

SYNDICATE 2791

Report and Financial Statements
31 December 2019

MAP

Underwriting at Lloyd's

CONTENTS

	Page
Chairman's Report	2
SYNDICATE 2791	
UNDERWRITING YEAR DISTRIBUTION ACCOUNTS	
2017 CLOSED YEAR OF ACCOUNT	
31 DECEMBER 2019	
Directors and Administration	4
Managing Agent's Report	5
Statement of Managing Agent's Responsibilities	13
Independent Auditor's Report	14
Income Statement: Technical Account – General Business	16
Income Statement: Non-Technical Account	17
Statement of Comprehensive Income	17
Statement of Financial Position	18
Statement of Cash Flows	19
Notes to the Accounts	20
SYNDICATE 2791	
ANNUAL REPORT AND ACCOUNTS	
31 DECEMBER 2019	
Directors and Administration	34
Key Financial Data	35
Managing Agent's Report	36
Statement of Managing Agent's Responsibilities	46
Independent Auditor's Report	47
Income Statement: Technical Account – General Business	49
Income Statement: Non-Technical Account	50
Statement of Comprehensive Income	50
Statement of Changes in Members' Balances	50
Statement of Financial Position – Assets	51
Statement of Financial Position – Liabilities	52
Statement of Cash Flows	53
Notes to the Accounts	54

CHAIRMAN'S REPORT

Once again Richard and the team have produced a creditable result in extremely difficult market conditions. All the characteristics MAP has embodied over the years – rigorous underwriting discipline, prudent reserving and tight control of costs – have played a part in producing a positive bottom line outcome in spite of large windstorm and fire losses in the market and a poor pricing environment in nearly all classes.

As Richard has said, conditions began to improve a little in 2018 although far less than necessary to rectify the deficiencies in market pricing, and once again there were significant catastrophe events. This limited recovery has gained a little momentum through 2019 and into 2020, with the result that the Syndicate is starting to regain some of the business that had to be let go between 2010 and 2017.

It is clear from communications with the PRA and from press coverage from the USA, as well as anecdotally from within the market, that as well as the large catastrophe losses, the market as a whole is struggling with deteriorating casualty results, with serious question marks over casualty reserving both in London and in the US domestic market. Having reduced its casualty involvement so dramatically over the years, starting as early as 2003/4, MAP is unaffected by these issues and so well placed to capitalise on market dislocation.

Of greater concern, as we have said repeatedly, is the effect on Lloyd's as a whole. Far too many of the businesses operating in the market are losing money, and the headline numbers can only get worse if, as we expect, reserving deficiencies need to be rectified as well. It will take great leadership from both market participants and the Corporation to minimise the damage and restore the market to health. We hope and trust that faced with this threat they can retain focus and ensure that the businesses that have managed the conditions appropriately are able to lead the market's recovery.

D E S Shipley

Chairman

25 February 2020

SYNDICATE 2791

Underwriting Year Distribution Accounts

2017 Closed Year of Account

31 December 2019

DIRECTORS AND ADMINISTRATION

MANAGING AGENT

Managing Agent

Managing Agency Partners Limited (MAP)

Directors

K Allchorne (Non-executive)

C E Dandridge (Non-executive)

J D Denoon Duncan

A S Foote (Non-executive)

T P Froehlich (Non-executive)

A Kong

P Langridge

D E S Shipley (Non-executive Chairman)

C J Smelt

R J Sumner

R K Trubshaw (Active Underwriter)

Company Secretary

P Langridge

Managing Agent's Registered Office

Fitzwilliam House

10 St. Mary Axe

London

EC3A 8EN

Managing Agent's Registration

Registered in England; number: 03985640

SYNDICATE

Active Underwriter

R K Trubshaw

Principal Investment Managers

Schroders Investment Management Limited

Registered Auditor

Deloitte LLP

Hill House

1 Little New Street

London

EC4A 3TR

MANAGING AGENT'S REPORT

The managing agent presents its report for the 2017 year of account of Syndicate 2791 as closed at 31 December 2019.

These financial statements have been prepared in compliance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("2008 Regulations") and in accordance with the Syndicate Accounting Byelaw (No.8 of 2005) and applicable accounting standards in the United Kingdom. Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and Financial Reporting Standard 103 'Insurance Contracts' (FRS 103) have been applied. Separate annual accounts under UK GAAP on the calendar year results are available to all the syndicate's members (see pages 33 to 78).

UNDERWRITER'S REPORT

2017 Year of Account

Capacity £396.8 million

The 2017 year has closed with a bottom-line profit of £15.2m distributable to members, equivalent to 3.8% of stamp capacity, compared with the forecast range of 0% to 5%. The 2017 pure year result was break-even: members benefitted from a gross back year release of £21.0m (£19.0m net of reinsurance, before agency profit commission).

Development of Closed Years (2016 and prior)

The total gross IBNR ('incurred but not reported') reserve, less future premiums, started the year at £140.0m (at 31.12.19 rates of exchange £1 = US\$1.32). £5.0m or 3.6% of this reserve was utilised in the calendar year, which is half the five year average of 7.2%. There was a gross back year release of £21.0m, and the IBNR reserve for 2017 has been set at £16.5m, meaning the ongoing total gross IBNR reserve is now £130.5m. There continues to be no fundamental change in either our reserving strategy or our ultimate completion factors.

The long-tail casualty classes account for 36% of the gross back-year release, and constitute 41% of the total remaining IBNR reserve (last year 44%). Older years (2010 and prior) continue to settle down relatively smoothly, whereas more recent years are largely unchanged. Note that casualty now represents less than 7% of the 2017 portfolio, compared with nearly 26% at its peak in 2003.

Roughly 28% (last year 40%) of the ongoing short-tail reserve (constituting 33% of the overall total) relates to historic catastrophes, in particular the international cat events of 2010/11 (defined as Chile, New Zealand, Japan and Thailand), plus Superstorm Sandy. As at year end, across all years of account, the syndicate had gross incurred losses from the international cat events of \$32.6m (\$32.1m last year) with a further IBNR provision of \$1.3m (\$1.9m last year). For Superstorm Sandy our expected ultimate gross loss across all years of account is \$104.0m (\$109.8m last year), of which \$89.7m had been incurred at year end (\$91.7m last year). We remain cautious in evaluating the potential development of flood losses, in particular those affecting large risk policies in Metropolitan New York, which are likely to take years to fully settle out. Note that only now have we felt it appropriate to finally close out our reserves on the 2005 and 2008 hurricanes.

The balance of our total IBNR reserves (26%) relates largely to Auto, which in more recent years has grown to be a larger proportion of the book. From 2012-16 we wrote a large Irish motor account, whose performance has failed to match our initial expectations, consequently it was not renewed in 2017. Nevertheless, we feel it is prudently reserved and there was a small back year release.

Pure Year 2017

Utilisation of capacity

The final utilisation was 31% at closing rates of exchange. The reinsurance spend was £23.9m or 19.2% of written premium net of acquisition costs, £5.1m of which was ceded via a US catastrophe quota share to Syndicate 6103.

MANAGING AGENT'S REPORT

continued

UNDERWRITER'S REPORT *continued*

2017 Year of Account *continued*

Performance review

2017 represents the lowest volume in MAP's history, which was a considered response to the uniformly poor trading conditions in force at the time. Despite this, our non-catastrophe attritional account has held up well, with forecast ultimate loss ratios in line with previous years. Capital providers will be well aware of the plethora of catastrophes that occurred in 2017, notably hurricanes Harvey, Irma and Maria, as well as the Californian Wildfires; and in particular the well-documented deterioration in the Floridian loss from hurricane Irma that shows little sign of abating. It is pleasing to report that our Irma gross loss pick is virtually unaltered since last year, partly because of our deliberately modest exposure in the worst affected area of reinsurance programmes, but mainly due to our innate conservatism in formulating damage ratios. Across all years of account we are projecting ultimate gross catastrophe losses, after cessions to Syndicate 6103, of \$73.7m, (last year \$71.8m) with a year-end incurred of \$67.6m (last year \$65.2m).

Ultimate net catastrophe losses, after reinsurance recoveries and inwards reinstatement premiums, are projected to be \$48.7m (last year \$50.2m), representing nearly 37 percentage points of net loss ratio, albeit less than 10% on Stamp due to the historically low utilisation. Note that only one loss, Irma, is into the first layer of our reinsurance programme, and our retrocessionaires have in the aggregate had a profitable year.

It is pleasing to report that, despite these headwinds, the pure year generated a modest £4.4m net underwriting result. A decent investment performance (the gross calendar year yield was 4.2%), coupled with the £19.0m back year release was sufficient to offset syndicate expense and generate a positive £15.2m or 3.8% return to Members.

Analysis of premium written by syndicate classification

	Gross written £'000	Net written £'000
Property reinsurance	80,983	60,917
Direct and facultative property	22,482	18,460
Marine and offshore energy	6,676	6,332
Motor	26,826	26,705
Third party liability	9,095	9,094
Accident and health	8,120	8,113
Specialist lines	1,960	1,960
Terrorism and political risks	2,046	2,046
Total	158,188	133,627

Investment Return

The investment return generated over the last three years has contributed £8.9m to the 2017 closed year result. The calendar year returns net of expenses in each period were; 3.3% in 2017, 0.7% in 2018 and 4.0% in 2019.

In line with established policy, the 2017 year of account receives a proportion of the investment performance of the three calendar years as determined by a formula which measures assets held in each year of account and allocates the result accordingly.

The Effect of Exchange Rates on the 2017 Distribution Account

These accounts are reported over the three consecutive years from 2017, during which the GBP:USD exchange rate has moved from an average of 1.29 to a closing rate of 1.32 at the end of 2019. This has resulted in an exchange loss versus the average rates of £0.2m over the three year period as further set out in note 13.

MANAGING AGENT'S REPORT

continued

UNDERWRITER'S REPORT *continued*

2017 Year of Account *continued*

Reinsurance Debtors

Recoverable amounts from reinsurers amount to £43.7m, 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 2019 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	9.4	17.4	16.7	43.5
Not rated	0.2	–	–	0.2
	9.6	17.4	16.7	43.7

MANAGING AGENT'S REPORT

continued

UNDERWRITER'S REPORT *continued*

2018 Year of Account Forecast

As indicated in last year's report, the market failed to move significantly following the poor experience of 2017: indeed, by "doubling down" so readily capital providers effectively negated the opportunity to re-price business. Consequently it was very difficult for businesses like MAP, which rely on market dislocation to re-underwrite other people's mistakes, to make any meaningful headway. Gross premium volume is up 15% over 2017, but still a long way short of historic norms. Interestingly, catastrophe incidence was similarly elevated to 2017, with hurricanes Florence and Michael impacting the US, four significant loss events in Asia, followed by a repeat of the Californian Wildfires. Once again, the pure year is trending to a marginal result, with projected ultimate net catastrophe losses of \$44.6m (last year \$49.3m), after inwards reinstatement premiums and cessions to Syndicate 6103. There are no anticipated excess of loss recoveries.

An estimate of the 2018 underwriting result as at 36 months is set out below:

	£'000
Stamp capacity	399,453
Gross premiums written	180,177
Net premiums written	145,116
Claims incurred – net of reinsurance	(104,116)
Net operating expenses	(47,473)
Investment return	5,265
Profit commission	–
Personal expenses	(3,365)
Non technical account foreign exchange	(23)
Estimate of loss for the year of account after personal expenses	(4,596)

Assumptions underlying the 2018 Estimated Result:

- (i) There will be no material reinsurance failures.
- (ii) Syndicate expenses, incurred in the calendar year 2020 to be charged to the 2018 year of account, will continue the pattern of previous years as refined by current budgets.
- (iii) Exchange rates at 31 December 2020 will not be materially different from those at 31 December 2019.
- (iv) Investment returns attributable to 2018 during 2020 = 0.9% for USD and 0.4% 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.

2019 Overview

After two painful years, the market finally started to move in a more positive direction, although most of the improvement was limited to catastrophe exposed lines of business. Gross premium volume is up 25% over 2018, to a level slightly less than that achieved back in 2014.

Once again Japan has suffered significant catastrophe loss from typhoons Faxai and Hagibis, and events from 2018 have deteriorated markedly. Our writings in this territory are down to historic lows: in common with most International business rates are currently nowhere near commensurate with the underlying risk.

The United States had no major events in 2019, although hurricane Dorian, which devastated the Bahamas, was a narrow miss for Florida. At this early juncture, assuming the absence of any meaningful catastrophes, the year should ultimately prove profitable, although the relatively low premium utilisation will dilute any bottom-line return.

MANAGING AGENT'S REPORT

continued

UNDERWRITER'S REPORT *continued*

2020 Trading Conditions

It appears that finally a certain number of stars (but by no means all) are starting to align, which should enable nimble, underwriting focused businesses like MAP to prosper. For the industry there is anecdotal evidence of pressure on back year reserves, following deterioration in many casualty classes. Should this magnify into a full-blown crisis (although this is as yet by no means certain), as happens every twenty years or so, this would act as a significant tax on competitors' balance sheets, as they try to solve years of inadequate reserving with ongoing rate. Elevated investment yields, which helped support the underwriting return in the 2019 calendar year, are also unlikely to be replicated in the short term.

The retrocessional catastrophe market, which has suffered from marked deterioration in loss estimates over the last three years, is now starting to re-price the product and differentiate better between cedants. This is causing significant market dislocation, as competitors look to pass on these extra costs, or rebalance an over-leveraged portfolio by shedding exposure.

In the meantime the Lloyd's regulators are continuing to focus on the need for sustainable profitability. Sensibly they now have a range of tools to achieve this, and are recognising the need for carrots as well as sticks, when trying to influence market behaviour. To this end, we are gratified that MAP is deemed to be a "light touch" syndicate, and we trust that such a differentiated approach will continue.

On a specific note, it is pleasing to report that, January to January, premium volume is up almost 50% as hitherto underpriced business comes up to our technical standards. Whilst one should not get carried away (we are after all only projecting a re-run of conditions last experienced in 2013, and we are always trading premium for risk), it is tangible evidence that, after years in the doldrums, the market is once again affording sufficient opportunity to underwrite.

