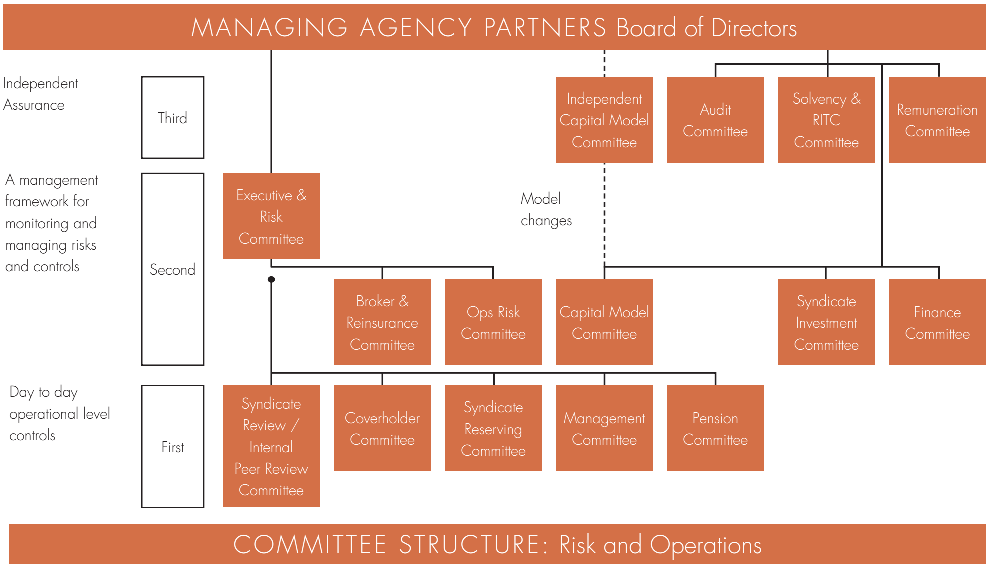
(2) Include participations of related parties.

(3) A S Foote, a non-executive director of MAP, a managing director of Steadfast Advisors until 31 December 2015, the management company for Steadfast Capital LP, which participates on the syndicate through MAP Capital Limited.

The total capacity of the 2015 year of account of the syndicate was £399.4m.

Governance Framework

The directors recognise the critical importance of having efficient and effective risk management systems in place. The Managing Agent has established a risk management function for the Syndicate with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. A risk management framework which sets out the risk profiles for the Syndicate, risk management, control and business conduct standards for the Syndicate's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Syndicate. The board of directors approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the identification of risk and its interpretation to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the Syndicate goals, and specify reporting requirements. Significant emphasis is placed on assessment and documentation of risks and controls, including the articulation of 'risk appetite'. 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 independent challenge through oversight committees independent of the Executive or assurance review through the Internal Audit Function. This is depicted in the following Committee Structure diagram:



Reappointment of Auditors

Ernst & Young LLP are deemed to be reappointed as the syndicate's auditors.

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 or the intention to reappoint the auditors within 21 days of the issue of these accounts. Any such objection should be addressed to B S McAuley, Compliance 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

B S McAuley
Secretary

11 March 2016

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 2791

We have audited the syndicate annual accounts of syndicate 2791 ('the syndicate') for the year ended 31 December 2015 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 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and Financial Reporting Standard 103 'Insurance Contracts'.

This report is made solely to the syndicate's members, as a body, in accordance with The 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the managing agent and the auditor

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 39, the managing agent is responsible for the preparation of syndicate annual accounts which give a true and fair view. Our responsibility is to audit and express an opinion on the syndicate annual accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the syndicate annual accounts

An audit involves obtaining evidence about the amounts and disclosures in the syndicate annual accounts sufficient to give reasonable assurance that the syndicate annual accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the syndicate's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the managing agent; and the overall presentation of the syndicate annual accounts. In addition, we read all the financial and non-financial information in the Syndicate 2791 Annual Report and Accounts to identify material inconsistencies with the audited syndicate annual accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on syndicate annual accounts

In our opinion the syndicate annual accounts:

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

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

In our opinion the information given in the Managing Agent's Report for the financial year in which the syndicate annual accounts are prepared is consistent with the syndicate annual accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires us to report to you, if in our opinion:

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Ben Gregory (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

11 March 2016

INCOME STATEMENT TECHNICAL ACCOUNT – GENERAL BUSINESS

for the year ended 31 December 2015

	Note	£'000	2015 £'000	£'000	2014 £'000
Earned premiums, net of reinsurance					
Gross premiums written	*4*		**149,107**		170,340
Outward reinsurance premiums			**(27,767)**		(32,390)
Net premiums written			**121,340**		137,950
Change in the provision for unearned premiums:					
Gross amount		8,810		28,248	
Reinsurers' share		(555)		(1,755)	
Change in the net provision for unearned premiums			**8,255**		26,493
Earned premiums, net of reinsurance			**129,595**		164,443
Allocated investment return transferred from the non-technical account			**2,530**		11,345
Claims incurred, net of reinsurance					
Claims paid					
Gross amount	*4*	(81,978)		(88,037)	
Reinsurers' share		13,104		8,902	
Net claims paid		(68,874)		(79,135)	
Change in the provision for claims					
Gross amount	*4*	35,669		34,608	
Reinsurers' share		(3,034)		(1,626)	
Change in the net provision for claims		32,635		32,982	
Claims incurred, net of reinsurance			**(36,239)**		(46,153)
Acquisition expenses		(31,988)		(35,937)	
Change in deferred acquisition expenses		(1,364)		(12,430)	
Reinsurers' commissions and profit participations		1,392		549	
Administrative expenses	*7*	(20,800)		(26,110)	
Net operating expenses	*4*		**(52,760)**		(73,928)
Balance on the technical account for general business			**43,126**		55,707

All operations are continuing.

