SYNDICATE 2791

Report and Financial Statements
31 December 2008

MAP

Underwriting at Lloyd's

CONTENTS

CHAIRMAN'S REPORT

The 2006 year benefited from an extraordinary combination of a strong pricing environment for property classes, low natural perils loss incidence, and for UK participants a weak rate of exchange at the close to produce an apparently very full usage of Stamp Capacity. All these factors, together with a sound underwriting strategy, effective reinsurance buying and tight control of expenses, have combined to produce an extraordinarily profitable year. The 2007 year has also made a promising start, although our forecast profit is back in more familiar territory, and although we do not forecast the 2008 underwriting year result at this stage, the hurricane claims, while substantial, should not in themselves drive the syndicate into an overall loss.

This is at a time when the financial markets around the world have sustained enormous damage, with consequences in almost every area of commercial activity. Some of our competitors made the mistake of believing, and acting upon, the new age nonsense about converging markets and new paradigms, and have paid a brutal price. The investment climate has been extremely difficult for all of us, but in general Lloyd's participants have avoided the worst of the crisis by maintaining relatively conservative investment portfolios.

We are therefore no longer hearing any questions about the quality of Lloyd's security, or its competitive position, allowing the market to update its processes in an orderly fashion while competitors are forced to rebuild damaged balance sheets, if they can. Their loss of capital, and with it capacity, will inevitably lead to upward pressure on rates, although so far this has only been seen in some areas of the property insurance and reinsurance markets.

It is therefore possible that these external factors will end the down cycle sooner than we could otherwise have expected. In any event, the team at MAP has proven that it can outperform its peers in good times and in bad, and that tight risk management need not mean lost opportunities or diminished profitability. We have been encouraged throughout these turbulent times by the strong support of our varied capital base, and look forward to making the most of the opportunities that will undoubtedly arise over the next few years.

D E S Shipley

Chairman

17 March 2009

SYNDICATE 2791

Underwriting Year Distribution Accounts
2006 year of account

DIRECTORS AND ADMINISTRATION

MANAGING AGENT

Managing Agent
Managing Agency Partners Limited (MAP)

Directors
C E Dandridge (Non-executive) (Appointed 11 February 2008)
J D Denoon Duncan
H R Dumas (Non-executive)
A S Foote (Non-executive)
A Kong
B S McAuley
D E S Shipley (Non-executive Chairman)
C J Smelt
R J Sumner
R K Trubshaw (Active Underwriter)

Company Secretary
B S McAuley

Managing Agent's Registered Office
110 Fenchurch Street
London
EC3M 5JT

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

SYNDICATE

Active Underwriter
R K Trubshaw

Principal Investment Managers
BlackRock, Inc

Registered Auditors
Ernst & Young LLP, London

MANAGING AGENT'S REPORT

The managing agent presents its report on the 2006 year of account of Syndicate 2791 as closed at 31 December 2008.

These accounts have been prepared in accordance with The Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005). Separate annual accounts under UK GAAP on the calendar year results are available to all the syndicate's members (see pages 26 to 52).

The result for the closing year includes the profit and exchange differences arising from retranslation of the balance sheet, and the result for the closed year is identical to that which would have arisen under the former basis of syndicate accounting.

UNDERWRITER'S REPORT

2006 Year of Account

Capacity £399.6 million

The 2006 year has closed with a profit of £179.3 million after all members' personal expenses, equivalent to 44.9% of stamp capacity, compared with the forecast range of 32.5% to 37.5%. The result reflects a pure year result of 42.4% plus a back-year release of £12.0 million. It should be noted that the headline return benefited greatly from the weakening pound in the last half of 2008. At the original PIM rate of exchange the return would equate to 34.3%.

Development of Closed Years (2005 and prior)

Aside from a stable 2002, all years contributed to the modest back year release. The majority of the improvement arose on the short-tail account; despite relatively benign loss development over the past year, we have largely unaltered the ultimate projections on our long-tail business.

2005 Hurricanes

Across all years of account our current incurred hurricane losses are £269 million (2007: £266 million), reducing to £133 million net of reinsurance (2007: £132 million), with a further IBNR reserve of £11 million (2007: £15 million). Outstanding notifications have fallen to £11 million (2007: £33 million). Whereas the homeowners' flood exclusion issue has now been resolved in insurers' favour, on certain commercial business litigation is still ongoing. As such we felt it prudent to retain a reasonable amount of IBNR, 75% of which pertains to the reinsurance account.

Pure Year 2006

Utilisation of capacity

The final utilisation was 110% at closing rates of exchange, compared to 86% at initial monitoring rates. The reinsurance spend was £46 million or 11.5% of capacity at closing rates of exchange.

Performance review

The underlying performance of the portfolio was excellent. The short-tail account benefited from greatly improved pricing following the 2005 hurricanes, fortuitously coinciding with benign loss experience. In accordance with our flexible risk of ruin strategy, we were also able to offset the improved rate per unit of exposure against our increased risk appetite, and so avoided paying away excess margin on unreasonably priced retrocession protection. Incurred losses on the long-tail classes are in line with 2003-5 after 36 months, all much improved on 2001 and 2002, and have a similar reserving to ultimate.

2007 Year of Account Forecast

Our forecast range for the 2007 year of account is 19% to 24% on Stamp Capacity after all expenses. This range has improved by three percentage points over the previous quarter, mainly due to rate of exchange.

Overview

Whereas both pricing and loss experience for US catastrophe was similar to 2006, most other lines of business became increasingly competitive, causing us to reduce our overall risk appetite. Although the projected ultimate loss ratio is similar to 2002 or 2003, the reduction in premium volume will depress the bottom-line return.

Class of Business Review for 2007 and 2008

Direct and facultative property

We lost a great deal of business on large, complex exposures, where we felt the price offered failed to reflect the true risk rate. Small business, particularly via binders, experienced less competitive pressure, and we were better able to maintain our volume.

Property reinsurance

Rather better insulated against the softening market than many other lines. Broadly speaking, the US remained attractive, although in order to preserve our technical margins we tended to write higher excess of loss, thus reducing premium volume, whilst avoiding attritional exposures. This strategy served us well in 2008, where the market suffered from heightened mid-west tornado activity. Striking Texas in September 2008, Hurricane Ike looks to have caused around US$20 billion of onshore damage, in line with our initial predictions. The catastrophe excess of loss book should suffer around 50% loss ratio directly from Ike, whereas per risk excess escaped relatively unscathed. International commitments remained modest.

Third party liability

The book has continued to reduce in line with the overall syndicate. In contrast to an increasing market appetite for non-correlated risk, often seemingly regardless of price adequacy, our consistent technical pricing meant significant amounts of business failed to meet our margin requirements. We have a negligible D&O book, and any exposure to sub-prime or the credit crunch should be restricted to a few E&O accounts.

Accident and health

Increasingly under pressure as competitors looked for well-priced, diversified exposure. We have retreated into our core renewal book of mainly sports personal accident.

Marine and offshore energy

Whereas loss incidence in 2007 was low, the 2008 hurricanes had a dramatic impact on this class, Ike in particular. The strength and breadth of the wind-field caused losses in excess of most expectations, including ours. A radical reappraisal of the way business is priced, covered and aggregated is underway. Despite the ravages of the last few years, however, it is pleasing to note that our total marine gross loss ratio since inception currently stands at less than 80% incurred. We are therefore reasonably confident that we can underwrite our way forward in this class.

War and political risks

Due to fierce competition, we focussed the book away from traditional city-centre property exposures to more eclectic risks, such as terrorism liability or limited nuclear, biological and chemical coverage for hospitals and universities. We should have minimal loss from the Mumbai attacks in November 2008. Given the uncertain global economic climate, our political risk writings remain small.

Specialist lines

Certain opportunistic sectors were reasonably insulated from the general market decline. Whilst we non-renewed our engineering line, the European carnet and entertainment books held up well.

Motor

The short-tail element of this class continued to perform satisfactorily, although technical margins fell away fast. Long-tail continued to under-perform, and was pared back accordingly.

Current Trading Conditions

Capital providers will note that we deliberately lost a third of our volume from 2006 to 2008. Given our strict adherence to technical pricing, in a generally softening market we found that the only way to preserve underwriting margin was to write higher up the risk edifice, thus increasing severity and volatility and suppressing premium. In this way, insulated by our relatively low expense base, we felt ourselves better able to ride out the depressed conditions. We are pleased to note that, unlike many of our peers, our 2008 attritional loss ratios look to be in line with prior year performance.

Our initial view of prospects for 2009 was extremely gloomy, but events in the latter half of 2008 have greatly altered our perspective. Most of the global insurance market relied on a traditional business model whereby a modest underwriting result was leveraged up by the return on the invested funds to produce the requisite return on capital. Now that those investments have imploded, and in many cases contaminated the asset side of the balance-sheet, it is evident that the inadequate rating of the underwriting portfolio has to be improved in order to generate any sort of return. The alternative is reward-free risk. A return to a more normalised loss year, compounded by hurricane Ike and the growing fall-out from sub-prime and the credit crunch is generating swathes of red ink in the industry. At the same time, those capital markets which had been vigorously competing with the traditional reinsurance market for risk transfer have been forced to retrench. Above all, there has been a noticeable change in mentality in the market-place: capital preservation rather than capital efficiency is in vogue, inducing a more cautious assessment of risk. Improved pricing should logically follow.

As such, we are cautiously optimistic for the future. The US catastrophe excess of loss market has already hardened, and will, we believe, be followed by other property lines as margins are squeezed by increased reinsurance costs. Other classes have stabilised, but not yet improved sufficient to meet our requirements. The greatest uncertainty at present is how the hardening insurance market will be able to sell its product in an increasingly depressed global economy, but, just as with the banking industry one thing is crystal clear – the fundamental price of risk transfer is increasing.