MANAGING AGENT'S REPORT

continued

Seven Year Summary of Closed Years of Account

	Note	2011	2012	2013	2014	2015	2016	2017
Syndicate allocated capacity (£m)		504.5	506.8	510.5	453.0	399.4	399.1	396.8
Number of Underwriting Members		1,687	1,718	1,721	1,720	1,691	1,710	1,701
Aggregate net premiums (£m)		232.6	258.4	194.3	149.0	137.5	145.3	134.0
Results for illustrative share of £10,000		%	%	%	%	%	%	%
Utilisation of capacity at premium income								
monitoring rates of exchange		46.3	48.4	38.2	34.7	30.3	31.7	26.5
Gross premiums written (% of illustrative share)		54.8	61.8	47.8	40.5	42.7	46.7	39.9
Net premiums (% of illustrative share)		46.1	51.0	38.1	32.8	34.4	36.4	33.7
Profit (% of gross premiums)		24.5	18.9	27.9	27.6	27.7	17.7	9.6
Results for illustrative share of £10,000		£	£	£	£	£	£	£
Gross premiums	1	5,479	6,185	4,782	4,051	4,266	4,667	3,986
Net premiums		4,612	5,098	3,806	3,280	3,442	3,639	3,367
Reinsurance to close from an earlier year								
of account		4,545	4,304	4,771	5,153	6,220	5,440	5,415
Net claims		(1,946)	(2,070)	(1,436)	(1,529)	(1,579)	(1,750)	(2,306)
Reinsurance to close	2	(4,361)	(4,553)	(4,439)	(4,554)	(5,707)	(5,117)	(5,056)
Underwriting profit		2,850	2,779	2,702	2,350	2,376	2,212	1,420
Acquisition costs	1	(1,157)	(1,370)	(1,061)	(865)	(940)	(1,030)	(932)
Other syndicate operating expenses, excluding								
personal expenses		(130)	(170)	(140)	(201)	(200)	(210)	(160)
Reinsurers' commissions and profit participations		48	39	49	43	2	17	18
Exchange movement on foreign currency								
translation	4	(65)	14	79	293	22	32	(5)
Net investment income		242	252	107	112	292	95	224
Illustrative personal expenses:								
Managing agent's fee		(55)	(55)	(55)	(55)	(55)	(55)	(55)
Profit commission	3	(351)	(287)	(312)	(281)	(288)	(197)	(98)
Other personal expenses	5	(39)	(34)	(35)	(28)	(29)	(37)	(29)
Profit after illustrative personal expenses and illustrative profit commission		1,343	1,168	1,334	1,368	1,180	827	383

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.
4. From the 2014 year of account, foreign currency realised gains and losses are now included in exchange movement on foreign currency translation rather than within other syndicate operating expenses. Comparatives in this seven year summary have not been restated as it is immaterial and this change has nil impact on the profit after illustrative personal expenses and illustrative profit commission.
5. Other personal expenses include Lloyd's subscriptions and central fund contributions.

MANAGING AGENT'S REPORT

continued

Solvency Capital Requirement

The managing agent is required to provide a Solvency Capital Requirement (SCR) to Lloyd's which sets the capital required to be held by the members of the syndicate for the prospective underwriting year. Lloyd's syndicate SCRs are combined to provide the basis of the Lloyd's internal model which the Prudential Regulation Authority originally approved in December 2016.

This amount is derived from the syndicate's loss distribution, which is calculated internally. It is the loss at the 99.5% confidence level, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group. A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicate on which it is participating but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Requirement (ECR). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2017 is 35% of the member SCR 'to ultimate'.

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

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

2017 Approved Capital

Lloyd's ECR

	2017 £m
2791	239.9

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

European Union business

In order to ensure continued market access to European (re)insurance business following the U.K.'s exit from the European Union, Lloyd's has established a Belgian subsidiary - Lloyd's Insurance Company S.A.

More commonly known as 'Lloyd's Brussels', this subsidiary is authorised and regulated as an insurance entity by the National Bank of Belgium and regulated by the Financial Services and Markets Authority.

Lloyd's Brussels is capitalised in accordance with Solvency II rules and is licensed to write non-life risks across the European Economic Area (EEA), the UK and Monaco.

Lloyd's Brussels benefits from Lloyd's central resources, including the Lloyd's Central Fund. As all Lloyd's Brussels policies are 100% reinsured back to Lloyd's syndicates, they are ultimately backed by Lloyd's unique capital structure, often referred to as the Chain of Security.

All European non-life business incepting and/or renewing on or after 1 January 2019 will now be placed with Lloyd's Brussels and the structure of Lloyd's Brussels enables business partners and policyholders to retain access to the underwriting expertise of the Lloyd's market via established distribution channels of brokers, coverholders, and syndicates.

Lloyd's has publicly committed that its syndicates will continue to pay all valid claims on historic policies and that before the end of 2020 all legacy EEA business will be moved to Lloyd's Brussels via a Part VII transfer.

MANAGING AGENT'S REPORT

continued

Future Developments

The syndicate continues to transact the majority of its business in the classes of general insurance and reinsurance that it has transacted historically.

Disclosure of Information to the Auditors

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

This managing agent's report was approved by the Board of Managing Agency Partners Limited on 25 February 2020 and signed on its behalf by:

R K Trubshaw

Active Underwriter

Managing Agency Partners Limited

25 February 2020

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 AUDITOR'S REPORT

to the Members of Syndicate 2791

Independent auditor's report to the members of Syndicate 2791 – 2017 closed year of account

Report on the audit of the syndicate underwriting year accounts for the 2017 closed year of account for the three years ended 31 December 2019.

Opinion

In our opinion the syndicate underwriting year accounts of Syndicate 2791 (the 'syndicate'):

- give a true and fair view of the profit for the 2017 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
- have been prepared in accordance with the requirements of 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).

We have audited the syndicate underwriting year accounts which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of cash flows; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "the Financial Reporting Standard applicable in the UK and Republic of Ireland", the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the syndicate underwriting year accounts section of our report.

We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate underwriting year accounts in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The managing agent is responsible for the other information. The other information comprises the information included in the annual report, other than the syndicate underwriting year accounts and our auditor's report thereon. Our opinion on the syndicate underwriting year accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in respect of these matters.

Responsibilities of managing agent

As explained more fully in the managing agent's responsibilities statement, 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), and for being satisfied that they give a true and fair view of the result, and for such internal control as the managing agent determines is necessary to enable the preparation of syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT

continued

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

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

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

A further description of our responsibilities for the audit of the syndicate underwriting year accounts is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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

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

- the information given in the managing agent's report for the financial year for which the syndicate underwriting year accounts are prepared is consistent with the syndicate underwriting year accounts; and
- the managing agent's report has been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

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

Matters on which we are required to report by exception

Under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and Lloyd's Syndicate Accounting Byelaw (no.8 of 2005) we are required to report in respect of the following matters if, in our opinion:

- the managing agent in respect of the syndicate has not kept adequate or proper accounting records; or
- the syndicate underwriting year accounts are not in agreement with the accounting records or
- we have not received all the information and explanations we require for our audit; or
- the syndicate underwriting year accounts are not in compliance with the requirements of paragraph 5 of Schedule 1 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with regulation 6 of 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.

Andrew Downes (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK

26 February 2020

INCOME STATEMENT TECHNICAL ACCOUNT – GENERAL BUSINESS

2017 Closed Year of Account for the three years ended 31 December 2019

	Note	2017 £'000
Syndicate allocated capacity		396,814
Earned premiums, net of reinsurance		
Gross premiums written	4	158,188
Outward reinsurance premiums		(24,561)
Earned premiums, net of reinsurance		133,627
Reinsurance to close premiums received, net of reinsurance	5	214,845
Allocated investment return transferred from the non-technical account		8,872
Claims incurred, net of reinsurance		
Claims paid		
Gross amount		(116,051)
Reinsurers' share		24,562
		(91,489)
Reinsurance to close premium payable, net of reinsurance	6	(200,612)
Acquisition expenses		(36,995)
Reinsurers' commissions and profit participations		699
Administrative expenses	8	(13,570)
Net operating expenses		(49,866)
Balance on the technical account – general business	12	15,377

INCOME STATEMENT NON-TECHNICAL ACCOUNT

2017 Closed Year of Account for the three years ended 31 December 2019

	Note	2017 £'000
Balance on the technical account for general business		15,377
Investment return	11	8,872
Allocated investment return transferred to general business – technical account		(8,872)
Non-technical account foreign exchange	13	83
Profit for the 2017 Closed Year of Account excluding other comprehensive income		15,460

STATEMENT OF COMPREHENSIVE INCOME

2017 Closed Year of Account for the three years ended 31 December 2019

	Note	2017 £'000
Profit for the 2017 Closed Year of Account excluding other comprehensive income		15,460
Exchange differences on foreign currency translation	13	(269)
Profit for the 2017 Closed Year of Account including other comprehensive income being profit distributed to members		15,191

STATEMENT OF FINANCIAL POSITION

2017 Closed Year of Account as at 31 December 2019

	Note	2017 £'000
Assets		
Investments	14	192,333
Debtors	15	22,996
Reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account	7	34,152
Other assets		
Cash at bank and in hand	18	9,717
Prepayments and accrued income		
Accrued interest		783
Other prepayments and accrued income		763
Total assets		260,744
Liabilities		
Amounts due to members	16	15,191
Reinsurance to close premiums payable to close the account – gross amount	7	227,575
Other creditors	17	15,075
Accruals and deferred income		2,903
Total liabilities		260,744

The financial statements on pages 16 to 32 were approved by the Board of Managing Agency Partners Limited on 25 February 2020 and were signed on its behalf by:

R K Trubshaw
Active Underwriter

R J Sumner
Finance Director

25 February 2020

STATEMENT OF CASH FLOWS

2017 Closed Year of Account for the three years ended 31 December 2019

	Note	2017 £'000
Operating profit on ordinary activities		15,460
Movement in gross technical provisions		227,575
Movement in reinsurers' share of gross technical provisions		(34,152)
Movement in debtors		(24,542)
Movement in creditors		17,978
Investment return		(8,872)
Exchange differences on foreign currency translation		9,133
Net cash inflow from operating activities		202,580
Cash flows from investing activities		
Purchase of equity and debt instruments		(347,334)
Sale of equity and debt instruments		155,981
Investment income received		7,860
Movement in overseas deposits		(9,371)
Movement in cash equivalents		89
Net cash outflow from investing activities		(192,775)
Movement in cash and cash equivalents		9,805
Cash and cash equivalents at 1 January		–
Cash and cash equivalents at 31 December	18	9,805

NOTES TO THE ACCOUNTS

2017 Closed Year of Account for the three years ended 31 December 2019

1. Basis of Preparation and Statement of Compliance

These financial statements have been prepared under the 2008 Regulations and in accordance with the Syndicate Accounting Byelaw (No.8 of 2005) and applicable accounting standards in the United Kingdom. Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and Financial Reporting Standard 103 'Insurance Contracts' (FRS 103) have been applied.

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

The Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) requires the aggregation of movements in each of the three calendar years for any Underwriting Year of account. For 2017'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 2017 from 2016 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 2019. Any changes made to the opening reinsurance to close are accounted for at the average rates ruling during calendar year 2019.

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

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 2017 year of account which has been closed by reinsurance to close at 31 December 2019; consequently the statement of financial position represents the assets and liabilities of the 2017 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.

Reinsurance to close

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

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

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

Syndicate 2791 cedes business under a quota-share treaty to Syndicate 6103 which is operated on a funds withheld basis by Syndicate 2791. Syndicate 6103 holds no cash or investments. All of Syndicate 6103'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. Syndicate 6103 is also managed by the managing agent, MAP.

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.

In the course of preparing the financial statements, no judgements have been made in the process of applying the syndicate's accounting policies, other than those involving estimations that have had a significant effect on the amounts recognised in the financial statements.

However, the nature of estimation means that actual outcomes could differ from those estimates.

It should however be noted that upon RITC the uncertainties are transferred to the accepting year of account of the syndicate, being the 2018 year of account at 31 December 2019.

NOTES TO THE ACCOUNTS

continued

2. Judgements and Key Sources of Estimation Uncertainty *continued*

continued

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

Insurance contract technical provisions (reinsurance to close premium payable) (see note 7)

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

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

The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the statement of financial position date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims IBNR at the statement of financial position date based on statistical methods.

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from pricing and other models of the business accepted and assessments of underwriting conditions.

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.

Where the amount of any material salvage and subrogation recoveries is separately identified it is reported as an asset.

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

Estimates of future premiums (see note 15)

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates are judgemental. 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 whether 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.

NOTES TO THE ACCOUNTS

continued

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 instrument.

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 received at the statement of financial position date.

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

Premiums for contracts where the syndicate delegates underwriting authority to another party (e.g. binding authorities, lineslips or proportional treaties) use an estimate of the proportion of premiums incepted at the reference date as an estimate based on historical inception patterns, if no pattern exists business is assumed to incept evenly over the term of the delegated authority.

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 together with reinsurance recoveries less amounts provided for in respect of doubtful reinsurers. They 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 to which the recovery is credited.

NOTES TO THE ACCOUNTS

continued

3. Accounting Policies *continued*

Reinsurance to close premium payable

The RITC premium is determined on the basis of estimated outstanding liabilities and related claims settlement costs (including claims IBNR), net of estimated collectible reinsurance recoveries, relating to the closed year of account and all previous years of account reinsured therein.

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

Future unallocated loss adjustment expenses

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

Legal provisions

The syndicate may be subject to legal disputes, in the normal course of business. Provisions for such events and their related costs are recognised where there is an expected present obligation relating to a past event or evidence exists of the requirement for a general provision that can be measured reliably and it is probable that an outflow of economic benefit will be required to settle an obligation.

The directors of the managing agent do not expect the outcome of these claims, either individually or in aggregate, to have a material effect upon the syndicate's operations or financial position. As allowed by FRS 102, further disclosure has not been given as it may seriously prejudice the outcome of any legal proceedings.