NON TECHNICAL ACCOUNT

for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Balance on the general business technical account		**43,126**	55,707
Investment income	*10*	**16,338**	23,266
Net unrealised gains and losses on investments		**(9,182)**	(4,922)
Investment expenses and charges	*10*	**(4,626)**	(6,999)
Allocated investment return transferred to general business technical account		**(2,530)**	(11,345)
US dollar functional currency exchange gains and losses		**(701)**	(983)
Profit for the financial year		**42,425**	54,724

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Profit for the financial year		**42,425**	54,724
Exchange differences on foreign currency translation	*12*	**6,219**	7,652
Total comprehensive income for the year		**48,644**	62,376

STATEMENT OF CHANGES IN MEMBERS' BALANCES

for the year ended 31 December 2015

	2015 £'000	2014 £'000
Members' balances brought forward at 1 January 2015	**132,493**	137,798
Profit for the financial year	**42,425**	54,724
Exchange rate difference – transfer from the Statement of Comprehensive Income	**6,219**	7,652
Members' agents fees 2012 (2011) year of account	**(2,691)**	(2,704)
Payments of profit to members' personal reserve funds for the 2012 (2011) year of account	**(56,502)**	(64,977)
Members' balances carried forward at 31 December 2015	**121,944**	132,493

STATEMENT OF FINANCIAL POSITION ASSETS

at 31 December 2015

	Note	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Investments					
Financial investments	13		**442,951**		474,540
Reinsurers' share of technical provisions					
Provision for unearned premiums	5	**10,292**		10,538	
Claims outstanding	6	**28,335**		30,314	
			38,627		40,852
Debtors					
Debtors arising out of direct insurance operations	14	**10,549**		16,993	
Debtors arising out of reinsurance operations	14	**39,364**		53,790	
Other debtors	15	**13,138**		17,764	
			63,051		88,547
Other assets					
Cash at bank and in hand			**11,566**		10,411
Prepayments and accrued income					
Accrued interest		**1,466**		1,526	
Deferred acquisition costs		**12,489**		13,451	
Other prepayments and accrued income		**1,388**		1,749	
			15,343		16,726
Total assets			**571,538**		631,076

STATEMENT OF FINANCIAL POSITION LIABILITIES

at 31 December 2015

	Note	£'000	2015 £'000	£'000	2014 £'000
Capital and reserves					
Members' balances			**121,944**		132,493
Technical provisions					
Provision for unearned premiums	*5*	**48,540**		55,584	
Claims outstanding	*6*	**321,033**		342,270	
			369,573		397,854
Creditors					
Creditors arising out of direct insurance operations	*16*	**440**		304	
Creditors arising out of reinsurance operations	*16*	**46,361**		64,291	
Other creditors	*17*	**30,513**		33,914	
			77,314		98,509
Accruals and deferred income			**2,707**		2,220
Total liabilities			**571,538**		631,076

The financial statements on pages 41 to 70 were approved by the Board of Managing Agency Partners Limited on 11 March 2016 and were signed on its behalf by:

R K Trubshaw
Active Underwriter

R J Sumner
Finance Director

11 March 2016

STATEMENT OF CASH FLOWS

for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Operating profit on ordinary activities		**42,425**	54,724
(Decrease) in gross technical provisions		**(28,281)**	(44,069)
Decrease in reinsurers' share of gross technical provisions		**2,225**	1,647
Decrease in debtors		**26,879**	33,950
(Decrease) in creditors		**(20,708)**	(8,660)
Investment return		**(2,530)**	(11,345)
Members' agents' fee advances		**(2,691)**	(2,704)
Exchange differences on foreign currency translation		**6,219**	7,652
Net cash inflow from operating activities		**23,538**	31,195
Cash flows from investing activities			
Purchase of equity and debt instruments		**(524,176)**	(695,735)
Sale of equity and debt instruments		**575,326**	748,185
Investment income received		**14,138**	19,755
Changes to Market value		**(31,940)**	(42,441)
Movement in Overseas deposits		**809**	4,290
Net cash inflow from investing activities		**34,157**	34,054
Cash flows from financing activities			
Payments of profit to members' personal reserve funds		**(56,502)**	(64,977)
Net Cash (outflow) from financing activities		**(56,502)**	(64,977)
Increase in cash and cash equivalents		**1,193**	272
Cash and cash equivalents at 1 January		**10,411**	10,367
Exchange differences on opening cash		**(38)**	(228)
Cash and cash equivalents at 31 December	*18*	**11,566**	10,411

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 and 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 Syndicate transitioned from previously extant UK GAAP to FRS 102 and FRS 103 as at 1 January 2014. An explanation of how transition to FRS 102 and FRS 103 has affected the reported financial position and financial performance is given in Note 29.

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 2791 cedes business under a quota-share treaty to Syndicate 6103 which operates on a funds withheld basis with Syndicate 2791. Syndicate 6103 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 6103.

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, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some 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 incurred but not reported (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. The amount of salvage and subrogation recoveries is separately identified and, where material, 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 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

2. Judgements and key sources of estimation uncertainty *continued*

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.

Estimates of future premiums

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

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

The estimated premium income in respect of facility contracts, for example binding authorities and lineslips, includes an estimate of the underlying business attaching to each facility at the statement of financial position date.

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. 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.

Fair value of financial assets and derivatives determined using valuation techniques

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques.

These Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on estimates. It incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk- return factors inherent in the financial investment.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Further details are given in Notes 13.

3. 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 in any scenario. 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 as well as adjustments made in the

3. Accounting Policies *continued*

year to premiums written in prior accounting periods. Estimates are made for pipeline premiums, representing amounts due to the syndicate not yet notified. 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 acquisition costs and taxes or duties levied on them.

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 and deferred acquisition costs

Acquisition costs, comprising commission and other direct or indirect costs related to the acquisition of insurance contracts are deferred to the extent that they are attributable to premiums unearned at the statement of financial position date. The value of commission paid to insurance intermediaries is determined based on the contractual amounts recorded in all contracts. Where, however, policies are issued and the insured agrees to pay a fee directly to the intermediary without reference to the insurer, the written premium comprises the premium payable to the insurer and accounting for broker acquisition costs is inappropriate.

Reinsurance premium ceded

Outwards reinsurance purchased consists of excess of loss contracts and proportional reinsurance contracts. Initial excess of loss 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. Proportional outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

Reinsurers commissions and profit participations

Overriders and fees due from reinsurers are accrued in accordance with the contractual terms of each arrangement and earned over the policy contract period.

Profit commission receivable from reinsurers is accounted for in the period the related profit is recognised.

Unearned reinsurance premium

Reinsurance premiums paid to purchase excess of loss reinsurance contracts are earned evenly over the period at risk. Proportional reinsurance premiums are earned in the same accounting period as the inwards business being reinsured.

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. 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.

3. Accounting Policies *continued*

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.

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 classes of business, which are managed 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.

As permitted by FRS103, 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.

Exchange differences from Sterling, Canadian dollars and Euros arising from the retranslation of opening balances and between average and year-end rates to the functional currency are included in the general business non-technical account.

All other exchange differences are dealt with in the technical account and included within operating expenses.

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

	2015		2014	
	Year end	**Average**	Year end	Average
USD	**1.47**	**1.53**	1.56	1.65
CAD	**2.05**	**1.95**	1.81	1.82
EUR	**1.36**	**1.38**	1.29	1.24

3. Accounting Policies *continued*

Financial investments

As permitted by FRS 102, the Syndicate has elected to apply the recognition and measurement provisions of IAS 39 – Financial Instruments (as adopted for use in the EU) to account for all of its financial instruments.