The Future

Whilst we have accrued sufficient solvency surplus to avoid any major issues in 2009 with the rapid devaluation of sterling against the dollar, assuming that the current rate of exchange is maintained into 2010, in order to maintain our risk appetite we are likely to need a commensurate increase in capacity.

It is difficult at this early stage to gauge how much business opportunities we will have, and how much capital will be required. You may rest assured that, whatever the conditions, we shall remain vigorous in our risk assessment and pricing discipline.

Analysis of premium written by syndicate classification

	Gross written £'000	Net written £'000
Direct and facultative property	66,270	50,139
Third party liability	60,949	60,683
Accident and health	16,965	16,949
Marine and offshore energy	47,181	46,944
War, terrorism and political	11,557	11,587
Property reinsurance	181,305	165,103
Motor	28,262	28,319
Specialist lines	6,926	6,804
Total	419,415	386,528

Investment Return

Our investments contributed £10.115 million to the result. The rate of return achieved was 5.4% in 2006, 5.8% in 2007 and a negative 1.4% in 2008.

The negative return during 2008, developed as the effects of the asset credit bubble forced banks to write down loans, led to the failure of Lehman's, the largest ever corporate bankruptcy and the realisation the world was facing a recession. The effect of this on our portfolio was a reduced valuation of assets; the lack of liquidity magnified this in the latter part of 2008.

Syndicate 2791's investments are allocated over a number of assets classes and to experienced external investment managers. Each asset type has limits as to quality, individual exposure and overlaying this we have overall limitations as to the amount allocated to riskier class such as equities. During times of extreme volatility and stress in investment markets our diversified asset base protects the overall principal values of the investments but it cannot and did not shield them completely from loss.

The 2006 Year of Account is allocated its proportion of the calendar return or loss dependent on a formula for estimating the actual assets attributed to the year from the pool of assets held by all years of account. This formula is consistently applied year to year.

Effect of the weakening of sterling

Sterling has weakened by 27.6% against the US dollar and by 24.3% against the Euro over 2008. As most of the Syndicate's income is in these currencies but its results published in sterling, this has had the effect of flattering the return on capacity. Had the exchange rates been unchanged over the year the return would be 32.2% instead of 44.9% shown.

Profit distributions are made in USD and converted sterling and to a large extent the depreciation in sterling has little effect on the outcome to capital providers.

The dramatic change in the value of sterling verses our predominant currency the United States dollar made us reconsider and change our presentation in these underwriting year distribution accounts, specifically in respect of the rates used to convert underwriting movements to our reporting currency sterling.

These accounts cover three calendar periods and we are aggregating the results of each year to produce the overall distribution result shown in the profit and loss account. Each calendar year result is aggregated using the relevant years' average rate for each item in the profit and loss account. The reinsurance to close received by 2006 from 2005 is presented as both a premium and as part of the reinsurance to close payable at the same rate, which is 2008's opening rate. Any changes made to the opening reinsurance to close are accounted for at the average rate ruling during 2008.

The outcome of adopting this method is premiums and claims are both reported at the same rate, that ruling during the calendar year the movement occurs.

The currency conversion to our reporting currency in no way affects the amount of the profit or the currency you receive that profit in. It merely changes the analysis of those profits in the technical account.

The accounting policy is set out in note 2.

We are highlighting our accounting policy as there are a number of different alternatives adopted in the Lloyd's market in this area.

Reinsurance Debtors

Recoverable amounts from reinsurers amount to £23 million (2007: £25 million), 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 on our balance sheet at 31 December is set out below:

Debt table by security rating

Standard & Poor's rating	On paid claims £m	On outstanding claims £m	On IBNR £m	Total £m
AA and above	2.4	9.6	5.6	17.6
A	0.5	2.7	1.3	4.5
BBB	–	–	–	–
BB and below	–	0.3	0.2	0.5
	2.9	12.6	7.1	22.6

Of the debtors in the table above with a rating lower than BB, the syndicate has access to £573,000 of assets as security should the reinsurer fail to pay valid claims when they fall due.

2007 Year of Account Forecast

An estimate of the 2007 underwriting result as at 36 months is set out below:

	£'000
Stamp capacity	459,156
Gross premiums written	468,191
Net premiums written	407,592
Claims incurred – net of reinsurance	(178,371)
Net operating expenses	(103,385)
Investment return	15,000
Profit commission	(22,999)
Personal expenses	(9,412)
Estimate of profit for the year of account after personal expenses	108,425

Assumptions underlying the 2007 Estimated Result:

(i) There will be no material reinsurance failures.
(ii) Syndicate expenses, incurred in the calendar year 2009 to be charged to the 2007 year of account, will continue the pattern of previous years as refined by current budgets.
(iii) Exchange rates at 31 December 2009 will not be materially different from those at 31 December 2008.
(iv) Investment returns attributable to 2007 during 2009: Stg 4.0%, Can$ 4.0%, Euro 4.0% and US$ 3.0%.
(v) Claims will be paid in line with our expected development patterns.
(vi) No material back year surplus or deficit arises from the RITC.

Summary of Closed Years of Account

	Notes	2001	2002	2003	2004	2005	2006
Syndicate allocated capacity (£m)		139.6	264.2	325.7	325.6	325.6	399.6
Number of Underwriting Members		3,041	2,895	1,147	1,256	1,359	1,387
Aggregate net premiums (£m)		164.0	275.8	351.6	317.3	320.1	386.5
Results for illustrative share of £10,000		%	%	%	%	%	%
Utilisation of capacity at premium income monitoring rates of exchange		127.0	117.8	108.6	93.8	94.8	86.0
Gross premiums written (% of illustrative share)		152.1	127.0	122.8	105.3	112.0	104.9
Net premiums (% of illustrative share)		117.4	104.4	107.9	97.4	98.3	96.7
(Loss)/profit (% of gross premiums)		(9.6)	34.5	22.6	12.9	5.2	42.8
Results for illustrative share of £10,000		£	£	£	£	£	£
Gross premiums	1	15,206	12,702	12,280	10,526	11,205	10,495
Net premiums		11,743	10,440	10,794	9,745	9,832	9,672
Reinsurance to close from an earlier year of account		–	1,887	2,624	4,599	5,678	5,489
Net claims		(5,643)	(3,071)	(3,117)	(4,250)	(5,745)	(3,185)
Reinsurance to close		(3,795)	(3,235)	(4,528)	(6,292)	(7,105)	(5,573)
Underwriting profit		2,305	6,021	5,773	3,802	2,660	6,403
Acquisition costs	1	(3,345)	(2,667)	(2,605)	(2,294)	(2,473)	(2,211)
Other syndicate operating expenses, excluding personal expenses		(515)	(402)	(300)	(152)	(150)	(137)
Reinsurers' and profit commissions		123	279	299	56	23	20
Exchange movement on foreign currency translation	2	–	–	96	(70)	67	1,080
Net investment income		300	232	287	554	735	253
Illustrative personal expenses:							
Managing agent's fee		(65)	(65)	(65)	(55)	(55)	(55)
Profit commission	3	–	(491)	(509)	(303)	(124)	(716)
Other personal expenses		(100)	(125)	(104)	(175)	(100)	(150)
(Loss)/profit after illustrative personal expenses and illustrative profit commission		(1,297)	2,782	2,872	1,363	583	4,487

1. Gross premiums and syndicate operating expenses have been grossed up for brokerage costs and the results for 2001 and 2002 have been restated.
2. The results for 2003 and subsequent years have been stated at average rates; 2001 and 2002 are stated at closing rates.
3. Reinsurance to close for 2003 and subsequent years is stated at relevant average rates applicable or when reserves were first set for each year of account (2004 and 2005 restated).
4. Profit commission is reported on a pro forma basis before the application of the deficit clause brought forward.

Disclosure of Information to the Auditors

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

By order of the Board

R K Trubshaw
Active Underwriter
Managing Agency Partners Limited

17 March 2009

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulations 2004 ('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.

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 accounting standards have been followed, subject to any material departures disclosed and explained in these accounts.

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

INDEPENDENT AUDITORS' REPORT

to the Members of Syndicate 2791 – 2006 Closed Year of Account

We have audited the syndicate's underwriting year accounts for the 2006 year of account for the three years ended 31 December 2008, which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the related notes 1 to 22 and the Statement of Managing Agent's Responsibilities. These underwriting year accounts have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the syndicate's members, as a body, in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors of the Managing Agent and Auditors

As described in the Statement of Managing Agent's Responsibilities, the managing agent is responsible for the preparation of underwriting year accounts in accordance with applicable United Kingdom Generally Accepted Accounting Practice.

Our responsibility is to audit the underwriting year accounts in accordance with the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the underwriting year accounts give a true and fair view of the result of the closed year of account in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004. We also report to you if, in our opinion the Managing Agent's Report is not consistent with the underwriting year accounts, if the managing agent in respect of the syndicate has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the Managing Agent's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the underwriting year accounts. It also includes an assessment of the significant estimates and judgements made by the directors of the managing agent in the preparation of the underwriting year accounts, and of whether the accounting policies are appropriate to the syndicate's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the underwriting year accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the underwriting year accounts.

Opinion

In our opinion the underwriting year accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the profit of the 2006 closed year of account.