Insurance receivables and payables

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

Bad debt

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

Foreign currency translation

Financial Reporting Standard 102 requires each entity to identify its functional currency and a presentational currency. The functional currency is identified as the currency of the primary economic environment in which the entity operates. The functional currency of this syndicate is US dollars as the majority of the underwriting business, cash flows and expenses are in US dollars. We have chosen to maintain our presentational currency as sterling as the syndicate is based in the UK, complies with UK reporting standards and this enables simpler comparisons to other Lloyd'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 FRS 103, the syndicate has continued with its existing accounting policy to treat non-monetary assets and liabilities arising from insurance contracts (which include items such as unearned premiums and deferred acquisition costs) the same as monetary assets and liabilities. Consequently, all assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date or if appropriate at the forward contract rate.

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

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

NOTES TO THE ACCOUNTS

continued

3. Accounting Policies *continued*

Foreign currency translation *continued*

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

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

	Year end rate	Average rates during		
	2019	2019	2018	2017
USD	1.32	1.28	1.34	1.29
CAD	1.72	1.69	1.73	1.67
EUR	1.18	1.14	1.13	1.14

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

Some investments 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.

In such circumstances 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; and
- 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.

NOTES TO THE ACCOUNTS

continued

3. Accounting Policies *continued*

Unlisted investments *continued*

The syndicate participates in 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 the 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 any illiquid share classes, 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 management expenses, charges and interest payable.

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 managed 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.

NOTES TO THE ACCOUNTS

continued

3. Accounting Policies *continued*

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. When the syndicate makes a loss that loss will be debited by year of account until fully utilised reducing the following two years of account's results for the purpose of calculating profit commission.

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	Net operating expenses (note 4) £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
2017 year of account						
Direct insurance						
Accident and health	7,913	(4,883)	(3,440)	(8)	(418)	(6,295)
Fire and other damage to property	22,572	(9,307)	(9,405)	(1,917)	1,943	(4,977)
Marine, aviation and transport	6,781	(2,375)	(1,924)	(247)	2,235	(10,878)
Motor (other classes)	19,105	(10,257)	(7,916)	(605)	327	(20,792)
Third party liability	5,001	(1,142)	(1,382)	(70)	2,407	(18,268)
Miscellaneous	1,136	(715)	(20)	(3)	398	(3,085)
	62,508	(28,679)	(24,087)	(2,850)	6,892	(64,295)
Reinsurance	95,680	(68,722)	(25,779)	(1,566)	(387)	(129,128)
Total	158,188	(97,401)	(49,866)	(4,416)	6,505	(193,423)

1. Gross premiums earned are identical to gross premiums written.
2. Gross claims incurred comprise gross claims paid and movement in gross technical provisions.
3. All premiums are concluded in the UK.
4. Net operating expenses include reinsurer's commissions and profit participations.
5. All 2016 and prior years of account movements during 2019 are reflected in the above figures.
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 location of risk is as follows:

	Direct £'000	Reinsurance £'000	Total £'000
UK	15,880	1,543	17,423
EU countries	1,631	1,620	3,251
US	36,516	82,463	118,979
Other	8,481	10,054	18,535
Total	62,508	95,680	158,188

Total commissions on direct gross premiums written amount to £16.1m.

NOTES TO THE ACCOUNTS

continued

5. Reinsurance to Close Premium Receivable

	Syndicate 2791 £'000	Syndicate 6103 £'000	Total £'000
Gross reinsurance to close premium receivable	255,697	53	255,750
Reinsurance recoveries anticipated	(40,905)	–	(40,905)
Reinsurance to close premium receivable, net of reinsurance	214,792	53	214,845

At 1 January 2019, Syndicate 2791 accepted a Reinsurance to Close Premium from Syndicate 6103 in respect of Syndicate 6103's 2016 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
2016 and prior			
Opening balance	(214,792)	7,729	(207,063)
Movement in paid, outstanding and IBNR in year	40,924	(1,141)	39,783
Change in three year period (2017 pure)	(26,968)	601	(26,367)
Movement in unallocated loss and loss adjustment expenses	224	–	224
	(200,612)	7,189	(193,423)

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 2019 in currency and therefore the effect to the income statement is nil.

7. Reinsurance to Close Premium Payable

	2016 and prior £'000	2017 pure £'000	2017 £'000
Gross outstanding claims	69,916	12,806	82,722
Reinsurance recoveries anticipated	(14,930)	(2,511)	(17,441)
Net outstanding claims	54,986	10,295	65,281
Provision for gross claims incurred but not reported	119,502	18,508	138,010
Reinsurance recoveries anticipated	(14,274)	(2,437)	(16,711)
Provision for net claims incurred but not reported	105,228	16,071	121,299
Unallocated loss and loss adjustment expenses	6,056	787	6,843
Net premium for reinsurance to close	166,270	27,153	193,423

A positive run-off of £19.0m on the 2016 and prior years' reserves (2015 and prior: £19.4m) was experienced in the year. This change to the previous closed year reserves was 9.2% of the relevant provisions brought forward.

The reinsurance to close is effected to the 2018 year of account of Syndicate 2791.

NOTES TO THE ACCOUNTS

continued

8. Administrative Expenses

	£'000
Personal expenses	3,316
Profit commission payable to managing agent	3,900
Other administrative expenses	6,260
Gross operating expenses	13,476
Expense recoveries from reinsurers	94
Net operating expenses	13,570

	2791 £'000	6103 £'000	Total £'000
Administrative expenses include:			
Auditors' remuneration from Ernst & Young LLP during the calendar year 1 January 2017 to 31 December 2017			
Fees for the audit of the syndicate	92	13	105
Audit related assurance	42	11	53
Taxation compliance services	2	–	2
Other non-audit services	81	13	94
	217	37	254

	2791 £'000	6103 £'000	Total £'000
Administrative expenses include:			
Auditors' remuneration from Deloitte LLP during the period 1 January 2018 to 31 December 2019			
Fees for the audit of the syndicate	104	8	112
Audit related assurance	53	11	64
Taxation compliance services	5	–	5
Other non-audit services	–	–	–
	162	19	181

	2791 £'000	6103 £'000	Total £'000
Administrative expenses include:			
Total Auditors' remuneration for the three year period 1 January 2017 to 31 December 2019			
Fees for the audit of the syndicate	196	21	217
Audit related assurance	95	22	117
Taxation compliance services	7	–	7
Other non-audit services	81	13	94
	379	56	435

Audit related assurance includes reporting required by law and regulation, reviews of interim financial information and reporting on regulatory returns.

Non-audit service fees were incurred by syndicate actuaries employed by the former auditors Ernst & Young LLP. These fees relate to actuarial valuation services and for the provision of the Syndicate Actuarial Opinions (SAO) to Lloyd's and HMRC.

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

Lloyd's is a member of the Motor Insurers' Bureau of Ireland (MIBI) and is charged a membership levy based on the Irish motor liability premiums written by all Lloyd's syndicates. Lloyd's share is based upon its share of the total market. Lloyd's receive an invoice directly from MIBI which is then allocated proportionally to each relevant syndicate's share. Syndicate 2791 can recover 62.50% of these expenses under the terms of a reinsurance contract. These recoveries are disclosed as expense recoveries from reinsurers within net operating expenses. Refunds have been received in the calendar year resulting in a positive recoveries paid back to the reinsurer.

NOTES TO THE ACCOUNTS

continued

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	4,406
Social security costs	518
Other pension costs	378
	<u>5,302</u>

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	18
Underwriting	25
Claims	5
	<u>48</u>

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	<u>1,041</u>

The 2017 year of account has been charged with active underwriter's remuneration as follows:

	£'000
Emoluments – R K Trubshaw	<u>290</u>

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	3,939
Gains on the realisation of investments	7,648
Losses on realisation of investments	(336)
	<u>11,251</u>
Net unrealised gains and losses	(1,918)
Investment expenses and charges	
Investment management expenses, including interest payable	(454)
Investment return payable to Syndicate 6103	(7)
	<u>(461)</u>
Total Investment Return	<u>8,872</u>

All investment return arises from investments designated as fair value through profit and loss.

NOTES TO THE ACCOUNTS

continued

12. Balance on the Technical Account – General Business

	2016 and prior years of account £'000	2017 pure years of account £'000	Total 2017 £'000
Balance excluding investment return and operating expenses	20,375	35,996	56,371
Brokerage and commission on gross premium	(43)	(36,952)	(36,995)
Allocated investment income	–	8,872	8,872
Net operating expenses other than acquisition costs	(293)	(12,578)	(12,871)
	20,039	(4,662)	15,377

13. Exchange Differences Arising on Foreign Currency Translation

	£'000
On 2017 balances brought forward at 1 January 2019: from opening to closing rates	516
On transactions during the calendar year: from average to year end rates	(702)
	(186)
Represented by:	
Non-technical account foreign exchange	83
Exchange differences on foreign currency translation	(269)
	(186)

14. Financial Investments

	Market value £'000	Cost £'000
Investments:		
Shares and other variable yield securities and units in unit trusts	17,871	17,859
Debt securities and other fixed income securities	150,008	147,898
Participation in investment pools	8,883	8,800
Deposits with credit institutions	1,091	1,091
Overseas deposits as investments	9,371	9,405
	187,224	185,053
Hedge Funds/Alternative Assets:		
Shares and other variable yield securities and units in unit trusts	–	–
Debt securities and other fixed income securities	–	–
Participation in investment pools	5,109	4,965
Deposits with credit institutions	–	–
Overseas deposits as investments	–	–
	5,109	4,965
Total Investments:		
Shares and other variable yield securities and units in unit trusts	17,871	17,859
Debt securities and other fixed income securities	150,008	147,898
Participation in investment pools	13,992	13,765
Deposits with credit institutions	1,091	1,091
Overseas deposits as investments	9,371	9,405
	192,333	190,018

Within "Shares and other variable yield securities and units in unit trusts" £8.2m are listed on a recognised exchange. These comprise 4.3% of the total market value of investments.

NOTES TO THE ACCOUNTS

continued

15. Debtors

	£'000
Arising out of direct insurance operations	391
Arising out of reinsurance operations	20,580
Inter-syndicate loan	106
Members' agents' fees advances	1,532
Non-standard personal expenses due from members (overseas taxation)	147
Reinsurers' profit commission and overriding commission	240
	<u>22,996</u>

Debtors arising out of reinsurance operations of £20.6m include funds due in respect of Syndicate 6103 of £5.3m.

16. Amounts Due to Members

	£'000
Profit for the 2017 Closed Year of Account due to members at 31 December 2019	<u>15,191</u>

17. Other Creditors

	£'000
Arising out of direct insurance operations	
Policyholders	–
Intermediaries	2,516
Arising out of reinsurance operations	7,754
Profit commissions	3,798
Reinsurance profit commission payable	1,007
	<u>15,075</u>

Creditors in respect of reinsurance operations of £7.8m include funds due to Syndicate 6103 of £5.1m.

18. Cash and Cash Equivalents

	£'000
Cash at bank and in hand	9,717
Short term deposits with financial institutions	88
	<u>9,805</u>

19. Related Parties

The managing agency (MAP), the Syndicates 2791 and 6103 and the directors of MAP are all related parties.

- MAP relationship to the syndicates is governed by a managing agent's agreement.
- The syndicates relationship to each other is governed by a reinsurance contract for each year of account
- The directors of the managing agency own shares in the managing agent and receive remuneration from the managing agent based on MAP's profitability
- The directors also participate alongside other capital providers in the syndicate via two unrelated entities MAP Capital Limited and Nomina 208 LLP
- An investment fund in which the syndicate formerly held investments participated in the syndicate's capital and is deemed a related party by virtue of its participation in Syndicate 2791

MAP relationship to the syndicates

Managing agency fees amounting to £2.2m were paid to MAP for the 2017 year and profit commission of £3.8m (at closing rates) is also due to the managing agency in respect of the profit of the 2017 closed year. Expenses totalling £8.5m were recharged to this year of account through acquisition and other administrative expenses. The key management compensation charged to the syndicate is disclosed in note 10. No profit related remuneration is payable by the syndicate to employees of MAP. The managing agency agreement contract setting out fees and profit commission payable to the managing agent is under standard terms set out by Lloyd's.

NOTES TO THE ACCOUNTS

continued

19. Related Parties *continued*

The syndicates relationship to each other

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 10% for 2017 year of account 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 this book 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.

Under the terms of the reinsurance contract the balance owed to Syndicate 2791 by Syndicate 6103 at the end of the period is £1.0m and will be settled through the Lloyd's distribution process. There are no other conditions or guarantees offered by Syndicate 2791 to Syndicate 6103 under the reinsurance contract.

The following transactions between the syndicates occurred for the 2017 year of account:

	£'000
Premiums ceded	(5,250)
Paid claims recovered	5,130
Ceding commission	246
Overriding commission	52
Investment income payable	(7)
Reinsurance to close premium	860
Profit commission payable	–

The director's ownership of MAP

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.

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

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

The director's participations in the syndicate

Messrs. Shipley, Denoon Duncan, Kong, Trubshaw, Sumner and Smelt, or their related parties, participate on Syndicate 2791 via a dedicated, but unaligned to the managing agent, corporate member MAP Capital Limited and a corporate member, Nomina No 208 LLP.

For the 2017 year of account MAP Capital Limited provided £68.7m of capacity on Syndicate 2791 representing 17.3% of capacity.

For the 2017 year of account Nomina No 208 LLP has provided £11.3m of capacity representing 2.9% of capacity.

MAP has no direct or indirect interest in MAP Capital Limited or Nomina No 208 LLP.

All capital is provided on an arm's length basis.

An investment fund in which the syndicate formerly held investments

Separately, a fund (Steadfast Capital LP) under the management of Steadfast Capital Management Limited participated in the syndicate through a corporate vehicle – the syndicate did not invest in this fund at the balance sheet date having fully redeemed on 1 January 2019.

There are no other transactions or arrangements requiring disclosure.

20. 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\$1.4m; the letters of credit are fully collateralised with cash deposits held by Citibank, on the syndicate's account, of US\$1.4m. The terms of these evergreen letters of credit are that the syndicate must put up 105% of assets as collateral and are held as long as the insureds and reinsureds have outstanding liabilities.