Financial instruments recognition and derecognition

Financial instruments are recognised in the statement of financial position at such time as the syndicate becomes a party to the contractual provisions of the financial instrument. Purchases and sales of financial assets are recognised on the trade date, which is the date the syndicate commits to purchase or sell the asset. A financial asset is derecognised when the contractual rights to receive cash flows from the financial assets expire, or where the financial assets have been transferred, together with substantially all the risks and rewards of ownership. Financial liabilities are derecognised if the group's obligations specified in the contract expire, are discharged or cancelled.

Derivative financial instruments

The syndicate does not have any derivative financial instruments. As the syndicate has no derivatives it has not designated any derivatives as fair value hedges, cash flow hedges or net investment hedges.

Investment values

Financial investments are valued at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

Listed investments

Listed and other quoted investments are stated at current bid value at the statement of financial position date. For this purpose listed and quoted investments are stated at market value and deposits with credit institutions are stated at cost.

The cost of syndicate investments is the amount paid on the purchase date for those investments still held at the statement of financial position date.

Deposits

All deposits with credit institutions are stated at cost.

Unlisted investments

Where an investment is not listed, or a market is not regarded as active because:

- quoted prices are not readily and regularly available; or
- prices do not represent actual and regularly occurring market transactions on an arm's length basis.

In such circumstances the syndicate then seeks to establish fair value by using third party administrator's with experience in valuing such assets using valuation techniques as described in the fair value of financial assets section below.

The Syndicate participates in a number of hedge/credit funds and related financial instruments for which there are no available quoted market prices. The valuation of these hedge funds is based on fair value techniques (as described above). The fair value of our hedge/credit fund portfolio is calculated by reference to the underlying net asset values (NAVs) of each of the individual funds. Consideration is also given to adjusting such NAV valuations for any restriction applied to distributions, the existence of side pocket provisions, and the timing of the latest available valuations.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts

Fair value of financial assets

The Syndicate uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

3. Accounting Policies *continued*

For assets held in funds with limited look through to individual underlying assets the syndicate has adopted the following rules for the fair value hierarchy:

Rules for Funds	Fair value level adopted
1. If the underlying assets security is 100% short term bonds or cash.	Level 1
2. If the security is a fund which is subscribed/redeemed on a daily basis.	Level 2
3. If the security is a non-publically tradable fund which has fair value statement available and 95%+ of the fund is determined by the administrator to be Level 1.	Level 2
4. If security is a fund which has a lock up period of 3 months or more.	Level 3
5. If the security is a non-publically tradable fund which has a fair value statement available and less than 95% of the fund is determined by the administrator to be Level 1.	Level 3

See Note 13 for details of financial instruments classified by fair value hierarchy.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts; and
- There is an intention to settle on a net basis, to realise the assets and settle the liabilities

Investment return

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

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price.

Movements in unrealised gains and losses on investments represent the difference between their valuation at the statement of financial position date and their purchase price or, if they have been previously valued, their valuation at the last statement of financial position date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Purchases and sales of investments are recognised on the trade date, which is the date the syndicate commits to purchase or sell the assets. Funds receivable or payable after the trade date are recorded in debtors and creditors respectively until settled.

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.

Investment management expenses

Comprise contractual fees and profit commissions payable to external third party investment managers for managing the syndicate's investment funds. They are accrued in the period to which they relate.

Overseas deposits

Overseas deposits lodged as a condition of conducting underwriting business in certain countries in compliance with Lloyd's licences are stated at the market value, based on a bid price, ruling at the statement of financial position date.

Operating expenses

Where expenses are incurred by or on behalf of the managing agent on the administration of managed syndicates, these expenses are apportioned using varying methods depending on the type of expense. Expenses which are incurred jointly for the agency company and managed syndicates are apportioned between the agency company and the syndicates on bases depending on the amount of work performed, resources used and the volume of business transacted. Syndicate operating expenses are allocated to the year of account for which they are incurred.

3. Accounting Policies *continued*

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.

Pension costs

MAP operates a defined contribution scheme. Pension contributions relating to syndicate staff are charged to the syndicate and included within net operating expenses.

Profit commission

Profit commission is charged by the managing agent at a rate of 20.0% for each of the underwriting years of account, subject to the operation of a deficit clause. 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.

4. Segmental Analysis

An analysis of the technical account before investment return is set out below:

2015 Direct insurance	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expense £'000	Reinsurance balance £'000	**Total £'000**	**Net technical provisions £'000**
Accident and health	5,595	6,326	(5,290)	(2,293)	(6)	**(1,263)**	**8,010**
Motor (third party liability)	152	44	58	(33)	(5)	**64**	**3,300**
Motor (other classes)	27,086	23,876	(22,285)	(5,639)	1,821	**(2,227)**	**23,702**
Marine, aviation and transport	6,599	10,036	(3,505)	(3,488)	(69)	**2,974**	**25,156**
Fire and other damage to property	18,558	20,211	(4,025)	(7,285)	(4,127)	**4,774**	**23,240**
Third party liability	4,180	4,235	1,891	(2,419)	(74)	**3,633**	**26,857**
Miscellaneous	839	735	(460)	(288)	3	**(10)**	**2,297**
	63,009	65,463	(33,616)	(21,445)	(2,457)	**7,945**	**112,562**
Reinsurance accepted	86,098	92,454	(12,693)	(31,315)	(15,795)	**32,651**	**218,384**
Total	**149,107**	**157,917**	**(46, 309)**	**(52,760)**	**(18,252)**	**40,596**	**330,946**

2014 Direct insurance	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expense £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
Accident and health	5,871	6,528	(2,048)	(3,187)	(27)	1,266	7,408
Motor (third party liability)	79	477	162	(348)	2	293	1,293
Motor (other classes)	20,581	18,436	(11,698)	(6,131)	(279)	328	16,662
Marine, aviation and transport	15,205	16,236	(6,643)	(5,258)	(1,198)	3,137	30,807
Fire and other damage to property	20,953	27,191	(6,354)	(11,138)	(3,550)	6,149	26,247
Third party liability	2,769	3,084	(2,210)	(1,514)	436	(204)	30,160
Miscellaneous	482	389	77	(236)	7	237	1,847
	65,940	72,341	(28,714)	(27,812)	(4,609)	11,206	114,424
Reinsurance accepted	104,400	126,247	(24,715)	(46,116)	(22,260)	33,156	242,578
Total	170,340	198,588	(53,429)	(73,928)	(26,869)	44,362	357,002

All premiums were concluded in the UK.