Ernst & Young LLP
Registered Auditor
London

17 March 2009

PROFIT AND LOSS ACCOUNT TECHNICAL ACCOUNT – GENERAL BUSINESS

for the 2006 Closed Year of Account for the three years ended 31 December 2008

	Notes		2006 £'000
Syndicate allocated capacity			399,636
Earned premiums net of reinsurance:			
Gross premiums written	*3*	419,415	
Outward reinsurance premiums		(32,887)	
Earned premiums, net of reinsurance			386,528
Reinsurance to close premiums received, net of reinsurance	*4*		219,351
Allocated investment return transferred from the non-technical account			10,115
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(141,521)	
Reinsurers' share		14,256	
		(127,265)	
Reinsurance to close premium payable, net of reinsurance	*6*	(222,730)	(349,995)
Acquisition expenses		(88,364)	
Reinsurers' commissions and profit participations		815	
Operating expenses	*7*	(44,895)	
Net operating expenses			(132,444)
Profit on exchange	*12*		45,773
Balance on the technical account – general business	*11*		179,328

PROFIT AND LOSS ACCOUNT NON-TECHNICAL ACCOUNT

for the 2006 Closed Year of Account for the three years ended 31 December 2008

	Notes	2006 £'000
Balance on the technical account for general business		179,328
Investment income	*10*	25,796
Unrealised gains on investments		8,627
Unrealised losses on investments		(17,005)
Investment expenses and charges	*10*	(7,303)
Allocated investment return transferred to general business technical account		(10,115)
Profit for the 2006 closed year of account		179,328

BALANCE SHEET

2006 Closed Year of Account as at 31 December 2008

	Notes		2006 £'000
Assets			
Investments	*13*		454,857
Debtors	*14*		27,089
Reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account	*6*		19,733
Other assets			
Cash at bank and in hand		19,897	
Other		17,892	
			37,789
Prepayments and accrued income			
Accrued interest		1,149	
Prepayments and other accrued income		87	
			1,236
Total assets			540,704
Liabilities			
Amounts due to members	*16*		138,495
Reinsurance to close premiums payable to close the account – gross amount	*6*		319,429
Other creditors	*17*		82,276
Accruals and deferred income			504
Total liabilities			540,704

The financial statements on pages 12 to 24 were approved by the Board of Managing Agency Partners Limited on 17 March 2009 and were signed on its behalf by:

R K Trubshaw
Active Underwriter

R J Sumner
Finance Director

17 March 2009

CASH FLOW STATEMENT

for the 2006 Closed Year of Account for the three years ended 31 December 2008

	Notes	2006 £'000
Net cash inflow from operating activities	*18*	448,833
Transfers to members in respect of underwriting participations		(40,833)
		408,000
Cash flows were invested as follows:		
Increase in cash holdings	*19*	19,897
Increase in overseas deposits		17,892
Net portfolio investment	*20*	370,211
Net investment of cash flows		408,000

NOTES TO THE ACCOUNTS

for the 2006 Closed Year of Account for the three years ended 31 December 2008

1. Basis of Preparation

These financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004, the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and applicable Accounting Standards in the United Kingdom and comply with the Statement of Recommended Practice on Accounting for Insurance Business issued in December 2005 (as amended in December 2006) by the Association of British Insurers.

The Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) requires the aggregation of movements in each of the three calendar years' for any Underwriting Year account. For 2006's Underwriting Year Distribution Account each calendar year result is aggregated using the relevant years' average rate for each item in the profit and loss account. The reinsurance to close received by 2006 from 2005 is presented as both a premium and as part of the reinsurance to close payable at the same rate, which is 2008's opening rate. Any changes made to the opening reinsurance to close are accounted for at the average rate ruling during 2008. This is a change in presentation from the previous years in that the Reinsurance to Close payable was stated at the balance sheet rates in the 2005 and 2004 Underwriting Year Distribution Accounts.

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 2006 year of account which has been closed by reinsurance to close at 31 December 2008; consequently the balance sheet represents the assets and liabilities of the 2006 year of account and the profit and loss account and cash flow statement 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.

2. Accounting Policies

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

Premiums written

Gross premiums are allocated to years of account on the basis of the inception date of the policy. Premiums in respect of insurance contracts underwritten under a binding authority, line slip or consortium arrangement are allocated to the year of account corresponding to the calendar year of inception of the arrangement. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them.

Premiums written are treated as fully earned.

Reinsurance premium ceded

Initial reinsurance premiums paid to purchase policies which give excess of loss protection are charged to the year of account in which the protection commences. Premiums for other reinsurances are charged to the same year of account as the risks being protected.

Claims paid and related recoveries

Gross claims paid include internal and external claims settlement expenses and, together with reinsurance recoveries less amounts provided for in respect of doubtful reinsurers, are attributed to the same year of account as the original premium for the underlying policy. Reinstatement premiums payable in the event of a claim being made are charged to the same year of account as that to which the recovery is credited.

Reinsurance to close premium payable

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

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 balance sheet date, together with the provision for related claims handling costs. It also includes the estimated cost of claims incurred but not reported ('IBNR') at the balance sheet 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 rating and other models of the business accepted

2. Accounting Policies *continued*

Reinsurance to close premium payable continued

and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified.

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

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

The directors consider that the estimates of 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.

Reinsurance 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

Transactions, other than reinsurance to close, in US dollars, Canadian dollars and Euros are translated at the average rates of exchange for each calendar year in which they are booked. Reinsurance to close premiums receivable and underwriting transactions denominated in other foreign currencies, are included at the rate of exchange ruling at the transaction date. Reinsurance to close premiums payable are included in the technical account at relevant average rates applicable when the change occurred or where reserves were first set.

The reinsurance to close premiums payable are included in the balance sheet at the closing rate.

Balance sheet assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date or if appropriate at the forward contract rate.

All exchange differences arising on retranslation of opening balances and between average and year end rates are included in the statement of total recognised gains and losses.

Where Canadian dollars or Euros are sold or bought relating to the profit or loss of the closed underwriting account after 31 December, any exchange profit or loss arising is reflected in the underwriting account into which the liabilities of that year have been reinsured. Where United States dollars relating to the profit or loss of a closed underwriting account are bought or sold by 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	
	2008	2008	2007	2006
USD	1.44	1.85	2.00	1.84
CAD	1.77	1.96	2.15	2.09
EUR	1.03	1.26	1.46	1.47

Investments

Investments are stated at current bid value at the balance sheet date. For this purpose listed investments are stated at market value and deposits with credit institutions are stated at cost. Unlisted investments for which a market exists are stated at the bid price at which they are traded on the balance sheet date or the last trading day before that date.

Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest. The returns on assets arising in a calendar year are apportioned to years of account open during the calendar year in proportion to the average funds available for investment on each year of account.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and market value at the previous balance sheet date, or purchase price if acquired during the year. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the year.

2. Accounting Policies *continued*

Allocation of investment return

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

Operating expenses

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 balance sheet 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 17.5% of profit subject to the operation of a deficit clause. This is charged to the syndicate as incurred on an earned basis but does not become payable until after the year of account closes.

3. Segmental Analysis

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

	Gross written premiums (note 1) £'000	Gross claims incurred (note 2) £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
Direct insurance						
Accident and health	12,406	(3,177)	(4,643)	405	4,991	1,937
Fire and other damage to property	58,490	(15,871)	(16,909)	(9,618)	16,092	2,946
Marine, Aviation and Transport	35,969	(13,363)	(12,043)	(306)	10,257	5,765
Motor (other classes)	12,467	(8,876)	(5,143)	507	(1,045)	2,425
Third party liability	19,361	(15,283)	(5,366)	(224)	(1,512)	16,252
Miscellaneous	6,073	(4,709)	(1,334)	(747)	(717)	2,106
	144,766	(61,279)	(45,438)	(9,983)	28,066	31,431
Reinsurance	281,391	(88,069)	(88,111)	(18,361)	86,850	54,063
	426,157	(149,348)	(133,549)	(28,344)	114,916	85,494
RITC	234,788	(229,088)	1,105	1,719	8,524	214,202
Total	660,945	(378,436)	(132,444)	(26,625)	123,440	299,696

Total commissions on direct gross premiums written amount to £30,074,000.

1. Gross premiums earned are identical to gross premiums written.
2. Gross claims incurred comprise gross claims paid and gross reinsurance to close premium payable.
3. All premiums are concluded in the UK.
4. Gross premiums in respect of 2005 and prior are reported within the relevant business classes above.

3. Segmental Analysis *continued*

The geographical analysis of premiums by destination is as follows:

	£'000
UK	14,012
Other EU countries	25,412
US	282,944
Other	97,047
Total	419,415

Other, above, includes worldwide income of £57,873,000.

4. Reinsurance to Close Premium Receivable

	£'000
Gross reinsurance to close premium receivable	241,530
Reinsurance recoveries anticipated	(22,179)
Reinsurance to close premium receivable, net of reinsurance	219,351

5. Movement in Underwriting Reserves

	Reserves £'000	Exchange to closing rate £'000	Closing RITC £'000
2005 and prior			
Opening balance	(219,351)	(74,786)	(294,137)
Change in year	62,819	17,029	79,848
2006 pure			
Change in three year period	(65,539)	(19,208)	(84,747)
Unallocated loss and loss adjustment expenses	(660)	–	(660)
	(222,731)	(76,965)	(299,696)

The exchange difference arising from the retranslation of the opening reinsurance to close liabilities is exactly matched by the assets transfered in at 1 January 2008 in currency and therefore the effect to the profit and loss account is nil.