SYNDICATE 2791

Annual Report and Accounts
31 December 2019

DIRECTORS AND ADMINISTRATION

MANAGING AGENT

Managing Agent

Managing Agency Partners Limited (MAP)

Directors

K Allchorne (Non-executive)

C E Dandridge (Non-executive)

J D Denoon Duncan

A S Foote (Non-executive)

T P Froehlich (Non-executive)

A Kong

P Langridge

D E S Shipley (Non-executive Chairman)

C J Smelt

R J Sumner

R K Trubshaw (Active Underwriter)

Company Secretary

P Langridge

Managing Agent's Registered Office

Fitzwilliam House

10 St. Mary Axe

London

EC3A 8EN

Managing Agent's Registration

Registered in England; number: 03985640

SYNDICATE

Active Underwriter

R K Trubshaw

Principal Investment Managers

Schroders Investment Management Limited

Registered Auditor

Deloitte LLP

Hill House

1 Little New Street

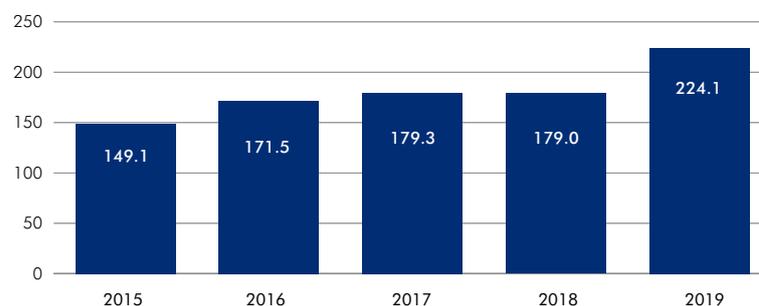
London

EC4A 3TR

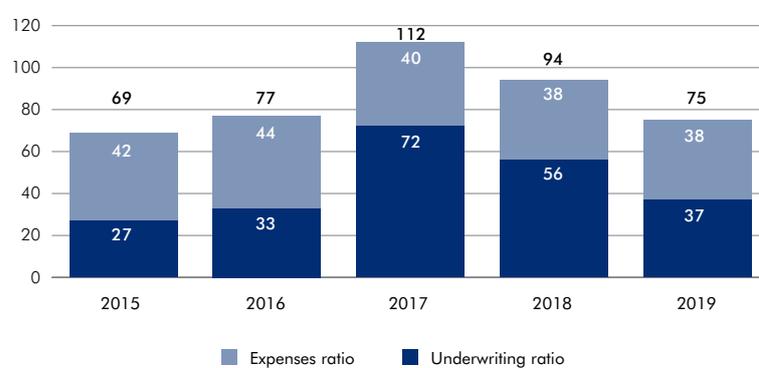
KEY FINANCIAL DATA

All data is at 31 December

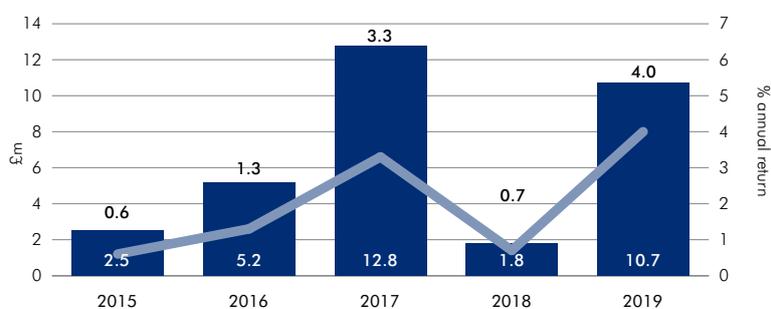
Gross premiums written 2015 to 2019 (£m)



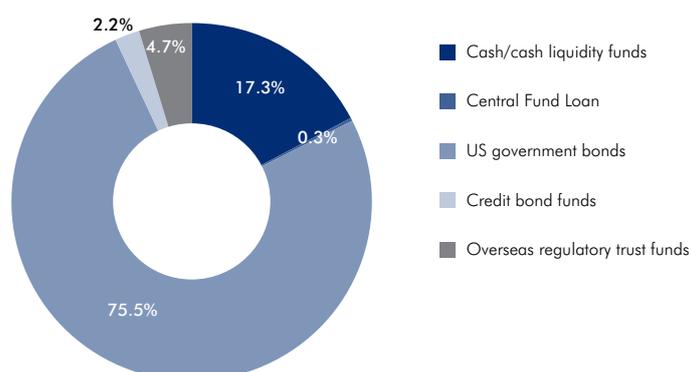
Combined ratio 2015 to 2019 (%)



Net Investment return 2015 to 2019



Total investment asset composition 2019



MANAGING AGENT'S REPORT

The directors of the managing agent present their report for the year ended 31 December 2019. 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'), FRS 102 and FRS 103, being applicable UK GAAP accounting standards, and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

Separate underwriting year accounts for the closed 2017 year of account are attached to these accounts in the section headed Underwriting Year Distribution Accounts (pages 3 to 32).

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 2019 calendar year produced an annually accounted profit of £51.3m (2018: £9.3m) on gross earned premiums of £208.8m (2018: £176.6m) gross of acquisition and reinsurance costs. The net combined ratio was 75.3% (2018: 94.4%).

Movement on underwriting years of account during the 2019 calendar year

	2016 and prior periods £'000	2017 £'000	2017 and prior periods £'000	2018 £'000	2019 £'000	Total £'000	2018 £'000
Gross written premium	(496)	2,898	2,402	23,233	198,442	224,077	178,967
Net premium earned	(894)	9,478	8,584	59,673	98,299	166,556	138,904
Net claims incurred	21,269	(778)	20,491	(30,594)	(51,961)	(62,064)	(78,414)
Acquisition costs	(41)	(2,840)	(2,881)	(19,365)	(25,497)	(47,743)	(39,640)
	20,334	5,860	26,194	9,714	20,841	56,749	20,850
Operating expenses	(292)	(4,255)	(4,547)	(1,217)	(9,856)	(15,620)	(13,098)
Investment income	–	8,549	8,549	1,276	827	10,652	1,830
Non-technical account foreign currency adjustment	(97)	96	(1)	(423)	216	(208)	(198)
Annual accounted profit	19,945	10,250	30,195	9,350	12,028	51,573	9,384
Currency translation differences	(605)	244	(361)	451	(365)	(275)	(128)
Total Comprehensive Income	19,340	10,494	29,834	9,801	11,663	51,298	9,256
As previously reported	–	(14,643)	(14,643)	(19,357)	–	(34,000)	(10,242)
Cumulative pure year result	19,340	(4,149)	15,191	(9,556)	11,663	17,298	(986)
Net annual accounting ratios:							
Claims ratio						37%	56%
Expense ratio						38%	38%
Combined ratio						75%	94%

MANAGING AGENT'S REPORT

continued

	Gross Written Premium £'000	Net Written Premium £'000	Net Earned Premium £'000	Underwriting Profit/(Loss) £'000
2019				
Property Direct	50,858	40,034	34,614	7,479
Reinsurance property	107,056	72,110	70,246	16,487
Marine	11,661	11,232	10,075	2,847
Motor and specialist	37,263	36,484	34,701	7,989
Liability	8,838	8,837	9,074	6,473
Accident and health	8,401	8,397	7,846	(146)
Total	224,077	177,094	166,556	41,129
	Gross Written Premium £'000	Net Written Premium £'000	Net Earned Premium £'000	Underwriting Profit/(Loss) £'000
2018				
Property Direct	30,831	25,582	22,202	8,363
Reinsurance property	87,769	58,380	57,411	(9,002)
Marine	7,765	7,394	6,296	2,069
Motor and specialist	36,052	35,590	36,226	5,423
Liability	8,551	8,559	8,856	501
Accident and health	7,999	7,990	7,913	398
Total	178,967	143,495	138,904	7,752

2019 Overview

After two painful years, the market finally started to move in a more positive direction, although most of the improvement was limited to catastrophe exposed lines of business. Net earned premium volume is up 20% over 2018. The back years, 2016 and prior, contributed £19.3m to the annual result, following better than expected reserve utilisation in the calendar year. The three open years all had similar year on year positive performance, as the catastrophe loads unwound and loss ratio picks improved. The investment yield of £10.7m (last year £1.8m) also helped boost the calendar year return.

Once again Japan has suffered significant catastrophe loss from typhoons Faxai and Hagibis, and events from 2018 have deteriorated markedly. Our writings in this territory are down to historic lows: in common with most International business rates are currently nowhere near commensurate with the underlying risk. As such we have minimal impacts from these losses.

The United States had no major events in 2019, although hurricane Dorian, which devastated the Bahamas, was a narrow miss for Florida. There was continued deterioration from hurricane Irma, although not beyond our expectations, and the loss is now fully hedged by our retrocessional excess of loss programme.

2020 Trading Conditions

It appears that finally a certain number of stars (but by no means all) are starting to align, which should enable nimble, underwriting focused businesses like MAP to prosper. For the industry there is anecdotal evidence of pressure on back year reserves, following deterioration in many casualty classes. Should this magnify into a full-blown crisis (although this is as yet by no means certain), as happens every twenty years or so, this would act as a significant tax on competitors' balance sheets, as they try to solve years of inadequate reserving with ongoing rate. Elevated investment yields, which helped support the underwriting return in the 2019 calendar year, are also unlikely to be replicated in the short term.

The retrocessional catastrophe market, which has suffered from marked deterioration in loss estimates over the last three years, is now starting to re-price the product and differentiate better between cedants. This is causing significant market dislocation, as competitors look to pass on these extra costs, or rebalance an over-leveraged portfolio by shedding exposure.

In the meantime the Lloyd's regulators are continuing to focus on the need for sustainable profitability. Sensibly they now have a range of tools to achieve this, and recognise that carrots, as well as sticks, are required when trying to influence market behaviour. To this end, we are gratified that MAP is deemed to be a "light touch" syndicate, and we trust that such a differentiated approach will continue.

On a specific note, it is pleasing to report that, January to January, premium volume is up almost 50% as hitherto underpriced business comes up to our technical standards. Whilst one should not get carried away (we are after all only projecting a re-run of conditions last experienced in 2013, and we are always trading premium for risk), it is tangible evidence that, after years in the doldrums, the market is once again affording sufficient opportunity to underwrite.

MANAGING AGENT'S REPORT

continued

FINANCIAL REPORT

Investment return

The investment return for 2019 was 4.2%, £11.7m (2018: 1.0%, £2.7m). Net of investment expenses the return was 4.0%, £10.7m (2018: 0.7%, £1.8m.)

In line with our underwriting, the vast majority (86%) of syndicate investment assets are held in US Dollars and this is where our narrative will focus.

The defensive position adopted in 2018 was maintained throughout 2019. With low underwriting returns forecast for the 2017 and 2018 accounts, risk taking (duration, credit or equity) was not seen as an appropriate strategy for our policyholders and capital providers. The low/negative interest rate decisions taken by global central banks has created an uncomfortable disconnect between fundamental assets and financial ones (credit assets and equity valuations). The US Federal Reserve 'Fed' cut interest rates three times in the second half of 2019, as it sought to keep the United States economic expansion going. This led to further inversions across the US Treasury yield curve, which has historically been a precursor for a recession as the monetary impact filters through to the economy. In light of the prevailing conditions our driving strategy was the preservation of capital.

Whilst the best part of our portfolio is held at the short end, with an average duration through the year of 1.4 years, around 8% of the investment assets was allocated to a portfolio of 20 year duration US Treasuries. The rationale behind this holding is that yields will remain low for longer and inflation will struggle to take hold. As the Fed cut rates in 2019, the markets view on future positive inflationary rates worsened, the yield at the long end fell, resulting in a 17.2% return to this long duration portfolio (the shorter end portfolio returned 3.4%).

Our core mantra has always been we are an insurance company and not an investment company. We will not chase additional cents when central banks appear to be at their monetary limit in both the US and Europe. We are now in an unprecedented economic environment in which the real rates of all the main global economies are essentially at zero and below. We hope the Swedish Central bank's raise in rates back to zero in late December 2019 could be the first of many to dismiss the negative rate experiment as nothing more than one which subsidised low-productivity and high indebted sectors.

A positive underwriting opening year on our 2019 YOA has presented us with funds with which we could take additional risk over a longer time frame. However, we don't at present see many asset classes which appear sufficiently attractive to merit investment. Indeed, we have recently requested a full redemption from our one remaining risk asset (distressed credit/hedge fund) following a run of marginal returns and the news of a key individual retiring.

Fortunately, our underwriting has limited Euro exposure and our Euro assets are held in a short duration (<1yr) liquidity fund, minimising our losses due to negative interest rates. Our Canadian business is almost all held under Canadian insurance regulatory rules and our Sterling is continuously topped up using our dollars to pay the syndicates expenses, and so no investment decisions required on those fronts.

MANAGING AGENT'S REPORT

continued

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

Asset class	2019		2018	
	Return %	Closing assets as a proportion of portfolio %	Return %	Closing assets as a proportion of portfolio %
Cash/cash liquidity funds	1.4	18.3	0.7	19.3
Equities long	-	-	-	-
Equities long short	-	-	9.1	3.9
US government bonds	4.9	73.3	0.6	69.4
US agency bonds	-	-	-	-
US corporate debt	-	-	(0.1)	-
Lloyd's central fund loan	-	0.2	-	-
Credit bond funds	4.1	2.4	0.8	2.3
Overseas regulatory trust funds	2.9	5.8	0.6	5.1
Return	4.2		0.9	
Return after charges	4.0		0.7	

The key characteristics for each class are described below:

Cash and cash liquidity funds

These comprise either cash at bank, money market sweep accounts or in liquidity funds with a duration of less than one year. The cash is spread across five different major banks.

Credit bond funds

We invest in one open ended distressed credit / hedge fund managed by an external specialist manager. A full redemption has been requested in early 2020.