4. Segmental Analysis *continued*

The business class split reported is a statutory reporting requirement but the business is managed by its own business classes and hence an element of allocation is used.

Gross operating expenses include reinsurers' commissions and profit participations.

	2015 £'000	2014 £'000
Total commissions on gross direct premiums earned	**16,522**	18,633

The geographical analysis of premiums, by destination is as follows:

	Direct	Reinsurance	2015 £'000
UK	**826**	**974**	**1,800**
Other EU countries	**18,453**	**1,034**	**19,487**
US	**35,352**	**69,387**	**104,739**
Other	**8,378**	**14,703**	**23,081**
Total	**63,009**	**86,098**	**149,107**

	Direct	Reinsurance	2014 £'000
UK	1,064	1,204	2,268
Other EU countries	12,672	1,259	13,931
US	38,806	75,691	114,497
Other	13,398	26,246	39,644
Total	65,940	104,400	170,340

5. Provision for Unearned Premiums

	Gross £'000	Reinsurers' share £'000	Net £'000
At 1 January 2015	**55,585**	**(10,538)**	**45,047**
Premiums written in year	**149,107**	**(27,767)**	**121,340**
Premiums earned in year	**(157,917)**	**28,322**	**(129,595)**
Foreign Exchange	**1,765**	**(309)**	**1,456**
At 31 December 2015	**48,540**	**(10,292)**	**38,248**
At 1 January 2014	81,402	(11,919)	69,483
Premiums written in year	170,340	(32,390)	137,950
Premiums earned in year	(198,588)	34,145	(164,443)
Foreign Exchange	2,430	(374)	2,056
At 31 December 2014	55,584	(10,538)	45,046

6. Claims Outstanding

	Gross £'000	Reinsurers' share £'000	Net £'000
At 1 January 2015	342,270	(30,314)	311,956
Claims incurred in current underwriting year	46,309	(10,070)	36,239
Claims paid during year	(81,978)	13,104	(68,874)
Foreign Exchange	14,432	(1,055)	13,377
At 31 December 2015	**321,033**	**(28,335)**	**292,698**
At 1 January 2014	360,522	(30,577)	329,945
Claims incurred in current underwriting year	53,429	(7,276)	46,153
Claims paid during year	(88,037)	8,902	(79,135)
Foreign Exchange	16,356	(1,363)	14,993
At 31 December 2014	**342,270**	**(30,314)**	**311,956**

The movement in the net provision for claims includes a release of £17.8m in respect of claims outstanding at the previous year end (2014: £22.8m).

7. Administrative Expenses

	2015 £'000	2014 £'000
Personal expenses	**3,297**	3,224
Profit commission payable to managing agent	**10,694**	13,896
Other administrative expenses	**7,037**	8,444
(Profit)/loss on exchange	**(228)**	546
	20,800	26,110

Administrative expenses include:

	2015 £'000	2014 £'000
Auditors' remuneration		
Fees for audit of Syndicate 2791 and 6103	**209**	183
Other services pursuant to Regulations and Lloyd's Byelaws	**41**	70
Taxation compliance services	**5**	5
Actuarial consultancy services	**393**	340

Personal expenses comprise managing agent's fees, Lloyd's subscriptions and central fund contributions.

8. Staff Numbers and Costs

All staff are employed by the managing agent. The following amounts were recharged to the syndicate in respect of salary costs:

	2015 £'000	2014 £'000
Wages and salaries	**4,164**	4,026
Social security costs	**477**	467
Other pension costs	**526**	575
	5,167	5,068

Included above are the employment costs of underwriters attributable to acquisition of business and those of claims staff treated within the technical account as Acquisition Costs and Loss Adjustment Expenses respectively.

The average number of employees employed by the managing agent but working for the syndicate during the year was as follows:

	2015 £'000	2014 £'000
Administration and finance	**20**	21
Underwriting	**23**	23
Claims	**4**	4
	47	48

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

9. Emoluments of the Directors of Managing Agency Partners Ltd

The directors of MAP received the following aggregate remuneration charged to the syndicate and included within net operating expenses:

	2015 £'000	2014 £'000
Emoluments	**1,016**	976

The active underwriter received the following remuneration charged as a syndicate expense:

	2015 £'000	2014 £'000
Emoluments – R K Trubshaw	**276**	269

10. Investment Return

	2015 £'000	2014 £'000
Investment income		
Income from investments	**7,995**	7,133
Gains on the realisation of investments	**8,343**	16,133
	16,338	23,266
Investment expenses and charges		
Investment management expenses, including interest payable	**(1,187)**	(2,595)
Losses on the realisation of investments	**(3,214)**	(3,569)
Investment return payable to Syndicate 6103	**(225)**	(835)
	(4,626)	(6,999)

11. Calendar Year Investment Yield

Average syndicate funds available for investment:

	2015 £'000	2014 £'000
Sterling	**18,534**	23,553
US dollars	**693,889**	689,190
Canadian dollars	**21,029**	21,531
Euros	**19,755**	24,143
Combined Sterling average syndicate funds available for investment	**497,156**	472,545
Investment return – gross of investment expenses	**3,942**	14,775

Analysis of calendar year investment yield by currency, before investment expenses:

	2015	2014
Sterling	**0.5%**	1.2%
US dollars	**0.8%**	3.4%
Canadian dollars	**0.7%**	1.0%
Euros	**0.3%**	0.8%
Combined	**0.8%**	3.1%

12. Exchange Differences on Foreign Currency Translation

Exchange differences on foreign currency translation arise as follows:

	2015 £'000	2014 £'000
On balances brought forward	**4,016**	3,718
On transactions during 2015: from average to year end rates	**1,502**	2,951
US dollar functional currency adjustment	**701**	983
	6,219	7,652

13. Financial Investments

	Market value		Cost	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Investments:				
Shares and other variable yield securities and units in unit trusts	**31,776**	41,681	**31,598**	41,454
Debt securities and other fixed income securities	**317,531**	295,653	**324,857**	294,741
Participation in investment pools	**13,515**	15,053	**13,524**	15,089
Other loans	**–**	33,776	**–**	33,773
Deposits with credit institutions	**2,192**	3,284	**2,192**	3,284
Overseas deposits as investments	**18,468**	18,790	**18,468**	18,791
	383,482	408,237	**390,639**	407,132
Hedge Funds/Alternative Assets:				
Shares and other variable yield securities and units in unit trusts	**26,853**	23,263	**13,594**	12,436
Debt securities and other fixed income securities	**–**	–	**–**	–
Participation in investment pools	**32,616**	43,040	**23,656**	31,202
Other loans	**–**	–	**–**	–
Deposits with credit institutions	**–**	–	**–**	–
Overseas deposits as investments	**–**	–	**–**	–
	59,469	66,303	**37,250**	43,638
Total Investments:				
Shares and other variable yield securities and units in unit trusts	**58,629**	64,944	**45,192**	53,890
Debt securities and other fixed income securities	**317,531**	295,653	**324,857**	294,741
Participation in investment pools	**46,131**	58,093	**37,180**	46,291
Other loans	**–**	33,776	**–**	33,773
Deposits with credit institutions	**2,192**	3,284	**2,192**	3,284
Overseas deposits as investments	**18,468**	18,790	**18,468**	18,791
	442,951	474,540	**427,889**	450,770