6. Reinsurance to Close Premium Payable

	2005 and prior £'000	2006 pure £'000	2006 £'000
Gross outstanding claims	115,026	37,032	152,058
Reinsurance recoveries anticipated	(10,690)	(1,922)	(12,612)
Net outstanding claims	104,336	35,110	139,446
Provision for gross claims incurred but not reported	115,679	49,637	165,316
Reinsurance recoveries anticipated	(7,121)	–	(7,121)
Provision for net claims incurred but not reported	108,558	49,637	158,195
Unallocated loss and loss adjustment expenses	1,308	747	2,055
Net premium for reinsurance to close	214,202	85,494	299,696

The reinsurance to close is effected to the 2007 year of account of Syndicate 2791.

7. Operating Expenses

	£'000
Personal expenses	8,193
Outwards profit commission	28,621
Other administrative expenses	5,474
Loss on exchange	2,607
	44,895

Administrative expenses include:

	£'000
Auditors' remuneration	
Fees for the audit of the syndicate	146
Taxation compliance services	1
Actuarial consultancy services	131

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

8. Staff Numbers and Costs

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

	£'000
Wages and salaries	3,012
Social security costs	336
Other pension costs	297
	3,645

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 agency but working for the syndicate during the three years was as follows:

	Number
Administration and finance	19
Underwriting	22
Claims	4
	45

9. 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	845

The 2006 year of account has been charged with active underwriters' remuneration as follows:

	£'000
Emoluments – D E S Shipley (Active underwriter to 31 August 2007)	198
– R K Trubshaw (Active underwriter from 1 September 2007)	–
	198

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

10. Investment Return

	£'000
Investment income	
Income from investments	19,631
Gains on the realisation of investments	6,165
	25,796
Investment expenses	
Losses on realisation of investments	5,145
Investment management expenses, including interest	2,158
	7,303

11. Balance on Technical Account

	2005 and prior years of account £'000	2006 pure year of account £'000	Total 2006 £'000
Balance excluding investment return and operating expenses	7,419	248,465	255,884
Brokerage and commission on gross premium	1,347	(89,711)	(88,364)
Allocated investment income	–	10,115	10,115
Net operating expenses	(242)	(43,838)	(44,080)
Profit on exchange	2,602	43,171	45,773
	11,126	168,202	179,328

12. Exchange Differences on Foreign Currency Translation

Exchange differences on foreign currency translation arise as follows:

	£'000
On 2006 balances brought forward: from opening to closing rates	43,946
On transactions during 2008: from average to year end rates	1,827
	45,773

13. Financial Investments

	Market value £'000	Cost £'000
Shares and other variable yield securities and units in unit trusts	46,683	53,733
Debt securities and other fixed income securities	325,697	327,273
Participation in investment pools	61,446	69,509
Other loans	15,438	15,418
Deposits with credit institutions	5,593	5,593
	454,857	471,526

14. Debtors

	£'000
Arising out of direct insurance operations:	
Due from policyholders	–
Due from intermediaries	9,349
Arising out of reinsurance operations	15,802
Members' agents' fees advances	1,103
Other	835
	27,089

15. Other Assets

Other assets comprise overseas deposits which are lodged as a condition of conducting underwriting business in certain countries.

16. Amounts Due to Members

	£'000
Profit for the 2006 closed year of account	179,328
Distributions made	(40,833)
Amounts due to members at 31 December 2008	138,495

17. Creditors

	£'000
Arising out of direct insurance operations	
Policyholders	–
Intermediaries	224
Arising out of reinsurance operations	4,468
Profit commissions	28,822
Other	8
Inter year loan	48,754
	82,276

18. Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	£'000
Operating profit on ordinary activities for the closed year of account	179,328
Realised and unrealised investments losses including exchange movements	(84,646)
Net reinsurance to close payable	299,696
(Increase) in debtors, prepayments and accrued income	(28,881)
Increase in creditors, accruals and deferred income	83,336
Net cash inflow from operating activities	448,833

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

	£'000
Net cash inflow	19,897
Cash flow – increase in overseas deposits	17,892
Cash flow – portfolio investments	370,211
Movement arising from cash flows	408,000
Changes in market value and exchange rates	84,646
Total movement in portfolio investments	492,646
Portfolio at 1 January 2006	–
Portfolio at 31 December 2008	492,646

Movement in cash, portfolio investments and financing

	At 1 January 2006 £'000	Cash flow £'000	Changes to market value and currencies £'000	**At 31 December 2008 £'000**
Cash at bank and in hand	–	19,897	–	**19,897**
Overseas deposits	–	17,892	–	**17,892**
Portfolio investments:				
Shares and other variable yield securities and units in unit trusts	–	43,950	2,733	**46,683**
Debt securities and other fixed income securities	–	260,499	65,198	**325,697**
Participation in investment pools	–	62,486	(1,040)	**61,446**
Other loans	–	1,036	14,402	**15,438**
Deposits with credit institutions	–	2,240	3,353	**5,593**
Total portfolio	–	370,211	84,646	**454,857**
Total cash, portfolio investments and financing	–	408,000	84,646	**492,646**

20. Net Cash Inflow/(Outflow) on Portfolio Investments

	£'000
Purchase of shares and other variable yield securities	(112,904)
Purchase of debt securities and other fixed income securities	(1,987,939)
Purchase of participation in investment pools	(68,055)
Movement in other loans	(1,036)
Movement of deposits with credit institutions	(2,240)
Sale of shares and other variable yield securities	68,954
Sale of debt securities and other fixed income securities	1,727,440
Sale of participation in investment pools	5,569
Net cash (outflow) on portfolio investments	(370,211)

21. Related Parties

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

The directors' interests in the ordinary share capital of MAP Equity Limited, which has an issued share capital of 250,000 £1 shares, during 2008 were as follows:

	A Shares (voting)	B Shares (non-voting)
D E S Shipley	30,000	–
R K Trubshaw	26,250	–
A Kong	18,750	–
J D Denoon Duncan	–	8,333
B S McAuley	–	12,500
C J Smelt	–	2,500
R J Sumner	–	8,334

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

MAP Capital Limited commenced underwriting on the 2001 year of account. For the 2006 year of account MAP Capital Limited provided £120,375,000 of capacity on Syndicate 2791 representing 30.1% of capacity. MAP has no direct interest in the share capital of MAP Capital Limited.

Managing agency fees amounting to £2,198,000 were paid to MAP for the 2006 year and profit commission of £38,040,000 is also due to the managing agency in respect of the profit of the 2006 closed year. Expenses totalling £5,808,697 were recharged to this year of account.

Certain functions in relation to administration and systems have been sub-contracted to companies related to Omni Bridgeway BV which has a 9.9% interest in the shares of the intermediate parent company, Managing Agency Partners Holdings Limited. These arrangements are on an arms length basis. The charges for these services for the 2006 year of account totalled £468,000.

The syndicate has an investment in Steadfast International Limited, an equity investment fund managed by Steadfast Capital Management Limited of which Mr Foote, a director of MAP, is the managing director. The syndicate's participation on this fund is at arm's length and the syndicate was charged fees and profit commissions amounting to US$434,000 during 2008 on normal commercial terms. Mr Foote, as partner in Steadfast Capital Management Limited will participate in any profits of Steadfast Capital Management Limited.

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

There are no other transactions or arrangements requiring disclosure.

22. Contingent Liabilities

Litigation

In the course of conducting insurance business, the syndicate receives claims in respect of its underwriting activities and becomes involved in actual or threatened litigation arising therefrom including actions in respect of subrogation, asset recovery or coverage disputes. Prudent estimates of costs arising in the defence of all these claims have been made in these accounts. The board of the managing agent considers each action carefully and appropriate provisions are made accordingly. There are provisions amounting to £329,000 at the year end.

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$11.0 million; the letters of credit are fully collateralised with cash deposits held by Citibank, on the syndicate's account, of US$11.3 million.

SYNDICATE 2791

Annual Report and Financial Statements under UK GAAP
Year ended 31 December 2008

DIRECTORS AND ADMINISTRATION

MANAGING AGENT

Managing Agent
Managing Agency Partners Limited (MAP)

Directors
C E Dandridge (Non-executive) (Appointed 11 February 2008)
J D Denoon Duncan
H R Dumas (Non-executive)
A S Foote (Non-executive)
A Kong
B S McAuley
D E S Shipley (Non-executive Chairman)
C J Smelt
R J Sumner
R K Trubshaw (Active Underwriter)

Company Secretary
B S McAuley

Managing Agent's Registered Office
110 Fenchurch Street
London
EC3M 5JT

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

SYNDICATE

Active Underwriter
R K Trubshaw

Principal Investment Managers
BlackRock, Inc

Registered Auditors
Ernst & Young LLP, London

The directors of the managing agent present their report for the year ended 31 December 2008.

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 Statutory Instrument No. 3219 of 2004, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004 ('the 2004 Regulations').

Separate underwriting year accounts for the closed 2006 year of account are attached to these accounts in the section headed Underwriting Year Distribution Accounts (pages 4 to 24).

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 rather than the underwriting year figures prepared prior to 2006.

The 2008 calendar year produced a GAAP profit of £25.8 million (2007: profit £113.8 million) on earned premiums of £309.9 million (2007: £373.3 million) gross of acquisition and reinsurance costs.