US government bonds

These comprise of US Treasury notes and bills. A simplified 2 year monthly rolling US Treasury portfolio with a portion in 20 year US Treasury bonds. Two large external US investment managers are engaged to run our debt portfolio, with one specializing in the long end of the curve. The Government bonds have a duration of around 3.4 years (2018: 3.5 years).

Overseas regulatory trust funds

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

Lloyd's central fund loan

In order to capitalize the Brussels office, Lloyd's required all managing agents to loan them an amount relevant to their forecast gross written premium for each year of account from 2019 onwards. Annual interest payments (3% above 5 years UK gilts) are subject to the discretion of the Council of Lloyd's as is the loan repayment after five years, we account for the loan under FRS102 as an equity instrument at fair value rather than a loan.

MANAGING AGENT'S REPORT

continued

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 custodian's overall prices to our bond manager's 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 2019	Rating						Total
	AAA	AA	A	BBB	<BBB	Not Rated	
Shares and other variable yield securities and unit trusts	11,104	–	10,059	–	–	–	21,163
Debt securities	–	226,477	–	–	–	–	226,477
Participation in investment pools	3,060	10,488	3,802	–	–	6,652	24,002
Loans and deposits with credit institutions	–	–	1,091	–	–	–	1,091
Overseas deposits as investments	2,891	6,890	–	20	254	3,981	14,036
Reinsurers' share of claims outstanding	–	–	47,059	–	–	34	47,093
Cash at bank and in hand	–	–	13,206	–	–	–	13,206
Accrued interest	–	1,192	22	–	–	–	1,214
Total credit risk	17,055	245,047	75,239	20	254	10,667	348,282

31 December 2018

	AAA	AA	A	BBB	<BBB	Not Rated	Total
Shares and other variable yield securities and unit trusts	10,537	–	16,870	–	–	–	27,407
Debt securities	–	208,553	–	–	–	–	208,553
Participation in investment pools	3,056	13,109	–	–	–	18,587	34,752
Loans with credit institutions	–	–	–	–	–	–	–
Overseas deposits as investments	–	10,948	–	23	120	4,176	15,267
Reinsurers' share of claims outstanding	–	–	58,989	–	–	94	59,083
Cash at bank and in hand	–	–	12,674	–	–	–	12,674
Accrued Interest	–	809	–	–	–	–	809
Total credit risk	13,593	233,419	90,355	23	120	22,857	360,367

Of the £47.1m (2018: £59.1m) reinsurers' share of claims outstanding, £Nil (2018: £Nil) is backed by undrawn trust fund assets.

MANAGING AGENT'S REPORT

continued

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

Around 80% 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 loss for the year is £0.3m (2018 loss: £0.1m). This principally reflects the weakening of the US dollar against sterling from the opening rate of 1.27 to the current year end rate of 1.32 and is further detailed in note 13. 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

	On paid claims	On outstanding claims	On IBNR	2019 Total	2018 Total
Standard & Poor's rating	£m	£m	£m	£m	£m
A	22.4	23.8	23.3	69.5	75.5
Not rated	0.2	–	–	0.2	–
	22.6	23.8	23.3	69.7	75.5

Of the total reinsurance debtors rated A in the table above, the amounts owed by Syndicate 6103 are £19.9m.

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 managing agent is required to provide a Solvency Capital Requirement (SCR) to Lloyd's which sets the capital required to be held by the members of the syndicate for the prospective underwriting year. Lloyd's syndicate SCRs are combined to provide the basis of the Lloyd's internal model which the Prudential Regulation Authority originally approved in December 2016.

This amount is derived from the syndicate's loss distribution, which is calculated internally. It is the loss at the 99.5% confidence level, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group. A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicate on which it is participating but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Requirement (ECR). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2020 is 35% (2019: 35%) of the member SCR 'to ultimate'.

The syndicate current capital requirement 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.

MANAGING AGENT'S REPORT

continued

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

	2020 £m	2019 £m
2791	264.0	240.6

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

European Union business

In order to ensure continued market access to European (re)insurance business following the U.K.'s exit from the European Union, Lloyd's has established a Belgian subsidiary - Lloyd's Insurance Company S.A.

More commonly known as 'Lloyd's Brussels', this subsidiary is authorised and regulated as an insurance entity by the National Bank of Belgium and regulated by the Financial Services and Markets Authority.

Lloyd's Brussels is capitalised in accordance with Solvency II rules and is licensed to write non-life risks across the European Economic Area (EEA), the UK and Monaco.

Lloyd's Brussels benefits from Lloyd's central resources, including the Lloyd's Central Fund. As all Lloyd's Brussels policies are 100% reinsured back to Lloyd's syndicates, they are ultimately backed by Lloyd's unique capital structure, often referred to as the Chain of Security.

All European non-life business incepting and/or renewing on or after 1 January 2019 will now be placed with Lloyd's Brussels and the structure of Lloyd's Brussels enables business partners and policyholders to retain access to the underwriting expertise of the Lloyd's market via established distribution channels of brokers, coverholders, and syndicates.

Lloyd's has publicly committed that its syndicates will continue to pay all valid claims on historic policies and that before the end of 2020 all legacy EEA business will be moved to Lloyd's Brussels via a Part VII transfer.

All direct European Union business written from 1 January 2019 will be presented as reinsurance accepted in the annual accounts.

This business is subject to a 2.75% charge and the syndicate has written business of £3.5m incurring a charge of £0.1m to Lloyd's Brussels subsidiary.

Future Developments

The syndicate continues to transact the majority of its business in the classes of general insurance and reinsurance that it has transacted historically.

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 insured's needs.

MANAGING AGENT'S REPORT

continued

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 MAP's 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 where possible collateral in the form of trust funds is requested before reinsurance is placed with some reinsurers. 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 use of an economic scenario generator in the capital setting process. This risk is managed by spreading the investments 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 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 or falling market interest rates. For example, debt and fixed income securities are exposed to actual fluctuations or changes in market perception of current or future interest rates. Exposure to interest rate risk is monitored through the use of Value-at-Risk analysis, scenario testing, stress testing and duration reviews. Interest rate risk is managed by matching of assets and liabilities to within five years.

MANAGING AGENT'S REPORT

continued

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 managing agent and the syndicate are 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 managing agent has a director of risk and assurance who monitors regulatory developments and assesses the impact on agency policy supported by an assistant who carries out a compliance monitoring programme.

Climate change risk

Stress tests have been carried out as part of the ORSA process (and detailed in the Quarterly Risk report and annual ORSA report), which assess the potential impact of Climate Change across the major risk categories (Underwriting, Reserving, Market, Operational and Credit risk). It was not thought that any of the scenarios stress tested would materially impact capital or profitability over a one year time horizon. The Executive and Risk Committee reviewed the Climate Change stress testing as part of the ORSA report.

CORPORATE GOVERNANCE

Directors and Directors' Interests

The directors of the managing agent who served during the year ended 31 December 2019 together with their participations on the syndicate were as follows:

	2019 year of account £'000	2018 year of account £'000
K Allchorne (Non-executive)	–	–
C E Dandridge (Non-executive)	–	–
J D Denoon Duncan ^{(1) (2)}	859	859
A S Foote (Non-executive) ⁽¹⁾	500	500
T P Froehlich (Non-executive)	–	–
A Kong ^{(1) (2)}	2,485	2,485
P Langridge	–	–
D E S Shipley (Chairman) ⁽¹⁾	6,139	6,139
C Smelt ^{(1) (2)}	2,353	2,353
R J Sumner ⁽¹⁾	1,355	1,355
R K Trubshaw (Active Underwriter) ⁽¹⁾	9,881	9,881

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

(2) Include participations of related parties.

The total capacity of the 2019 year of account of the syndicate was £399.6m.

Governance Framework

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

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

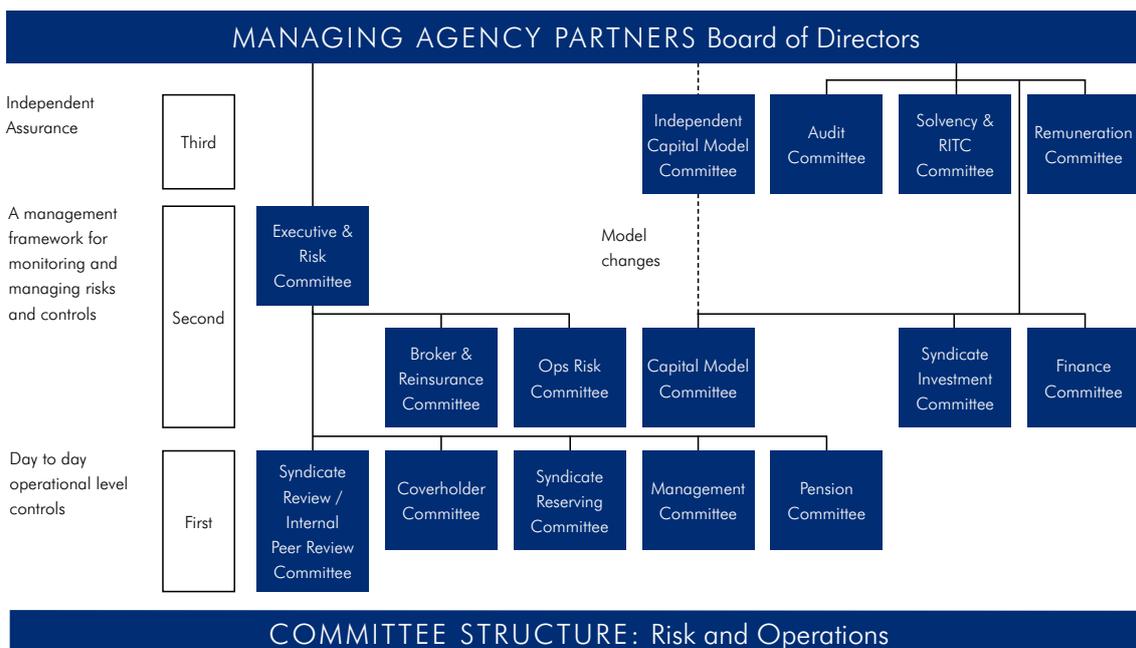
MANAGING AGENT'S REPORT

continued

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

- oversight committees each comprising a majority of non-executive directors; and
- independent assurance review through the Internal Audit Function.

This is depicted in the following Committee Structure diagram:



Reappointment of Auditors

Deloitte 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 within 21 days of the issue of these accounts. Any such objection should be addressed to P Langridge, Risk & Assurance Director at the registered office of Managing Agency Partners Limited.

This managing agent's report was approved by the Board of Managing Agency Partners Limited on 25 February 2020 and signed on its behalf by:

R K Trubshaw

Active Underwriter

Managing Agency Partners Limited

London

25 February 2020

P Langridge

Company Secretary

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 AUDITOR'S REPORT

to the Members of Syndicate 2791

Independent auditor's report to the members of Syndicate 2791

Report on the audit of the syndicate annual financial statements

Opinion

In our opinion the syndicate annual financial statements of Syndicate 2791 (the 'syndicate'):

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2019 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
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have audited the syndicate annual financial statements 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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the syndicate annual financial statements section of our report.

We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

The managing agent is responsible for the other information. The other information comprises the information included in the annual report, other than the syndicate annual financial statements and our auditor's report thereon. Our opinion on the syndicate annual financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

INDEPENDENT AUDITOR'S REPORT

continued

We have nothing to report in respect of these matters.

Responsibilities of managing agent

As explained more fully in the managing agent's responsibilities statement, the managing agent is responsible for the preparation of the syndicate annual financial statements and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of syndicate annual financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the syndicate annual financial statements

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

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

Report on other legal and regulatory requirements

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

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

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

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

Matters on which we are required to report by exception

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with regulation 10 of 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.

Andrew Downes (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, UK

26 February 2020

INCOME STATEMENT TECHNICAL ACCOUNT – GENERAL BUSINESS

for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Earned premiums, net of reinsurance			
Gross premiums written	4	224,077	178,967
Outward reinsurance premiums		(46,983)	(35,472)
Net premiums written		177,094	143,495
Change in the provision for unearned premiums:			
Gross amount		(15,307)	(2,407)
Reinsurers' share		4,769	(2,184)
Change in the net provision for unearned premiums		(10,538)	(4,591)
Earned premiums, net of reinsurance		166,556	138,904
Allocated investment return transferred from the non-technical account	11	10,652	1,830
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	4,6	(98,569)	(104,755)
Reinsurers' share		20,190	24,471
Net claims paid		(78,379)	(80,284)
Change in the provision for claims			
Gross amount	4	25,709	6,822
Reinsurers' share		(9,394)	(4,952)
Change in the net provision for claims		16,315	1,870
Claims incurred, net of reinsurance		(62,064)	(78,414)
Acquisition expenses		(49,468)	(40,962)
Change in deferred acquisition expenses	7	1,725	1,322
Reinsurers' commissions and profit participations		1,961	1,488
Administrative expenses	8	(17,581)	(14,586)
Net operating expenses	4	(63,363)	(52,738)
Balance on the technical account for general business		51,781	9,582

All operations are continuing.