Within "Shares and other variable yield securities and units in unit trusts" and "Participation in investment pools" £58.6m (2014: £83.0m) are listed on a recognised exchange. These comprise 13.2% (2014: 17.5%) of the total market value of investments.

13. Financial Investments *continued*

The following table shows financial investments recorded at fair value analysed between the three levels in the fair value hierarchy.

31 December 2015	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Shares and other variable yield securities and units in unit trusts	–	58,629	–	58,629
Debt securities and other fixed income securities	309,658	7,873	–	317,531
Participation in investment pools	–	10,966	35,165	46,131
Loans and deposits with credit institutions	2,192	6,573	11,895	20,660
Total	**311,850**	**84,041**	**47,060**	**442,951**

31 December 2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Shares and other variable yield securities and units in unit trusts	–	64,944	–	64,944
Debt securities and other fixed income securities	262,765	32,888	–	295,653
Participation in investment pools	–	11,375	46,718	58,093
Loans and deposits with credit institutions	37,059	4,618	14,173	55,850
Total	299,824	113,825	60,891	474,540

14. Debtors Arising Out of Insurance Operations

	2015 £'000	2014 £'000
Arising out of direct insurance		
Due from intermediaries – within one year	**10,546**	16,992
– after one year	**3**	1
	10,549	16,993

	2015 £'000	2014 £'000
Arising out of reinsurance operations		
Due from intermediaries – within one year	**37,435**	51,433
– after one year	**1,929**	2,357
	39,364	53,790

Debtors arising out of reinsurance operations of £39.4m (2014: £53.8m) include funds due in respect of Syndicate 6103 of £5.1m (2014:£15.7m).

15. Other Debtors

	2015 £'000	2014 £'000
Due within one year		
Outstanding settlements on investments	**462**	741
Inter-syndicate loan	**669**	2,127
Reinsurers' profit commissions and overrider receivable	**1,138**	1,483
Non-standard personal expenses due from members (overseas taxation)	**705**	1,613
Members' agents fees funded	**2,718**	2,691
Other	**66**	154
	5,758	8,809
Due after one year		
Inter-syndicate loan	**486**	1,226
Reinsurers' profit commissions and overrider receivable	**1,635**	1,500
Non-standard personal expenses due from members (overseas taxation)	**4,504**	1,121
Members' agents fees funded	**755**	5,108
	7,380	8,955
	13,138	17,764

16. Creditors Arising Out of Insurance Operations

	2015 £'000	2014 £'000
Arising out of direct insurance operations		
Intermediaries – within one year	**440**	304
	440	304
Arising out of reinsurance operations		
Reinsurance accepted – within one year	**3,761**	2,435
– after one year	**27,432**	32,049
Reinsurance ceded – within one year	**107**	–
– after one year	**15,061**	29,807
	46,361	64,291

Creditors in respect of reinsurance operations of £46.3m (2014: £64.3m) include funds due to Syndicate 6103 of £36.5m (2014: £57.1m).

17. Other Creditors

	2015 £'000	2014 £'000
Profit commissions	**30,486**	33,123
Other	**27**	791
	30,513	33,914

Of the profit commissions above, £13.5m (2014: £18.3m) fall due after one year.

18. Cash and Cash Equivalents

	2015 £'000	2014 £'000
Cash at bank and in hand	**11,566**	10,411

19. Related Parties

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 entirely owned by the staff of the managing agent and syndicate.

MAP also manages Syndicate 6103. The underwriting business of Syndicate 6103 is derived solely under a reinsurance contract with Syndicate 2791. Under the terms of this contract, Syndicate 6103 is obliged to accept between 30% and 10% (2014: 30% and 20%) of all business written by Syndicate 2791 under certain categories of its property catastrophe book depending on the year of account. Syndicate 2791 retains the balance of these contracts net for its own account.

Syndicate 2791 receives a ceding commission of 5% and an overriding commission of 1% of gross written premiums ceded to Syndicate 6103 to cover personal expenses of Syndicate 6103 names borne by Syndicate 2791. A profit commission of 15% of profits, as defined in the contract, is payable to MAP. All funds are retained and invested by Syndicate 2791 on behalf of Syndicate 6103 and interest is payable (or charged on negative balances) to Syndicate 6103 at rates agreed.

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

	2015 £'000	2014 £'000
Premiums Receivable	**(4,723)**	(8,943)
Paid claims	**708**	2,034
Ceding commission	**228**	446
Overriding commission	**13**	18
Net interest received	**(225)**	(835)
Reinsurance to close premium – 2013 (2012) year of account	**193**	4,008
Balance owed by Synidcate 2791 to Syndicate 6103 at the end of the period:		
due within one year	**15,708**	8,019
due after one year	**9,616**	20,185

Managing agency fees amounting to £2.2m were paid to MAP during 2015 (2014: £2.5m) and profit commission of £10.7m (2014: £13.9m) is also due to the managing agent in respect of the results for this calendar year. Expenses totalling £8.0m (2014: £8.2m) have been recharged during the year.

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
B S McAuley	–	13,500
C J Smelt	5,000	2,500
R J Sumner	–	10,000

19. Related Parties *continued*

Messrs. Shipley, Denoon Duncan, Kong, Trubshaw, Sumner, Smelt and Ms McAuley, or their related parties, participate on Syndicate 2791 via a dedicated, but unaligned to the managing agent, corporate member MAP Capital Limited. MAP Capital Limited commenced underwriting on the 2001 year of account. For the 2015 year of account MAP Capital Limited provided £81.7m of capacity on Syndicate 2791 (2014: £92.7m) representing 20.4% of capacity (2014: 20.5%). MAP has no direct or indirect interest in the share capital of MAP Capital Limited.