Movement on underwriting years of account during the 2008 calendar year

	2005 and prior periods £'000	2006 £'000	2006 and prior periods £'000	2007 £'000	2008 £'000	**Total £'000**	2007 £'000
Gross written premium	(6,742)	(5,623)	(12,365)	2,971	291,888	**282,494**	342,199
Net premium earned	(3,997)	11,494	7,497	112,635	154,804	**274,936**	327,776
Net claims incurred	11,503	(3,877)	7,626	(44,445)	(117,616)	**(154,435)**	(125,555)
Acquisition costs	1,347	(2,440)	(1,093)	(28,388)	(37,034)	**(66,515)**	(79,942)
	8,853	5,177	14,030	39,802	154	**53,986**	122,279
Operating expenses	(329)	(3,907)	(4,236)	(8,680)	(6,416)	**(19,332)**	(36,703)
Investment income	–	(5,065)	(5,065)	(2,970)	(819)	**(8,854)**	28,263
Annual accounted profit	8,524	(3,795)	4,729	28,152	(7,081)	**25,800**	113,839
Currency translation differences	2,602	47,887	50,489	24,860	(230)	**75,119**	2,247
Total recognised gains and losses	11,126	44,092	55,218	53,012	(7,311)	**100,919**	116,086
As previously reported	–	124,111	124,111	37,224	–	**161,335**	64,222
Cumulative pure year result	11,126	168,203	179,329	90,236	(7,311)	**262,254**	180,308
Distributions and advances						**(40,833)**	(29,547)
Members' balances						**221,421**	150,761
Net annual accounting ratios:							
Claims ratio						**56%**	38%
Expense ratio						**31%**	36%
Combined ratio						**87%**	74%

A Review of the Calendar Year Result *continued*

There is a considerable volume of premium to be earned in 2009 and unless there is a return to the frequency of natural perils losses seen in 2005 the year should perform satisfactorily.

Written premium in the calendar year by syndicate classification

	2008 Gross written £'000	2008 Net written £'000	2007 Gross written £'000	2007 Net written £'000
Direct and facultative property	**48,474**	**37,692**	51,452	41,267
Property reinsurance	**136,519**	**111,337**	158,969	125,531
Third party liability	**22,929**	**22,747**	44,058	43,638
Accident and health	**9,493**	**9,448**	12,505	12,288
Marine and offshore energy	**31,130**	**31,139**	37,604	37,359
War, terrorism and political	**9,029**	**9,065**	10,465	10,479
Specialist lines	**8,784**	**8,643**	6,222	6,010
Motor	**16,136**	**16,355**	20,924	21,033
Total	**282,494**	**246,426**	342,199	297,605

Current Trading Conditions

Capital providers will note that we deliberately lost a third of our volume from 2006 to 2008. Given our strict adherence to technical pricing, in a generally softening market we found that the only way to preserve underwriting margin was to write higher up the risk edifice, thus increasing severity and volatility and suppressing premium. In this way, insulated by our relatively low expense base, we felt ourselves better able to ride out the depressed conditions. We are pleased to note that, unlike many of our peers, our 2008 attritional loss ratios look to be in line with prior year performance.

Our initial view of prospects for 2009 was extremely gloomy, but events in the latter half of 2008 have greatly altered our perspective. Most of the global insurance market relied on a traditional business model whereby a modest underwriting result was leveraged up by the return on the invested funds to produce the requisite return on capital. Now that those investments have imploded, and in many cases contaminated the asset side of the balance-sheet, it is evident that the inadequate rating of the underwriting portfolio has to be improved in order to generate any sort of return. The alternative is reward-free risk. A return to a more normalised loss year, compounded by hurricane Ike and the growing fall-out from sub-prime and the credit crunch is generating swathes of red ink in the industry. At the same time, those capital markets which had been vigorously competing with the traditional reinsurance market for risk transfer have been forced to retrench. Above all, there has been a noticeable change in mentality in the market-place: capital preservation rather than capital efficiency is in vogue, inducing a more cautious assessment of risk. Improved pricing should logically follow.

As such, we are cautiously optimistic for the future. The US catastrophe excess of loss market has already hardened, and will, we believe, be followed by other property lines as margins are squeezed by increased reinsurance costs. Other classes have stabilised, but not yet improved sufficient to meet our requirements. The greatest uncertainty at present is how the hardening insurance market will be able to sell its product in an increasingly depressed global economy, but, just as with the banking industry one thing is crystal clear – the fundamental price of risk transfer is increasing.

Sub Prime and Credit Issues

The syndicate's casualty account is largely made up of professional liability covers written on claims made forms on annual contracts. We do not directly write banks, rating agencies or accountants, and our directors and officers book is *de minimis*. There will likely be some errors and omissions exposure to diversified financial institutions, but at this moment in time we do not foresee a material impact.

The Future

Whilst we have accrued sufficient solvency surplus to avoid any major issues in 2009 with the rapid devaluation of sterling against the dollar, assuming that the current rate of exchange is maintained into 2010, in order to maintain our risk appetite we are likely to need a commensurate increase in capacity.

It is difficult at this early stage to gauge how much business opportunities we will have, and how much capital will be required. You may rest assured that, whatever the conditions, we shall remain vigorous in our risk assessment and pricing discipline.

FINANCIAL REPORT

Investment Return

In the calendar year 2008 Syndicate 2791's investments made a loss after fees of £8.9 million or –1.3% of assets (2007: Positive £28.3 million or 5.8%). Any loss is disappointing but we take comfort from the fact as 2008 suffered a series of financial knocks not seen in a generation our portfolio withstood the storm fairly well.

The syndicate investment portfolio mix consists of a broad spread of asset types and investment manager styles to provide a balanced portfolio. This reduces the probability of loss, but no strategy can eradicate the possibility of loss, and this is particularly true when so many asset classes are adversely impacted at the same time.

Our best returns were generated from our government treasury portfolio benefiting from interest rate cuts as central banks attempted to stave off economic melt down, and investors sought the liquidity and safety of government stocks. At the other end of the scale our poor returns came from equity or credit dominated portfolios, these suffering from the explosion of the banking bubble and evaporation of liquidity. It is interesting to note that 2008 sits with 1932 as the worst calendar year loss on US equities in the period 1825 to 2008. Over this last year our equity portfolio beat its benchmark by 15% but still lost 25.7%.

Given the current and prospective investment market it is worth reviewing our returns in the period and allocation of assets to each class.

	2008		2007	
Asset class	**Return %**	**Closing assets as a proportion of portfolio %**	Return %	Closing assets as a proportion of portfolio %
Cash/cash liquidity funds	**3.4**	**15.8**	5.1	24.9
Equities	**(25.7)**	**10.4**	7.4	14.3
Credit bond funds	**(25.0)**	**3.3**	(2)	–
US treasury bonds	**4.5**	**30.5**	6.5	22.2
US agency bonds	**3.4**	**1.0**	4.6	1.9
US corporate debt	**0.6**	**31.5**	5.5	31.8
US asset backed debt	**4.5**	**3.2**	(1)	–
Overseas regulatory trust funds	**6.5**	**4.3**	3.7	4.9
(Loss)/return	**(1.0)**		5.8	
Loss after charges	**(1.3)**		5.4	

(1) US asset backed debt analysed within corporate debt in 2007.

(2) No credit bond funds were held in 2007 .

Other than cash, each of the syndicate's investments is an open ended fund or individual accounts managed by an investment manager to whom we pay a fee.

Investment Return *continued*

The key characteristics for each class are described below:

Cash and cash liquidity funds

Either cash at bank or on deposit spread across five different major banks. Our liquidity funds are all AAA rated, predominantly investing in government bonds with no exposure to structured debt. Asset duration is around 60 days.

Equities

We utilise five different funds to invest in equities, three of which have the ability to sell equities short to manage exposure during falling markets. As a consequence of this, the loss in the period is less than the fall in the major equity markets indicies.

Credit bond funds

Ten separate open ended bond funds designed to benefit from detailed credit analysis. Each fund is managed by an external specialist investment manager.

US treasuries

US Treasury bills and notes managed by a large US external investment manager. These assets have a duration of around 1¼ years.

US agency bonds

Direct investment in the 100% Government National Mortgage Association (Ginnie Mae). The principle of these bonds has always been that they are US government guaranteed.

US corporate debt

Senior and subordinate bonds issued by industrial and financial companies, mainly from the US. The average duration of these bonds before redemption is less than one year.

US asset backed debt

Bonds issued by the finance providers of auto and credit card debt. In the case of credit card debt each bond or trust has a significant level of over collateralisation or credit enhancement.

Overseas regulated trust funds

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

The syndicate has no direct investment in residential or commercial mortgage backed securities that are not guaranteed by the US government.

Valuation risk

Investments are marked to market at bid prices at each period end with all changes taken though the underwriting account. Prices are supplied by external custodians for each investment with the systems adopted by each custodian covered by their own annual audits. In accordance with the custodian systems prices are supplied by at least two pricing vendor sources. The pricing sources use market prices or where it is more appropriate in illiquid markets, pricing models. We reconcile the custodians overall prices to our bond managers records to check for reasonableness. The lower level of liquidity during the second half of 2008 has necessitated additional sample checks to Bloomberg or exchange market prices and a review by each manager of the proportion of assets they determine have a restriction of market. These reviews revealed no significant differences.

Rating and the future

Interest rates in our major investment currency, United States dollars, are at an extremely low level. Unemployment is still rising and the certainty of high levels of government debt issuance may stretch the appetite of investors. In this market, our focus is on maintaining the quality of our assets rather than the yield. To this end, we have been holding our bond portfolio in good quality assets and with a short duration of one year. It is clear with rates this low and governmental issuance heading towards record levels balancing asset allocations between credit bonds with a reasonable yield but an element of credit risk verses government bond with issuance pressure but countered by liquidity will be an ongoing conundrum.