INCOME STATEMENT NON-TECHNICAL ACCOUNT

for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Balance on the general business technical account		51,781	9,582
Investment return	11	10,652	1,830
Allocated investment return transferred to general business technical account		(10,652)	(1,830)
Non-technical account foreign exchange		(208)	(198)
Profit for the financial year		51,573	9,384

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Profit for the financial year		51,573	9,384
Exchange differences on foreign currency translation	13	(275)	(128)
Total comprehensive income for the year		51,298	9,256

STATEMENT OF CHANGES IN MEMBERS' BALANCES

for the year ended 31 December 2019

	2019 £'000	2018 £'000
Members' balances brought forward at 1 January 2019	(986)	36,910
Total comprehensive income for the year	51,298	9,256
Members' agents fees 2016 (2015) year of account	(2,142)	(2,111)
Payments of profit to members' personal reserve funds for the 2016 (2015) year of account	(30,872)	(45,041)
Members' balances carried forward at 31 December 2019	17,298	(986)

STATEMENT OF FINANCIAL POSITION ASSETS

as at 31 December 2019

	Note	2019 £'000	2018 £'000
Investments			
Financial investments	14	286,769	287,801
Reinsurers' share of technical provisions			
Provision for unearned premiums	5	13,307	8,988
Claims outstanding	6	47,093	59,083
		60,400	68,071
Debtors			
Debtors arising out of direct insurance operations	15	21,267	17,434
Debtors arising out of reinsurance operations	15	70,327	58,169
Other debtors	16	7,657	9,329
		99,251	84,932
Other assets			
Cash at bank and in hand	19	13,206	12,674
Prepayments and accrued income			
Accrued interest		1,214	809
Deferred acquisition costs	7	17,864	16,738
Other prepayments and accrued income		1,320	2,698
		20,398	20,245
Total assets		480,024	473,723

STATEMENT OF FINANCIAL POSITION LIABILITIES

as at 31 December 2019

	Note	2019 £'000	2018 £'000
Capital and reserves			
Members' balances		17,298	(986)
Technical provisions			
Provision for unearned premiums	5	71,758	58,886
Claims outstanding	6	322,192	360,684
		393,950	419,570
Creditors			
Creditors arising out of direct insurance operations	17	3,451	3,996
Creditors arising out of reinsurance operations	17	56,255	37,654
Other creditors	18	5,341	9,275
		65,047	50,925
Accruals and deferred income		3,729	4,214
Total liabilities		480,024	473,723

The financial statements on pages 49 to 78 were approved by the Board of Managing Agency Partners Limited on 25 February 2020 and were signed on its behalf by:

R K Trubshaw
Active Underwriter

R J Sumner
Finance Director

25 February 2020

STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Operating profit on ordinary activities		51,573	9,384
Movement in gross technical provisions		(25,620)	15,565
Movement in reinsurers' share of gross technical provisions		7,671	4,536
Movement in debtors		(14,472)	(24,226)
Movement in creditors		13,637	4,959
Investment return		(10,652)	(1,830)
Members' agents' fee advances		(2,142)	(2,111)
Exchange differences on foreign currency translation		(2,990)	(8,729)
Net cash inflow/(outflow) from operating activities		17,005	(2,452)
Cash flows from investing activities			
Purchase of equity and debt instruments		(161,029)	(326,814)
Sale of equity and debt instruments		161,845	370,022
Investment income received		13,882	4,416
Movement in overseas deposits		918	565
Movement in cash equivalents		63	(81)
Movement in central fund loan		(769)	–
Net cash inflow from investing activities		14,910	48,108
Cash flows from financing activities			
Payments of profit to members' personal reserve funds		(30,872)	(45,041)
Net Cash (outflow) from financing activities		(30,872)	(45,041)
Movement in cash and equivalents		1,043	615
Cash and cash equivalents at 1 January		12,744	12,616
Exchange differences on opening cash		(448)	(487)
Cash and cash equivalents at 31 December	19	13,339	12,744

NOTES TO THE ACCOUNTS

for the year ended 31 December 2019

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

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 require management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year.

In the course of preparing the financial statements, no judgements have been made in the process of applying the syndicate's accounting policies, other than those involving estimations that have had a significant effect on the amounts recognised in the financial statements.

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 (see notes 6 & 26)

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

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

Where the amount of any material salvage and subrogation recoveries is separately identified it is reported as an asset.

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

NOTES TO THE ACCOUNTS

continued

2. Judgements and Key Sources of Estimation Uncertainty *continued*

Estimates of future premiums (see notes 5 & 15)

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates are judgemental. 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 whether the estimates of gross future premium are fairly stated on the basis of the information available currently to them. However, the ultimate premium receivable can vary as a result of subsequent information or events and this may result in significant adjustments.

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

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 instrument.

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

Further details are given in Note 14.

3. Accounting Policies

Insurance contracts

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

Premiums written

Premiums written comprise premiums on contracts incepted during the financial year 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 received at the statement of financial position. 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.

Premiums for contracts where the syndicate delegates underwriting authority to another party (e.g. binding authorities, lineslips or proportional treaties) use an estimate of the proportion of premiums incepted at the reference date as an estimate based on historical inception patterns, if no pattern exists business is assumed to incept evenly over the term of the delegated authority.

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

NOTES TO THE ACCOUNTS

continued

3. Accounting Policies *continued*

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

Overrides 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.

Minor loss funds are simply treated as claims paid. Where material, loss fund cash flows are reflected as debtors within prepayments and accrued income. Related claims paid are subsequently booked within the income statement with equivalent rolling cash top-ups maintaining the quantum of the loss fund. As claims paid develop and outstanding liabilities reduce, the level of the loss funds held in the balance sheet is reduced and funds returned to the syndicate.

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.

NOTES TO THE ACCOUNTS

continued

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.

The directors of the managing agent do not expect the outcome of these claims, either individually or in aggregate, to have a material effect upon the syndicate's operations or financial position. As allowed by FRS 102, further disclosure has not been given as it may seriously prejudice the outcome of any legal proceedings.

Insurance receivables and payables

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

Bad debt

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

Unexpired risks provision

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

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

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

Foreign currency translation

Financial Reporting Standard 102 requires each entity to identify its functional currency and a presentational currency. The functional currency is identified as the currency of the primary economic environment in which the entity operates. The functional currency of this syndicate is US dollars as the majority of the underwriting business, cash flows and expenses are in US dollars. We have chosen to maintain our presentational currency as sterling as the syndicate is based in the UK, complies with UK reporting standards and to enable simpler comparisons to other Lloyd'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 FRS 103, the syndicate has continued with its existing accounting policy to treat non-monetary assets and liabilities arising from insurance contracts (which include items such as unearned premiums and deferred acquisition costs) the same as monetary assets and liabilities. Consequently, all assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date or if appropriate at the forward contract rate.

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

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

NOTES TO THE ACCOUNTS

continued

3. Accounting Policies *continued*

Foreign currency translation continued

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

	2019		2018	
	Year end	Average	Year end	Average
USD	1.32	1.28	1.27	1.34
CAD	1.72	1.69	1.74	1.73
EUR	1.18	1.14	1.11	1.13

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

Some investments 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.

In such circumstances 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; and
- 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 the 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.

NOTES TO THE ACCOUNTS

continued

3. Accounting Policies *continued*

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 that we can assess at the valuation date.

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

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

For assets held in investment 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 are 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

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 management expenses, charges and interest payable.

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 relate to the technical account.

NOTES TO THE ACCOUNTS

continued

3. Accounting Policies *continued*

Investment management expenses

These 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.

Lloyd's central fund loan

The syndicate has made a loan to Lloyd's whose principle use is for tier 1 capitalising of Lloyd's EU subsidiary, Lloyd's Insurance Company S.A. The loan is repayable after five years and generates interest income to the syndicate. Both the repayment of the loan and the payment of interest is subject to Council of Lloyd's approval. As the loan is not unconditionally recoverable it is treated as an Equity Instrument in line with FRS102 in the balance sheet line - Shares and other variable yield securities. The asset is valued at fair value (level 3) and that fair value is reviewed annually. Interest income on the loan is accrued on the date the payment is approved by the Council of Lloyd's.

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 '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% 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. When the syndicate makes a loss that loss will be debited by year of account until fully utilised reducing the following two years of account's results for the purpose of calculating profit commission.

NOTES TO THE ACCOUNTS

continued

4. Segmental Analysis

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

2019	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Net operating expense £'000	Reinsurance balance £'000	Net technical result £'000	Net of prior accident year £'000	Net technical provisions £'000
Direct insurance								
Accident and health	7,727	7,427	(4,234)	(3,214)	(5)	(26)	(310)	13,089
Motor (third party liability)	277	274	(115)	(49)	(1)	109	73	662
Motor (other classes)	28,032	26,782	(11,858)	(11,006)	(646)	3,272	2,376	40,666
Marine, aviation and transport	9,440	8,997	(2,595)	(2,677)	(255)	3,470	2,190	20,639
Fire and other damage to property	43,933	36,593	(13,841)	(12,910)	(3,768)	6,074	4,413	30,195
Third party liability	5,092	5,302	(1,314)	(1,533)	(75)	2,380	2,675	25,194
Miscellaneous	464	468	(444)	148	-	172	125	3,300
	94,965	85,843	(34,401)	(31,241)	(4,750)	15,451	11,542	133,745
Reinsurance accepted	129,112	122,927	(38,459)	(32,122)	(26,668)	25,678	14,474	199,805
Total	224,077	208,770	(72,860)	(63,363)	(31,418)	41,129	26,016	333,550

2018	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Net operating expense £'000	Reinsurance balance £'000	Net technical result £'000	Net of prior accident year £'000	Net technical provisions £'000
Direct insurance								
Accident and health	7,857	7,760	(3,383)	(3,624)	(8)	745	757	12,051
Motor (third party liability)	292	321	1,119	(209)	(760)	471	9	5,872
Motor (other classes)	27,412	31,161	(16,011)	(10,136)	(2,087)	2,927	3,864	43,566
Marine, aviation and transport	8,484	7,133	(2,605)	(2,287)	(225)	2,016	2,054	22,106
Fire and other damage to property	24,714	22,706	1,328	(9,335)	(7,437)	7,262	8,014	23,601
Third party liability	5,520	5,454	(2,448)	(2,107)	(170)	729	461	27,352
Miscellaneous	794	883	(613)	(286)	-	(16)	(285)	3,181
	75,073	75,418	(22,613)	(27,984)	(10,687)	14,134	14,874	137,729
Reinsurance accepted	103,894	101,142	(75,320)	(24,754)	(7,450)	(6,382)	9,539	213,770
Total	178,967	176,560	(97,933)	(52,738)	(18,137)	7,752	24,413	351,499

All premiums were concluded in the UK.

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.

Net operating expenses include reinsurers' commissions and profit participations.

	2019 £'000	2018 £'000
Total commissions on gross direct premiums earned	25,397	20,316

NOTES TO THE ACCOUNTS

continued

4. Segmental Analysis *continued*

The geographical analysis of premiums, by location of risk is as follows:

	Direct	Reinsurance	2019 £'000
UK	21,050	4,090	25,140
EU countries	329	4,041	4,370
US	55,195	107,981	163,176
Other	18,391	13,000	31,391
Total	94,965	129,112	224,077

	Direct	Reinsurance	2018 £'000
UK	20,770	1,633	22,403
EU countries	2,415	1,656	4,071
US	40,507	88,699	129,206
Other	11,381	11,906	23,287
Total	75,073	103,894	178,967

5. Provision for Unearned Premiums

	Gross £'000	Reinsurers' share £'000	Net £'000
At 1 January 2019	58,886	(8,988)	49,898
Premiums written in year	224,077	(46,983)	177,094
Premiums earned in year	(208,770)	42,214	(166,556)
Foreign exchange	(2,435)	450	(1,985)
At 31 December 2019	71,758	(13,307)	58,451
At 1 January 2018	53,457	(10,682)	42,775
Premiums written in year	178,967	(35,472)	143,495
Premiums earned in year	(176,560)	37,656	(138,904)
Foreign exchange	3,022	(490)	2,532
At 31 December 2018	58,886	(8,988)	49,898

Provision for unearned premiums include £2.3m (2018: £1.5m) in respect of Syndicate 6103.

6. Claims Outstanding

	Gross £'000	Reinsurers' share £'000	Net £'000
At 1 January 2019	360,684	(59,083)	301,601
Claims incurred in current underwriting year	72,860	(10,796)	62,064
Claims paid during year	(98,569)	20,190	(78,379)
Foreign exchange	(12,783)	2,596	(10,187)
At 31 December 2019	322,192	(47,093)	275,099
At 1 January 2018	350,548	(61,925)	288,623
Claims incurred in current underwriting year	97,933	(19,519)	78,414
Claims paid during year	(104,755)	24,471	(80,284)
Foreign exchange	16,958	(2,110)	14,848
At 31 December 2018	360,684	(59,083)	301,601

Claims outstanding includes £7.3m (2018: £11.0m) in respect of Syndicate 6103.

NOTES TO THE ACCOUNTS

continued

7. Deferred acquisition costs

	2019 £'000	2018 £'000
At 1 January 2019	16,738	14,628
Change in deferred acquisition costs	1,725	1,322
Foreign exchange	(599)	788
At 31 December 2019	17,864	16,738

8. Administrative Expenses

	2019 £'000	2018 £'000
Personal expenses	4,828	3,353
Profit commission payable to managing agent	4,443	4,939
Other administrative expenses	8,222	6,296
Gross operating expenses	17,493	14,588
Expense recoveries from reinsurers	88	(2)
Net operating expenses	17,581	14,586

2019	2791 £'000	6103 £'000	Total £'000
Administrative expenses include:			
Auditors' remuneration			
Fees for the audit of the syndicate	174	14	188
Audit related assurance	89	19	108
Taxation compliance services	8	–	8
	271	33	304

2018	2791 £'000	6103 £'000	Total £'000
Administrative expenses include:			
Auditors' remuneration			
Fees for the audit of the syndicate	170	14	184
Audit related assurance	87	19	106
Taxation compliance services	8	–	8
	265	33	298

Audit related assurance includes reporting required by law and regulation, reviews of interim financial information and reporting on regulatory returns.

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

Lloyd's is a member of the Motor Insurers' Bureau of Ireland (MIBI) and is charged a membership levy based on the Irish motor liability premiums written by all Lloyd's syndicates. Lloyd's share is based upon its share of the total market. Lloyd's receive an invoice directly from MIBI which is then allocated proportionally to each relevant syndicate's share. Syndicate 2791 can recover 62.50% of these expenses under the terms of a reinsurance contract. These recoveries are disclosed as expense recoveries from reinsurers within net operating expenses.

9. Staff Costs and Numbers

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

	2019 £'000	2018 £'000
Wages and salaries	4,657	4,498
Social security costs	552	530
Other pension costs	294	313
	5,503	5,341

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.