For the 2015 year of account, these directors also participate on Syndicate 2791 via a dedicated, but unaligned to the managing agent, corporate member, Nomina No 208 LLP. For the 2015 year of account it has provided £11.3m (2014:£12.8m) of capacity representing 2.8% (2014: 2.8%) of capacity. MAP has no direct or indirect interest in Nomina No 208 LLP.

The syndicate has an investment in Steadfast International Limited, an equity investment fund managed by Steadfast Capital Management Limited of which Mr Foote, a director of MAP, was the managing director until 31 December 2015. The syndicate's participation on this fund is at arm's length and the syndicate was charged fees and profit commissions amounting to US$0.3m during 2015 on normal commercial terms.

Separately, a fund (Steadfast Capital LP) under the management of Steadfast Capital Management Limited participates in the syndicate through a corporate vehicle – the syndicate does not invest in this fund.

There are no other transactions or arrangements requiring disclosure.

20. 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 requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the 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.

21. Contingent Liabilities

Letters of credit

The syndicate has provided letters of credit to certain insureds and reinsureds to cover losses that might arise on their contracts written in the ordinary course of business. These amount to US $3.2m; the letters of credit are fully collateralised with cash deposits held by Citibank, on the syndicate's account, of US $3.2m.

22. Events After the Reporting Period

In accordance with the reinsurance contract with Syndicate 6103, the 2013 Year of Account of that syndicate will be commuted. An RITC will be effected with this syndicate and the reserves carried for the 2013 Year of Account (amounting to £0.1m) transferred to this syndicate during 2016.

23. Reinsurance to Close Premium Received from Syndicate 6103

At 1 January 2015, Syndicate 2791 accepted a Reinsurance to Close Premium from Syndicate 6103 in respect of Syndicate 6103's 2012 Year of Account. In addition, the reinsurance contact between Syndicate 2791 and Syndicate 6103 for the 2012 Year of Account has been commuted with Syndicate 2791 being paid in full for the liabilities assumed as at 1 January 2015.

24. 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.

25. Risk Management

Insurance risk

The principal risk the Syndicate faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Syndicate is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Syndicate purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non–proportional basis. The Syndicate has proportional reinsurance from two main sources, firstly a surplus treaty on direct property and per risk reinsurance and from Special Purpose Syndicate 6103 (SPS6103) on its Catastrophe reinsurance book susceptible to United States losses. Both types of proportional reinsurance are taken out to reduce the overall exposure to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Syndicate's net exposure to only catastrophe losses.

Retention limits for the excess-of-loss reinsurance vary by line of business, loss type and territory. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Syndicate has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Syndicate's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations substantially dependent upon any single reinsurance contract.

The Syndicate principally issues the following types of general insurance contracts: accident and health, motor, third-party liability, marine and property both direct and reinsurance. Risks usually cover twelve months duration.

The most significant insurance risks arise from natural disasters, claim inflation on longer term liabilities and the potential for under-pricing of insurance risk. Insurance risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Furthermore, 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 are all policies and procedures put in place to reduce the risk exposure of the Syndicate. 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. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities. The Syndicate uses its own proprietary pricing models which set a technical price for each risk based on a required profitability margin. These models are actively back tested against underwriting performance by line of business and at individual risk level to ensure compliance with the Syndicate's pricing strategy.

The Syndicate has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the 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.

The overall aim is to limit the downside risk to a 10% 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 RDS loss, a reinsurance failure rate, a reinsurance margin over time (i.e. reinsurers will expect pay-back on gross losses) less anticipated profit on non-catastrophe exposed business – known as inside profit.

The Board may decide to increase or decrease the inside profit based on market conditions and other factors. 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 unmodelled event are greater than those arising from a modelled event.

25. Risk Management *continued*

Insurance risk continued

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 2016.

RDS	Market Loss (insured) £m	Estimated Gross Claims (excl Reinst) £m	Estimated Net Claims (incl Reinst) £m
North East USA Hurricane	71,110	178	73
Pinellas specific (West Coast Florida Windstorm)	101,460	190	73
South Carolina Windstorm[1]	36,618	89	60
Gulf of Mexico Windstorm	90,470	158	51
North West EQ	30,219	56	34

1 The Carolinas event is a second event loss occurring after a Northeast Hurricane RDS.

The table below sets out the concentration of outstanding claim liabilities by line of business:

31 December 2015	**Gross Liabilities £'000**	**Reinsurance of Liabilities £'000**	**Net Liabilities £'000**
Accident and health	**8,014**	**4**	**8,010**
Motor (third party liability)	**5,347**	**2,047**	**3,300**
Motor (other classes)	**34,963**	**11,261**	**23,702**
Marine, aviation and transport	**25,347**	**191**	**25,156**
Fire and other damage to property	**27,313**	**4,073**	**23,240**
Third party liability	**27,050**	**193**	**26,857**
Miscellaneous	**2,303**	**6**	**2,297**
Reinsurance acceptances	**239,236**	**20,852**	**218,384**
	369,573	**38,627**	**330,946**

31 December 2014	Gross Liabilities £'000	Reinsurance of Liabilities £'000	Net Liabilities £'000
Accident and health	7,409	1	7,408
Motor (third party liability)	1,314	21	1,293
Motor (other classes)	22,326	5,664	16,662
Marine, aviation and transport	30,962	155	30,807
Fire and other damage to property	30,990	4,743	26,247
Third party liability	30,409	249	30,160
Miscellaneous	1,856	9	1,847
Reinsurance acceptances	272,588	30,010	242,578
	397,854	40,852	357,002

25. Risk Management *continued*

Insurance risk continued

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

31 December 2015	Gross Liabilities £'000	Reinsurance of Liabilities £'000	Net Liabilities £'000
UK	**16,056**	**387**	**15,669**
EU	**31,979**	**13,400**	**18,579**
USA	**298,602**	**24,348**	**274,254**
Canada	**8,004**	**227**	**7,777**
Australia/Japan/Other	**14,932**	**265**	**14,667**
	369,573	**38,627**	**330,946**

31 December 2014	Gross Liabilities £'000	Reinsurance of Liabilities £'000	Net Liabilities £'000
UK	14,137	122	14,015
EU	20,419	5,966	14,453
USA	334,993	33,345	301,648
Canada	11,171	513	10,658
Australia/Japan/Other	17,134	906	16,228
	397,854	40,852	357,002

Key assumptions

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

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

25. Risk Management *continued*

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 and separately for large losses, those impacting or likely to impact our excess of loss reinsurance programme and those claims not covered by excess of loss reinsurance. 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 non–linear.