Our defence against credit risk is to maintain the rating quality of assets which is one of the main focuses with our bond Managers. The rating of our assets is set our below:

2008

Asset class per balance sheet	Rating AAA and government %	AA and above %	A %	Not rated %	Equities %	Hedge funds %	Total %
Shares and variable yield securities	6.0	–	–	–	3.5	–	9.5
Debt securities	53.6	10.8	8.2	0.1	–	–	72.7
Participation in investment pools	3.0	–	–	–	–	10.0	13.0
Other loans	–	–	3.5	–	–	–	3.5
Deposits with credit institutions	–	–	1.3	–	–	–	1.3
Total	62.6	10.8	13.0	0.1	3.5	10.0	100.0

2007

Asset class per balance sheet	Rating AAA and government %	AA and above %	A %	Not rated %	Equities %	Hedge funds %	Total %
Shares and variable yield securities	2.7	–	–	–	8.3	–	11.0
Debt securities	52.2	9.7	5.9	–	–	–	67.8
Participation in investment pools	–	–	–	–	–	7.3	7.3
Other loans	–	–	12.1	–	–	–	12.1
Deposits with credit institutions	–	–	1.8	–	–	–	1.8
Total	54.9	9.7	19.8	–	8.3	7.3	100.0

We believe our current portfolio is placed to protect the assets from significant erosion and is likely to benefit from any return of liquidity however it seems most likely we will have a tough year or more ahead in the investment market.

The syndicate undertakes no lending of securities and does not undertake exchange rate management. As the syndicate makes profit payments in both US Dollars and GB Pounds, we do not seek to hedge exchange exposure. Lloyd's are custodians of our overseas deposits over which we have no control.

Effect of the Weakening of Sterling

Sterling has weakened by 27.6% against the US dollar and by 24.3% against the Euro over 2008. As most of the Syndicate's income is in these currencies but its results published in sterling, this has had the effect of flattering the return on capacity. Had the exchange rates been unchanged over the year the return on net premium would be 9.4% instead of 36.7% shown.

Profit distributions are made in USD and converted sterling and to a large extent the depreciation in sterling has little effect on the currency outcome paid to capital providers.

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 balance sheet at 31 December is set out below.

Debt table by security rating

Standard & Poor's rating	On paid claims £m	On outstanding claims £m	On IBNR £m	**2008 Total £m**	2007 Total £m
AA and above	4.7	16.4	9.0	**30.1**	24.2
A	10.2	8.2	4.6	**23.0**	12.8
BBB	–	–	–	**–**	–
BB and below	0.1	0.4	0.2	**0.7**	1.7
	15.0	25.0	13.8	**53.8**	38.7

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). Of the balances in the table above with a rating lower than BB, the syndicate has access to £573,000 of assets as security should the reinsurer fail to pay valid claims when they fall due.

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

Insurance risk

Insurance risk includes the risks that a policy will be written for too low a premium or provide inappropriate cover, that the frequency or severity of insured events will be higher than expected, or that estimates of claims subsequently prove to be insufficient.

Underwriting strategy is agreed by the Board and set out in the Syndicate Business Plan which is submitted to Lloyd's each year. Processes are in place to identify, quantify and manage aggregate exposures and technical prices within each of our underwriting classes. Reinsurance is purchased, where appropriate to our risk appetite and reduces the retained financial impact of catastrophic loss. Reserves set are subject to stress testing and independent review.

Credit risk

Credit risk is the risk of default or the inability of one or more of the syndicate's reinsurers or brokers to settle their debts as they fall due.

Reinsurance is only placed with security that meets the criteria agreed by the Board. Use is made of independent rating agencies. Business is only accepted through accredited Lloyd's brokers who are reviewed by the Agency's Security Committee and business accepted via binding authority is subject to a process of rolling review. Aggregate exposure to any counterparty is monitored regularly and a robust system of credit control is in place, itself subject to the internal Security Committee. Exposure to investment counterparties is monitored by a specialist investment reporting company and reviewed by the Investment Committee. This Committee includes a non-executive director with expertise in US fund management. Investment guidelines are set and monitored in view of the syndicate's liability exposures and their durations.

Liquidity risk

This is the risk that the syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash. Liquidity management forms an important part of the financial management practices of the syndicate. Cash flow projections and budgetary controls are maintained and reported upon to the Board.

Market risk

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

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 (USD, EUR and CAD). The syndicate settles it surplus assets in both sterling and USD as each underwriting year closes or earlier if a solvency transfer is approved. We do not therefore seek to hedge the USD exposure. Other currencies are tracked against sterling to ensure the amount of exposure is monitored and if needed appropriate action taken.

Equity price risk

We are subject to equity price risk due to changes in the market value of equities. This risk is managed by spreading the investments of equities over a number of investment managers who each specialise in a market sector or type of investment evaluation. The performance of each fund is monitored by the Investment Committee.

Interest rate risk

Interest rate risk arises primarily from the value of our investments. 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 though the use of Value-at-Risk analysis, scenario testing, stress testing and duration reviews. Interest rate risk is managed by matching of assets and liabilities to within five years.

Operational risk

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

CORPORATE GOVERNANCE

Directors and Directors' Interests

The Directors of the managing agent who served during the year ended 31 December 2008 together with their participations on the syndicate were as follows:

	2008 year of account £'000	2007 year of account £'000
J D Denoon Duncan (1)	**159**	175
H R Dumas	**462**	531
A S Foote (3)	**–**	–
A Kong (1) (2)	**593**	600
B S McAuley (1)	**142**	125
D E S Shipley (Chairman) (1)	**2,974**	3,000
C Smelt (1) (2)	**267**	200
R J Sumner (1)	**134**	125
R K Trubshaw (Active Underwriter) (1)	**1,400**	1,250
C E Dandridge (Appointed 11 February 2008)	**–**	–

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

(2) Include participations of related parties.

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

The total capacity of the 2008 year of account of the syndicate was £400,622,892.

AGM

Formal notice has been dispatched under separate cover to members' agents advising members that the syndicate annual general meeting will be held at 10.00 am on Thursday 23 April 2009 at the Managing Agent's offices on the 1st floor of 110 Fenchurch Street, London EC3M 5JT. The only formal business of this business will be to seek agreement to the reappointment of Ernst & Young LLP as the syndicate auditor.

Disclosure of Information to the Auditors

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

By order of the Board

R K Trubshaw
Active Underwriter
Managing Agency Partners Limited
London

B S McAuley
Secretary

17 March 2009

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

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

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004 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 2004 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.

INDEPENDENT AUDITORS' REPORT

to the Members of Syndicate 2791

We have audited the syndicate's annual accounts for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes 1 to 24. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the syndicate's members, as a body, in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Managing Agent and Auditors

The managing agent's responsibilities for the preparation of the annual accounts in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Managing Agent's Responsibilities.

Our responsibility is to audit the annual accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the annual accounts give a true and fair view and have been properly prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004. We also report to you whether, in our opinion, the information given in the Report of the Directors of the Managing Agent is consistent with the annual accounts. In addition we report to you if, in our opinion, the managing agent in respect of the syndicate has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding remuneration of directors of the managing agent and other transactions is not disclosed.

We read the Report of the Directors of the Managing Agent and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the annual accounts. It also includes an assessment of the significant estimates and judgements made by the directors of the managing agent in the preparation of the annual accounts, and of whether the accounting policies are appropriate to the syndicate's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the annual accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the annual accounts.

Opinion

In our opinion:

- the annual accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the syndicate's affairs as at 31 December 2008 and of its profit for the year then ended;
- the annual accounts have been properly prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004; and
- the information given in the Report of the Directors of the Managing Agent is consistent with the annual accounts.

Ernst & Young LLP
Registered Auditor
London

17 March 2009

PROFIT AND LOSS ACCOUNT TECHNICAL ACCOUNT – GENERAL BUSINESS

for the year ended 31 December 2008

	Notes	£'000	2008 £'000	£'000	2007 £'000
Earned premiums, net of reinsurance					
Gross premiums written	*3*		282,494		342,199
Outward reinsurance premiums			(36,068)		(44,594)
Net premiums written			246,426		297,605
Change in the provision for unearned premiums:					
Gross amount		27,442		31,052	
Reinsurers' share		1,068		(881)	
Change in the net provision for unearned premiums			28,510		30,171
Earned premiums, net of reinsurance			274,936		327,776
Allocated investment return transferred from the non-technical account			(8,854)		28,263
Claims incurred, net of reinsurance					
Claims paid					
Gross amount	*3*	(162,422)		(158,740)	
Reinsurers' share		22,178		20,142	
Net claims paid		(140,244)		(138,598)	
Change in the provision for claims					
Gross amount	*3*	(8,403)		18,420	
Reinsurers' share		(5,788)		(5,377)	
Change in the net provision for claims		(14,191)		13,043	
Claims incurred, net of reinsurance			(154,435)		(125,555)
Acquisition expenses		(62,493)		(71,904)	
Change in deferred acquisition expenses		(4,022)		(8,038)	
Reinsurers' commissions and profit participations		1,585		2,908	
Operating expenses	*5*	(20,917)		(39,611)	
Net operating expenses	*3*		(85,847)		(116,645)
Balance on the technical account for general business			25,800		113,839

All operations are continuing.