NOTES TO THE ACCOUNTS

continued

9. Staff Numbers and Costs *continued*

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

	2019	2018
Administration and finance	19	18
Underwriting	24	25
Claims	5	5
	48	48

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

10. 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:

	2019 £'000	Revised 2018 £'000
Emoluments	1,160	1,132

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

	2019 £'000	2018 £'000
Emoluments – R K Trubshaw	304	297

11. Investment Return

	2019 £'000	2018 £'000
Investment income		
Income from investments	4,647	4,485
Gains on the realisation of investments	9,323	3,475
Losses on the realisation of investments	(88)	(3,544)
	13,882	4,416
Net unrealised gains and losses on investments	(2,257)	(1,757)
Investment expenses and charges		
Investment management expenses, including interest payable	(484)	(841)
Investment return payable to Syndicate 6103	(489)	12
	(973)	(829)
Total investment return	10,652	1,830

All investment return arises from investments designated as fair value through profit and loss.

The syndicate is now disclosing losses on the realisation of investments within investment income rather than investment expenses and charges. There is no change to the total investment return.

12. Calendar Year Investment Yield

Average syndicate funds available for investment:

	2019 £'000	2018 £'000
Sterling	12,891	16,322
US dollars	342,446	331,366
Canadian dollars	22,045	22,853
Euros	17,546	30,974
Combined sterling average syndicate funds available for investment	289,772	304,230
Investment return – gross of investment expenses and return payable to Syndicate 6103	11,625	2,659

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

	2019	2018
Sterling	0.7%	0.1%
US dollars	4.5%	1.1%
Canadian dollars	2.0%	1.4%
Euros	0.6%	(0.5)%
Combined	4.2%	0.9%

NOTES TO THE ACCOUNTS

continued

13. Exchange Differences on Foreign Currency Translation

Exchange differences on foreign currency translation arise as follows:

	2019 £'000	2018 £'000
On balances brought forward	1,234	(913)
On transactions during calendar year: from average to year end rates	(1,717)	587
Non-technical account foreign exchange	208	198
	(275)	(128)

14. Financial Investments

	Market value		Cost	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Investments:				
Shares and other variable yield securities and units in unit trusts				
	21,164	27,407	21,151	27,339
Debt securities and other fixed income securities	226,477	208,553	223,292	210,518
Participation in investment pools	17,350	16,165	17,147	16,079
Deposits with credit institutions	1,091	1,822	1,091	1,822
Overseas deposits as investments	14,035	15,267	14,086	15,287
	280,117	269,214	276,767	271,045
Hedge Funds/Alternative Assets:				
Shares and other variable yield securities and units in unit trusts				
	-	-	-	-
Debt securities and other fixed income securities	-	-	-	-
Participation in investment pools	6,652	18,587	6,465	10,736
Deposits with credit institutions	-	-	-	-
Overseas deposits as investments	-	-	-	-
	6,652	18,587	6,465	10,736
Total Investments:				
Shares and other variable yield securities and units in unit trusts				
	21,164	27,407	21,151	27,339
Debt securities and other fixed income securities	226,477	208,553	223,292	210,518
Participation in investment pools	24,002	34,752	23,612	26,815
Deposits with credit institutions	1,091	1,822	1,091	1,822
Overseas deposits as investments	14,035	15,267	14,086	15,287
	286,769	287,801	283,232	281,781

Within "Shares and other variable yield securities and units in unit trusts" and "Participation in investment pools" £9.3m (2018: £19.0m) are listed on a recognised exchange. These comprise 3.3% (2018: 6.6%) of the total market value of investments.

NOTES TO THE ACCOUNTS

continued

14. Financial Investments *continued*

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

2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Shares and other variable yield securities and units in unit trusts	11,062	9,332	769	21,163
Debt securities and other fixed income securities	–	226,477	–	226,477
Participation in investment pools	–	17,350	6,652	24,002
Loans and deposits with credit institutions	1,091	–	–	1,091
Overseas deposits	–	163	13,873	14,036
Total	12,153	253,322	21,294	286,769

2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Shares and other variable yield securities and units in unit trusts	973	26,434	–	27,407
Debt securities and other fixed income securities	–	208,553	–	208,553
Participation in investment pools	–	16,165	18,587	34,752
Loans and deposits with credit institutions	1,822	–	–	1,822
Overseas deposits	–	327	14,940	15,267
Total	2,795	251,479	33,527	287,801

Within "Shares and other variable yield securities and units in unit trusts" is an amount of £0.8m (2018: Nil) in relation to the Lloyd's central fund loan. This comprises 0.3% (2018:Nil) of the total market value of investments and is classed as level 3 in the table above.

15. Debtors Arising Out of Insurance Operations

	2019 £'000	2018 £'000
Arising out of direct insurance		
Due from intermediaries – within one year	21,154	17,434
Due from intermediaries – after one year	113	–
	21,267	17,434
Arising out of reinsurance operations		
Due from intermediaries – within one year	57,589	46,351
Due from intermediaries – after one year	12,738	11,818
	70,327	58,169

Debtors arising out of reinsurance operations of £70.3m (2018: £58.2m) include funds due in respect of Syndicate 6103 of £19.9m (2018: £14.6m).

NOTES TO THE ACCOUNTS

continued

16. Other Debtors

	2019 £'000	Revised 2018 £'000
Due within one year		
Inter-syndicate loan	106	157
Reinsurers' profit commissions and override receivable	465	301
Non-standard personal expenses due from members (overseas taxation)	147	110
Members' agents fees funded	1,532	2,141
Expense recoveries from reinsurers	–	711
Sundry debtors	21	2
	2,271	3,422
Due after one year		
Inter-syndicate loan	133	445
Reinsurers' profit commissions and override receivable	1,881	1,137
Non-standard personal expenses due from members (overseas taxation)	345	1,317
Members' agents fees funded	3,027	3,008
	5,386	5,907
	7,657	9,329

17. Creditors Arising Out of Insurance Operations

	2019 £'000	2018 £'000
Arising out of direct insurance operations		
Intermediaries – due within one year	3,451	3,996
– due after one year	–	–
	3,451	3,996
Arising out of reinsurance operations		
Reinsurance accepted – due within one year	5,350	4,745
– due after one year	–	–
Reinsurance ceded – due within one year	13,155	9,530
– due after one year	37,750	23,379
	56,255	37,654

Creditors in respect of reinsurance operations of £56.3m (2018: £37.7m) include withheld funds due to Syndicate 6103 of £42.9m (2018: £28.5m).

18. Other Creditors

	2019 £'000	2018 £'000
Managing agents profit commissions	4,325	8,253
Reinsurers' profit commission payable	1,007	1,015
Sundry creditors	9	7
	5,341	9,275

Of the managing agent's profit commission creditors above £0.5m (2018: £Nil) fall due after one year.

NOTES TO THE ACCOUNTS

continued

19. Cash and Cash Equivalents

	2019 £'000	2018 £'000
Cash at bank and in hand	13,206	12,674
Short term deposits with financial institutions	133	70
	13,339	12,744

20. Related Parties

The managing agency (MAP), the managed Syndicates 2791 and 6103 and the directors of MAP are all related parties.

- MAP relationship to the syndicates is governed by a managing agent's agreement.
- The syndicates relationship to each other is governed by a reinsurance contract for each year of account
- The directors of the managing agency own shares in the managing agent and receive remuneration from the managing agent based on MAP's profitability
- The directors also participate alongside other capital providers in the syndicate via two unrelated entities MAP Capital Limited and Nomina 208 LLP
- An investment fund in which the syndicate formerly held investments participated in the syndicate's capital and is deemed a related party by virtue of its participation in Syndicate 2791

MAP relationship to the syndicates

Managing agency fees amounting to £3.0m were paid to MAP during 2019 (2018: £2.2m) and profit commission of £4.4m (2018: £4.9m) is also due to the managing agent in respect of the results for this calendar year. Expenses totalling £9.4m (2018: £8.9m) have been recharged during the year. The key management compensation charged to the syndicate is disclosed in note 10. No profit related remuneration is payable by the syndicate to employees of MAP. The managing agency agreement contract setting out fees and profit commission payable to the managing agent is under standard terms set out by Lloyd's.

The syndicates relationship to each other

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% for 2019 and 2018 years of account and 10% for 2017 year of account 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 this book 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.

Under the terms of the reinsurance contract the balance owed from Syndicate 2791 to Syndicate 6103 at the end of the period is £11.6m (2018: owed from 6103 £0.8m) and will be settled through the Lloyd's distribution process. Profit commission in respect of Syndicate 6103 at the end of the period of £2.1m (2018: £0.01m) will be settled by Syndicate 2791 from funds withheld as each year of account is commuted. There are no other conditions or guarantees offered by Syndicate 2791 to Syndicate 6103 under the reinsurance contract.

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

	2019 £'000	2018 £'000
Premiums Receivable	(21,040)	(17,240)
Paid claims	6,618	8,132
Ceding commission	1,074	832
Overriding commission	75	159
Net interest received	(489)	12
Reinsurance to close premium – 2016 (2015) year of account	860	28
Balance owed (to)/by Syndicate 2791 (by)/to Syndicate 6103 at the end of the period:		
due within one year	(997)	2,908
due after one year	12,588	(2,157)

NOTES TO THE ACCOUNTS

continued

20. Related Parties *continued*

The director's ownership of MAP

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.

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

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

The director's participations in the syndicate

Messrs. Shipley, Denoon Duncan, Kong, Trubshaw, Sumner, Smelt and Foote, or their related parties, participate on Syndicate 2791 via a dedicated, but unaligned to the managing agent, corporate member MAP Capital Limited and a corporate member Nomina 208 LLP.

For the 2019 year of account MAP Capital Limited provided £63.0m ((2018: £68.6m) of capacity on Syndicate 2791 representing 15.8% (2018: 17.2%) of capacity.

For the 2019 year of account Nomina No 208 LLP has provided £11.8m (2018: £11.8m) of capacity representing 3.0% (2018: 3.0%).

MAP has no direct or indirect interest MAP Capital Limited or Nomina 208 LLP.

All capital is provided on an arm's length basis.

An investment fund in which the syndicate formerly held investments

Separately, a fund (Steadfast Capital LP) under the management of Steadfast Capital Management Limited participated in the syndicate through a corporate vehicle – the syndicate did not invest in this fund at the balance sheet date having fully redeemed on 1 January 2019.

There are no other transactions or arrangements requiring disclosure.

21. 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 settle losses.

22. 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\$1.4m; the letters of credit are fully collateralised with cash deposits held by Citibank, on the syndicate's account, of US\$1.4m. The terms of these evergreen letters of credit are that the syndicate must put up 105% of assets as collateral and are held as long as the insureds and reinsureds have outstanding liabilities.

23. Events After the Reporting Period

In accordance with the reinsurance contract with Syndicate 6103, the 2017 year of account of that syndicate will be commuted. An RITC will be effected with this syndicate and the reserves carried for the 2017 year of account (amounting to £4.2m) transferred to this syndicate during 2020.

24. Reinsurance to Close Premium Received from Syndicate 6103

At 1 January 2019, Syndicate 2791 accepted a Reinsurance to Close Premium from Syndicate 6103 in respect of Syndicate 6103's 2016 year of account. In addition, the reinsurance contract between Syndicate 2791 and Syndicate 6103 for the 2016 year of account has been commuted with Syndicate 2791 being paid in full for the liabilities assumed as at 1 January 2019.

NOTES TO THE ACCOUNTS

continued

25. Items not Disclosed in the Statement of Financial Position

The syndicate has the right to drawdown on collateral provided by certain reinsurers to the value of £0.9m (2018: £Nil). The collateral can be cash mutual funds or treasuries. As those rights have not been exercised this contingent asset has not been recorded in the Statement of Financial Position. The syndicate has not been party to any other arrangement which is not reflected in its statement of financial position.

26. 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 risk 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 secondly from Special Purpose Arrangement 6103 (SPA 6103) 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 property 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 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 monitors and reviews the inside profit calculation which alters due to 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.

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 2020.

NOTES TO THE ACCOUNTS

continued

26. Risk Management *continued*

Insurance risk continued

RDS	Market Loss (insured) £m	Estimated Gross Claims £m	Estimated Net Claims (after Reinst) £m
Miami Dade	143,204	237	63
Pinellas (West Coast Florida Windstorm)	132,860	262	78
Gulf of Mexico	113,161	232	58
North East USA Hurricane	81,028	225	66
San Andreas (San Francisco)	46,126	188	25
Elsinore (Los Angeles)	40,495	150	31

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

	Gross Technical Provisions £'000	Reinsurance Technical Provisions £'000	Net Technical Provisions £'000
31 December 2019			
Accident and health	13,091	2	13,089
Motor (third party liability)	662	-	662
Motor (other classes)	65,157	24,491	40,666
Marine, aviation and transport	20,759	120	20,639
Fire and other damage to property	36,470	6,275	30,195
Third party liability	25,205	11	25,194
Miscellaneous	3,300	-	3,300
Reinsurance acceptances	229,306	29,501	199,805
	393,950	60,400	333,550

	Gross Technical Provisions £'000	Reinsurance Technical Provisions £'000	Net Technical Provisions £'000
31 December 2018			
Accident and health	12,053	2	12,051
Motor (third party liability)	14,515	8,643	5,872
Motor (other classes)	67,908	24,342	43,566
Marine, aviation and transport	22,256	150	22,106
Fire and other damage to property	26,479	2,878	23,601
Third party liability	27,405	53	27,352
Miscellaneous	3,181	-	3,181
Reinsurance acceptances	245,773	32,003	213,770
	419,570	68,071	351,499

The geographical concentration of the outstanding 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.

	Gross Technical Provisions £'000	Reinsurance Technical Provisions £'000	Net Technical Provisions £'000
31 December 2019			
UK	15,285	96	15,189
EU	44,870	24,228	20,642
USA	289,660	32,976	256,684
Canada	14,434	744	13,690
Australia/Japan/Other	29,701	2,356	27,345
	393,950	60,400	333,550

NOTES TO THE ACCOUNTS

continued

26. Risk Management *continued*

Insurance risk continued

31 December 2018	Gross Technical Provisions £'000	Reinsurance Technical Provisions £'000	Net Technical Provisions £'000
UK	13,586	28	13,558
EU	59,008	32,863	26,145
USA	319,657	33,837	285,820
Canada	9,509	244	9,265
Australia/Japan/Other	17,810	1,099	16,711
	419,570	68,071	351,499

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: one off occurrences; changes in market factors such as public attitude to claiming; economic conditions; as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation could 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.