Claim sensitivity

	2015	2014
	£'000	£'000
Gross reserves	**321,033**	342,270
Net reserves	**292,698**	311,956
Impact of 10% increase in gross reserves	**31,303**	33,485
Impact of 10% increase in net reserves	**28,470**	30,453

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

Claims development

The following tables show 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 end the current underwriting year. Each prior year is restated at the current exchange rates to provide a consistent view of changes to ultimate claims reserves.

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.

The Syndicate has taken advantage of the transitional rules of FRS 103 that permit only five years of information to be disclosed upon adoption. The claims development information disclosed is being increased from five years to ten years over the period 2016–2020.

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.

25. Risk Management *continued*

Claims development continued

The Syndicate has accepted additional liabilities by way of reinsurance to close from Syndicate 6103 at each 36 months and 1 day for the underwriting years 2007 to 2012 inclusive. These liabilities are shown in the claims triangles below as if they had always been the liabilities of 2791 from the commencement of any underwriting year which has accepted reinsurance from Syndicate 6103.

Claim triangles

Gross insurance contract outstanding claims provision as at 31 December 2015

	2010 and prior £'000	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	**Total £'000**
Estimate of Gross Ultimate Claims							
12 months		172,036	183,855	102,869	81,275	76,242	
24 months		123,717	164,407	86,449	72,127	–	
36 months		134,097	163,230	84,693	–	–	
48 months		144,510	168,039	–	–	–	
60 months		139.326	–	–	–	–	
Total Ultimate losses		**139,326**	**168,039**	**84,693**	**72,127**	**76,242**	
Less cumulative paid claims		(101,647)	(109,255)	(50,637)	(28,051)	(4,894)	
Less unearned portion of ultimate losses		–	–	–	(5,484)	(41,545)	
Add ULAE provision at 31 December		1,029	1,203	764	1,061	1,122	
Gross claims liabilities	**116,940**	**38,708**	**59,987**	**34,820**	**39,653**	**30,925**	**321,033**

Net insurance contract outstanding claims provision as at 31 December 2015

	2010 and prior £'000	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	**Total £'000**
Estimate of Net Ultimate Claims							
12 months		160,841	171,609	88,831	70,484	67,139	
24 months		117,569	154,420	74,217	59,912	–	
36 months		127,270	151,931	71,871	–	–	
48 months		136,042	155,178	–	–	–	
60 months		132.915	–	–	–	–	
Total Ultimate losses		**132,915**	**155,178**	**71,871**	**59,912**	**67,139**	
Less cumulative paid claims		(97,141)	(102,291)	(43,777)	(25,201)	(4,593)	
Less unearned portion of ultimate losses		–	–	–	(4,464)	(35,627)	
Add ULAE provision at 31 December		1,029	1,203	764	1,061	1,123	
Net claims liabilities	**113,597**	**36,803**	**54,090**	**28,858**	**31,308**	**28,042**	**292,698**

In 2015, there has been an overall surplus in ultimate claims of £27.1m (2014: £28.0m) due primarily to a reduction in the assessment of third party liability claims on the 2013 and prior accounts following lower than expected incurred claims movements during 2015 and a release of catastrophe loads on 2014 year of account as policies come off risk (2014: better than anticipated experience in medical malpractice, a deterioration on motor lines of business and a release of catastrophe loads on 2013 year of account).

26. Risk Management of Currency Risk

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.

31 December 2015	GBP £'000	USD £'000	EUR £'000	CAD £'000	AUD £'000	JPY £'000	OTH £'000	Total £'000
Financial investments	5,792	407,643	11,019	11,116	854	–	6,527	**442,951**
Reinsurers' share of technical provisions	387	24,348	13,400	227	192	303	(230)	**38,627**
Insurance and reinsurance receivables	1,553	44,882	2,979	1,110	67	315	(993)	**49,913**
Cash and cash equivalents	5,525	676	5,365	–	–	–	–	**11,566**
Other assets	10,126	15,663	1,573	913	31	43	132	**28,481**
Total assets	**23,383**	**493,212**	**34,336**	**13,366**	**1,144**	**661**	**5,436**	**571,538**
Technical provisions	(16,056)	(298,602)	(31,979)	(8,004)	(975)	(5,519)	(8,438)	**(369,573)**
Insurance and reinsurance payables	163	(44,923)	(1,946)	(88)	(17)	(11)	21	**(46,801)**
Other creditors	(2,358)	(30,470)	(392)	–	–	–	–	**(33,220)**
Total liabilities	**(18,251)**	**(373,995)**	**(34,317)**	**(8,092)**	**(992)**	**(5,530)**	**(8,417)**	**(449,594)**
Members' balances by currency	**5,132**	**199,217**	**19**	**5,274**	**152**	**(4,869)**	**(2,981)**	**121,944**

If sterling was to weaken by 10% and 20% the impact on the above converted sterling profit would be an increase of £13.0m and £29.2m respectively.

31 December 2014	GBP £'000	USD £'000	EUR £'000	CAD £'000	AUD £'000	JPY £'000	OTH £'000	Total £'000
Financial investments	12,744	430,303	13,144	12,275	1,463	–	4,611	474,540
Reinsurers' share of technical provisions	122	33,345	5,966	513	179	422	305	40,852
Insurance and reinsurance receivables	1,562	64,106	3,644	1,738	228	590	(1,085)	70,783
Cash and cash equivalents	2,764	3,159	4,488	–	–	–	–	10,411
Other assets	10,849	20,521	1,241	1,420	74	45	340	34,490
Total assets	28,041	551,434	28,483	15,946	1,944	1,057	4,171	631,076
Technical provisions	(14,137)	(334,993)	(20,419)	(11,171)	(1,364)	(6,930)	(8,840)	(397,854)
Insurance and reinsurance payables	43	(62,551)	(1,688)	(303)	(43)	(27)	(26)	(64,595)
Other creditors	(3,898)	(31,904)	(276)	(56)	–	–	–	(36,134)
Total liabilities	(17,992)	(429,448)	(22,383)	(11,530)	(1,407)	(6,957)	(8,866)	(498,583)
Members' balances by currency	10,049	121,986	6,100	4,416	537	(5,900)	(94,695)	132,493

If sterling was to weaken by 10% and 20% the impact on the above converted sterling profit would be an increase of £13.6m and £30.6m respectively.

27. Other Risk Management Matters

Interest rate risk	**31 December 2015 £'000**	31 December 2014 £'000
Impact of 50 basis point increase on result	**(5,701)**	(4,751)

The interest rate 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 profit or loss) 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.

Market risk	**31 December 2015 £'000**	31 December 2014 £'000
Impact on result of 5% increase in Stock Market Prices	**1,343**	1,163

The market rate sensitivity analysis is performed for reasonably possible movements in market equity prices with all other variables held constant, showing the impact on profit and members' balances of the effects of changes in equity prices. The Syndicate holds a limited portfolio of equities which are subject to price risk as shown in the table. This exposure benefits members through the enhanced longer term returns on equities compared with debt securities.