PROFIT AND LOSS ACCOUNT NON-TECHNICAL ACCOUNT

for the year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
Balance on the general business technical account		**25,800**	113,839
Investment income	*8*	**22,276**	24,548
Unrealised gains on investments		**4,050**	10,390
Unrealised losses on investments		**(25,598)**	(3,757)
Investment expenses and charges	*8*	**(9,582)**	(2,918)
Allocated investment return transferred to general business technical account		**8,854**	(28,263)
Profit for the financial year		**25,800**	113,839

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Profit for the financial year		**25,800**	113,839
Exchange difference on foreign currency translation	*10*	**75,119**	2,247
Total recognised gains and losses since the last annual report		**100,919**	116,086

BALANCE SHEET ASSETS

at 31 December 2008

	Notes	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Investments					
Financial investments	11		757,530		492,336
Reinsurers' share of technical provisions					
Provision for unearned premiums		14,179		9,372	
Claims outstanding	4	38,793		34,454	
			52,972		43,826
Debtors					
Debtors arising out of direct insurance operations	12	39,345		26,324	
Debtors arising out of reinsurance operations	12	114,286		97,722	
Other debtors	13	9,812		6,851	
			163,443		130,897
Other assets					
Cash at bank and in hand			31,283		70,036
Other	14		25,379		19,181
Prepayments and accrued income					
Accrued interest		1,945		1,286	
Deferred acquisition costs		37,507		32,238	
Other prepayments and accrued income		2,303		522	
			41,755		34,046
Total assets			1,072,362		790,322

BALANCE SHEET LIABILITIES

at 31 December 2008

	Notes	£'000	2008 £'000	£'000	2007 £'000
Capital and reserves					
Members' balances	*15*		221,420		150,761
Technical provisions					
Provision for unearned premiums		155,800		141,826	
Claims outstanding	*4*	577,783		425,145	
			733,583		566,971
Creditors					
Creditors arising out of direct insurance operations	*16*	714		621	
Creditors arising out of reinsurance operations	*16*	67,217		38,799	
Other creditors	*17*	48,530		32,041	
			116,461		71,461
Accruals and deferred income			898		1,129
Total liabilities			1,072,362		790,322

The financial statements on pages 37 to 52 were approved by the Board of Managing Agency Partners Limited on 17 March 2009 and were signed on its behalf by:

R K Trubshaw
Active Underwriter

R J Sumner
Finance Director

17 March 2009

CASH FLOW STATEMENT

for the year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
Net cash inflow from operating activities	*18*	**74,294**	*113,777*
Transfer to members in respect of underwriting participations:			
Continuous solvency transfer		**–**	(30,000)
Profits distributed		**(18,016)**	(42,892)
		56,278	40,885
Cash flows were invested as follows:			
(Decrease)/increase in cash holdings	*19*	**(55,057)**	36,929
Increase in deposits	*20*	**547**	511
Net portfolio investment	*20*	**110,788**	3,445
Net investment of cash flows		**56,278**	40,885

1. Basis of Preparation

These financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004, and applicable Accounting Standards in the United Kingdom and comply with the Statement of Recommended Practice on Accounting for Insurance Business issued in December 2005 (as amended in December 2006) by the Association of British Insurers.

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

2. Accounting Policies

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. Premiums are shown gross of acquisition costs payable to intermediaries and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due to the syndicate not yet notified. Differences between such estimates and actual amounts will be recorded in the period in which the actual amounts are determined.

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 balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

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 balance sheet date.

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.

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 balance sheet 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 balance sheet 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 rating and other models of the business accepted and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

2. **Accounting Policies** *continued*

Claims provisions and related recoveries *continued*

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 companies involved. A number of statistical methods are used to assist in making these estimates.

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

The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

Reinsurance 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 is made where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date may exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

The provision for unexpired risks is calculated by reference to classes of business which are managed together, after taking into account relevant future investment return. The provision for unexpired risks is included in technical provisions in the balance sheet.

Foreign currency translation

Transactions in US dollars, Canadian dollars and Euros are translated 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.

In accordance with SSAP20, Foreign Currency Translation, assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date or if appropriate at the forward contract rate.

All exchange differences arising on retranslation of opening balances and between average and year-end rates are included in the statement of total recognised gains and losses.

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

	2008		2007	
	Year end	Average	Year end	Average
USD	1.44	1.85	1.99	2.00
CAD	1.77	1.96	1.96	2.15
EUR	1.03	1.26	1.36	1.46

Investments

Listed and other quoted investments are stated at current bid value at the balance sheet 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 deemed to be the aggregate of market value at the previous balance sheet date of those investments still held at the current balance sheet date, and purchases during the period.

2. Accounting Policies *continued*

Investment return

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

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and market value at the previous balance sheet date, or purchase price if acquired during the year. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the year.

Allocation of investment return

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

Operating expenses

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 balance sheet 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 17.5%, subject to the operation of a deficit clause. This is charged to the syndicate as incurred on an earned basis but does not become payable until after the appropriate year of account closes, normally at 36 months.

3. Segmental Analysis

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

2008	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expense £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
Accident and health	8,875	9,676	(1,652)	(3,334)	310	5,000	16,506
Motor (third party liability)	1,018	3,591	(3,125)	(1,325)	377	(482)	9,853
Motor (other classes)	8,568	9,511	(4,610)	(3,870)	(290)	741	20,447
Marine, aviation and transport	26,826	28,972	(34,204)	(10,241)	(365)	(15,838)	88,351
Fire and other damage to property	43,890	43,243	(20,753)	(12,113)	(3,397)	6,980	76,464
Third party liability	7,479	10,378	(4,034)	(2,329)	(319)	3,696	80,995
Other	795	375	(271)	238	29	371	4,100
	97,451	105,746	(68,649)	(32,974)	(3,655)	468	296,716
Reinsurance accepted	185,043	204,190	(102,176)	(52,873)	(14,955)	34,186	383,895
Total	282,494	309,936	(170,825)	(85,847)	(18,610)	34,654	680,611

2007	Gross written premiums £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expense £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
Accident and health	9,753	10,972	(4,108)	(4,629)	(148)	2,087	13,965
Motor (third party liability)	4,858	5,032	(3,471)	(1,471)	(54)	36	9,987
Motor (other classes)	6,709	9,563	(4,788)	(3,948)	1,033	1,860	15,975
Marine, aviation and transport	29,683	30,722	(13,881)	(8,503)	1,298	9,636	45,117
Fire and other damage to property	48,558	51,050	(13,804)	(15,753)	(7,259)	14,234	49,013
Third party liability	12,033	15,614	(10,432)	(5,358)	71	(105)	65,652
Other	287	380	(38)	(185)	(347)	(190)	2,153
	111,881	123,333	(50,522)	(39,847)	(5,406)	27,558	201,862
Reinsurance accepted	230,318	249,918	(89,798)	(76,798)	(25,304)	58,018	321,283
Total	342,199	373,251	(140,320)	(116,645)	(30,710)	85,576	523,145

All premiums were concluded in the UK.

	2008 £'000	2007 £'000
Total commissions on gross direct premiums earned	**27,540**	23,543

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

	2008 £'000	2007 £'000
UK	**8,529**	8,607
Other EU countries	**10,110**	15,383
US	**184,042**	237,813
Other	**79,813**	80,396
Total	**282,494**	342,199

Other, above, includes worldwide income of £51,025,000 (2007: £53,304,000).

4. Claims Outstanding

A positive run-off of £12 million on the 2007 and prior years' reserves (2006 and prior: £22.2 million) was experienced during 2008. This change to the previous years' reserves is 3% of the net provisions brought forward. The change in the year was due to a favourable run-off during the year of our short-tail property book.

	2008 £'000	2007 £'000
Gross outstanding claims	272,191	185,220
Reinsurance recoveries anticipated	(24,950)	(19,543)
Net outstanding claims	247,241	165,677
Provision for gross claims incurred but not reported	301,594	236,897
Reinsurance recoveries anticipated	(13,843)	(14,911)
Provision for net claims incurred but not reported	287,751	221,986
Unallocated loss and loss adjustment expenses	3,998	3,028
Net reserves	538,990	390,691

5. Operating Expenses

	2008 £'000	2007 £'000
Personal expenses	5,238	9,299
Profit commission payable to managing agent	7,713	24,303
Other administrative expenses	5,313	5,603
Loss on exchange	2,653	406
	20,917	39,611

Administrative expenses include:

	2008 £'000	2007 £'000
Auditors' remuneration		
Fees for the audit of the syndicate	185	185
Taxation compliance services	–	16
Actuarial consultancy services	188	156

Personal expenses comprise managing agent's fees, profit commission, Lloyd's subscriptions and Central fund contributions.

6. 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:

	2008 £'000	2007 £'000
Wages and salaries	3,155	3,115
Social security costs	358	355
Other pension costs	340	311
	3,853	3,781

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 agency but working for the syndicate during the year was as follows:

	2008 Number	2007 Number
Administration and finance	20	19
Underwriting	21	22
Claims	4	4
	45	45

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

7. 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:

	2008 £'000	2007 £'000
Emoluments	860	863

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

	2008 £'000	2007 £'000
Emoluments – D E S Shipley (Active underwriter to 31 August 2007)	–	135
– R K Trubshaw (Active underwriter from 1 September 2007)	222	65
	222	200

8. Investment Return

	2008 £'000	2007 £'000
Investment income		
Income from investments	17,452	18,146
Gains on the realisation of investments	4,824	6,402
	22,276	24,548
Investment expenses		
Investment management expenses, including interest	2,020	2,065
Losses on the realisation of investments	7,562	853
	9,582	2,918

9. Calendar Year Investment Yield

Average syndicate funds available for investment:

	2008 000	2007 000
Sterling	36,245	15,248
United States dollars	1,014,700	911,513
Canadian dollars	34,898	37,793
Euros	52,014	58,776
Combined sterling average syndicate funds available for investment	643,817	528,840
Investment return – gross of investment expenses	(6,834)	30,328

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

Sterling	4.2%	5.2%
United States dollars	(0.9%)	6.2%
Canadian dollars	3.9%	4.2%
Euros	(10.1%)	1.2%
Combined	(1.1%)	5.8%

10. Exchange Differences on Foreign Currency Translation

Exchange differences on foreign currency translation arise as follows:

	2008 £'000	2007 £'000
On balances brought forward	66,216	1,124
On transactions during 2008: from average to year end rates	8,903	1,123
	75,119	2,247

11. Financial Investments

	Market value		Cost	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Shares and other variable yield securities and units in unit trusts	71,624	53,838	83,629	51,615
Debt securities and other fixed income securities	551,638	334,369	554,307	332,475
Participation in investment pools	98,647	35,979	111,527	34,653
Other loans	26,148	59,414	26,114	59,210
Deposits with credit institutions	9,473	8,736	9,473	8,736
	757,530	492,336	785,050	486,689

Included above are listed investments amounting to £101,733,000 (2007: £76,720,000) of which equities amount to £26.1 million (2007: £40.7 million) and participations in investment pools £75.6 million (2007: £36.0 million).