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, the assumptions were changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

Claim sensitivity

	2019 £'000	2018 £'000
Gross outstanding claims	322,192	360,684
Net outstanding claims	275,099	301,601
Impact of 10% increase in gross outstanding claims	31,202	35,151
Impact of 10% increase in net outstanding claims	25,749	28,862
Impact of 10% increase in long-tail casualty (gross and net) outstanding claims	9,681	10,881
Impact of 10% increase in gross 2019 (2018) CAT losses	Nil	4,449
Impact of 10% increase in net 2019 (2018) CAT losses	Nil	3,962

Long-tail casualty liabilities are both direct and reinsurance liabilities for the following lines of business: Directors and officers, errors and omissions, medical malpractice and other casualty.

The impact on both profit and members' balances of the gross reserves is the figure shown above less profit commission of £5.3m (2018: £5.8m).

The impact on both profit and members' balances of the net reserves is the figure shown above less profit commission of £4.4m (2018: £4.9m).

The impact on both profit and members' balances of the long tail casualty reserves is the figure shown above less profit commission of £1.8m (2018: £2.0m).

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

The syndicate has remaining material exposure to the hurricanes Florence, Michael and California wildfires in the 2018 year of account. This increases the uncertainty of the syndicate's total reserves, but does not increase that uncertainty in an adverse direction significantly beyond the normal range of uncertainty for insurance liabilities at this stage of development.

NOTES TO THE ACCOUNTS

continued

26. Risk Management *continued*

The syndicate has material exposure to Irish Motor bodily injury claims in the 2016 and prior years of account. However, this exposure does not lead to a material increase in the uncertainty of the syndicate's total reserves in an adverse direction. For the avoidance of doubt, the syndicate has no material exposure to these claims in the 2017 and post years of account.

Claims development table

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 took advantage of the transitional rules of FRS 103 that permit only five years of information to be disclosed upon adoption in 2015. The claims development information disclosed is being increased from nine years to ten years over the period 2019-2020.

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 confidence in the provision's 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.

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 2016 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 2019

	2010 and prior £'000	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	Total £'000
Estimate of Net											
Ultimate Claims											
12 months		190,738	204,396	114,248	90,578	85,148	86,732	118,841	127,739	102,907	
24 months		136,087	183,198	96,378	80,861	77,545	102,483	116,267	124,010	-	
36 months		147,849	181,760	94,428	82,354	76,130	97,283	117,584	-	-	
48 months		159,536	187,022	91,637	80,543	76,302	96,199	-	-	-	
60 months		153,748	184,151	89,229	80,027	76,836	-	-	-	-	
72 months		151,610	180,373	88,628	79,073	-	-	-	-	-	
84 months		149,491	177,354	87,238	-	-	-	-	-	-	
96 months		149,221	170,416	-	-	-	-	-	-	-	
108 months		148,973	-	-	-	-	-	-	-	-	
Total Ultimate losses		148,973	170,416	87,238	79,073	76,836	96,199	117,584	124,010	102,907	
Less cumulative paid claims		(127,789)	(145,462)	(75,511)	(61,386)	(49,888)	(62,940)	(86,270)	(72,933)	(10,846)	
Less unearned portion of ultimate losses		-	-	-	-	-	-	2	(4,224)	(47,624)	
Add ULAE provision at 31 December		822	724	351	545	776	1,024	787	1,502	1,824	
Gross claims											
liabilities	55,472	22,006	25,678	12,078	18,232	27,724	34,283	32,103	48,355	46,261	322,192

NOTES TO THE ACCOUNTS

continued

26. Risk Management *continued*

Claims development table continued

Net insurance contract outstanding claims provision as at 31 December 2019

	2010 and prior £'000	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	Total £'000
Estimate of Net Ultimate Claims											
12 months		178,310	190,733	102,100	80,575	75,857	72,182	101,364	105,051	90,581	
24 months		129,411	172,041	84,444	68,846	63,020	78,037	99,146	103,270	-	
36 months		140,402	169,119	81,763	69,716	62,172	75,350	96,261	-	-	
48 months		150,250	172,647	78,728	67,903	63,096	74,825	-	-	-	
60 months		146,742	169,515	76,494	67,798	63,110	-	-	-	-	
72 months		145,215	165,739	75,921	67,142	-	-	-	-	-	
84 months		142,901	162,828	74,736	-	-	-	-	-	-	
96 months		142,755	156,984	-	-	-	-	-	-	-	
108 months		142,387									
Total Ultimate losses		142,387	156,984	74,736	67,142	63,110	74,825	96,261	103,270	90,581	
Less cumulative paid claims		(121,430)	(135,748)	(64,988)	(52,782)	(43,181)	(53,658)	(69,894)	(59,581)	(9,810)	
Less unearned portion of ultimate losses		-	-	-	-	-	-	-	(4,147)	(41,963)	
Add ULAE provision at 31 December		822	724	351	545	776	1,024	787	1,502	1,824	
Net claims liabilities	54,630	21,779	21,960	10,099	14,905	20,705	22,191	27,154	41,044	40,632	275,099

In 2019, there has been an overall net surplus in ultimate claims of £10.1m (2018: £7.3m) due to lower than expected incurred movements across most classes of business.

27. 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.

2019	GBP £'000	USD £'000	EUR £'000	CAD £'000	AUD £'000	JPY £'000	Other £'000	Total £'000
Financial investments	1,849	259,075	8,252	12,817	562	-	4,214	286,769
Reinsurers' share of technical provisions	96	32,976	24,228	744	833	-	1,523	60,400
Insurance and reinsurance receivables	2,179	81,393	3,404	1,713	665	214	2,026	91,594
Cash and cash equivalents	6,236	353	6,617	-	-	-	-	13,206
Other assets	5,558	18,770	1,150	1,421	289	49	818	28,055
Total assets	15,918	392,567	43,651	16,695	2,349	263	8,581	480,024
Technical provisions	(15,285)	(289,660)	(44,870)	(14,434)	(2,860)	(9,968)	(16,873)	(393,950)
Insurance and reinsurance payables	(1,722)	(55,699)	(268)	(501)	(266)	(49)	(1,201)	(59,706)
Other creditors	(1,237)	(7,814)	(11)	(8)	-	-	-	(9,070)
Total liabilities	(18,244)	(353,173)	(45,149)	(14,943)	(3,126)	(10,017)	(18,074)	(462,726)
Members' balances by currency	(2,326)	39,394	(1,498)	1,752	(777)	(9,754)	(9,493)	17,298

The largest currency within other financial investments are Swiss Francs £3.8m.

If sterling was to weaken by 10% and 20% the impact on the above converted sterling profit would be a decrease of £2.2m and £4.9m respectively.

NOTES TO THE ACCOUNTS

continued

27. Risk Management of Currency Risk *continued*

2018	GBP £'000	USD £'000	EUR £'000	CAD £'000	AUD £'000	JPY £'000	Other £'000	Total £'000
Financial investments	3,057	251,662	15,898	12,564	343	-	4,277	287,801
Reinsurers' share of technical provisions	28	33,837	32,863	244	159	22	918	68,071
Insurance and reinsurance receivables	2,675	65,456	3,553	800	344	223	2,552	75,603
Cash and cash equivalents	4,985	360	7,329	-	-	-	-	12,674
Other assets	7,710	18,236	1,720	1,017	147	39	705	29,574
Total assets	18,455	369,551	61,363	14,625	993	284	8,452	473,723
Technical provisions	(13,586)	(319,657)	(59,008)	(9,509)	(1,400)	(2,248)	(14,162)	(419,570)
Insurance and reinsurance payables	(1,298)	(38,106)	(262)	(173)	(157)	(46)	(1,608)	(41,650)
Other creditors	(1,884)	(11,323)	(279)	(3)	-	-	-	(13,489)
Total liabilities	(16,768)	(369,086)	(59,549)	(9,685)	(1,557)	(2,294)	(15,770)	(474,709)
Members' balances by currency	1,687	465	1,814	4,940	(564)	(2,010)	(7,318)	(986)

The largest currency within other financial investments are Swiss Francs £3.9m.

If sterling had weakened by 10% and 20% the impact on the above comparative total converted sterling profit would have been an increase of £2.9m and £6.6m respectively.

28. Other Risk Management Matters

	2019 £'000	2018 £'000
Interest rate risk		
Impact of 50 basis point increase in interest rates on result	(3,879)	(3,675)
Impact of 50 basis point decrease in interest rates on result	3,882	3,678

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.

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

NOTES TO THE ACCOUNTS

continued

28. Other Risk Management Matters *continued*

	2019	2018
	£'000	£'000
Equity price risk		
Impact on result of 5% increase in Stock Market Prices	–	–

There is zero equity price risk in 2019 as the syndicate sold its holding in long only equity fund in 2017.

The Lloyd's central fund loan is treated as an equity instrument but due to its underlying characteristics it does not present an equity price risk to the syndicate.

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 held a limited portfolio of equities which were 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.

The impact of the above market equity price sensitivity is within our investment parameter guidelines and management tolerance.

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 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.

It should be noted that although the above table illustrates contractual durations of financial investments, the majority of these assets can be redeemed whenever necessary to meet settlement of liabilities as they fall due.

	No stated maturity	Up to a year	1-3 years	3-5 years	>5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
2019						
Financial investments	-	163,855	80,008	18,205	24,701	286,769
Reinsurer's share of technical provisions – provision for unearned premiums	13,307	-	-	-	-	13,307
Reinsurer's share of technical provisions – claims outstanding	-	11,017	15,965	9,758	10,353	47,093
Debtors	-	81,013	18,238	-	-	99,251
Cash at bank and in hand	-	13,206	-	-	-	13,206
Accrued interest	-	544	441	113	116	1,214
Deferred Acquisition costs	17,864	-	-	-	-	17,864
Other prepayments and accrued income	1,320	-	-	-	-	1,320
Total assets	32,491	269,635	114,652	28,076	35,170	480,024
Members' balances	-	15,191	2,107	-	-	17,298
Technical provisions – provision for unearned premiums	71,758	-	-	-	-	71,758
Technical provisions – claims outstanding	-	71,575	97,943	60,030	92,644	322,192
Creditors	-	26,770	38,277	-	-	65,047
Accruals and deferred income	3,729	-	-	-	-	3,729
Total liabilities	75,487	113,536	138,327	60,030	92,644	480,024

NOTES TO THE ACCOUNTS

continued

28. Other Risk Management Matters *continued*

Maturity profiles continued

2018	No stated maturity £'000	Up to a year £'000	1-3 years £'000	3-5 years £'000	>5 years £'000	Total £'000
Financial investments	-	172,328	75,688	-	39,785	287,801
Reinsurer's share of technical provisions – provision for unearned premiums	8,988	-	-	-	-	8,988
Reinsurer's share of technical provisions – claims outstanding	-	14,927	20,724	12,041	11,391	59,083
Debtors	-	67,207	17,725	-	-	84,932
Cash at bank and in hand	-	12,674	-	-	-	12,674
Accrued Interest	-	268	307	-	234	809
Deferred Acquisition costs	16,738	-	-	-	-	16,738
Other prepayments and accrued income	2,698	-	-	-	-	2,698
Total assets	28,424	267,404	114,444	12,041	51,410	473,723
Members' balances	-	33,014	(34,000)	-	-	(986)
Technical provisions – provision for unearned premiums	58,886	-	-	-	-	58,886
Technical provisions – claims outstanding	-	88,340	113,958	64,264	94,122	360,684
Creditors	-	27,546	23,379	-	-	50,925
Accruals and deferred income	4,214	-	-	-	-	4,214
Total liabilities	63,100	148,900	103,337	64,264	94,122	473,723

29. 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

2019	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	21,164	-	-	21,164
Debt securities	226,477	-	-	226,477
Participation in investment pools	24,002	-	-	24,002
Loans with credit institutions	-	-	-	-
Deposits with credit institutions	1,091	-	-	1,091
Overseas deposits as investments	14,035	-	-	14,035
Reinsurers' share of unearned premiums	47,093	-	-	47,093
Reinsurers' share of claims outstanding	13,307	-	-	13,307
Debtors arising out of direct insurance operations	14,174	7,093	-	21,267
Debtors arising out of reinsurance operations	67,069	3,258	-	70,327
Other debtors	7,657	-	-	7,657
Cash at bank and in hand	13,206	-	-	13,206
Prepayments and accrued income	20,398	-	-	20,398
Total credit risk	469,673	10,351	-	480,024

Of the £47.1m (2018: £59.1m) reinsurer's share of claims outstanding, £Nil (2018: £Nil) is backed by undrawn trust fund assets.

NOTES TO THE ACCOUNTS

continued

29. Credit Risk *continued*

Credit risk – Aging and Impairment continued

2018	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	27,407	-	-	27,407
Debt securities	208,553	-	-	208,553
Participation in investment pools	34,752	-	-	34,752
Loans with credit institutions	-	-	-	-
Deposits with credit institutions	1,822	-	-	1,822
Overseas deposits as investments	15,267	-	-	15,267
Reinsurers' share of unearned premiums	8,988	-	-	8,988
Reinsurers' share of claims outstanding	59,083	-	-	59,083
Debtors arising out of direct insurance operations	13,945	3,489	-	17,434
Debtors arising out of reinsurance operations	54,514	3,655	-	58,169
Other debtors	9,329	-	-	9,329
Cash at bank and in hand	12,674	-	-	12,674
Prepayments and accrued income	20,245	-	-	20,245
Total credit risk	466,579	7,144	-	473,723

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.

MAP Managing Agency Partners Ltd
Syndicate 2791 at Lloyd's

Fitzwilliam House
10 St. Mary Axe
London
EC3A 8EN
UK

Tel: +44 (0)20 7709 3860

Fax: +44 (0)20 7709 3861

www.mapunderwriting.co.uk
email: map@mapunderwriting.co.uk



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