The exposure to equities is managed carefully to ensure that the syndicate's internal capital requirements are met at all times, as well as those mandated by the syndicate's external regulators.

Maturity profiles

The maturity analysis presented in the table below shows the estimated contractual maturities for all syndicate assets and liabilities.

Those items with no stated maturity are in respect of accounting timing entries for prepayments, unearned gross and ceded premium plus related deferred acquisition costs. These four items by their nature generate no future cash flow.

The maturity of other assets is based on the earliest date on which the gross undiscounted assets are expected to be received assuming conditions are consistent with those at the reporting date. The estimated timing of premium debtor balances uses contracted settlement due dates.

The maturity of other liabilities is based on undiscounted contractual obligations, including interest payable. The estimated timing of claim payments uses estimated cash flows from the Syndicate's reserving analysis. Repayments which are subject to notice are treated as if notice were to be given immediately. Members' balances are analysed based on the syndicate closing each year of account 36 months from inception.

27. Other Risk Management Matters *continued*

Maturity profiles continued

31 December 2015	No stated maturity £'000	Up to a year £'000	1-3 years £'000	3-5 years £'000	>5 years £'000	Total £'000
Financial investments	-	166,345	153,062	98,974	24,570	442,951
Reinsurer's share of technical provisions - provision for unearned premiums	10,292	-	-	-	-	10,292
Reinsurer's share of technical provisions - claims outstanding	-	9,025	9,320	5,344	4,646	28,335
Debtors	-	53,739	9,312	-	-	63,051
Cash at bank and in hand	-	11,566	-	-	-	11,566
Accrued interest	-	110	761	412	183	1,466
Deferred Acquisition costs	12,489	-	-	-	-	12,489
Other prepayments and accrued income	1,388	-	-	-	-	1,388
Total assets	24,169	240,785	172,455	104,730	29,399	571,538
Members' balances	-	68,112	53,832	-	-	121,944
Technical provisions – provision for unearned premiums	48,540	-	-	-	-	48,540
Technical provisions – claims outstanding	-	77,899	102,586	61,384	79,164	321,033
Creditors	-	48,689	28,625	-	-	77,314
Accruals and deferred income	-	2,707	-	-	-	2,707
Total liabilities	48,540	197,407	185,043	61,384	79,164	571,538

31 December 2014	No stated maturity £'000	Up to a year £'000	1-3 years £'000	3-5 years £'000	>5 years £'000	Total £'000
Financial investments	–	250,453	101,729	93,829	28,529	474,540
Reinsurer's share of technical provisions - provision for unearned premiums	10,538	–	–	–	–	10,538
Reinsurer's share of technical provisions - claims outstanding	–	9,179	10,985	5,771	4,379	30,314
Debtors	–	77,234	11,313	–	–	88,547
Cash at bank and in hand	–	10,411	–	–	–	10,411
Accrued Interest	–	113	640	533	240	1,526
Deferred Acquisition costs	13,451	–	–	–	–	13,451
Other prepayments and accrued income	1,749	–	–	–	–	1,749
Total assets	25,738	347,390	124,667	100,133	33,148	631,076
Members' balances	–	59,193	73,300	–	–	132,493
Technical provisions – provision for unearned premiums	55,584	–	–	–	–	55,584
Technical provisions – claims outstanding	–	82,948	111,424	64,666	83,232	342,270
Creditors	–	50,378	48,131	–	–	98,509
Accruals and deferred income	–	2,220	–	–	–	2,220
Total liabilities	55,584	194,739	232,855	64,666	83,232	631,076

28. Credit risk

The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position:

Credit risk – Aging and Impairment

31 December 2015	**Neither past due nor impaired £'000**	**Past due £'000**	**Impaired £'000**	**Total £'000**
Other Financial investments:				
Shares and other variable yield securities and unit trusts	**58,629**	**–**	**–**	**58,629**
Debt securities	**317,531**	**–**	**–**	**317,531**
Participation in investment pools	**46,131**	**–**	**–**	**46,131**
Loans with credit institutions	**–**	**–**	**–**	**–**
Deposits with credit institutions	**2,192**	**–**	**–**	**2,192**
Overseas deposits as investments	**18,468**	**–**	**–**	**18,468**
Reinsurer' share of claims outstanding	**28,335**	**–**	**–**	**28,335**
Debtors arising out of direct insurance operations	**40,118**	**6,882**	**–**	**47,000**
Debtors arising out of reinsurance operations	**–**	**2,914**	**–**	**2,914**
Other debtors	**12,486**	**651**	**–**	**13,137**
Cash at bank and in hand	**11,566**	**–**	**–**	**11,566**
Total credit risk	**535,456**	**10,447**	**–**	**545,903**

31 December 2014	Neither past due nor impaired £'000	Past due £'000	Impaired £'000	Total £'000
Other Financial investments:				
Shares and other variable yield securities and unit trusts	64,944	–	–	64,944
Debt securities	295,653	–	–	295,653
Participation in investment pools	58,093	–	–	58,093
Loans with credit institutions	33,775	–	–	33,775
Deposits with credit institutions	3,284	–	–	3,284
Overseas deposits as investments	18,790	–	–	18,790
Reinsurer' share of claims outstanding	30,314	–	–	30,314
Debtors arising out of direct insurance operations	49,666	8,955	–	58,621
Debtors arising out of reinsurance operations	–	12,163	–	12,163
Other debtors	17,150	614	–	17,764
Cash at bank and in hand	10,411	–	–	10,411
Total credit risk	582,080	21,732	–	603,812

The Syndicate has debtors that are past due but not impaired at the reporting date. The Syndicate does not consider these debtors to be impaired on the basis of the stage of collection of amounts owed to the Syndicate.

29. Transition to FRS102 and FRS103

	£'000
Profit for the year end 31 December 2014 under previous UK GAAP	55,707
Foreign Exchange	(983)
Profit for the year end 31 December 2014 under FRS 102 and FRS 103	54,724

The only change in accounting policies arising from the transition to FRS 102 and FRS 103 is as follows:

Foreign exchange

Under FRS 102, a foreign operation must be an entity. As a result, some foreign currency assets and liabilities no longer meet the definition of a foreign operation and exchange differences arising from the retranslation of these balances into the functional currency have to be recognised in the income statement rather than recognised in the Statement of Comprehensive Income. The impact of this is to decrease the profit for the financial year by £0.98m in 2014. There is no impact on total members' balance.

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