12. Debtors Arising out of Insurance Operations

	2008 £'000	2007 £'000
Arising out of direct insurance		
Due from policyholders	–	–
Due from intermediaries – within one year	39,300	26,290
– after one year	45	34
	39,345	26,324

Debtors arising out of reinsurance operations includes £9,341,000 (2007: £273,000) due after one year and include funds due in respect of Syndicate 6103 (see note 22).

13. Other Debtors

	2008 £'000	2007 £'000
Due within one year		
Outstanding settlements on investments	449	–
Commissions and overrider receivable	832	1,938
Foreign taxes	1,622	863
Members' agents fees funded	1,103	958
Other	3	75
	4,009	3,834
Due after one year		
Inter syndicate debt	701	630
Members' agents fees funded	2,792	2,387
Commissions and overrider receivable	2,310	–
	5,803	3,017
	9,812	6,851

14. Other Assets

	2008 £'000	2007 £'000
Overseas deposits	25,379	19,181

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries.

15. Reconciliation of Members' Balances

	2008 £'000	2007 £'000
Members' balances brought forward at 1 January	150,761	107,964
Profit for the financial year	25,800	113,839
Exchange rate difference – transfer from the Statement of Recognised Gains and Losses	75,119	2,247
– continuous solvency transfers	(11,286)	453
Reclassification of members' agents fees	(958)	(850)
Continuous solvency transfers	–	(30,000)
Payments of profit to members' personal reserve funds	(18,016)	(42,892)
Members' balances carried forward at 31 December	221,420	150,761

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

16. Creditors Arising Out of Insurance Operations

	2008 £'000	2007 £'000
Arising out of direct insurance operations		
Policyholders	–	–
Intermediaries – within one year	714	616
– after one year	–	5
	714	621

Creditors in respect of reinsurance operations of £67.2m (2007: £38.8m) include amounts due after one year of £46.1m (2007: £17.2m), all of which are due from Syndicate 6103.

17. Other Creditors

	2008 £'000	2007 £'000
Outstanding settlement on investments	–	2
Profit commissions	48,519	31,988
Other	11	51
	48,530	32,041

Of the profit commissions above, £19,141,000 (2007: £27,955,000) fall due after one year.

18. Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	2008 £'000	2007 £'000
Operating profit on ordinary activities	25,800	113,839
Realised and unrealised investments (gains)/losses including exchange movements	(176,361)	(13,065)
Increase/(decrease) in net technical provisions	157,466	(46,518)
(Increase)/decrease in debtors	(40,255)	36,167
Increase in creditors	44,769	21,504
Exchange differences on foreign currency translation	63,833	2,700
Movement on members' balances	(958)	(850)
Net cash inflow from operating activities	74,294	113,777

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

	2008 £'000	2007 £'000
Net cash flows for the year	(55,057)	36,929
Cash flow – portfolio investments	111,335	3,956
Movement arising from cash flows	56,278	40,885
Changes in market value and exchange rates	176,361	13,065
Total movement in portfolio investments	232,639	53,950
Portfolio at 1 January	581,553	527,603
Portfolio at 31 December	814,192	581,553

20. Movement in Cash, Portfolio Investments and Financing

	At 1 January 2008 £'000	Cash flow £'000	Changes to market value and currencies £'000	At 31 December 2008 £'000
Cash at bank and in hand	70,036	(55,057)	16,304	31,283
Overseas deposits	19,181	547	5,651	25,379
Portfolio investments:				
Shares and other variable yield securities and units in unit trusts	53,838	14,237	3,549	71,624
Debt securities and other fixed income securities	334,369	92,202	125,067	551,638
Participation in investment pools	35,979	64,597	(1,929)	98,647
Other loans	59,414	(57,647)	24,381	26,148
Deposits with credit institutions	8,736	(2,601)	3,338	9,473
Total portfolio investments	492,336	110,788	154,406	757,530
Total cash, portfolio investments and financing	581,553	56,278	176,361	814,192

21. Net Cash Inflow/(Outflow) on Portfolio Investments

	2008 £'000	2007 £'000
Purchase of shares and other variable yield securities	**(44,471)**	(20,779)
Purchase of debt securities and other fixed income securities	**(1,706,885)**	(1,381,656)
Purchase of participation in investment pools	**(71,661)**	(10,050)
Deposits with credit institutions	**2,601**	6,046
Other loans	**57,647**	(21,448)
Sale of shares and other variable yield securities	**30,234**	94,343
Sale of debt securities and other fixed income securities	**1,614,683**	1,330,099
Sale of participation in investment pools	**7,064**	–
Net cash (outflow) on portfolio investments	**(110,788)**	(3,445)

22. Related Parties

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

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

Syndicate 2791 receives a ceding commission of 5% of the original gross net premiums written and ceded to Syndicate 6103; additionally, an overriding commission of up to 1.5% of Syndicate 6103's capacity is received to cover personal expenses of Syndicate 6103 names borne by Syndicate 2791. A profit commission of 15% of profits, as defined in the contract, is payable to MAP. All funds are retained and invested by Syndicate 2791 on behalf of Syndicate 6103 and interest is payable (or charged on negative balances) to Syndicate 6103 at rates agreed.

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

	2008 £'000	2007 £'000
Premiums ceded	**(16,264)**	(18,141)
Paid claims recovered	**6,933**	180
Ceding commission	**817**	907
Overriding commission	**226**	631
Interest paid	**(500)**	(283)
Interest received	**67**	22

Managing agency fees amounting to £2,205,000 were paid to MAP during 2008 (2007: £2,528,000) and profit commission of £7,713,000 (2007: £24,303,000) is also due to the managing agent in respect of the results for this calendar year. Expenses totalling £6,526,000 (2007: £6,558,000) have been recharged during the year.

The directors' interests in the ordinary share capital of MAP Equity Limited, which has an issued share capital of 250,000 £1 shares, during 2008, were as follows:

	A Shares (voting)	B Shares (non-voting)
D E S Shipley	30,000	–
R K Trubshaw	26,250	–
A Kong	18,750	–
J D Denoon Duncan	–	8,333
B S McAuley	–	12,500
C J Smelt	–	2,500
R J Sumner	–	8,334

22. Related Parties *continued*

Messrs Denoon Duncan, Kong, Trubshaw, Sumner, Smelt and Ms McAuley participate on Syndicate 2791 via a dedicated, but unaligned to the managing agent, corporate member MAP Capital Limited. MAP Capital Limited commenced underwriting on the 2001 year of account. For the 2008 year of account MAP Capital Limited provided £110,062,500 of capacity on Syndicate 2791 (2007: £128,737,500) representing 27.4% of capacity (2007: 28.0%). MAP has no direct or indirect interest in the share capital of MAP Capital Limited.

For the 2008 year of account, these directors also participate on Syndicate 2791 via a dedicated, but unaligned to the managing agent, corporate member, Nomina No 208 LLP. This is the first year this member has participated on the syndicate. For the 2008 year of account it has provided £905,000 of capacity representing 0.2% of capacity. MAP has no direct or indirect interest in Nomina No 208 LLP.

Certain functions in relation to administration and systems had been sub-contracted to companies related to Omni Bridgeway BV which has a 9.9% interest in the shares of the intermediate parent company, Managing Agency Partners Holdings Limited. These arrangements are on an arms length basis. The charges for these services in 2008 totalled £138,000 (2007: £113,000).

The syndicate has an investment in Steadfast International Limited, an equity investment fund managed by Steadfast Capital Management Limited of which Mr Foote, a director of MAP, is the managing director. The syndicate's participation on this fund is at arm's length and the syndicate was charged fees and profit commissions amounting to £235,000 during 2008 on normal commercial terms. Mr Foote, as partner in Steadfast Capital Management Limited will participate in any profits of Steadfast Capital Management Limited.

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

There are no other transactions or arrangements requiring disclosure.

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

24. Contingent Liabilities

Litigation

In the course of conducting insurance business, the syndicate receives claims in respect of its underwriting activities and becomes involved in actual or threatened litigation arising therefrom including actions in respect of subrogation, asset recovery or coverage disputes. Prudent estimates of costs arising in the defence of all these claims have been made in these accounts. The board of the managing agent considers each action carefully and appropriate provisions are made accordingly. There are provisions amounting to £328,000 (2007: £311,000) at the year end.

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$13.3 million; the letters of credit are fully collateralised with cash deposits held by Citibank, on the syndicate's account, of US$13.6 million.

MAP

Managing Agency Partners Ltd
Syndicate 2791 at Lloyd's

110 Fenchurch Street
London EC3M 5JT
UK

Tel: +44 (0)20 7709 3860
Fax: +44 (0)20 7709 3861

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